

Stakeholder Comment Matrix – Apr. 9, 2020
Request for feedback on pricing framework review, session 2 material



Period of Comment: Apr. 9, 2020 through Apr. 23, 2020 Comments From: CanWEA Date: 2020/04/23	Contact: [REDACTED] Phone: [REDACTED] Email: [REDACTED]
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The AESO is seeking comments from stakeholders on its approach to reviewing the pricing framework, and content from session 2.

	Questions	Stakeholder Comments
Price Cap Review		
1.	Do you have comments related to the AESO's analysis on the response of interties to high prices?	EDF agrees that there is not a compelling case to increase the price cap at this time. The current \$1,000/MWh price cap appears to allow the proper function of the spot market. This applies across interties, long lead time assets, price responsive load and the impact on hedging.
2.	Do you have comments related to the AESO's analysis on the response of long lead time assets to high prices?	
3.	The AESO provided analysis related to load that may respond to prices greater than \$1000/MWh. Do you have comments related to the approach of that analysis?	
4.	Do you believe the amount of load the AESO indicated could respond to prices greater than \$1000/MWh is accurate? Please substantiate your response.	
5.	If the price cap were increased, would loads be more incented to enter into energy market hedges? What would be the benefits and drawbacks to this?	

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6.	<p>What approach should the AESO use when determining the appropriate price cap level? Please substantiate your response.</p>	<p>The AESO should commit to market certainty and stability in the absence of pressing concerns.</p>
7.	<p>Do you believe market efficiencies could be gained by raising the level of the price cap? What are the tradeoffs? Please substantiate your response.</p>	<p>Based on the AESO analysis, the potential benefits of raising the price cap appear to be quite limited, i.e. the only quantifiable benefit is the potential addition of 40 MW of price responsive load that may or may not become price responsive.</p> <p>Changes to the price cap introduce uncertainty to the market and distract the industry from other more pressing issues. In the absence of a clear and pressing issue, EDF does not believe raising the price cap should be pursued at this time.</p>
8.	<p>Is there additional analysis the AESO should complete to review the efficiency of the price cap?</p>	
<p>Price Floor Review</p>		
9.	<p>The AESO provided analysis related to the volume and prices of potential renewable generation market based curtailment. Do you have comments related to the volumes or price levels described in that analysis?</p>	
10.	<p>The AESO provided analysis related to the volume and prices of potential thermal generation market based curtailment. Do you have comments related to the volumes or price levels described in that analysis?</p>	<p>EDF notes that the AESO analysis focuses on a single hour decision for thermal generation shut down decisions. This is unlikely to be the case as thermal generators have a longer view on profitability than a single hour. EDF suggests that with the Balancing Pool no longer controlling coal assets and these assets converting to natural gas, that the historical practice of staying online across multiple \$0 hours is unlikely in the future given the operating losses that will be incurred.</p>
11.	<p>Historically, the AESO has largely used import curtailments to manage supply surplus conditions. Is this an adequate approach to managing future supply surplus conditions?</p>	<p>Curtailling imports should continue to be the first step in managing supply surplus events. As noted in the AESO analysis, there is limited risk of supply surplus in the future and curtailling imports is likely to be sufficient to manage the risk in the</p>

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		majority of circumstances.
12.	<p>Do you believe that market efficiencies could be gained by establishing a lower price floor? What are the tradeoffs? Please substantiate your response.</p>	<p>There are very few market efficiencies to be gained from lowering the price floor. As shown in the AESO analysis, in the majority of hours imports would curtail based on price followed by renewable generation. Efficiency gains are only achieved when the administrative action produces a different result than would be expected by a negative price floor.</p> <p>A negative price floor also introduces a new risk to the market that could influence long-term investment decisions. Any minimal benefit associated with differentiating curtailment price points (beyond the administrative differentiation which appears to reflect the appropriate order the majority of the time) would likely be offset by increased investment risk for wind, solar, hydro and non-peaking thermal generation.</p>
13.	<p>Is there additional analysis the AESO should complete to review the efficiency of the price floor?</p>	<p>EDF would like to see the potential cost to the AESO of implementing a negative price floor, as it is likely to result in increased transfers to RESA holders.</p>
Stakeholder Engagement		
14.	<p>In the next stakeholder session, the AESO plans to present alternative price cap and floor design alternatives. In the final stakeholder session the AESO would like to hear directly from stakeholders or groups of stakeholders. The format will be dependent on the number of respondents. Would you be interested in presenting individually or as part of a group on any element of the pricing framework the AESO has communicated on during this stakeholder engagement?</p> <p>If yes, please indicate which topics you may be interested in discussing. Note, industry associations notwithstanding, the AESO would prefer to have stakeholders represent themselves rather than have third parties present on behalf of stakeholders.</p>	

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15.	<p>Was the Zoom meeting approach used for this engagement effective?</p> <p>If no, please provide specific feedback on how the AESO can make these sessions more effective.</p>	
16.	<p>Please provide any other comments you have related to the pricing framework engagement.</p>	<p>It is unclear if the AESO believes there is a pressing issues associated with the price cap or price floor. The analysis does not indicate a material benefit to raising the price cap, nor does the analysis suggest a material benefit with lowering the price floor.</p> <p>EDF reiterates its view that market stability has value and the benefits of change must be weighed against the increased risks, both expected and unexpected, that may occur when changes to the pricing framework are made.</p>

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