

## Stakeholder Comment Matrix – Apr. 9, 2020

### Request for feedback on pricing framework review, session 2 material



<p><b>Period of Comment</b> Apr. 9, 2020 through Apr. 23, 2020</p> <p><b>Comments From:</b> Cogeneration Working Group</p> <p><b>Date:</b> 2020/04/23</p>	<p><b>Contact:</b> [REDACTED]</p> <p><b>Phone:</b> [REDACTED]</p> <p><b>Email:</b> [REDACTED]</p>
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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?	The CWG agrees with the conclusion that there appears to be minimal benefit from raising the price cap at this time.
2.	Do you have comments related to the AESO's analysis on the response of long lead time assets to high prices?	
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?	
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.	
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?	A higher price cap increases risk and potentially volatility in the market, which would increase the political risk associated with high spot prices.
6.	What approach should the AESO use when determining the appropriate price cap level? Please substantiate your response.	Absent an identifiable issue, the price cap should not change. Given the analysis provided, it does not appear to be the case at this time that any issue exists that would need to be corrected.

	Questions	Stakeholder Comments
7.	<p>Do you believe market efficiencies could be gained by raising the level of the price cap? What are the tradeoffs? Please substantiate your response.</p>	<p>There appear to be limited benefits from raising the price cap at this time. There may be the potential for more demand response as noted by the AESO, but this appears to be a limited quantity. Further, the AESO could likely facilitate participation in the market for these customers through other means that would not disrupt market stability. Market stability is more important at this time than uncertain, limited benefits that might be attained from changing the price cap and floor at this time.</p>
8.	<p>Is there additional analysis the AESO should complete to review the efficiency of the price cap?</p>	
<p>Price Floor Review</p>		
9.	<p>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?</p>	
10.	<p>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?</p>	<p>The analysis is misleading as it compares the start-up cost versus a single hour of negative spot prices. Low price events tend to last more than a single hour and a generator choosing to go offline would take a view on how many hours of negative margin are expected. Combined cycle and coal fired generation are already losing money at \$0/MWh and there is a signal to take the plant offline if the low prices are expected to persist. A lower price floor could potentially drive these plants offline more rapidly and exacerbate unit commitment challenges.</p>
11.	<p>Historically, the AESO has largely used import curtailments to manage supply surplus conditions. Is this an adequate approach to managing future supply surplus conditions?</p>	<p>Curtailling imports appears to be an adequate approach in many instances since imports access the grid on an opportunity basis. In events where curtailing imports is insufficient to manage surplus conditions, generators whose dispatch tolerance is measured relative to potential real power capability rather than dispatch level should be curtailed in advance of those subject to compliance to dispatch level. Similar to imports, these units provide less 'firm' energy. At the current time, this would apply to wind and solar, though these generators could choose to 'firm' their offers via onsite storage at some point in the future.</p>

	Questions	Stakeholder Comments
12.	<p>Do you believe that market efficiencies could be gained by establishing a lower price floor? What are the tradeoffs? Please substantiate your response.</p>	<p>There are extremely limited market efficiencies to be gained. In the majority of hours the choice of curtailment will not be altered by negative prices.</p> <p>The tradeoff is a reduction in revenue sufficiency for internal Alberta generators with commitment costs. There is also the potential for higher ISO costs under the RESA contracts. Further, both ISO and industry resources are more appropriately focused on other more pressing issues at this time given the minimal benefit (if any) expected.</p>
13.	<p>Is there additional analysis the AESO should complete to review the efficiency of the price floor?</p>	<p>As noted, any discussion of a lower price floor must include an assessment both of the actual efficiency gains (measured in \$) and the impact on revenue sufficiency for internal Alberta generators.</p>
<p><b>Stakeholder Engagement</b></p>		
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>Depending on the alternatives submitted to the AESO, the CWG may be interested in presenting.</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>The CWG appreciates the AESO's efforts to engage using methods other than face-to-face consultation sessions. As many participants are remote from Calgary, the CWG suggests this mechanism be continued for a portion of all future (post-COVID) meetings.</p> <p>That being said, there were some issues with the Zoom meeting that need to be resolved for future sessions. Where a participant needed to drop off the call or had an internet connection issue that disconnected them from the Zoom meeting, that participant was unable to rejoin the session until after the break. It is important that participants can get on and off the call at any time.</p>
16.	<p>Please provide any other comments you have related to the pricing framework engagement.</p>	<p>If the AESO alters the price floor, the economic returns for a large number of assets will be impacted. Any discussion of the price floor must include an assessment of revenue adequacy and the expected impact on supply mix.</p> <p>It should also be noted that the price floor discussion does not appear to be driven by a concern that there will be material numbers of hours with supply surplus.</p> <p>Further, historical surplus events are a poor indicator of future events as the coal plants are transitioning to gas fired and PPAs are expiring. The operating considerations for gas fired thermal plants may be materially different from historical decisions for coal plants under PPA.</p> <p>Lastly, it should be noted that focus on this consultation takes resources away from other issues that are more pressing. The CWG would reiterate that until an issue is identified, we do not need to spend time on a solution.</p>

Thank you for your input. Please email your comments to: [stakeholder.relations@aeso.ca](mailto:stakeholder.relations@aeso.ca).