

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: Balancing Pool Date: 2020/02/26	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?	The two objectives are both appropriate, but an additional long-term efficiency objective should also be considered: is the price signal incenting an efficient supply mix? For example: <ul style="list-style-type: none"> • A lower floor price may lead wind generation to realize a lower average price than it does today due to the tendency of high wind generation to push power prices closer to the floor price. By restricting the lower boundary of the price with a floor, the price may not be producing an economically efficient build signal for this type of generation. • A lower floor and a higher cap may permit prices to be more volatile, simply because prices would not be constrained to such a narrow band. Increased price volatility will have implications for many forms of generation, perhaps particularly for peakers, and will therefore affect the chosen type of plant investors elect to build. • Both an adjusted cap and floor may have implications for the decision around

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		<p>retiring older assets.</p> <ul style="list-style-type: none"> The economics of baseload generation with minimum stable generation requirements will be influenced by a lower floor.
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 Balancing Pool recommends that the AESO and stakeholders avoid an arbitrary cap and instead consider identifying an objective metric to determine the cap that can be reevaluated over time. For example, an assessment of the value of lost load might be considered for the 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 Balancing Pool recommends that the AESO and stakeholders avoid an arbitrary cap and instead consider identifying an objective metric to determine the cap that can be reevaluated over time. For example, an assessment of the value of lost load might be considered for the cap.</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>While perhaps more difficult than the cap, an objective metric to set the floor over time would be desirable as opposed to an arbitrary floor. It is not immediately clear what such a metric could be.</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>The AESO's analysis appeared robust and well done. We would only recommend that this sort of analysis be redone with the revised floor and caps to ensure the conclusions remain positive.</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>	

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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.	
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.	The Balancing Pool believes the scope is appropriate.
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.	The Balancing Pool appreciated the approach used for this engagement and thanks the AESO for the preparation and analysis provided.
10.	Please provide any other comments you have related to the pricing framework engagement.	

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