



ADC Presentation to AESO Board

November 17, 2021



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, Linde, 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 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 out of necessity to remain competitive in Alberta.
- ADC members support the local economies of many rural Alberta communities.



2022 AESO Business Plan – ADC Comments

- The ADC is generally supportive of the AESO's Business Initiatives. In particular:
 - Optimizing the grid
 - Priority needs to be increased utilization of existing assets and cost containment.
 - Red Tape Reduction
 - Market Sustainability and evolution
 - OR review
 - Market competitiveness
- ADC's key priority is the Tariff Modernization Application.
 - AESO should have requested a pause until the Transmission Regulation consultation was complete.



AESO Proposed Tariff Impact

- Members have exhausted options to manage their electricity costs.
- The AESO tariff design adds nearly \$13M in annual costs to ADC members and if approved will be a final blow to many energy intensive and trade exposed industries.

Member	Jobs	Location	DTS Increase	Other considerations
ANC	180	Whitecourt	38%	Chemical cost increases, consumes residual wood waste.
Dow	700	Ft. Sask., Prentiss	7%	Compressed gas cost increases
ERCO	30	Grande Prairie	37%	Cheaper to manufacture out of province, cost impact to Alberta customers
Lehigh	150	Edmonton	7%	Supply chain – will pass on costs
Linde	376	Ft. Sask., Prentiss	29%	Supply chain – will pass on costs
MEGlobal	200	Prentiss	7%	Compressed gas cost increases
Millar Western	700	Whitecourt	23%	Chemical cost increases, consumes residual wood waste.
Sherritt	700	Ft. Sask.	7%	Erosion of competitive position
West Fraser	2,355	Slave Lake, Blue Ridge	40%	Chemical cost increases, consumes residual wood waste.

AESO Tariff Consultation Process

- The ADC members are concerned with the proposed tariff design.
 - The design was a complete change in course after 2 years of consultation. (i.e. no energy component in the fall of 2020 to 40% energy component in early 2021)
 - The AESO failed to share the NERA report or underlying analysis in the consultation process.
- The AESO has wasted an opportunity to consider the unique characteristics of Alberta's flexible load and develop strategic programs that would:
 - Value the demand response capability of the flexible loads as part of Grid Resiliency, Optimizing the grid, and Market Sustainability and Evolution.
 - Allow members to remain competitive in Alberta.
 - Provide options for members to remain connected to the Alberta grid and contribute to the transmission revenue requirement.



Transmission Tariff Mitigation



- AESO tariff mitigation process was a failure.
 - Parties made it clear to the AESO that proposed options were a **run to failure** solution.
 - Bill credits: offside with international trade agreements.
 - DOS: flexible loads can interrupt, but still need certainty of grid connection in order to invest.
 - AESO appeared unconcerned with the economic impact to parties:

“ The AESO stated that its mandate is to develop a just and reasonable ISO tariff for Alberta, and not to ensure that individual companies can remain competitive in Alberta as an outcome of the tariff changes”

- There are second order impacts that the AESO has not even considered:
 - Supply chain cost increases for chemicals and compressed gasses.
 - Failure of one pulp mill or chemical facility will have ripple effects throughout the sector.
- Real issue is that Alberta has a transmission system that has become unaffordable for many consumers.

Final Comments

- The AESO consultation process failed to consider stakeholder concerns, resulting in an unorthodox tariff that no intervener supports.
- The tariff as designed rewards low load factor facilities (i.e. cogen) and shifts costs to the most efficient users of the grid. This is contrary to common rate design principles.
- The tariff if approved will be devastating to ADC members and will lead to demand destruction, job losses, and economic hardship in rural Alberta.
- The AESO has failed all Alberta consumers in the tariff design process, putting Alberta's economic recovery and continued growth at risk.

