

Minutes



Electricity Framework Review Project Team, Meeting #3

Date: Wednesday, July 11, 2013
Time: 10:00 am to 4:00 pm
Place: CASA Office, Edmonton

In attendance:

Name

Randy Dobko
Brian Jackowich
Krista Brindle
Al Schulz
Tom Watson
Wayne Ungstad
Leonard Standing on the Road
David Spink
Kristi Anderson
Rod Crockford
Tim Weiss
Jim Hackett
Srikanth Venogopal
Oliver Bussler
Lyn Meyer
Kelly Scott
Robyn Jacobsen
Michelle Riopel

Stakeholder group

Alberta Environment and Sustainable Resource Development
AUMA
Alberta Energy
CIAC
Milner Power Inc.
Ponoka Fish and Game
Ponoka Fish and Game (alternate)
Prairie Acid Rain Coalition
Mewassin Community Council
ENCANA
Pembina
ATCO
TransCanada
TransAlta (alternate)
Capital Power (alternate)
ATCO Power (alternate)
CASA
CASA

Guests:

Name

Peter Moore
Martina Krieger
Stephen Dobson

Stakeholder group

Alberta Energy
Alberta Environment and Sustainable Resource Development
Alberta Environment and Sustainable Resource Development

Regrets:

Name

Andre Chabot
Anamika Mukherjee
David Lawlor
Don Wharton
Tom Marr-Laing
Ahmed Idriss

Stakeholder group

AUMA
CAPP
Enmax
TransAlta
Pembina
Capital Power

The meeting convened at 10:00 am. Quorum was achieved.

Action items	Who	Due
1.9: Provide an update on the status of funding from AESRD.	Randy	Update at next meeting
1.10: Provide a report on discussions regarding contributing funding to the team.	Jim	Update at next meeting
2.1: Prepare a briefing on the potential definitions for natural gas and how this might affect what's in/out of the 5 Year Review.	Robyn and Anamika	Meeting # 4
2.5: Work with the AESRD Climate Change Secretariat to provide a presentation on the new requirements under the GHG Regulations.	Randy and Robyn	Meeting #4
3.1: Track the suggested changes and circulate a new version of the Operating Terms of Reference.	Robyn	Before Meeting #4
3.2: Review the 2011 Brattle Report with special attention to any indication of impacts to the Alberta Framework.	All	Before meeting #4
3.3: Clearly articulate issues with the reports and forward a written response to Robyn to be distributed to the team prior to the next meeting.	All	Written responses to Robyn by August 2
3.4: Investigate getting copies of the EDC report "Alberta Annual Electricity Study 2013" for all team members (some members have already purchased copies). A request will be made for EDC to give a presentation on the report.	Robyn	ASAP
3.5: Distribute copies of the presentations on the challenges associated with implementing the Alberta Framework + GHG Regulation	Robyn	ASAP
3.6: Poll for dates for a meeting of the mass-based emissions working group.	Robyn	

1. Introductions and Administration

- a. The group did a round-table of introductions.
- b. The meeting objectives and agenda were approved.
- c. The team reviewed the minutes from meeting #2. Some typos were noted. There was also a request to include a note about the edits made to the feedback on the trigers. With those changes, the minutes from Meeting #2 were approved.
- d. Robyn provided a brief update on other CASA activities.
 - The Odour Management Team (OMT) has prioritized their key tasks and is developing workplans for potential sub-groups.
 - A non-point source air emissions Statement of Opportunity was presented to the Board, who wanted more clarification, so a workshop is being planned for October.
- e. Review Action Items from Meeting #2

Action items	Who	Due
1.9: Provide an update on the status of funding from AESRD.	Randy	Carry forward
1.10: Provide a report on discussions regarding contributing funding to the team.	Jim	Carry forward

