

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	Contact: [REDACTED]
Comments From: CanWEA	Phone:
Date: 2020/04/23	Email: [REDACTED]

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?	
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?	
6.	What approach should the AESO use when determining the appropriate price cap level? Please substantiate your response.	
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.	It is not clear that additional market efficiencies resulting from increasing the price cap would offset investor concerns regarding ongoing volatility in market rules. The AESO has not yet sufficiently demonstrated either that the proposed increase to the price cap is needed to maintain system flexibility or that it would result in any significant increase in demand response in the province. Meanwhile, there is a concern among CanWEA members that ongoing changes to market rules are resulting in a lack of predictability, which has an impact on the cost of project financing and on investor confidence in the market.

	Questions	Stakeholder Comments
8.	Is there additional analysis the AESO should complete to review the efficiency of the price cap?	CanWEA members would like to see an analysis of the potential revenues that would be collected by the AESO, based on the impact of an increased price gap on the revenues collected by projects with a RESA contract.
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 described in that analysis?	On slide 45, there is an analysis of “Provincial Carbon Offsets”. CanWEA recommends that any analysis should be expanded to include all “Provincial Carbon Policies,” which not only include the value of offset credits, which are priced based on the grid displacement factor, but also the value of emissions performance credits, generated by those facilities opting into the TIER program.
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 analysis of the historical approach to supply surplus conditions demonstrated that import curtailments have been adequate to manage supply surplus events. The forecast supply surplus events presented on Slide 43 suggest that there will be no significant increase in events in either the low renewable cost scenario or the high carbon and gas price scenarios. Balanced against the risk of reduced investments, owing to the lack of market predictability, it is recommended that no changes should be made to the AESO’s current approach to managing supply surplus conditions.

	Questions	Stakeholder Comments
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>It is not clear that additional market efficiencies resulting introducing negative pricing would offset investor concerns regarding ongoing volatility in market rules. That is, the AESO has not yet sufficiently demonstrated either that proposed levels of negative pricing are required to maintain system flexibility or that the market signal would be strong enough to result in curtailment. Meanwhile, there is a concern among CanWEA members that ongoing changes to market rules are resulting in a lack of predictability, which has an impact on the cost of project financing and on investor confidence in the market.</p> <p>Furthermore, the introduction of negative pricing is likely to significantly reduce the feasibility of bilateral wind and solar off-take agreements in Alberta. Even though the AESO's forecasted losses from negative pricing events were minimal over a 15-to-20 years contract period, the perceived risk of such events represents a very significant challenge.</p> <p>Highly leveraged capital investment projects, such a wind and solar facilities, require that investors/financiers cover Debt-Service-Coverage-Ratios (DSCRs) in every year of a "contract for difference" contract between parties. A confluence of negative pricing events in any given year of the contract drives up DSCR requirements for the entire financing period. The perceived risk of these events results in high prices, even though these negative pricing events may only occur in only a few years of the contract period. Maintaining a price floor of \$0.00 eliminates this risk.</p>
13.	<p>Is there additional analysis the AESO should complete to review the efficiency of the price floor?</p>	<p>CanWEA members would like to see the potential cost to the AESO of implementing the price floor, as it is likely to result in increased transfers to RESA holders.</p>
Stakeholder Engagement		

	Questions	Stakeholder Comments
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>	<p>It was helpful to see the AESO's analysis of the options that they are considering. However, CanWEA members are uncertain regarding how these options are connected to the analysis presented during the first session, which suggested that the current market rules <i>would</i> result in further investment and system stability. It is requested that more time is taken during the third session to provide a clearer connection between the findings from the first session and the analysis from the second.</p>

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