

Stakeholder Comment Matrix – Feb. 12, 2020

Request for feedback on pricing framework review, session 1 material



Period of Comment: Feb. 12, 2020 through Feb. 26, 2020 Comments From: Industrial Power Consumers Association of Alberta (IPCAA) Date: 2020/02/28	Contact: [REDACTED] Phone: [REDACTED] Email: [REDACTED]
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The AESO is seeking comments from stakeholders on its approach to reviewing the pricing framework, and content from session 1.

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. Email your completed matrix to stakeholder.relations@aeso.ca by Feb. 28, 2020
4. Stakeholder comments will be published to aeso.ca, in their original state, with personal or commercially sensitive information redacted, following Feb. 28, 2020. The AESO will not be responding directly to any submissions, but submission feedback will be considered for the final recommendation.

	Questions	Stakeholder Comments
1.	At the session, the AESO outlined the objectives of the pricing framework, which includes ensuring both long term adequacy and ensuring efficient short-term market response. Do you have any comments on the objectives of the pricing framework?	<p>IPCAA submits that the AESO needs to provide a clear understanding of its vision of the end-state of the Energy-Only Market (EOM). The AESO has made it clear that the old EOM will need to change new due to the fundamental changes underway in the energy sector, including:</p> <ul style="list-style-type: none"> • The falling cost of renewable generation; • The carbon price adder impacting the coal-to-gas economics and attracting renewables; and • The growth in demand response and energy storage systems. <p>The AESO's disparate piecing together of elements without an understanding of the desired end-state of the EOM will lead to inefficient outcomes and undertaking work that may ultimately not be required.</p> <p>The AESO needs to recognize that in an EOM, all incentives for investment should be in a price that both consumers and producers can hedge. Out-of-market</p>

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		<p>payments for specific AESO programs, such as a ramp product, need to be avoided. Customers already have extremely high wires costs in Alberta, which cannot be hedged. We should not be adding to this problem on the market side of the business.</p> <p>By July 31, 2020, the AESO is to provide to the Alberta Government an analysis and recommendation on: the price floor, price cap and shortage pricing. The AESO has limited its scope to those areas. IPCAA would like more information on the following:</p> <ul style="list-style-type: none"> • How often will the AESO be conducting its Net Demand Variability Study, so that we will have an awareness of whether we need more resource flexibility in the market? • How often will the AESO be reporting on whether the current EOM construct works for Alberta? • How will stakeholders know when we need a fuller discussion on the overall EOM design? <p>IPCAA is concerned that this AESO stakeholder engagement process is short-sighted and does not inform the market of the long-term checks, balances and objectives.</p>
2.	<p>Please provide your comments on the AESO's description of Alberta's Energy-Only Market Pricing Framework, and the administrative price levels, in particular the purpose of the <u>offer cap</u>.</p> <p>Is there anything you would change or add to this description?</p>	<p>The offer cap is effectively in place to mitigate market power and has worked well since the advent of the EOM.</p> <p>It would appear from the AESO's Forward Looking Revenue Sufficiency Assessment that the offer cap at \$999.99/MWh is sufficient to incent new investment. From IPCAA's perspective, since investment is incited with the present cap, there should be no need to update the offer cap.</p>
3.	<p>Please provide your comments on the AESO's description of Alberta's Energy-Only Market Pricing Framework, and the administrative price levels, in particular the purpose of the <u>price cap</u>.</p> <p>Is there anything you would change or add to this description?</p>	<p>The current difference between the offer cap and the price cap is \$0.01/MWh. Having a significant difference between an offer cap and a price cap can potentially lead to gaming via physically withholding of generation resources due to the price / volume trade-off. With a price cap significantly higher than the offer cap, it will be necessary to have effective market surveillance programs are in place to ensure that such behaviors do not occur.</p> <p>If the AESO's recommendation is to have a price cap significantly different than the offer cap, IPCAA advocates for more transparency around generator outages.</p>

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		<p>IPCAA recommends implementing a revised outage planning process in which all outages (by generator name) are published ahead of the EOM so that a higher level of transparency is available to the market.</p>
4.	<p>Please provide your comments on the AESO's description of Alberta's Energy-Only Market Pricing Framework, and the administrative price levels, in particular the purpose of the <u>price floor</u>.</p> <p>Is there anything you would change or add to this description?</p>	<p>With increased penetration of price-taking renewable resources it can be expected that the number of hours of \$0/MWh electricity and supply surplus situations will increase. Currently, a pro-rata tie-breaking formula is used to dispatch down surplus resources.</p> <p>There are resources in Alberta that cannot economically dispatch down below their minimum stable generation levels. IPCAA is concerned that the current price floor could result in cogeneration being dispatched down on a pro-rata basis. This could translate into unnecessary economic loss for the province, when there are alternative options available.</p> <p>We look forward to the subsequent stakeholder engagement session when the AESO provides some additional analysis on price floor implications. We encourage the AESO to address the cogeneration concern outlined above. There is a clear need to ensure short-term efficiency in the market and avoid unnecessary economic disruption.</p>
5.	<p>The AESO's forward looking resource adequacy assessment indicates that the energy only market with the existing offer cap will provide reasonable financial returns while meeting the supply adequacy requirements.</p> <p>Do you agree with the AESO's conclusions? If no, please describe your concerns.</p>	<p>IPCAA has no reason to dispute the AESO's analysis. The EOM with an offer cap of \$999.99/MWh has delivered the needed investment for two decades.</p>
6.	<p>The AESO's historical revenue sufficiency assessment indicates that the energy only market with the existing offer cap has historically sent efficient and timely price signals to the market. Historically assets have been added when pricing signals indicated that profitable entry could occur.</p> <p>Do you agree with the AESO's conclusions? If no, please describe your concerns.</p>	<p>IPCAA has no reason to dispute the AESO's analysis. The EOM with an offer cap of \$999.99/MWh has delivered the needed investment for two decades</p>

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7.	Are there foreseeable situations where asset variable costs would be greater than \$999.99/MWh? If yes, please describe the situation.	IPCAA does not believe that asset variable costs approach \$999.99/MWh. Experience suggests they more likely peak in the \$200/MWh range.
8.	The AESO has described the scope for this process, general agenda items and timing for upcoming stakeholder engagements, with the timing of the sessions aligned with the AESO's deliverable to the Government of Alberta Energy Minister. Please describe if you believe the scope is appropriate. If not, please describe/provide your rationale.	Please see the response to Question 1.
9.	Is the approach used for this engagement effective? If no, please provide specific feedback on how the AESO can make these sessions more constructive.	Please see the response to Question 1.
10.	Please provide any other comments you have related to the pricing framework engagement.	Please see the response to Question 1. IPCAA continues to submit that the EOM price signal must integrate the need for: <ul style="list-style-type: none"> • Reliability; • Flexibility; and • Investment. All of this must be included in the price signal, not in out-of-market payments.

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