

# Minutes



## *Electricity Framework Review Project Team, Meeting #7*

Date: Tuesday, October 29, 2013  
Time: 10:00 am to 4:00 pm  
Place: AMEC Building, Calgary

### **In attendance:**

<b>Name</b>	<b>Stakeholder group</b>
Ahmed Idriss	Capital Power
Anamika Mukherjee	CAPP
David Lawlor	Enmax
Don Wharton	TransAlta
Kristi Anderson	Mewassin Community Council
Randy Dobko	Alberta Environment and Sustainable Resource Development
Shaun McNamara	Milner Power Inc.
Srikanth Venogopal (to 12 pm)	TransCanada
Tim Weiss	Pembina
Wayne Ungstad	Ponoka Fish and Game
Steven Flavel	Alberta Energy
Tom Marr-Laing	Pembina Institute
Leonard Standing on the Road	Ponoka Fish and Game
Jim Hackett	ATCO
Njoroge Ngiure (alternate)	TransCanada
Robyn Jacobsen	CASA
Celeste Dempster	CASA

### **Guests:**

<b>Name</b>	<b>Stakeholder group</b>
Peter Moore	Alberta Energy
Sushmitha Gallapudi	Alberta Environment and Sustainable Resource Development
Allen Crowley	EDC

### **Regrets:**

<b>Name</b>	<b>Stakeholder group</b>
David Spink	Prairie Acid Rain Coalition
Al Schulz	CIAC
Krista Brindle	Alberta Energy
Rod Crockford	ENCANA
Andre Chabot	Alberta Urban Municipalities Association

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

<b>Action items</b>	<b>Who</b>	<b>Due</b>
1.10: Provide an update on discussions regarding contributing funding to the team.	Jim/Robyn	Update at next meeting
5.7: Ensure that a review of the implementation of recommendations is discussed.	Robyn	Meeting 9
5.8: Organize presentation on the Emissions Trading System from Stephen Dobson.	Robyn	Meeting 8
5.9: Ensure that development of a PM Management System for existing units is discussed.	Robyn	Meeting 9
7.1: Follow-up with Allen Crowley (EDC) to provide a longer term graph for "AIES Energy Production Forecast".	Robyn	ASAP
7.2: Distribute Allen's presentation.	Robyn	ASAP
7.3: Distribute Ahmed's presentation.	Robyn	ASAP

## 1. Introductions and Administration

- a. The group did a round-table of introductions.
- b. The meeting objectives and agenda were approved as presented.
- c. The team reviewed and approved the minutes from meeting #5. One change was suggested for the minutes of meeting #6. With that change, the minutes from meeting #6 were also approved.
- d. Review action items.

<b>Action items</b>	<b>Who</b>	<b>Due</b>
1.9: Provide an update on the status of funding from AESRD. <i>CASA has signed the grant agreement and the money is on its way.</i>	Randy	Done.
1.10: Provide an update on discussions regarding contributing funding to the team. <i>6 industry stakeholders have agreed to each contribute \$15,000 to the team. Invoicing from CASA to the stakeholders is underway.</i>	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. <i>This item is now in the CTRS task group's workplan. They will report back to the team on the results of this work.</i>	Robyn and Anamika	Done
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. <i>EDC provided the report to the NGO Stakeholders on the EFR Team. This report is NOT for distribution.</i>	Robyn	Done
5.1: Add some context as a preface to the outcomes of the Framework that are finally agreed to. <i>This was approved at meeting #6.</i>	Robyn	Done.

