

Stakeholder Comment Matrix and AESO Replies

2021 Budget Review Process (BRP)

Stakeholder Presentations to AESO Board – Nov. 18, 2020



Summarized Stakeholder Comments and AESO Responses

The following matrix is a summary of the stakeholder comments presented to members of the AESO Board on Nov. 18, 2020 regarding the AESO 2021 Business Plan and Budget Proposal (Proposal). It also includes AESO Management’s replies to these comments for AESO Board consideration in determining their Decision. This summary material should be reviewed in conjunction with the Proposal and the Stakeholder Presentations to the AESO Board.

Stakeholder Comments on the 2021 Budget Review Process	
Stakeholder Comments and AESO Responses – Stakeholder Presentations to the AESO Board November 18, 2020	
Alberta Direct Connect Consumer Association (“ADC”)	<p>Comment 1</p> <p>The AESO has a number of business initiatives that the ADC supports:</p> <ul style="list-style-type: none"> • Red Tape Reduction • Optimizing the Grid • Distribution Coordination • Settlement Audit • Market Sustainability
AESO Response	Noted
Alberta Direct Connect Consumer Association (“ADC”)	<p>Comment 2</p> <p>ADC’s key priority is the Tariff Modernization</p> <ul style="list-style-type: none"> • The initial AESO rate proposals jeopardize ADC member economic viability in Alberta • Electricity Intensive industries have maintained their competitiveness by managing electricity costs through capital and operational investment • AESO tariff proposals would increase transmission costs by \$23M to \$30M annually for ADC members • Mitigation through load retention tariffs does not work <ul style="list-style-type: none"> • Deters any new investment from these industries if a load change triggers an end to the load retention tariff. • Could potentially interfere with international trade agreements. • Who decides what an appropriate tariff is for each company/industry? • ADC members are having a difficult time rationalizing the need for a major tariff change that has been approved by the AUC in several rate proceedings • AESO proposal will accelerate grid defections • Real issue is that Alberta has a transmission system that has become unaffordable

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AESO Response	<p>The AESO agrees that tariff modernization is a key priority. Implementing a new rate design will need to include some form of mitigation or transition plan to address cost increases for certain customers. This is a particularly complex design challenge, as within every category of consumer and within every industry, there are sites that would be both worse off and better off depending on the final rate design. The AESO is investigating options for transition with stakeholders, both in the form of rate design as well as rate impact mitigation, as part of the engagement process. This engagement will continue through the first half of 2021 in an effort to find the right solution for recovering current costs and creating the right signals for the future.</p>
Greengate Power Corporation (“Greengate”)	<p>Comment 1</p> <p>Loss Factors – current situation</p> <ul style="list-style-type: none"> • Prior to the new loss factor methodology, the AESO would provide a loss factor to a developer, as requested (one free, rest for a fee) • Current situation, loss factor methodology extremely complex <ul style="list-style-type: none"> • AESO only provides loss factors when project is projected to be in-service • Difficult for a Developer to fully mimic the AESO loss factor development process • For Travers, the project will receive its first AESO loss factor in December/20 for calendar 2021 <ul style="list-style-type: none"> • Travers submitted its interconnection request to the AESO in October 2017 <p>Comment 2</p> <p>Loss Factor issue for Developers</p> <ul style="list-style-type: none"> • Loss factors remain as the largest variable cost for a solar project and a few percentage point change in loss factors can make a project non-economic <ul style="list-style-type: none"> • Loss factors are an important factor for solar projects • Developers can hedge exposure to pool price with power hedges or PPAs • Developers can hedge exposure to solar variation with insurance products • Loss factors cannot be hedged and aren’t determined until very late in the process which creates both risk and uncertainty
AESO Response	Noted. See AESO response to Comment 4 below.
Greengate Power Corporation (“Greengate”)	<p>Comment 3</p> <p>What options exist to solve the issue</p> <p>The AESO could provide a loss factor estimate for the current year.</p> <ul style="list-style-type: none"> • Project can be added to the project list and loss factors recalculated <ul style="list-style-type: none"> • Developer can use the estimate to provide guidance for its development, receiving a location signal • AESO has concerns on the number of requests for loss factors that may occur <p>The AESO could release the system loads and allow developers to calculate their own loss factor estimate</p> <ul style="list-style-type: none"> • AESO has been reluctant to provide full load data since some PODs have only one customer and therefore confidentiality concerns exist
AESO Response	Noted. See AESO response to Comment 4 below.

