



RESPONSE TO AESO BUDGET PROPOSAL

Michelle Dawson

Jamie Walker

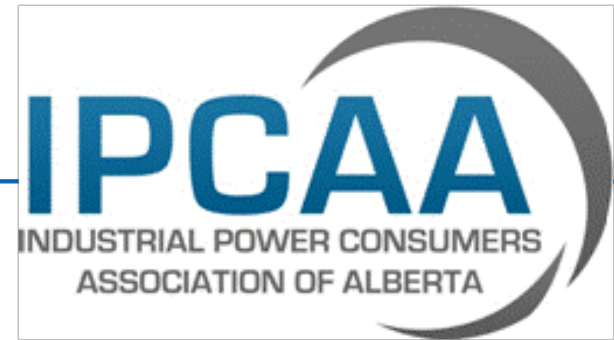
Grant Pellegrin

Vittoria Bellissimo

Richard Penn

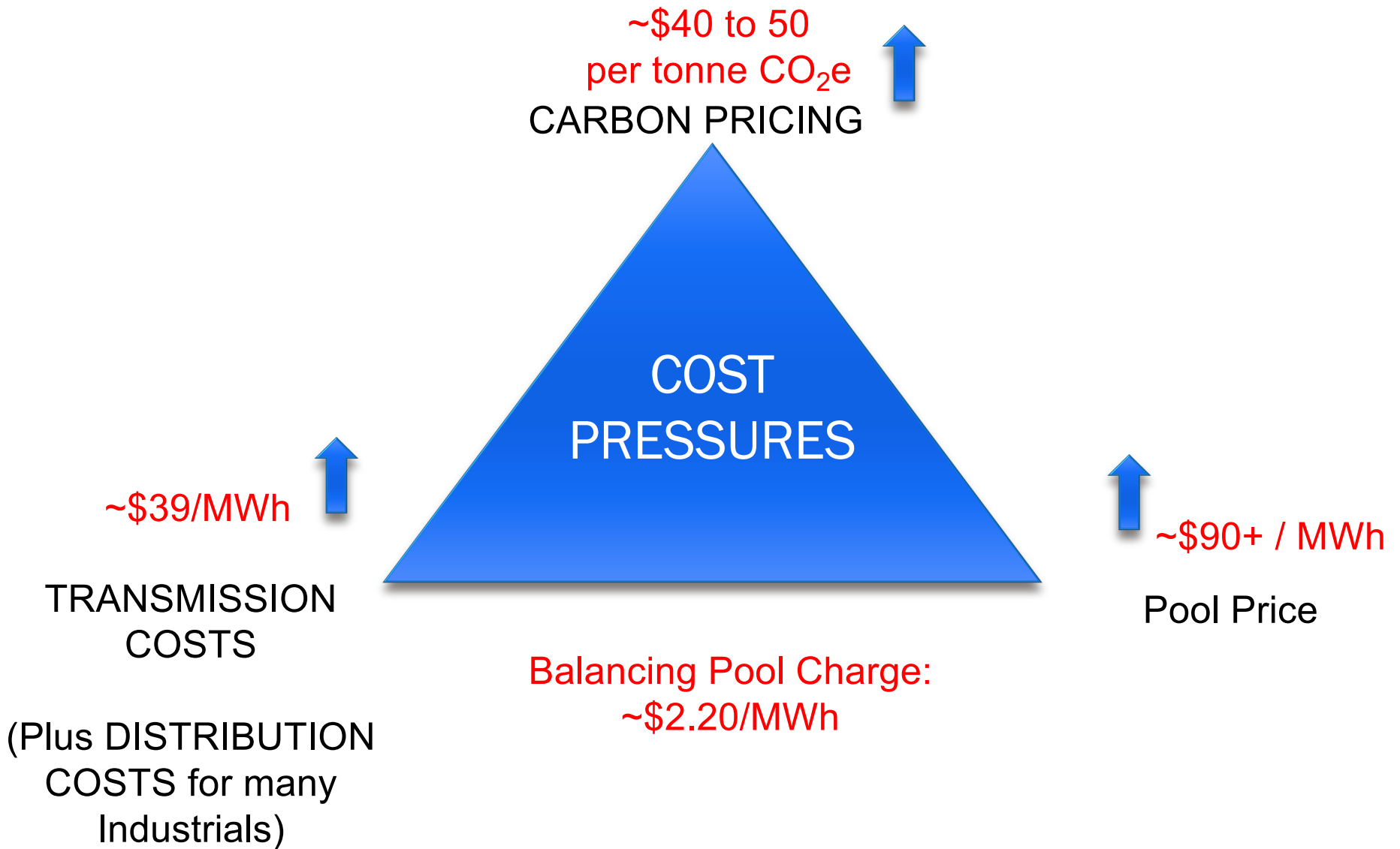
November 17, 2021

ABOUT IPCAA



- IPCAA was formed in 1983 as a membership-based society representing Alberta's large industrial electricity consumers.
- Our members are involved in key Alberta industries, including Oil & Gas, Pipelines, Petrochemicals, Agriculture, Cement and Steel.
- Our mission is to take a leadership role in ensuring that a competitive marketplace exists for electrical services.

2022 INDUSTRIAL COST PRESSURES



AESO BUDGET: KEY COMMENTS



1. AESO Own Costs and Decreasing Demand Levels
2. AESO Settlement Audit
3. Alberta Reliability Standards
4. AESO Tariff
5. Transmission Infrastructure

AESO OWN COSTS

- The AESO's 2022 G&A costs are \$95.7M. Plus Interest and Amortization = \$123.1M.
- The AESO should submit its costs to the AUC for review as part of its Tariff.
- IPCAA continues to advocate that the AESO should annually benchmark its own costs to other ISOs in order to establish the value for money proposition for Alberta.
- It is not helpful to continually say that Alberta is "different."