2.1: Prepare a briefing on the potential definitions for natural gas and how this might affect what's in/out of the 5 Year Review.	Robyn and Anamika	Carry forward
2.2: Create the ground rules and operating terms of reference for review at the next meeting. The team will be asked to commit to the ground rules.	Robyn	Done. See agenda item #2
2.3: Review relevant macro-economic reports before their next meeting.	All	Done. See agenda item #3
2.4: Interested parties should let Robyn know if they will be making a presentation on the impacts of the implementation of the GHG Regulations at the next team meeting.	All	Done. See agenda item #4
2.5: Work with the AESRD Climate Change Secretariat to provide a presentation on the new requirements under the GHG Regulations.	Randy and Robyn	Carry forward
2.6: Poll for dates for the next four meetings.	Robyn	Done

2. Operating Terms of Reference

The version of the Operating Terms of Reference (ToR) that was sent out with the meeting materials was out-dated. Robyn provided the most recent version and provided a brief overview of the document. Discussion included the following key points:

- #3: There was some concern about when “pens down” conversations would be warranted. It was suggested that a proviso be added, stating that if a team member is requesting a “pens down” discussion, they need to provide the rationale for their request.
- The team had previously discussed the idea of advocating or supporting the final recommendations and their implementation. This was missing from the most recent version of the ToR and will be added.

Action Item 3.1: Robyn will track the suggested changes and circulate a new version of the Operating Terms of Reference.

The team will confirm the ToR at their next meeting.

Tools for Interest-Based Negotiation (presentation)

- Among many types of negotiation, two that are relevant to the CASA experience are positional negotiation and interest-based negotiation. At CASA, we focus on using interest-based negotiation.
- When people negotiate from their positions, the outcome is usually only ideal from their perspective. There are winners and losers. Meetings tend to be adversarial, with people using threats and arguments to try and win.
- Underlying their stated positions are people's interests – their needs, hopes, fears, concerns, and desires. Interest-based negotiations look for common interests to build agreement. This means you need to know the other parties' interests to build a better agreement.
- To be successful in interest-based negotiation, you need to:
 - o Understand and focus on your own interests.
 - o Care about the interests of others.
 - o Find a shared outcome that works for everyone.

Robyn also shared three tools that were developed by the Odour Management Team during their orientation session:

How to Identify an Interest

- What is your concern? (identifies the issue)
- What is your solution? (often expressed as a position)
- How would that solution solve your issue? (describes the underlying interest)

What to do when someone is being positional

- Ask questions. (vs. arguing)
- Propose alternatives.
- Put your own interests on the table. Ask: how does your solution address my/everyone's interests?

Tips for successful participation

- Demonstrate how your solution addresses other members' interests.
- Listen to learn.
- Focus on the problem, not the people.
- Don't argue. Ask questions.
- Enable others to take risks.
- Take risks.

3. Review Macro-Economic Reports

The team reviewed the following reports in preparation for this discussion:

1. Evaluation of Market Fundamentals and Challenges to Long-Term System Adequacy in Alberta's Electricity Market. April 2011. Prepared by the Brattle Group for the Alberta Electricity System Operator (AESO).
<http://www.brattle.com/documents/UploadLibrary/Upload943.pdf>
2. Evaluation of Market Fundamentals and Challenges to Long-Term System Adequacy in Alberta's Electricity Market. 2013 update. Prepared by the Brattle Group for the Alberta Electricity System Operator (AESO).
<http://www.brattle.com/documents/UploadLibrary/Upload1123.pdf>
3. State of the Market Report 2012: An Assessment of Structure, Conduct, and Performance of Alberta's Wholesale Electricity Market. December 11, 2012. Market Surveillance Administrator.
<http://albertamsa.ca/uploads/pdf/Archive/2012/SOTM%20Final%20Report%2020130104.pdf>
4. Trends in GHG Emissions in the Alberta Electricity Market: Impact of fuel switching to natural gas. May 2, 2013. Prepared by EDC Associates for the Independent Power Producers Society of Alberta.
http://www.ippsa.com/IP_pdfs/Analysis%20of%20GHG%20Emissions%20in%20the%20Alberta%20Electricity%20Market%20-%20May%202013.pdf

Note: Although both the 2011 and 2013 Brattle reports were circulated, team members may not have paid particular attention to the 2011 Brattle report, since there was a more recent report. It was noted the 2011 report contains relevant information.