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Greengate Power Corporation (“Greengate”)	<p>Comment 4</p> <p>Next Steps</p> <ul style="list-style-type: none"> • AESO VP Dennis Frehlich has committed to consulting on the loss factor issue in Q2/2021 with Industry <ul style="list-style-type: none"> • This action is appreciated, and this consultation may bring about other alternatives • However, this action leaves uncertainty on providing a developer with a loss factor estimate in 2021 • We would appreciate the AESO budgeting for this Developer loss factor work in 2021 or allow Developers to: execute a confidentiality agreement; release the load data; and allow Developers to create their own loss factor estimate
AESO Response	The AESO has already committed to engage in Q2 2021 with stakeholders to explore whether any additional loss factor information can be provided cost effectively and efficiently to developers, assuming Module C Loss Factor work is complete by Q2 2021.
Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>Comment 1</p> <p>The AESO should continue with the current rate design.</p>
AESO Response	The tariff as designed does not fit the needs of the electricity system today or of the future. There is a structural shift occurring in how electricity is produced, consumed and exchanged. This is causing the AESO to explore ways to modernize the ISO tariff through updated content, structure and processes. The bulk and regional tariff design is part of that content. As transmission costs have increased over the past decade with the reinforcement of the transmission system to support economic growth, the tariff price signals need to change to reflect the importance of recovering sunk costs fairly from all customers, not only sending signals to reduce consumption at peak times.
Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>Comment 2</p> <p>The AESO should benchmark its own costs and submit them to additional regulatory scrutiny</p>
AESO Response	<p>The AESO may consider doing a high-level comparison of costs and functional differences to other ISOs. The AESO and other ISOs / RTOs have performed detailed peer reviews of costs in the past and these reviews have not resulted in the development of information that would be useful for a comparison. As you have indicated the functions that the ISOs / RTO’s perform may be different and the services they provide may be on a different scale. As your chart demonstrates, the larger the scale of operations the lower per \$/MWh recovery of costs.</p> <p>Stakeholder consultation through the BRP was established to find efficiencies to facilitate the regulatory process with respect to the approval of the AESO’s Own Costs. The Transmission Regulation establishes several relevant provisions in this regard. The BRP participants comprised of the AESO and stakeholders began this process in 2005 to provide stakeholders with greater transparency of the AESO’s planning processes and an increased understanding of the operations of the organization. Also, this process facilitates the AESO Board receiving stakeholder comments prior to making a decision in respect of the AESO’s budgeted Own Costs, forecasted Ancillary Services costs and forecasted Transmission Line Loss costs. The AESO is committed to providing transparency and allowing for a comprehensive review of its Own Costs through the BRP. The AESO does not intend to submit these costs for AUC approval. However, the AESO is always open to considering suggested enhancements.</p>
Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>Comment 3</p> <p>The AESO’s conclusions are premature and should be put on hold until decisions are made by the AUC.</p>

