

Stakeholder Comment Matrix – Feb. 12, 2020

Request for feedback on pricing framework review, session 1 material



Period of Comment: Feb. 12, 2020 through Feb. 26, 2020
Comments From: The Office of the Utilities Consumer Advocate (UCA)
Date: [2020/02/26]

Contact: [REDACTED]
Phone: [REDACTED]
Email: [REDACTED]

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 by Feb. 28, 2020*
- 4. Stakeholder comments will be published to 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?	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> . Is there anything you would change or add to this description?	The AESO's description of the caps, both offer and price, are accurate. When considering offer caps and price caps it is important to consider the overall financial health of market participants and to do this all sources of market revenue must be considered. Any change in price cap will impact the AS market revenues. The AESO should be considering the revenue received from the ancillary service market as well as the energy market but the AS market has been excluded from scope. The AESO should reconsider this exclusion. Also, the AESO describes the offer cap as a market power mitigation mechanism then excludes market power mitigation from scope. It is difficult to reconcile this position.

	Questions	Stakeholder Comments
		Evaluation of the energy-only market efficiency including static and dynamic efficiency is highly correlated with the level of exercising market power in the market and its mitigation mechanisms which is excluded from the scope of this stakeholder engagement.
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> . Is there anything you would change or add to this description?	See item 2. Although the price cap in Alberta energy-only market is relatively low compared to other jurisdictions (Australian NEM or ERCOT) and it has not changed over 20 years, generators are not required to offer their output to the market at marginal cost. As a result, market participants are allowed to engage in strategies such as economic withholding that attempt to raise pool prices and revenue received in order to recover substantial of their fixed costs over time.
4.	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> . Is there anything you would change or add to this description?	See item 10.
5.	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. Do you agree with the AESO's conclusions? If no, please describe your concerns.	Agreed.
6.	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. Do you agree with the AESO's conclusions? If no, please describe your concerns.	Agreed.

	Questions	Stakeholder Comments
7.	Are there foreseeable situations where asset variable costs would be greater than \$999.99/MWh? If yes, please describe the situation.	No, it is not likely that supply assets would have a variable cost of greater than \$999.99 although demand assets could have that today.
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. Please describe if you believe the scope is appropriate. If not, please describe/provide your rationale.	The scope has a couple of deficiencies. See response to item 2.
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.	
10.	Please provide any other comments you have related to the pricing framework engagement.	The AESO needs to be cautious if they intend to implement negative pricing. The AESO should consider: <ul style="list-style-type: none"> • What to if there are prolonged periods of negative price, • The fact that imports and exports are unable to respond to intra-hour price signals, • What are the consequences of having negative prices in Alberta but not in neighbouring jurisdictions?

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