

ADC Presentation to AESO Board

November 14, 2018



ADC Overview

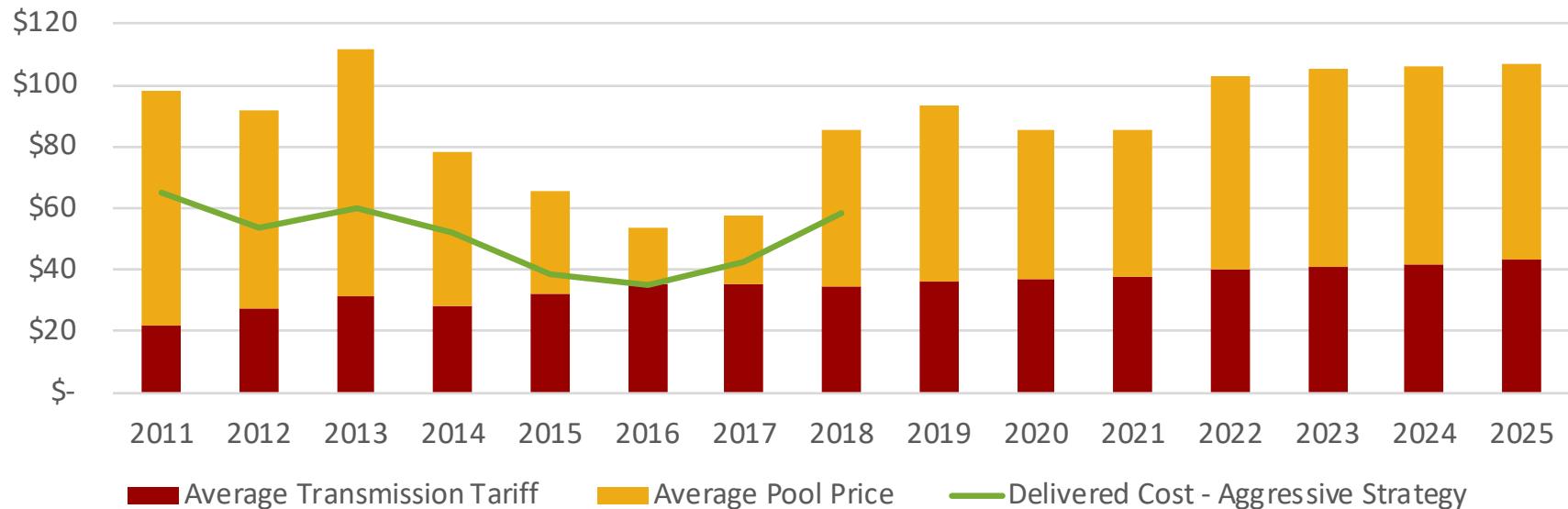
- The ADC was established in 2002 to represent the interests of large industrial consumers directly connected to the transmission system.
- Membership includes: Alberta Newsprint Company, Dow Chemical, ERCO Worldwide, Lehigh Inland Cement, MEGlobal, Millar Western, Praxair, Sherritt International, and West Fraser Timber.
- ADC members represent approximately 600 MW of peak load and 4,000 GWh of annual energy.
- ADC members are global competitors. Affordable and reliable electricity is essential to their viability. On average, electricity represents about 30% of members' operating costs, but is as high as 80% for some.
- ADC members are active participants: price response, ancillary services, LSSi, and on-site generation.
- ADC member facilities are located in Northern and Central Alberta.



Delivered Electricity Cost Outlook

- Electricity Intensive industries have maintained their competitiveness by managing electricity costs through capital and operational investment.

Historical Results and Future Cost Outlook



- Electricity intensive industries can remain competitive, but only to the extent they can continue to manage costs and offset those costs by providing services to the Alberta Electricity market.
- Tariff design for transmission and capacity is key for price sensitive loads.

**Future Cost Outlook sourced from AESO <https://www.aeso.ca/assets/Uploads/TRP-Factsheet-WEB.pdf>*

ADC Involvement with AESO

- Capacity Market Design & Rule Development
- Cost Allocation Consultation
- Transmission Cost Management
- Real Time Operations - LSSi

Power is not the ADC members' primary business, but has become a key component of their competitiveness.

ADC will continue to work collaboratively with the AESO to advance industry priorities.



2019 Business Plan – ADC Comments



■ Electric System Operations

- Continue to encourage effective utilization of transmission capacity and performance to minimize unnecessary transmission additions.
- LSSI program

■ Electric System Development

- Rider C – Implementation of new methodology has significantly decreased the Rider C allocation to ADC members.
 - 2016 Deferral account refund was ~ \$1M verses prior years of more than \$5M. Timing of 2017 deferral account?
- Transmission and Capacity Cost Allocation
 - Price signals will drive behavior of price responsive loads.
 - Priority is Capacity Market cost allocation – the rate design is key to self supply and load participation decisions.

2019 Business Plan – ADC Comments



■ Market Development

- Capacity Market
- Important to maintain opportunities for active participants to mitigate costs: price response, ancillary services, self supply, shorter settlement interval

■ Corporate Services

- Support improving efficiencies and ensuring customer focus in the Commercial services group.

Summary



- ADC appreciates the efforts of the AESO on the Capacity market and tariff design consultation.
- ADC participation in the Capacity Market and Tariff design has been significant, and we will continue to advocate for price responsive demand participation.
- Transmission cost escalation continues to be a key concern.
 - Maximize use of existing assets
 - Transmission planning needs to adequately consider move to decentralized generation.