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	<ul style="list-style-type: none"> • Since 2006, IPCAA and other loads and generators have advocated for an updated settlement interval that uses a much smaller time increment, i.e. 5-minutes, instead of hourly average pricing. It has been nearly 15 years since this discussion initially occurred. • A recent FERC Order 825 (June 16, 2016) stipulates ISOs must settle: <ul style="list-style-type: none"> ○ <i>Energy transactions in real-time markets at the same time interval it dispatches energy,</i> ○ <i>Operating reserves transactions in real-time markets at the same time interval it prices operating reserves, and</i> ○ <i>Intertie transactions at the same time interval it schedules intertie transactions.</i> • As they have learned in the US, the energy and AS markets send the investment signals for the type of flexible capacity needed. • An October 22, 2009 report by the AESO stated: “The concept has benefits both for load participants in the energy market and supply participants, and there is no principle that suggests the settlement interval cannot be changed” • Unlike every other jurisdiction in North America, the AESO has recently concluded that “adoption now is not recommended” • This decision was made prior to the AUC’s Distribution System Inquiry recommendations where experts recommended Alberta transition residential load to interval metering. • The AESO should hold-off on decisions such as this until the AUC has provided its vision and timing of future distribution initiatives.
AESO Response	<p>The AESO believes that sub-hourly settlement is a superior market design to the current hourly settlement interval as it allows for better price fidelity, incents flexibility, and reduces uplift payments. Over the course of the engagement, we completed significant analysis and concluded that the cost of implementing sub-hourly settlement far outweighs the benefits. Due to this we have made the decision not to pursue a change at this time. Should there be industry-wide metering and settlement technology advancements that would significantly lower implementation costs, the AESO would revisit this recommendation.</p>
Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>Comment 4 IPCAA welcomes an independent audit of the AESO’s settlement systems.</p>
AESO Response	<p>The AESO has included initiating a settlement audit of AESO settlement processes in its 2021 Business Initiatives. The first phase of the initiative will be to assess if the controls are in place and designed appropriately (readiness assessment) which has started in 2020. The second phase of the initiative will be to test the effectiveness of the controls over a period of time. The start of the second phase will depend on the readiness assessment and any mitigation required. The audit will include end-to-end AESO energy market and transmission settlement processes. The audit performed will be similar to Service Organization Controls (SOC) 1 Type 2 audits performed by independent auditors for other ISOs in North America.</p>
Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>Comment 5 Alberta Reliability Standards</p> <ul style="list-style-type: none"> • IPCAA agrees that compliance is an absolute necessity and ultimately reduces loads’ infrastructure investment costs • IPCAA members are concerned that the AESO’s has increased the regulatory burden on IPCAA members and others for a marginal – sometimes negligible – enhancement in reliability. • As part of the AESO’s Red Tape Reduction efforts, the AESO should reconsider the scale and potential impact a breach may have. • As the AESO has stated previously: “Moving obligations to another entity does not reduce regulatory burden....” <p>IPCAA recommends the AESO review its Reliability Standards to reduce the burden on Alberta industry.</p>

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AESO Response	<p>The AESO consults with stakeholders in the adoption of North American Electric Reliability Corporation (NERC) reliability standards in Alberta, including the need and applicability of the standard itself. Where a stakeholder believes that the standard or requirement has ‘marginal reliability’ value, the ‘criteria is too strict’, or it should not apply to a situation, the AESO seeks and considers that input in the development of the standard. Should a market participant identify standards or requirements that should not apply after the standard is in effect, the AESO will assess if the standard can be excluded from being applicable to that market participant.</p> <p>The AESO continues to update Information Documents to clarify understanding of standards and responds to Requests for Information to address stakeholder concerns. AESO treats reliability seriously along with the industry and expects that all market participants do their part in complying with the Alberta Reliability Standards (ARS). This typically requires market participants to include processes, controls, reporting (typically in their own internal compliance program) to be in compliance and to show compliance in an audit. If a market participant does not know and does not track if they are in compliance with an applicable standard, they may not be doing their part in supporting reliability of the grid for the rest of industry.</p> <p>The ARS Compliance Monitoring Program establishes the scope of an individual audit considering the market participant’s impact on the grid, risk to the grid, past-history and other factors which may exclude a market participant from providing evidence of a lower impact or risk requirement in an audit. This, however, does not exclude the market participant from complying with the standard or requirement itself.</p> <p>If stakeholders have specific suggestions or feedback on how regulatory burden could be further reduced in this area of the business, please convey those comments to the AESO.</p>
Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>Comment 6</p> <p>The AESO should continue to promote effective utilization of existing transmission infrastructure prior to requiring new transmission to be constructed.</p>
AESO Response	<p>The AESO has the objective of optimizing the transmission system infrastructure. A focus of the Long-term Transmission Plan development strategy is to ensure that the transmission plan is flexible and adaptable to a wide variety of potential future scenarios. The focus also includes efficient use of the existing transmission system with timely addition of necessary new transmission developments. Please see the AESO 2020 Long-term Transmission Plan for additional information.</p>
Independent Power Producers Society of Alberta (“IPPSA”)	<p>Comment 1</p> <p>Importance of Managing AESO Costs & Trading Charge</p> <ul style="list-style-type: none"> ▪ Generators appreciate Y/Y reduction in trading charge (¢35.2 from ¢42.6) ▪ We also appreciate how the AESO assessed and deferred Shortened Settlement ▪ We recommend that other AESO Market Initiatives have clear, measurable objectives and stakeholder support before they proceed. (OR redesign, Ramp Table, Dispatch Tolerance, Mothball Rule) <p>Comment 2</p> <p>Priority should be on Tariff Redesign & Grid Optimization</p>
AESO Response	<p>Noted. Also, the AESO agrees that priority should be given to initiatives that enhance the efficiency of current tariffs, cost allocation and approaches to system planning. That said, the market-related initiatives that have been identified to progress in 2021 are important to the long-term sustainability of the energy-only market structure, to maintaining system reliability, and in ensuring the AESO is facilitating a fair, efficient and openly competitive (FEOC) market for an evolving electrical system while also providing certainty and stability to the market structure, and therefore cannot be paused indefinitely. The AESO is undertaking careful assessment of each initiative, to determine what, if any, change is required and the appropriate timing or pace of the change. Information on the evaluation of need for change and required timing will be provided through stakeholder engagement on each market initiative.</p>

