February 14, 2020

To: Trevor Richards, Alberta Utilities Commission

From: Kris Aksomitis, Power Advisory LLC

RE: Cogeneration Working Group Comments on Self-Supply (AUC Bulletin 2020-01)

BACKGROUND

The Cogeneration Working Group (CWG) is a group of industrial loads with onsite generation in Alberta. The following members of the group are aligned with this submission: Cenovus Energy Inc.; Dow Chemical Canada ULC; Imperial Oil Resources Limited; MEG Energy Corp.; Suncor Energy Inc.; Syncrude Canada Ltd.; and TC Energy Ltd. This submission represents the consensus view of the identified group and is submitted on behalf of the group by Power Advisory LLC. Individual member companies may also make independent submissions.

The Alberta Utilities Commission (AUC) solicited feedback from the industry on self-supply with export in Bulletin 2019-16, to which the CWG submitted comments. As a follow-up, the AUC is now seeking further industry comments on issues raised by Capital Power and AltaLink.

Question 1

Please provide your views on the concerns expressed by Capital Power about the impact of unlimited self-supply and export on the energy-only market. Please comment on whether, or to what degree, such concerns may be addressed through changes to market rules or to existing transmission and distribution tariffs.

The CWG understands the AUC's question to be summarized per the following quote from Capital Power's submission:

> *Allowing an exemption for some energy reduces the amount of supply competing to be dispatched. Further, an expanded amount of self-supply and export reduces market visibility of both available supply and load to be served inhibiting price discovery. Exempting supply or some energy from pool participation reduces the effectiveness of and benefits from having a competitive market.*

The CWG does not share Capital Power's concern as stated above. The total market demand and total generation capability are generally visible to the market and are not impacted by self-supply status. The market framework requires all generation, self-supply or otherwise, to be offered to the market. It should also be noted that the large majority of offers to the market are on a gross basis with the full gross capacity of the generator offered to the market. Only a small number of self-supply participants offer on a net to grid basis, and the CWG does not believe the choice between gross or net offers impacts the dispatch as the incremental generation in a gross offer used to meet onsite load would be priced at $0/MWh rather than removed from the net offer. Generators face the same economic decision whether offers are gross or net and the decision to serve onsite load with onsite generation or grid purchases is not impacted.

As such, in the CWG's view, the existing must-offer must-comply rules are sufficient to ensure all generation is offered to the market, all generation is visible, and the benefits of the competitive market are maximized.

Question 2

Please comment on the following:

a. The concerns expressed by AltaLink about allowing unlimited self-supply and export under the current tariff structure.
b. The potential impacts of changing existing tariff structures to eliminate net billing for transmission-connected generation, transmission credits for distributed-connected generation, and the Alberta Electric System Operator's use of the 12-coincident peak methodology to recover bulk transmission costs.
c. Whether other tariff-based solutions exist to ensure that the transmission and distribution costs are fairly allocated between users.
d. If you believe that no changes to the current tariff framework are required please provide your rationale for that position.

The CWG suggests that the concerns raised by AltaLink are currently being evaluated by the AESO through its 2021 ISO tariff consultation. The issues raised appear to reflect AltaLink's position that the current tariff design does not result in a fair allocation of fixed costs for self-supply and/or responsive load. This is clearly a question currently under debate and has not been demonstrated. Further, it must be noted that unlimited self-supply and export has been allowed in the market prior to the 2019 re-interpretation, so concerns with changes to legislation to allow more expansive self-supply must be contemplated in the context that they effectively re-instate the long-standing status quo.

Concerns with appropriate valuation of grid services for self-supply sites such as reliability, back-up power, voltage support and other value streams noted by AltaLink are best resolved through the tariff consultation process. Limiting self-supply in advance of quantification of any of the alleged potential issues is not the right approach and it restricts options. Rather, the debate should occur in the tariff consultation where the cost and benefit of grid connection are the direct focus with the explicit goal of sending accurate price signals.

Net-billing should not be the focus of this debate, and in fact net-billing should be the default presumption for the market design. Again, the proper focus should be on the tariff design and concerns with self-supply should test whether the current billing determinants remain appropriate. As stated in the CWG's previous submission to the AUC on this issue, it is key that a level playing field is maintained, and a customer bill should be a function of its net load relative to billing determinants. Reducing demand to the grid through onsite generation or a direct reduction in load should result in the same impact on a customer bill, provided the reduction is equivalent.

Changes to the tariff framework are in the process of being examined and the discussion should remain in that process. The self-supply issue is a component of that process and concerns should be resolved through tariff design rather than restrictions on the ability to participate in the market.

The CWG appreciates the opportunity to provide further comment on this issue.