

Stakeholder Comment Matrix – Apr. 9, 2020

Request for feedback on pricing framework review, session 2 material



Period of Comment: Apr. 9, 2020 through Apr. 23, 2020 Comments From: Industrial Power Consumers Association of Alberta (IPCAA) the Alberta Direct Connect Consumer Association (ADC) Date: 2020/04/22	Contact: [REDACTED] [REDACTED] Phone: [REDACTED] [REDACTED] Email: [REDACTED] [REDACTED]
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The AESO is seeking comments from stakeholders on its approach to reviewing the pricing framework, and content from session 2.

	Questions	Stakeholder Comments
Price Cap Review		
1.	Do you have comments related to the AESO's analysis on the response of interties to high prices?	IPCAA and ADC agree that the interties are typically incented to deliver to Alberta at prices at or below the current offer cap.
2.	Do you have comments related to the AESO's analysis on the response of long lead time assets to high prices?	<p>The AESO's review of Long Lead Time Assets (LLTA) has been based on a historical analysis of LLTA generators, which are currently all coal-fired.</p> <p>It can be expected, as the coal-fired assets quickly convert to natural gas-fired generators, that their operating characteristics will change. The AESO should consider requesting that the owners of the coal-to-gas conversions provide information related to their new operating characteristics, including:</p> <ul style="list-style-type: none"> - Time to start, based on the state of the boiler temperature; - The new Minimum Stable Generation (MSG) levels (note that these will likely be reduced by half); - Their ability to "two-shift" (or shut-down at night and return to the market in the day) and / or "leap-frog" (run every second day to maintain themselves in a hot-state); <p>Increasing flexibility should ultimately increase the frequency of LLTA generators being available at high-priced hours.</p>

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3.	The AESO provided analysis related to load that may respond to prices greater than \$1000/MWh. Do you have comments related to the approach of that analysis?	No comments at this time.
4.	Do you believe the amount of load the AESO indicated could respond to prices greater than \$1000/MWh is accurate? Please substantiate your response.	<p>Before the AESO tackles the issue of loads that can respond at >\$1000/MWh, IPCAA and ADC submit that there is a significant amount of load that could respond at prices below \$1000/MWh if this load could see the benefits. What is required is:</p> <ul style="list-style-type: none"> - Sub-hourly settlement, in order to send a more accurate price signal and actually reward those who do respond; - A larger community with interval meters that are incented to respond to pool price; and - The ability to offer into the Ancillary Services market. <p>IPCAA and ADC submit that the AESO should prioritize unlocking the demand response that is available but not active, due to procedural / technical reasons.</p> <p>IPCAA and ADC have not collected information on demand response that would activate if prices were above \$1000/MWh.</p>
5.	If the price cap were increased, would loads be more incented to enter into energy market hedges? What would be the benefits and drawbacks to this?	<p>Certainly, from experience in other marketplaces such as ERCOT and Australia, as the maximum pool price rises, loads will hedge to reduce their pool price risk. In Australia, most of the generator output is hedged with loads.</p> <p>Depending on the hedge price, Alberta load may be more incented to physically hedge by developing physical options to avoid price surges. As the AESO has already illustrated (in its Cost of Electricity Estimate dated March 3rd, 2020), it is already economic for industrial load to self-supply.</p>
6.	What approach should the AESO use when determining the appropriate price cap level? Please substantiate your response.	Prior to expending such effort, the AESO should focus on unlocking price-responsive load that is not available in Alberta due to regulatory and administrative barriers. Other jurisdictions have made efforts to enable more load to participate.
7.	Do you believe market efficiencies could be gained by raising the level of the price cap? What are the tradeoffs? Please substantiate your response.	It is not clear to IPCAA and ADC what market efficiencies are gained by raising the price cap. Until the AESO has removed barriers to entry from price-responsive load below the offer cap, increasing the price cap is unnecessary. Demand Response suppliers have indicated that there is substantial load that could be available below

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		the current offer cap.
8.	Is there additional analysis the AESO should complete to review the efficiency of the price cap?	The AESO should complete a review of barriers to entry of price-responsive load with the goal of eliminating them prior to examining increasing the price cap.
Price Floor Review		
9.	The AESO provided analysis related to the volume and prices of potential renewable generation market based curtailment. Do you have comments related to the volumes or price levels described in that analysis?	No comments at this time.
10.	The AESO provided analysis related to the volume and prices of potential thermal generation market based curtailment. Do you have comments related to the volumes or price levels described in that analysis?	IPCAA and ADC submit that the AESO should review its surplus analysis by examining the changing operational characteristics of coal-to-gas conversions.
11.	Historically, the AESO has largely used import curtailments to manage supply surplus conditions. Is this an adequate approach to managing future supply surplus conditions?	IPCAA and ADC submit that competitive markets are the best option to solve issues and provide co-ordination rather than AESO intervention. As such, IPCAA and ADC believe that a faster clearing of import and export markets, rather than the existing two-hour ahead model, would provide a better solution not only for supply surplus but supply shortages.
12.	Do you believe that market efficiencies could be gained by establishing a lower price floor? What are the tradeoffs? Please substantiate your response.	The AESO's resource adequacy study indicates that supply surplus hours will not become an issue until the 2030's. The AESO's existing procedures should handle the levels of surplus currently being experienced, but could be enhanced by a more market-based approach to handling imports / exports. As such, putting in a lower price floor at this time will have no impact in the short-term, but would provide transparency for future renewable investment. As renewable investment increases in Alberta, changing the price floor will become more difficult in the future.
13.	Is there additional analysis the AESO should complete to review the efficiency of the price floor?	Putting an appropriate price floor in place allows the market to solve curtailments and provides signals to incentivize system flexibility.

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		<p>IPCAA and ADC have no additional analysis to recommend at this time.</p> <p>IPCAA and ADC note that there are several electricity sector issues that are much larger priorities at this time. Given the AESO analysis that supply surplus hours will not become an issue until the 2030's, it is clear that no changes are required immediately, and the AESO should focus on other priority areas, such as maintaining reliability and exploring options to reduce transmission rates for consumers.</p>
Stakeholder Engagement		
14.	<p>In the next stakeholder session, the AESO plans to present alternative price cap and floor design alternatives. In the final stakeholder session the AESO would like to hear directly from stakeholders or groups of stakeholders. The format will be dependent on the number of respondents. Would you be interested in presenting individually or as part of a group on any element of the pricing framework the AESO has communicated on during this stakeholder engagement?</p> <p>If yes, please indicate which topics you may be interested in discussing. Note, industry associations notwithstanding, the AESO would prefer to have stakeholders represent themselves rather than have third parties present on behalf of stakeholders.</p>	<p>IPCAA and ADC would be pleased to present but will defer to our members.</p> <p>Topics that should be covered include:</p> <ol style="list-style-type: none"> 1. AESO barriers to entry from price-responsive load, including the potential volume available; and 2. AESO barriers to entry from energy storage resources. <p>Solutions to both issues may ultimately lead to no changes required in the pricing parameters.</p>
15.	<p>Was the Zoom meeting approach used for this engagement effective?</p> <p>If no, please provide specific feedback on how the AESO can make these sessions more effective.</p>	<p>A web conference call was acceptable under the circumstances. As the AESO is aware, some companies are not allowing their employees to use Zoom due to security concerns. The AESO may want to consider other options.</p>
16.	<p>Please provide any other comments you have related to the pricing framework engagement.</p>	<p>No comments.</p>

Thank you for your input. Please email your comments to: stakeholder.relations@aeso.ca.