5.2: Distribute the article on the social costs of carbon that was referenced during the discussion. <i>The link was broken, but Robyn will distribute the articles as soon as the reference is provided.</i>	Robyn	Done.
5.3: Develop wording for an additional outcome relating to social capital <i>This wording was approved at meeting #6.</i>	Wayne and Kristi	Done
5.4: Share the data files that correspond to the model. <i>This did not come to the team, but was discussed at the Base Case working group table.</i>	Njororge	Done
5.5: Poll for dates for the Control Technologies and Reduction Strategies sub-group. <i>They had their first meeting on October 16 and have another meeting scheduled for November 15.</i>	Robyn	Done
5.6: Poll for dates for the Health and Environmental Affects sub-group. <i>Their first meeting is on November 12.</i>	Robyn	Done
5.7: Ensure that a review of the implementation of recommendations is discussed.	Robyn	Carry forward
5.8: Organize presentation on the Emissions Trading System from Stephen Dobson. <i>Stephen has been asked to present at meeting # 8.</i>	Robyn	Carry forward
5.9: Ensure that development of a PM Management System for existing units is discussed.	Robyn	Carry forward

e. CASA Update

f. Update on 5 Year Review Tasks.

- i. Health and Environmental Effects Task Group: Now that the group has representatives from all three sectors, they have set their first meeting for Nov 12.
- ii. Base Case Working group: Having received the go-ahead from the team, this group is proceeding with finalizing the RFP for EDC.
- iii. Control Technologies and Reduction Strategies Task Group: The task group presented their workplan to the team. Their objectives are:
  1. Determine emission standards based on the Best Available Technology Economically Achievable (BATEA).
  2. Review the electricity sector Continuous Improvement. The task group advised that the team should propose, where appropriate, recommendations for modifications to the framework that result in improved opportunities for supporting continuous improvement efforts.
  3. Review the updated Emissions Forecast to determine if emissions are 15% higher for a five-year period than in the previous Five-Year Review.
  4. Provide clear direction to consultants and provide on-going guidance to resolve issues and exchange information.
  5. Provide input to the Consultation Task Team about highlights of the CTRS task group findings.
    - The task group advised that the development of a PM Management System is out of the scope of their work.

## 2. Presentation from EDC

Allen Crowley from EDC presented “Alberta’s Annual Electricity Study 2013”.

**Action Item 7.1: Allen will provide a longer term graph for “AIES Energy Production Forecast”.**

Allen gave his permission for the PowerPoint presentation to be distributed, but asked that distribution be limited to only the members of the EFR team.

**Action Item 7.2: Robyn will distribute Allen’s presentation.**

## 3. Other Business: Presentation from Capital Power

Ahmed provided a presentation on behalf of Capital Power regarding their point of view on the Five Year Review.

**Action Item 7.3: Robyn will distribute Ahmed’s presentation.**

There was a question about whether or not Capital Power would support any changes to the Framework that increased the flexibility of compliance options. Ahmed said that as long as their interests were met, they would consider changes to the Framework.

## 4. Review – October 7, Brainstorming Session

The team had the opportunity to provide comments on the facilitator’s notes from the brainstorming session at the last meeting. There was agreement that the notes accurately captured the discussion.

There was a suggestion that ‘commercial interests’ needed to be a separate category. The team discussed what works and doesn’t work in the Framework related to commercial interests.

The team also completed discussions on the following outstanding items from Meeting #7:

- Five Year Review process
- FN Engagement
- Coordination with Land Use Framework Regional Plans
- Absolute Emission Limit

The final results of the brainstorming session, including discussions from October 7 and October 29, are attached.

## 5. Process Check-In

The team has committed to having an interest-based dialogue. The brainstorming sessions on October 7 and today have built the foundation for understanding the range of interests represented at the table. The team discussed how we can progress from this understanding of people’s interests to a solution that everyone can live with.

Key points made during the discussion included:

- Alberta Environment and Sustainable Resource Development said they’ve heard a lot of comments that the Framework does not provide enough flexibility in compliance options. In order to address this concern, AESRD feels that they could live with the so-called “mass-based proposal” (tabled at July 11 meeting by Atco). This proposal has a possibility of being acceptable

to government, as long as everyone agrees to some specific stipulations (e.g. annual emissions limits, de-rates, etc.). It was also stated that this is the only change to the Framework that the GoA has considered, since it is the only solution that has been presented to-date.

