

Stakeholder Comment Matrix – Feb 25, 2020
Request for feedback on sub-hourly settlement, session 1 material



Period of Comment: Feb. 25, 2020 through Mar. 13, 2020	Contact: [REDACTED]
Comments From: Direct Energy	Phone: [REDACTED]
Date: 2020/03/13	Email: [REDACTED]

The AESO is seeking comments from stakeholders on its approach to reviewing sub-hourly settlement, 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 Mar. 13, 2020*
- 4. Stakeholder comments will be published to aeso.ca, in their original state, with personal or commercially sensitive information redacted, following Mar. 13, 2020.*

	Questions	Stakeholder Comments
1.	Please describe why you are interested in sub-hourly settlement and how it affects your business.	Direct Energy (DE) represents load of 3.5 million MWhs so the impact on DE of sub-hourly settlement merits serious consideration by DE due to increased financial expenses and increased risk.
2.	Is your organization a load, supplier, both a load and supplier, a billing agent, or other. If other, please describe.	DE serves as both a regulated and competitive retailer in Alberta. DE also provides green energy and energy efficiency solutions to customers.
3.	The AESO has described the scope for this process, general agenda items and timing for upcoming stakeholder engagements. Please describe if you believe the scope is appropriate. If not, please describe/provide your rationale.	DE would be interested in the tangible benefits that consumers, including small consumers, have enjoyed in other jurisdictions, as a result of moving to sub-hourly settlement, and would like to determine if interval meters are available to all customer in these markets.
4.	At the session, the AESO outlined the objectives of the sub-hourly settlement, which was to improve price fidelity and incent flexibility. Do you have any comments on the objectives of the sub-hourly settlement engagement?	As a retailer serving customers of all sizes, DE is not convinced that the improvement in price fidelity and flexibility is beneficial to its customers. The current ramping up and down of supply, hour by hour, offers a market signal that is refined enough for the customers that DE serves. Very few customers are on interval meters or would be able to reduce or increase consumption in five-minute/fifteen minute intervals in order to benefit from enhanced price fidelity.
5.	<p>Are there considerations other than the following that should be taken into account to determine the value in moving to sub-hourly settlement interval?</p> <ul style="list-style-type: none"> • The expected enhancement in price fidelity and flexibility • The expected financial impact on loads and generators • Implementation costs for the AESO and market participants • Timing required to transition to a sub-hourly settlement interval 	This is a non-essential change that seems to primarily benefit flexible generators to the detriment of small consumers, who do not have sophisticated meters, nor the inclination to watch sub-hourly price settles in order to reduce consumption at high prices. The fragile state of the Alberta economy and the benefit of ongoing market stability should be considered. For retailers, the “cost to serve” customers increases and the price fidelity cannot be exploited by small customers. In addition, contractual changes would be required in situations where hourly settlement is cited in current customer contracts. The transition to sub-hourly could only occur in an orderly fashion with notice of six years, so that the current five-year contracts would reach their end dates.
6.	Please describe the size of your business in the approximate total MWhs consumed or produced in 2019.	DE represented load of 3.5 million MWhs in 2019.

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7.	<p>Do you currently have interval metering installed in your operations?</p> <p>If yes, please describe the approximate volume of your business that was measured using interval meters in 2019.</p>	<p>Some DE customers have access to interval meters, specifically customers in the Commercial and Industrial (C&I) space. Customers with interval meters represent volume of approximately 0.9 million MWhs in 2019.</p>
8.	<p>Can you identify which of the following elements will be affected by the implementation of sub-hourly settlements at five-minute intervals?</p> <ul style="list-style-type: none"> • Metering • IT systems • Data storage • Other 	<p>IT systems, data storage and customer contracts with hourly contract settlement would all be impacted by the implementation of sub-hourly settlements at five-minute/fifteen minute intervals. Post implementation, DE foresees a significant risk in pricing future contracts without accurate historical information on which to price long term contracts.</p>
9.	<p>For each of the elements listed in question 8 above, please describe the changes that would be required for your business.</p>	<p>IT systems – profiles would be different, forecasting systems would need upgrades, and operational system enhancements would be necessary.</p> <p>Data storage – 4 times as much information, so CPU time to generate bills is increased with no benefit to end use consumers.</p> <p>Recontracting with customers would be a large risk to DE.</p>
10.	<p>The AESO is looking to understand the magnitude of costs during this initial phase. For each of the elements listed in question 8 above, please provide estimates of the cost required to implement these changes. If you are unable to provide cost estimates, please indicate when you can do so.</p>	<p>IT systems and Data storage - \$7.8 to \$8.8 million in transition costs.</p> <p>Recontracting – contract amendments lead to unknown risk for Retailers.</p>
11.	<p>For each of the elements listed in question 8 above, please describe the timing required to implement these changes.</p>	<p>IT systems – 36 months to implement</p> <p>Data storage – 24 months to implement</p> <p>Recontracting – 72 months to implement</p>