- The following table illustrates the costs of the formalized electricity markets in North America (in US dollars).

AESO OWN COSTS

ISO/RTO	2022 Revenue Req. in (US\$)	Est'd 2022 Demand in TWh	2022 Revenue Requirement	Debt Outstanding at 12/31/2022	Authorized FTEs at 12/31/22	Authorized GWh/FTE
AESO	\$97.40 M	60.3	\$1.62/MWh	N/A	450	134
ISO-NE	\$216.3 M	144.4	\$1.50/MWh	\$ 89 M	593	244
IESO	\$153.3 M	135.2	\$1.13/MWh	\$95 M	797	170
NYISO	\$169.2M	150.0	\$1.13/MWh	\$88 M	608	247
ERCOT	\$232.9 M	420.0	\$0.55/MWh	\$39 M	838	501
MISO	\$330 M	730.0	\$0.45/MWh	\$275 M	1046	800
PJM	\$322 M	817.0	\$0.39/MWh	\$8 M	765	896

Source:

<https://www.nyiso.com/documents/20142/24954486/03%202022%20DRAFT%20Budget%20Presentation.pdf/a464d0ca-235d-d505-da2f-a0472e5470da>

AESO OWN COSTS

- Scale is an issue; however, **all of** these other ISOs provide additional services, many including:
 - Settlement day-ahead and real-time with a **5-minute** granularity
 - Security constrained real-time markets
 - Security constrained day-ahead markets for energy and ancillary services for efficiency and reliability
 - Unit commitment for reliability purposes
 - Interties that can settle at a 15-minute or 5-minute granularity
 - Capacity markets

