

## Stakeholder Comment Matrix – Feb. 12, 2020

### Request for feedback on pricing framework review, session 1 material



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| <b>Period of Comment:</b> Feb. 12, 2020 through Feb. 26, 2020<br><b>Comments From:</b> ENMAX Corporation<br><b>Date:</b> 2020/02/28 | <b>Contact:</b> [REDACTED]<br><b>Phone:</b><br><b>Email:</b> [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](mailto:stakeholder.relations@aeso.ca) by Feb. 28, 2020
4. Stakeholder comments will be published to [aeso.ca](http://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  |
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| 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?                   | No comment.   |
| 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> .<br>Is there anything you would change or add to this description? | ENMAX's understanding of the purpose of the <i>offer cap</i> is generally aligned with what was presented at the AESO session, which is that it should provide a reasonable opportunity for the marginal generating asset to recover its fixed costs over the long term, and in the short term not prevent a resource from recouping its variable costs. In addition to this, there should be a reasonable opportunity for a generating asset to achieve a fair rate of return on investment. |
| 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> .<br>Is there anything you would change or add to this description? | ENMAX's understanding of the purpose of the <i>price cap</i> is generally aligned with what was presented at the AESO session. As noted by the AESO, efficiency issues may occur if prices cannot reach levels sufficient to reflect the shortage of supply or the willingness-to-pay of demand. The AESO may also want to define this as   |

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|    |  | "shortage pricing".   |
| 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>No comment at this time. ENMAX looks forward to reviewing the AESO's analysis on supply surplus, which is expected to be presented at the next AESO stakeholder session.</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?<br/>If no, please describe your concerns.</p>  | <p>The assumptions that go into modelling forward-looking resource adequacy are important factors to consider as these will ultimately impact the overall outcome of results. Based on the limited explanations provided by the AESO on the assumptions used, ENMAX can accept the results at this time but do not necessarily endorse the conclusions. ENMAX would encourage the AESO to consider ways to be more transparent in sharing the inputs to its modelling but at the same time understands the complexity of the Aurora tool.</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?<br/>If no, please describe your concerns.</p> | <p>ENMAX observes that over the long term, the energy-only market has provided reasonable signals to new entrants. There are concerns, however, around the overall stability of current and future policy and the impact this may have on the signal to potential investment.</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>No comment at this time. ENMAX is currently conducting its own analysis.</p>   |

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| 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, please describe/provide your rationale.</p> | <p>Ultimately, any changes to the Price Cap, Price Floor and Shortage Pricing should be a transparent stakeholder process lead by the Alberta Government that results in clear and informed policy direction.</p> <p>If changes to the existing pricing framework are not needed at this time, there should be a defined process for the AESO to revisit the pricing framework at a regular interval (e.g., every five to eight years) to ensure price levels remain adequate.</p>   |
| 9.  | <p>Is the approach used for this engagement effective?<br/>If no, please provide specific feedback on how the AESO can make these sessions more constructive.</p>   | <p>Stakeholders will require sufficient time to conduct any needed analysis (i.e., more than 10 business days to provide feedback to the AESO).</p> <p>Materials should be circulated to stakeholders well in advance of a meeting (i.e., more than 24 hours) to ensure parties are provided with enough time to review the information being presented.</p>   |
| 10. | <p>Please provide any other comments you have related to the pricing framework engagement.</p>  | <p>There is a time component of any potential change in market price. Any future change should consider the implementation time component as some potential changes may create a "shock" to the marketplace that could have negative impacts to participants and consumers. Price changes will have an impact on the forward markets.</p> <p>The overall pricing framework is intertwined with other elements of the market and regulatory framework, therefore, any proposed change to the pricing framework should not be considered in isolation.</p> <p>ENMAX looks forward to seeing the AESO's completed analysis on the current pricing framework. Once this information is made available, ENMAX will review the AESO's analysis, as well as conduct its own analysis.</p> |

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