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12.	<p>Can you identify which of the following elements will be affected by the implementation of sub-hourly settlements at 15-minute intervals?</p> <ul style="list-style-type: none"> • Metering • IT systems • Data storage • Other 	Same as 5-minute intervals.
13.	For each of the elements listed in question 12 above, please describe changes that would be required for your business.	<p>IT systems – profiles would be different, forecasting systems would need upgrades, and operational system enhancements would be necessary.</p> <p>Data storage – 12 times as much information, so CPU time to generate bills is increased with no benefit to end use consumers.</p> <p>Recontracting with customers would be a large risk to DE.</p>
14.	The AESO is looking to understand the magnitude of costs during this initial phase. For each of the elements listed in question 12 above, please provide estimates of the cost required to implement these changes. If you are unable to provide cost estimates by the end of the comment period (March 13, 2020), please indicate when you can do so.	Same as 5-minute intervals, with additional storage costs of \$380K.
15.	For each of the elements listed in question 12 above, please describe the timing required to implement these changes.	Same as 5-minute intervals.

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16.	<p>The AESO has described some challenges that may impact market participants. Are there other challenges that have not been identified that are unique to the market participant or in general?</p>	<p>Retailers have agreed to fixed price contracts with customers that do not contemplate the change that is being explored by the AESO. The cost to break existing contracts should be considered, although the estimation of the cost of the change to retailers would be difficult to predict.</p> <p>Retailers face the risk of increased AUC Rule 032 errors due to potential incorrect bills. AUC Rule 032 violations carry fines as large as \$10,000 per error.</p> <p>DE could contemplate a change that would occur six years hence, with the introduction of interval meters for all. Given the state of the economy, this is not a top priority but could be explored when the economy recovers.</p>
17.	<p>Should sub-hourly settlement apply to all market participants? Is it fair for sub-hourly settlement to only apply to a subset of market participants?</p>	<p>“Supply only” could be done but this would lead to unsophisticated, small consumers bearing the burden of any imbalances.</p>
18.	<p>Does payment to suppliers on the margin (PSM) sufficiently incent generator response without sub-hourly settlement? If we move to sub-hourly settlement, is PSM still required to address the mismatch between settlement and dispatch interval?</p>	<p>Yes.</p> <p>In sub-hourly settlement, PSM should not be required.</p>
19.	<p>Are there any other benefits that have not been identified? Please elaborate.</p>	<p>No.</p>
20.	<p>Is the approach used for this engagement effective? If no, please provide specific feedback on how the AESO can make these sessions more constructive.</p>	<p>Yes.</p>
21.	<p>The AESO seeks to be transparent through this stakeholder engagement process and would like to publish all information as received. Is the information provided in this feedback suitable to be published by the AESO on aes0.ca? If no, please indicate the sections of your response that should be redacted?</p>	<p>Yes.</p>

	Questions	Stakeholder Comments
22.	Please provide any other comments you have related to the sub-hourly settlement engagement.	This is a time of fiscal constraint in Alberta and not the time to introduce a non-essential change to the electricity marketplace. Retailers bear the cost of these proposed changes and the only way to recover these increased costs is through higher prices to customers.

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