



*Competing to serve
Alberta's power consumers*

AESO Budget Review Process 2020

Input from the AESO's Generator Customers



IPPSA

Independent Power Producers Society of Alberta

Overview

- IPPSA's members include most of Alberta's supply
 - Our members have added ~\$20 billion of new supply in order to meet one of the fastest growing demands for power in North America.
 - Our members compete to serve Alberta's power consumers.
- While we appreciate the AESO's efforts to reduce its Own Costs, we remain concerned with the proposed trading charge.
 - ¢37.8/MWh is the highest in the AESO's history.
 - With the AUC's costs, the trading charge stands at ¢42.6/MWh
- Our recommendations to reduce that charge are further described in the 'process' and 'content' sections to follow



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Process Recommendations

1) The BRP should be a Collective Priority Setting Process

- Generators and consumers expressed concerns about AESO's Own Cost and trading charge throughout the BRP process, but there was no mechanism or willingness to rationalize the AESO's proposed Business Initiatives.
- Department Heads (Markets, Transmission and Operation) should present to BRP. This would enable the AESO's customers to understand the AESO's Business Initiatives and better offer trade-offs to reduce AESO costs.
- These initiatives can also be reviewed and understood via Advisory Committees throughout the year and in advance of the BRP process.

2) The BRP should include Costing of Key Business Initiatives

- Despite requests, no costing of Key Business Initiatives was forthcoming
- The final Board presentation leaves the AESO Board no better off on what key initiatives will cost. (see PDF page 23.)



3 Content Recommendations

1) Rationalize Strategic Initiatives to Reduce Trading Charge

- We asked the AESO to rationalize this list. However, no changes were made.

“Market Sustainability and Evolution”

- i) “Changes to Market Structure...” Rationalize the scope of “Market Sustainability and Evolution” to achieve cost savings. The scope of these initiatives should be reduced to only that what is necessary to address the Minister’s directions to the AESO.
- ii) Remove “Initiate design based on any changes in policy direction.” This appears to be out of scope given the Minister’s direction to retain the Energy-Only Market, or at least can be deferred until trading charge is reduced.

“Long-Term System Development” appears to be part of the AESO’s routine duties. As such we don’t believe this requires any new operating costs for the AESO.

“Stakeholder Engagement Framework” should have a minimal cost.

“External Technology Plan” can be delayed given stakeholder interest in seeing a reduction in to the trading charge. We note that plan already includes the Energy Storage Roadmap which we believe has significant overlap for new near-term technologies.



3 Content Recommendations

2) Delay/Stage Some Initiatives to Reduce Costs in 2020

“Distributed Energy Resources Roadmap”

The AUC is conducting the Distribution System Inquiry and work on Distribution System Planning. The AESO’s work can be delayed/aligned with the outcomes of the AUC’s initiatives.

“Mothball Rule Review” – A review of the mothball rule occurred in 2018

“Dispatch Tolerance” –The review of dispatch tolerance can be postponed until there are changes/experience with coal-to-gas conversions

3) Defer Salary Adjustment to Reduce Trading Charge

- We appreciate that the AESO has reconsidered a \$2 million investment in salary adjustment. The AESO appears to have earmarked \$1 million for such an adjustment (page 38). We ask that any salary adjustment occur after a significant reduction in the AESO’s trading charge.



Discussion



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