

## Stakeholder Comment Matrix – Feb. 12, 2020

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



<b>Period of Comment:</b> Feb. 12, 2020 through Feb. 26, 2020 <b>Comments From:</b> Lionstooth Energy Inc. <b>Date:</b> 2020/02/28	<b>Contact:</b> [REDACTED] <b>Phone:</b> <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
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?	Lionstooth Energy agrees with these objectives and notes that this consultation may determine that these objectives can be achieved <u>without any changes</u> to 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?	Lionstooth Energy agrees with the AESO's description of the Energy-Only Market Pricing Framework.  We view the offer cap as a protection to load customers, through limiting the maximum cost exposure, while affording a reasonable opportunity for generating units to recover 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> .	The price cap is not substantially different from the offer cap, in our view.

	Questions	Stakeholder Comments
	Is there anything you would change or add to this description?	
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>	We understand that the price floor exists as a protection to generation customers, limiting risk exposure, specifically as a result of sustained supply surplus events.
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>	Lionstooth Energy agrees with the AESO's conclusions that the existing offer cap provides the opportunity to allow for reasonable financial returns, with the caveat that a clear understanding and established framework around offer behavior must exist allowing generation to earn reasonable financial returns without undue risk of penalty.
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>	The equity returns presented by the AESO in their revenue sufficiency analysis suggest average returns between 7% and 15%. Our experience indicates that these returns, for revenue generated solely from the energy-only market, are not sufficient for new market entrants to finance generation. As a result, the assessment may suggest that the current structure unduly benefits incumbents.
7.	Are there foreseeable situations where asset variable costs would be greater than \$999.99/MWh? If yes, please describe the situation.	New generation types, and new market entrants, often have more heavily weighted variable costs vs fixed costs. A market structure that purposefully seeks to attract projects with low variable costs may not be best suited for achieving the objectives of the energy-only market pricing framework or incenting innovation-based investment in the electricity market.
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.	Lionstooth Energy believes the timing and scope proposed are appropriate, noting that the Minister did caution that the AESO "take a measured and thoughtful pace to examining if any changes to the existing energy-only market are needed." We are cautious of change that results in further unintended consequences given the amount of recent and ongoing regulatory and market design change.

	Questions	Stakeholder Comments
	Please describe if you believe the scope is appropriate. If not, 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.	Lionstooth Energy supports this approach to engagement and notes that the more information available on the proposed process steps, deliverables, and outcomes will improved consultation outcomes.
10.	Please provide any other comments you have related to the pricing framework engagement.	Lionstooth appreciates the opportunity to provide comment and intends to continue to participate in the pricing framework process.

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