Action Item 3.2: The team will review the 2011 Brattle Report with special attention to any indication of impacts to the regulatory framework.

Discussion included the following key points:

- Each report seems to take a slightly different approach to evaluating the macro-economics. The Brattle reports review resources adequacy; the MSA report looks at competitive behaviour and the market; the IPPSA report focusses on the GHG outlook and forecasts.
- The question was raised about what the “viability of the electricity sector” (Recommendation 35) means. The team continues to grapple with this concept. There is a general feeling that it will be difficult to reach consensus on this issue.
 - o There was a suggestion that we might be able to agree on a qualitative definition, since we can’t seem to agree on a quantitative measure.
 - o One team member suggested that “viability” means a competitive price. Although we might not be able to agree on a price, we may be able to agree on whether or not the market is competitive.
 - o Another perspective was that “viability” needs to include resource adequacy and a competitive price.
 - o Another member suggested that the electricity market needs to 1) meet electricity demands and 2) be competitive.
- Competitiveness was an important item for discussion.
 - o Changes to the Framework will need to take into account competitiveness.
 - o Some felt that the original intent of the Framework was to not affect competitiveness in the market.
 - o Further to this idea, a member recalled that the intent in 2003 was to ensure that PPAs weren’t affected and that the price of electricity didn’t increase.
 - o Others expressed the idea that if a company goes out of business because the market isn’t competitive for them, that is just business as usual.
- One piece of valuable information from these macro-economic reports would be whether or not they have included the federal GHG Regs as a consideration.
 - o Do the reports indicate how the GHG Reg will impact the electricity market?
 - o If so, are the impacts relevant to the Alberta Framework?
 - o If so, how are they relevant? What changes would need to be made to the Alberta Framework to deal with the impacts?
- The only report that really mentions the regulatory framework is the 2011 Brattle report.
- Although the reports are speculative and there is not necessarily a “right” answer, some of the members felt that the reports don’t raise any red flags.
- One team member suggested that the reports conclude that the market is viable, as long as we don’t add any new constraints.
- It was noted that the reports don’t really speak to impacts on consumers.
- One member observed that the team’s mandate is to review environmental regulations and how they impact the sector. Market design/redesign is not our purview.
- Some members felt that the reports make assumptions that oversimplify the issues.

In conclusion, the team felt that they needed more time to consider the reports and continue their discussion on the triggers identified in the project charter. The following action items will be undertaken before the next meeting to ensure a productive discussion:

Action Item 3.3: Team members will clearly articulate their issues with the reports and forward a written response to Robyn to be distributed to the team prior to the next meeting.

Action Item 3.4: Robyn will investigate getting copies of the EDC report “Alberta Annual Electricity Study 2013” for all team members (some members have already purchased copies). A request will be made for EDC to give a presentation on the report.

4. Challenges with the Alberta Framework + GHG Reg

The team heard presentations from interested parties on the potential impact of the GHG Regs:

TransCanada, ENMAX, Capital Power, Altagas

- Between them, these generators have 5,000 MW of generation.
- The group represents both generators and PPA buyers.
- The presentation showed that end dates between the Alberta Framework and the GHG Regs are similar. There is no misalignment from the perspective of these generators.
- The main interest is to ensure regulatory certainty that will, in turn, give investors certainty for new development in the Alberta market, as well as maintaining integrity for investments made in the existing market/regulatory regime. Altering the framework substantially has the potential for negative economic impacts on these investments.
- Any changes to the Framework need to maintain emissions reductions.