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Independent Power Producers Society of Alberta (“IPPSA”)	<p>Comment 3</p> <p>2021 Budget Review Process benefited with VP Involvement</p> <ul style="list-style-type: none"> In the future, we recommend an articulation of initiatives to costs (internal, external and capital)
AESO Response	<p>Noted. AESO VP involvement will continue in future BRPs.</p> <p>At the October 1, 2020 BRP meeting on the budget the AESO provided cost information by business initiative in relation to the budgeted consulting and capital costs that are expected to be spent in relation to each business initiative in 2021. The AESO assesses its staff requirements holistically. The 2021 Budget Process is as follows: AESO prepares its Own Cost budget based on the business planned for the budget year. Assessments of required resources both internally and externally are evaluated on various criteria. These criteria include but are not limited to: resource requirements to deliver on key Business Initiatives; consideration of specialized knowledge, skills or cost effective resources; and resource constraints due to workflow and timing of initiatives; and risk mitigation requirements.</p>
Independent Power Producers Society of Alberta (“IPPSA”)	<p>Comment 4</p> <p>Agency Reform</p> <ul style="list-style-type: none"> Wind the BP down and migrate its ‘accounting roles’ under the AESO Provide the MSA with governance; one option is under the AESO’s Board
AESO Response	<p>The nature of agency reforms as proposed by IPPSA, would require legislative change to implement. The AESO is amenable to collaborating with the Government and sister agencies for purposes of finding efficiencies in relation to agency structure and governance.</p>
Independent Power Producers Society of Alberta (“IPPSA”)	<p>Comment 5</p> <p>Intertie Matters</p> <ul style="list-style-type: none"> Restoration should not proceed until after level playing field issues are resolved
AESO Response	<p>The AESO will continue to assess the benefits of restoring intertie capability and will only proceed if there are compelling benefits to Albertans.</p>
Independent Power Producers Society of Alberta (“IPPSA”)	<p>Comment 6</p> <p>Importance of Market Stability and Investor Confidence</p> <ul style="list-style-type: none"> We appreciate the AESO’s response to the Minister of Energy’s request for analysis on Market Power Mitigation and Price Cap/Floor papers. However, if not managed carefully, many of the AESO’s key 2021 initiatives can impact investor confidence. Initiatives should be carefully designed, with stakeholder buy-in and confined to a narrow scope
AESO Response	<p>Noted. See response to comment 2 above.</p>