

Stakeholder Comment Matrix – Feb. 12, 2020

Request for feedback on pricing framework review, session 1 material



Period of Comment: Feb. 12, 2020 through Feb. 28, 2020

Comments From: Cogeneration Working Group

Date: 2020/02/28

Contact: [REDACTED]

Phone: [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@aesocanada.com by Feb. 28, 2020
4. Stakeholder comments will be published to aesocanada.com, 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?	Long-term adequacy and efficient short-term market response are the appropriate objectives to consider in the pricing framework.
2.	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> . Is there anything you would change or add to this description?	When considering the offer cap imports from external markets should be separately identified as unique forms of supply in that the <i>variable operating costs</i> for imports consist of the external purchase price and transportation costs.
3.	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> . Is there anything you would change or add to this description?	The description of the price cap is reasonable. The AESO should investigate if there is incremental demand response available at prices greater than \$1000/MWh as part of the price cap analysis.

	Questions	Stakeholder Comments
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>The description of the price floor is reasonable. It should also be noted that the price floor impacts revenue sufficiency for several types of generation such as CCGT, coal to gas and cogeneration and should be evaluated in that context.</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>It appears the AESO has understated the expected renewable development. Returns for wind generation in the model are exceptionally high, and the solar modeling appears to not be aligned with the levels of solar investment currently occurring. It would be useful for the AESO to provide an assessment of resource adequacy associated with different specified levels of renewable penetration for both wind and solar.</p> <p>The high level modeling results presented by the AESO are insufficient to test their reasonability. Greater detail of assumptions and price outcomes is required to test the validity of the results.</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>The AESO's conclusions are reasonable.</p> <p>Given that the AESO asked stakeholders to assume continuation of the current market power mitigation framework the backward looking analysis is adequate. If a change to the market power framework should occur, this consultation would need to be revisited.</p>
7.	<p>Are there foreseeable situations where asset variable costs would be greater than \$999.99/MWh? If yes, please describe the situation.</p>	<p>The break-even cost for industrial sites with some level of discretionary load could potentially exceed \$999.99/MWh. Emergency generation capacity with very high implied O&M costs could also potentially have variable cost in excess of \$999.99/MWh as well. However, the CWG is currently not aware of any concrete examples.</p>
8.	<p>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.</p> <p>Please describe if you believe the scope is appropriate. If not,</p>	<p>Provided there are no material changes to market power mitigation, the scope is reasonable. However, under different market power mitigation the scope, process and analysis to date are not useful.</p>

	Questions	Stakeholder Comments
	please describe/provide your rationale.	
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.	Greater detail on AESO modelling would be helpful. High level summary results do not allow sufficient scrutiny of the results to drive confidence of its reasonability.
10.	Please provide any other comments you have related to the pricing framework engagement.	Any potential changes to the price cap and price floor should be carefully considered. Stability of ISO rules is an important factor in investor confidence and any changes should demonstrate a clear need and a defined net benefit.

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