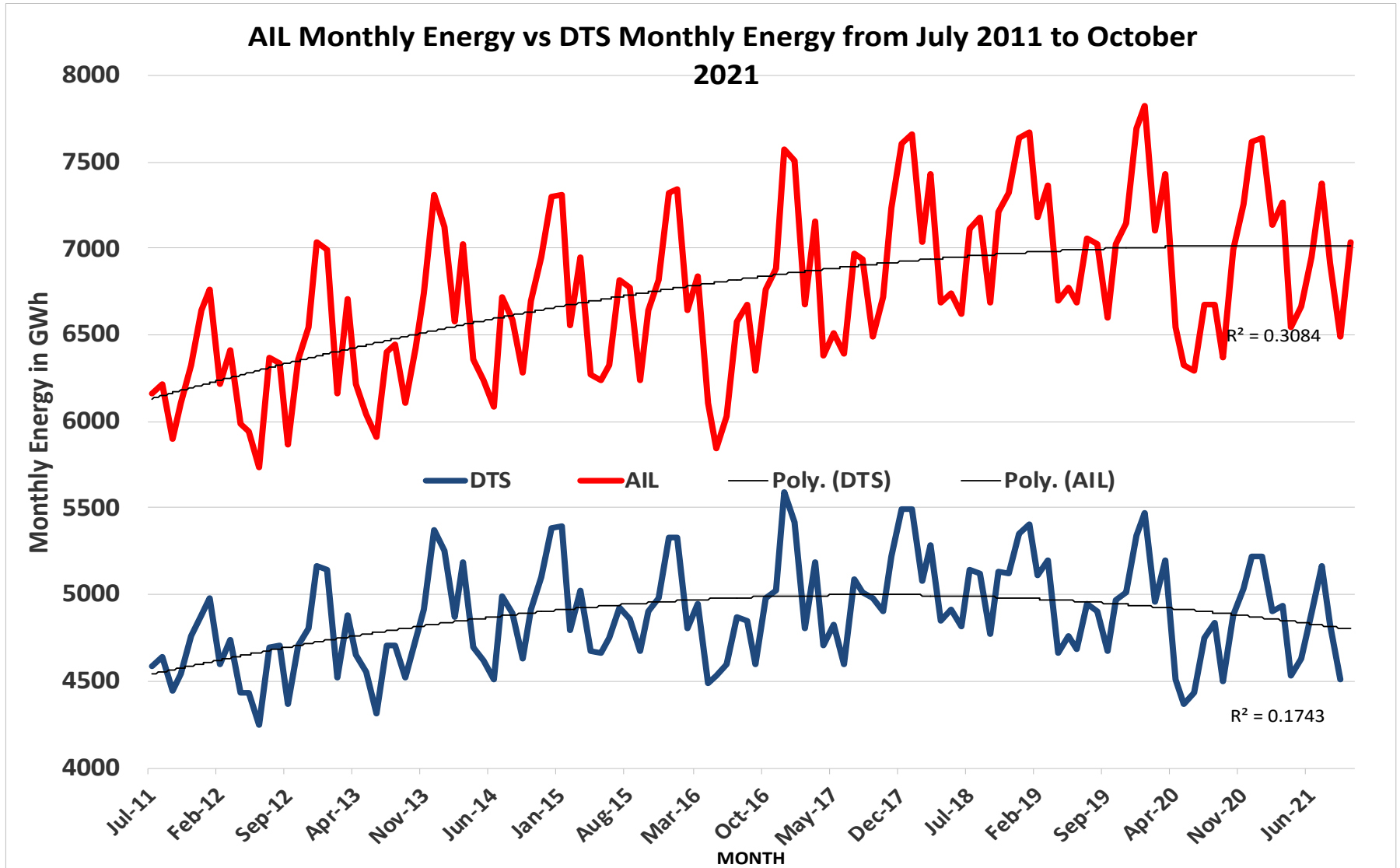
The AESO should benchmark its own costs and submit them to additional regulatory scrutiny

DECREASING DEMAND LEVELS

- DTS load pays for the vast majority of transmission costs in Alberta.
- The AESO no longer forecasts and publishes DTS peak load.
- In its BRP responses to stakeholders, the AESO states: “The AESO has also included DTS load forecasts in the 2021 LTO.” However, the LTO focus is clearly on AIL.
- AESO Forecast 2022 DTS Consumption is down 1.4% from the peak in 2018. This makes the AESO value proposition worse.

Year	AIL Peak In MW	DTS Peak in MW	DTS Annual Energy in GWh
2017	11,432	8,422	59,760
2018	11,163	8,643	61,156
2019	11,355	8,414	59,676
2020	11,698	8,468	58,164
2021 (Projected)	11,729	8,299	59,838
2022 (Forecast)	11,901	NA	60,289

MONTHLY AIL AND DTS ENERGY



AESO SETTLEMENT AUDIT

- IPCAA would like to thank the AESO for undertaking its first ever independent settlement audit.
- In other electricity markets this is a normal process every other year in to assure participants that the billions of dollars of settlements is correct.
- IPCAA believes the independent audit should include **all** settlement steps including the collection of meter data to affirm the data.
- IPCAA is concerned with the transparency around both the terms of reference (TOR) for the Audit and the ultimate results of the Audit. IPCAA requested consultation with stakeholders on the TOR for the Audit, which the AESO elected not to conduct.

AESO SETTLEMENT AUDIT

- In its 2022 Business Plan, the AESO states that it will “Share a post-audit report with stakeholders upon request, subject to non-disclosure agreement” [Emphasis added]
 - This level of secrecy is concerning.
- In its BRP responses to stakeholders, the AESO states: “The AESO will consider the option of redacting information to satisfy confidentiality concerns.”
 - This is a more appropriate approach. Be transparent and publish the results with any confidential information redacted.