- Some stakeholders expressed concern that such strong support for only one possible solution limits the team’s ability to explore a range of options and find something that meets everyone’s interests. Such strict limitations on what can be explored by the team is not in the spirit of CASA.
- It was suggested that the team hasn’t yet reached the stage of exploring options and only considering one solution is pre-empting the process. The team should consider all the possible options before making a final determination.
- It was noted that it’s important for stakeholders to be clear about their limitations – if there are “no go” areas, we need to know so we don’t waste our time. It was also reiterated that non-consensus is an acceptable outcome and it has its role as an outcome. Even if there is non-consensus on resolving the federal GHG Reg issue, there are other things that we can do within the 5 Year Review.
- AESRD stated that, in principle, they would be willing to consider other options, as long as they meet GoA’s interests and are developed in a timely manner.
- There was a discussion about timelines. AESRD needs to see some significant progress by December 2013. At the next meeting, AESRD will try to provide some clarity around what is expected by December 2013. It was agreed that pressure to reach an outcome is important, but it shouldn’t be at the risk of achieving a reasonable result.

The team agreed that the next steps were to:

- Reschedule the November 19 meeting to a two-day workshop in Edmonton on November 28 and 29.
- The discussions of the workshop will focus on resolving the issues around the GHG Regs.
- Stakeholders will come to that workshop prepared to examine options for addressing the difference created by the federal GHG Regs that meet the interests of all stakeholders.

## 6. Next Steps

### Next Meeting

Meeting #8	Thursday/Friday, Nov 28/29	CASA Offices, Edmonton
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## **1. Alberta's Electricity Market Structure**

- Framework respects Alberta's electricity market structure
- Original intent of the Framework was not about the market, but about not impacting responsible environmental regulation.
- To respect the market, it shouldn't differentiate between fuels, and BATEA does differentiate between fuels – different standards for gas and coal.
- Not sure we can do anything to influence the market, because we can't impact the PPAs.
- Broader electricity discussion
  - Have lost the ability to include broader considerations in our review – price of electricity, sector viability, competitiveness, market disruption, affordability, cost to consumers, etc.
  - Is this our mandate? GoA would have to signal to us that we should look at this – Alberta Energy = this is one of their interests
  - Our mandate is responsible emissions management – being “responsible” means you also consider costs, but its not the primary driver – realization that responsible environmental management comes at a cost
  - The Framework needs to consider environmental and economic outcomes
  - 2003 process did consider pool price
- Is this about the content of the Framework or a process-related issue?

## **2. Flexibility and responsiveness**

- Credits for early shutdown
- Emissions trading incents early action – but we haven't really seen this occurring
- The flexibility built into the Framework was originally a selling point
- There is lots of flexibility built into the Framework already, but, of course, it comes at a cost
- We're here because there is some ambiguity in the flexibility mechanisms
- Has the implementation of the federal GHG Reg introduced the need for more flexibility?
  - The Framework can be as flexible as we need it to be, as long as it achieves the same outcomes
- How much flexibility does the Framework really have? Some think its limited and could be better
- There isn't enough flexibility in compliance
- This limited flexibility doesn't allow for the best outcome – economic or environmental
- Doesn't encourage new investment
- Not responsive to changing circumstances
- Framework sets specific rules, rather than focusing on the ultimate outcome of reducing emissions
- Requirement for large capital investments at end of life is wasteful
- Should add more ways to generate credits
- A barrier to flexibility is that we can't look at commercial arrangements (i.e. PPAs)
  - E.g. barrier to early action – PPAs wouldn't allow installation of technology
- How does the Framework respond to changing circumstances?
- Issues with emissions trading system
  - Limited opportunity to generate SOx credits
  - This is not a Framework/flexibility issues – industry hasn't taken action

### **3. Regulatory certainty**

- Regulatory certainty – know what the rules are
- Regulator has moved from a command and control role
- Important in terms of investment considerations
- Provides reliability in supply – electricity to consumers, keeping the lights on. However, ensuring reliability is AESO's mandate, not ours
- Provides certainty for the public about how development will occur
- Nothing is ever certain – perhaps it provides clarity with regards to environmental standards and timeframes, with some caveats (e.g. hot spots protocol)
- Clarifies expectations

### **4. Commercial Interests**

- Investments have already been made in the market based on the structure of the current Framework. Also, the current Framework has been the basis for any economic modeling that companies have done to guide their decision-making.
- Economic efficiency isn't just about older units – it means also considering new investments. Investments in newer facilities (capital stock turnover/retrofits) would result in lower emissions.
- Commercial interests shouldn't be the driver in decisions we make about the 5 Year Review. The Framework is about managing emissions.
- This isn't about protecting commercial interests; it's about ensuring that commercial interests are considered in any decisions about the Framework.