TransAlta

- Based on the assumption that emissions trading continues at the same pace it has since 2006 (with no trades having occurred to date), the emissions credit market is limited. Therefore, some generators will have to install BATEA at 40 years (under the Alberta Framework). However, they won't have the opportunity to recover costs because they'll have to shut-down at 50 years or earlier as a result of the GHG Regs.
- The shut-down of units at the end of the Alberta Framework design life has the potential to result in a significant number of coal units retiring simultaneously in 2020.
- The macro-perspective oversimplifies the realities faced by individual companies. Faced with the requirement to install BATEA at 40 years, companies may make pre-emptive decisions to invest elsewhere. Furthermore, there may not be enough time left to build large scale natural gas fired facilities by 2020. The result is that there is the potential for the electricity supply to be put at risk.
- The environmental benefits that results from the GHG Regs should be considered by the Alberta Framework.
- The Five-Year Review should include changes to the Alberta Framework to reflect current regulatory circumstances.

Atco

- The GHG Regs truncate unit life, retiring units with significant remaining value, but also achieve significant emissions reductions.
- The Alberta Framework and the GHG Regs have a different operating life.
- At the current rate, the credits within the Emissions Trading System are expected to be short by 2019.
- The technology required under the Alberta Framework and the GHG Regs are different.
- Alberta's intensity-based approach deals with growth in the sector. The GHG Regs use an end of life approach that doesn't consider growth potential.
- The operating life of BATEA installed under the Alberta Framework is truncated by the GHG Regs.
- The proposed solution is to change the existing coal unit obligation from an intensity-based approach to a mass-based approach that would allow flexibility in compliance options while still achieving emissions reductions and preserving the Alberta Framework.

Non-Government Organizations

- NGOs main interest is that cumulative environmental gains achieved in the current Alberta Framework are, at a minimum, kept intact. Timing of intended reductions is somewhat relevant as well.

Action Item 3.5: Robyn will distribute copies of the presentations.

Highlights of the discussion including the following points:

- If plants shut down at 40 years because there are insufficient credits in the market or because they choose not to install BATEA, the generator would get credits under the GHG Regs for early shut-down.
- There was much discussion on the emissions credit market. Some people felt that there may be an issue with the market itself. Others suggested that perhaps generators have not taken the full opportunity to generate credits. Another member suggested that the intent of the emissions credit system was not to enable all units to operate to 50 years – it was intended to provide some flexibility around end of life dates.
- One member wished to clarify that the Alberta Framework and the GHG Regs are not ‘legally’ misaligned. The legal definition of misalignment is when doing one thing puts you in violation of another. A more accurate description is that there are differences between the two.
- The presentations focussed on NOx and SOx, but there is still the outstanding issue of the Particulate Matter.
- The team needs to keep mid-life BLIERS in mind – any changes to the Framework need to result in equivalent environmental outcomes. The Government of Alberta is concerned that if the Alberta Framework does not achieve equivalent environmental outcomes, they may not be able to retain regulatory control.
- Existing coal units are the immediate need. Is it possible to make that the priority issue and deal with it separately?

Comments on the mass-based approach:

- Could this approach result in coal plants to “turning on/off” more often to reduce their operating hours? How will this effect market viability?
- Would it maintain the competitiveness of the market?
- Could this approach be applied to only existing coal units and maintain the intensity-based approach for everything else?
- How would the target be set?
- Would reductions occur sooner or later than in the current system? Could there be trajectories for timing of reductions?
- Could the how/when of reductions be designed to address mid-life BLIERS?

- This approach would be analogous to a cap and trade system. There are similar examples in Ontario and the States:
 - o http://www.oetr.on.ca/oetr/about_registry.jsp Click on “technical description” two thirds of the way down the page.
 - o <http://www.epa.gov/cair/>

The team agreed to form a working group to discuss some of these questions and come back to the team with a more fully developed proposal for the mass emissions approach. Volunteers for the working group are:

- Randy Dobko
- Stephen Dobson
- Oliver Bussler
- Jim Hackett
- Tim Weis

Action Item 3.6: Robyn will poll for dates for a meeting of the working group.

5. Next Steps

Next Meeting

Meeting # 4	Tuesday, August 13	Edmonton
Meeting # 5	Wednesday, September 18	Calgary
Meeting # 6	Monday, October 7	Edmonton