

## Stakeholder Comment Matrix – May 21, 2020

### Request for feedback on pricing framework review, session 3 material



<p><b>Period of Comment:</b> May 22, 2020 through June 5, 2020</p> <p><b>Comments From:</b> Capital Power</p> <p><b>Date:</b> [2020/06/05]</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 3.*

	Questions	Stakeholder Comments
1.	<p>The AESO has presented pricing framework options, and the risks and benefits of each, see below:</p> <ul style="list-style-type: none"> <li>A. Implement improvements to the pricing framework now to incent efficient market response during <u>supply shortage and supply surplus</u> situations</li> <li>B. Implement option A, in future, but <u>delay</u> due to conflicting priorities and external issues that exist today</li> <li>C. <u>Maintain current pricing framework</u>– AESO will continue to monitor the state of the market for signs of loss of system efficiencies</li> </ul> <p>Do you believe there other alternatives that should have been considered. If yes, please elaborate.</p>	<p>Yes, Capital Power believes consideration should be given to an option that gradually, proactively, and transparently increases Alberta's price and offer cap.</p> <p>Developing a plan or schedule for near to medium term market enhancements would provide greater certainty and stability to market participants than delaying a package of potentially more significant and reactive change (which may end up being the case under Options B or C). Incremental change to Alberta's price and offer cap could take the form of steady annual increases or more targeted increases at set points to proactively address reliability concerns.</p> <p>In Capital Power's view, for the reasons that follow, it would be reasonable, prudent, and beneficial to develop and implement a plan today for incremental increase of the price and offer cap:</p> <ul style="list-style-type: none"> <li>1) <b>Improved resiliency:</b> The continued addition of variable renewable generation (which adds supply, but not commensurate capacity) impacts system stability and can create revenue sufficiency issues, impacting reliability. Taking proactive steps today based on the forecast will mitigate the need for more drastic change in the future.</li> </ul> <p>ERCOT, one of the few other energy-only markets for reference, has steadily increased its price and offer cap since market inception, beginning at \$1000/MWh in the early years of deregulation and moving to \$9000/MWh by 2015. Recognizing there are differences between ERCOT and Alberta, including different offer rules, these ongoing adjustments have allowed ERCOT to maintain reliability while addressing energy price formation issues triggered by an influx of variable renewable generation.</p>

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		<p>2) <b>Greater efficiency:</b> Increasing the price and offer cap will increase market efficiency by improving incentives for flexible supply, energy storage, and demand response resources that rely on or require higher prices to recover costs during short durations.</p> <p>3) <b>More effective competition:</b> Increasing the price and offer cap will facilitate more effective competition by better aligning Alberta with neighboring jurisdictions. The current cap has been in place for 20 years and has not kept pace with developments in other markets. Mid-C day-ahead and real-time markets, for example, can and have traded at prices higher than Alberta's price cap and as a result the Alberta power market has experienced underutilized import tie lines during EEA events.</p> <p>While the potential to realize benefits from the incremental increase of Alberta's price and offer cap is high, the design and implementation costs, as well as the risk of adverse impacts, are low. In this sense, gradual adjustment of Alberta's price and offer cap provides a more optimal cost-benefit trade-off than some of the other items on the AESO's 2020 Market Initiatives, and as such, is a change worth pursuing now.</p>
2.	<p>The AESO's draft recommended approach is Option C above, maintain the current pricing framework. Do you have comments related to this recommendation?</p>	<p>Yes, Capital Power believes the AESO should amend its recommendation to reflect the option proposed above: development and implementation of a plan for gradual, proactive, and transparent increase of Alberta's price and offer cap.</p> <p>Capital Power recognizes the AESO's view shared in its <i>Power Market Mitigation Advice to Minister</i> report, "that stability and certainty of an efficient and effective framework is of greater benefit to the market than a period of continuous change seeking a perfect solution, and thus changes should only be made for clear and compelling reasons." Capital Power fully agrees with the AESO on the importance of stability and certainty and believes that our recommendation for proactive and gradual change is consistent with these principles.</p>
3.	<p>Do you feel you have been able to adequately participate and provide comments to the AESO through this engagement? If no, please describe your concerns.</p>	<p>Yes, Capital Power believes that it has been able to adequately participate in this engagement.</p>
4.	<p>Do you believe the AESO was effective in the preparation and presentation of the material? If no, please provide suggestions for the improvement of future engagements.</p>	<p>Yes, Capital Power believes that the AESO was effective in the preparation and presentation of the material.</p>

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5.	Please provide any other comments you have related to the pricing framework engagement.	Capital Power has no other comments.

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