

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: Utilities Consumer Advocate (UCA) 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?	Regarding the demand and supply responses during the scarcity/shortfall events, the AESO should also include the share of each response (import response, LLTA response, demand response, etc.) in clearing the scarcity events in the past in order to understand the level of the flexibility that already exists in the resource mix of the market.
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?	Did the AESO consider only the transmission-connected demand for this analysis? It is important to include the distribution-connected demand as well. New technologies that are emerging in the distribution system have greater opportunities for time-shifting of demand or demand curtailment during the scarcity event of the market. Also, the AESO should estimate at what level of the price cap the rest of the demand (40MW) will respond to higher prices at the time. This may include a measure of the value of lost load (VOLL) for these demands.
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.	Increasing the price cap and set a single value (e.g. \$1500/MWh) to only incent demand response would overcompensate the MW provided by the demand side and effectively set a rate for the supply that may not be based on consumers' willingness-to-pay for power. In the case that the last supply side generator produces when the price reaches \$999.99/MWh, increase the price cap will not bring a new

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		generation and just increase a few MW of demand response. This will cause inefficient pricing in the market as the clearing price is shared by all producers and leads to generate an unreasonable profit for the supply-side generation with no incremental service or benefits.
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?	
6.	What approach should the AESO use when determining the appropriate price cap level? Please substantiate your response.	Any increase in the level of the price cap, if needed, should be based on the customers' willingness-to-pay and the severity of the shortage condition during the actual market event. In this case, the market price increases gradually, instead of jumping to one single value, based on the level of available reserves to meet the demand during the shortage condition. The market price during the event should reflect an estimated cost to consumers that are involuntarily losing electricity.
7.	Do you believe market efficiencies could be gained by raising the level of the price cap? What are the tradeoffs? Please substantiate your response.	Considering a raise in the level of the price cap, the market may need another guideline from the MSA to address the market participants' behavior to support the fair, efficient, and openly competitive market. It should be noted that in many jurisdictions with higher price caps there is also some form of price mitigation (e.g., Australia, ERCOT).
8.	Is there additional analysis the AESO should complete to review the efficiency of the price cap?	How does the AESO intend that demand response will be compensated? How much will this cost consumers? On page 7 of their presentation, the AESO states "Efficiency issues may occur if prices cannot reach levels sufficient to reflect the shortage of supply or the willingness-to-pay of demand". Can the AESO quantify the efficiency issues and the cost of the issues over the last 10 years? How does that cost compare to the cost of raising the cap, both in implementation costs and on-going operational costs?
Price Floor Review		
9.	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	

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	described in that analysis?	
10.	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?	
11.	Historically, the AESO has largely used import curtailments to manage supply surplus conditions. Is this an adequate approach to managing future supply surplus conditions?	The impact to date of supply surplus events has been small and the AESO should be cautious about relying on a forecast that indicates a possible issue 15 years out. Status quo may be the best option for the near term.
12.	Do you believe that market efficiencies could be gained by establishing a lower price floor? What are the tradeoffs? Please substantiate your response.	<p>Large, sustained negative prices or resource curtailments often indicate an underlying inefficiency in generation fleet mix, operations, market incentives, transmission planning, or environmental policy. The AESO forecast indicates that Alberta will not have substantial and sustained supply surplus events at least until the year 2033. In the case that market experiences frequent supply surplus events, the efficient way would be a clearing price based on the market mechanism. That said, one has to question the reliability of a forecast 15 years out and the prudence of taking any serious action based on it.</p> <p>If AESO decided to move the floor cap into negative prices, the market needs a guideline and/or a form of price mitigation outlined by the MSA to address the market participants' behavior in supporting the fair, efficient, and openly competitive market principle.</p>
13.	Is there additional analysis the AESO should complete to review the efficiency of the price floor?	Has the AESO considered that Alberta has a high industrial base and that these industrial customers may rely on their electric generator for part of a tertiary process? How will allowing prices to go negative impact these customers and what will be the impact on industry?
Stakeholder Engagement		

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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>	
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>	

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