Trevor and JP,


The MSA believes that it may be appropriate to allow unlimited self-supply and export, i.e., Option 3. However, a broad review of the implications of such a decision is merited, especially in relation to the existing transmission and distribution tariff structures. The rationale for this view is set out briefly below.

The MSA commented on the importance of “community generation” in its submission in module one of the Commission’s Distribution System Inquiry (“MSA’s DSI Submission”). It was filed as exhibit 24116-X0160. The phrase “community generation” in that context was meant to include local generation that was embedded in the distribution system. As such, it is similar to the phrase “self-supply and export” in the context of the Bulletin.

Paragraphs 40 to 43 of the MSA’s DSI Submission stated:

40. Community generation is important because it can help lower the cost of electricity to consumers. This includes both generation and system infrastructure costs. When generation is located at different locations than consumers, two types of costs are incurred:
   a) Line losses associated with the transfer of electricity on transmission and distribution lines and
   b) The need for and cost of the transmission and distribution lines themselves, as well as transformer stations and other related infrastructure.
41. Regarding line losses, the further energy must travel on wires the greater the losses that are incurred. These losses would be reduced by locating generation capacity closer to consumers.
42. Regarding the need for investment in transmission lines, it is policy in Alberta to build a transmission system that is uncongested under normal operating conditions. This is in part to assure investors that if they build generation anywhere in the province they will not be ‘constrained off’ due to transmission congestion. This has two main effects. First, generation investors have little incentive to locate near consumers because the cost to them of being distant from consumers is muted. Second, transmission costs in Alberta are excessively high because the transmission network is over-built in order that it be uncongested under normal operating conditions. In a properly functioning electricity market, locational prices would—through the market—mitigate the first effect by rewarding generators located closer to consumers with higher delivered electricity prices.
43. Both line losses and investment in transmission lines would be reduced by locating generation capacity closer to consumers.

Finally, I take this opportunity to note that the MSA is not currently investigating any market
participants in relation to the issues raised in the Bulletin and does not intend to begin any such investigation while the Commission is consulting on these issues.

The MSA would be pleased to participate further in relation to the Commission’s consideration of the issues in the Bulletin.

If you have questions about any of the above, please do not hesitate to contact me. My contact information is below.

Cheers,
Derek

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