



February 14th, 2020

Via Email

Alberta Utilities Commission
#1400, 600 Third Avenue SW
Calgary, AB T2P 0G5

Attn: Trevor Richards

RE: Lionstooth Energy response to Bulletin 2020-01 – Exploring market concerns and tariff issues related to self-supply and export reform

Lionstooth Energy Inc. (Lionstooth Energy) provides the following in response to Alberta Utilities Commission (AUC) Bulletin 2020-01, dated January 9th, 2020.

Lionstooth Energy continues to strongly support the concept of unlimited self-supply and export.

Lionstooth Energy notes the overwhelming support for this position, resulting from the first phase of consultation in response to Bulletin 2019-16. While 33 submissions were posted, several of these submissions were made on behalf of market participant groups. As a result, we estimate this consultation represents feedback from closer to 100 market participants. Of those, 95% support unlimited self-supply, 2% had no comment, and only three – Capital Power Corporation (Capital Power), TransAlta Corporation, and AltaLink Management Ltd. (AltaLink) had a dissenting view. Support for unlimited self-supply and export was notably provided by the AESO and load customer groups.

As outlined in Lionstooth Energy's responses below, the few concerns expressed seek to limit:

- The ability for customers to respond to market signals, through the investment in self-supply and exports; and,
- Investment and increased competition through the further development of self-supply and export projects, by new and existing participants.

Neither of these positions support the need for market certainty to attract investment and create jobs, both on the part of load customers and new generation.

Lionstooth Energy appreciates the continued focus by both the Department of Energy (DOE) and the Commission. To that end, a rapid resolution and return to a market where unlimited self-supply and export is permitted, is both aligned with the majority and in the public interest.

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.

Lionstooth Energy understands Capital Power's main concern is that allowing self-supply and export harm investment and competition.

Lionstooth Energy disagrees with the position put forth by Capital Power, noting that prior to February 2019, the ability to self-supply and export was a widely and successfully used concept in the Alberta electricity market. Lionstooth Energy is of the view that self-supply and export actually supports investment and competition in Alberta.

Strong History of Investment & Need for More

In terms of investment, we estimate over 9,700 MW of generation additions have been brought online since deregulation, representing over \$19 billion in investment in Alberta generation.¹ Looking to the future, the AESO's 2019 Long-term Outlook (LTO) forecasts a need for 13,000 MW of new generation capacity by 2039.² Clearly, there are opportunities and need for investment in the Alberta electricity market.

Incumbent versus New Entrant Investment

Of the generation additions referenced above, 55% (5,300 MW) were added by incumbent market participants. Open competition requires clear supports for new entrants. Since deregulation, we estimate 45% (4,400 MW) of new generation additions have been from new entrants, indicating that efficient, open competition is taking place.

Self-Supply & Exports increases Competition & Investment

Of the generation added by new entrants identified above, over 73% (3,200 MW) represents investment in some form of self-supply and export. This investment in generation by new entrants would not be possible without the ability to self-supply and export. Without this, competition in the energy-only market would likely be limited to, and unduly benefit, existing incumbents over new entrants.

Based on the above, Lionstooth Energy does not believe that Capital Power's concerns are valid. Competition and investment in the Alberta electricity market is active, but requires the ability to self-supply and export to increase investment and further broaden competition. To that end, Lionstooth Energy supports a rapid resolution and return to a market where unlimited self-supply and export is permitted.

The current legislative scheme DOES allow for self-supply and export:

Capital Power's submission references Section 5(b) of the *Electric Utilities Act (EUA)* outlining one of the purposes of the Act being to provide for a competitive power pool guided by the principles of the *Fair Efficient and Open Competition Regulation (FEOC)*.

Section 5(b) of the *EUA* provides the ability for "all persons wishing to exchange electric energy through the power pool may do so on non-discriminatory terms and... manage financial risk associated with pool price" (emphasis added). We interpret this as both providing for competition while also supporting the ability for unlimited self-supply and export. To implement policy that restricts this ability would be discriminatory and prevent market participants from managing their financial risk, through physical investment in on-site generation.

¹ Estimated based on a simplification of \$2,000/kW installed cost of generation. This is a conservative assumption.

² AESO 2019 Long-term Outlook, September 2019, page 23.

Capital Power also references the must-offer provisions outlined in *FEOC*, asserting that under *FEOC* “all available energy is offered into the market”. However, Section 2(g)(i) specifically indicates that must-offer provisions do not apply if “electric energy is used on property for the electricity market participant’s own use,” clearly accepting that supplying your own needs is not a violation of open market competition.

We do not believe that the provisions brought forth by Capital Power contain legislative barriers to self-supply and export. In fact, we have highlighted how these provisions support unlimited self-supply and export while still allowing for broad market participation and competition. The existing legislative framework already includes provisions that allow for self-supply and export, which could be further refined through statutory direction. To that end, Lionstooth Energy reiterates its support for a return to a market where unlimited self-supply and export is permitted.

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.**

Response:

Lionstooth Energy understands that AltaLink’s concerns focus on their view that there are issues with the current tariff structure, upon a return to unlimited self-supply and export.

- a) AltaLink’s business, in their role as a Transmission Facility Owner (TFO), is directly tied to the need for transmission investment. This motivation could conflict with the development of the wires system in manner that is in the public interest.

It is clear from AltaLink’s submission that they are more concerned with tariff design, as it relates to self-supply only, and not the ability to self-supply and export, which is the subject of this consultation. AltaLink states “self-supplied loads... are not paying the full value of being connected to the transmission grid” (emphasis added). If AltaLink’s concerns are focused on the potential erosion of rate base, this is a matter which is outside this scope. Any inference that AltaLink’s comments reflect the concern of other load customers is, in our view, undercut by the support load customers have expressed for unlimited self-supply and export, as noted earlier.

Further, AltaLink has had ample opportunity to raise their concerns, as they relate to unlimited self-supply and export, under the current structure. Despite being an active participant in the recent 2018 ISO Tariff proceeding as well as participating in other consultations and processes, AltaLink did not raise any concerns over unlimited self-supply



and export, instead focusing on the same issues they have incorrectly introduced in their submission.

- b) The issues outlined in AltaLink's submission and summarized in question (b) deal entirely with self-supply and have no bearing on the ability to self-supply and export. Although a review of these tariff concepts may be warranted, Lionstooth Energy notes that most were either recently tested in the 2018 ISO Tariff Proceeding or are already the subject of other proceedings (i.e. Distribution System Inquiry).
- c) Investment in self-supply and export generation is almost entirely made in response either a physical need or a market price signal (i.e. the delivered price of power). Changing the tariff structure will not prevent further self-supply and export, but may impact the manner in which customers respond to market signals. Lionstooth Energy suggests a better discussion, although again outside the current scope, is how the growth of wires utility revenue requirements, and resulting magnitude of tariffs, may be driving customers to alternative sources of service.
- d) The current tariff structure has been routinely tested. At no point over the last three years, during which the 2018 ISO Tariff was under review, were concerns related to unlimited self-supply and export raised in relation to the tariff. As such, returning to a system where unlimited self-supply and export is allowed, does not require tariff structure changes.

Summary

Again, Lionstooth Energy appreciates the continued focus by both the DOE and the Commission.

If there are any questions or concerns, please contact the undersigned.

All the best,
Lionstooth Energy

Original Signed

Geoff Lester
President & CEO