IPCAA welcomes an independent audit of the AESO’s settlement systems. The process requires more stakeholder consultation and more transparency.

ALBERTA RELIABILITY STANDARDS



- In its BRP responses to stakeholders, the AESO states: “The AESO plans to engage industry in Q4 2021 in order to invite feedback from stakeholders that will assist the AESO in its determination of the scope and prioritization of work to be undertaken in 2022.”
 - This is helpful – IPCAA supports a review of Alberta Reliability Standards to reduce unnecessary burden on industry.

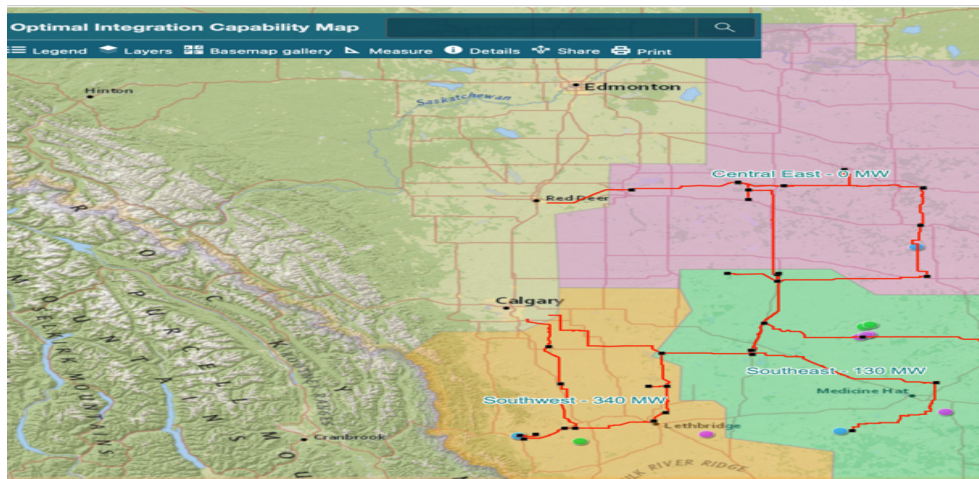
AESO TARIFF

- The current AESO Proposed Rate Design is inconsistent with cost causation and standard practice in US jurisdictions. Interveners are not supporting the AESO design.
- Several Alberta industrial consumers may require considerable mitigation if we want to keep price responsive loads operating in Alberta (and not leaving the province).
- The AESO should work with both the DOE and AUC to resolve the issues (T-Reg, SSE, etc.) impacting the Tariff. Customers do not want multiple rate re-designs.

The AESO Tariff overhaul may render some industrials uncompetitive in Alberta.

TRANSMISSION INFRASTRUCTURE

- The AESO's Optimal Integration Capability Interactive Map indicates there is only 470 MW of optimal integration capability for potential project locations.
- In 2014, during the Big Build, the AESO forecast 2025 demand at 16,318 MW. Now the AESO is forecasting demand at 12,154 MW for 2025.
 - What happened to the additional 4,164 MW of transmission capability that was planned and built for?



	Capability
Edmonton	0 MW
Central East	0 MW
Southeast	130 MW
Southwest	340 MW

TRANSMISSION INFRASTRUCTURE

- The recent shutdown of 3 large generators illustrates the concerns with a transmission system that was designed and build for the past, not the future.
- The AESO continues to focus on construction of new transmission rather than incenting efficient use of what is already built.
- Effective utilization of the existing transmission system helps to manage wires costs.

The AESO should promote effective utilization of existing transmission infrastructure prior to constructing new transmission.

KEY MESSAGES

1. Benchmark AESO Own Costs and submit them to additional regulatory scrutiny.
2. Make the independent settlement audit process more transparent to stakeholders.
3. Be prepared for negative tariff re-design consequences.
4. Promote effective utilization of existing transmission infrastructure prior to constructing new transmission.

QUESTIONS?

Please feel free to contact us:

➤ Vittoria Bellissimo, *Executive Director*

(403) 966-2700

Vittoria.Bellissimo@IPCAA.ca

➤ Richard Penn, *Senior Policy and Regulatory Analyst*

(403) 903-7693

Richard.Penn@IPCAA.ca