### **5. Collaborative approach**

- Agreement includes a diverse range of interested stakeholders
- Public endorsement – indirectly through the composition of CASA tables
- This has created a dynamic, robust, comprehensive Framework
- Balanced outcome for all interested parties

### **6. Continuous improvement**

- Includes a 5 year review to ensure standards reflect the BATEA
- BATEA was a key driver for the development of the Framework
- Review of BATEA every 5 years provides credibility and assurance that appropriate emission controls are implemented
- How does it account for cumulative effects? The hot spots protocol is one way
- The continuous improvement element of the Framework looks at the sector as a whole
- Emissions trading incents early action, which could be seen as aspect of continuous improvement – in the Framework, emissions trading is treated as a separate element from continuous improvement
- Considers the sector as a whole – would look at things like transmission as well, not just generation
- Expectations for CI not clear – means different things to different people
- CI is not linked to quantifiable emissions reductions – how do we measure it?
- If we look at emissions trends, that provides some quantifiable measurements
- CI is about actions, not all of which lead to emissions reductions, e.g. research – not always tangible results

- If it isn't tangible, how do we demonstrate it? How do we document it?

## **7. Framework is a package of recommendations**

- No cherry picking
- The package idea makes the Framework better – its multi-faceted, complex, and balanced among all interests
- Provides comfort because stakeholders know that its all or nothing
  - What about the recommendations on renewables and GHGs that weren't implemented?
- Context of how we arrived at this “package” would be helpful – i.e. what were the tradeoffs in 2003?

## **8. Made-in-Alberta**

- Established GoA as the regulator.
- The Framework is “the” way we manage emissions from the electricity sector in Alberta.
- A key objective for GoA is to avoid federal intervention to implement BLIERs for existing units.

## **9. Five Year Review Process**

- BATEA review and review of emissions (health and environmental effects literature review to identify new substances of concern)
- Review of BATEA every 5 years provides credibility and assurance that appropriate emission controls are implemented
- Ensures the Framework doesn't become dated
- Allows us to ask the question “is the Framework still appropriate?”
- It's a benefit that each new project doesn't have to do a BATEA review for their proposal – the 5 Year Review does the work
- Is 5 years an appropriate timeframe? It's a lot of effort to undertake every 5 years, especially when BATEA doesn't seem to change that quickly
- Or if technology does progress quickly, we wouldn't know until the 5 Year Review
- Resilience
  - Once PPAs expire, this review process will look quite different – is there anything we can do to make the Framework more resilient?
  - How does the Framework respond to changing circumstances?

## **10. Public consultation**

- Important aspect of the Framework
- Lacking in FN engagement

## **11. First Nations Engagement**

- We have the opportunity to go beyond the formal “consultation” process.
- We could use this as an opportunity to build capacity in communities.
- TransAlta and Fortis have a system that works.
- We need to be able to fit in with what already exists in the communities.
- Educating ourselves on aboriginal culture is very important.

## **12. Sectoral approach**



- Looks at the electricity sector as a whole
- Multi-pollutant

### **13. Consistent treatment of regulated parties**

- Not meant to give a competitive advantage to anyone
- Consistent implementation of the rules
- There IS different treatment for coal and gas – BATEA and end of life – but the criteria and approach for developing the specific standards and end-of-life was consistent across fuel types
- Framework appears to favour generation types
- While the intention is to regulate consistently, the focus should be to achieve consistent outcomes from all regulated parties – set an emission limit across the sector and let each party figure out how to meet it
  - That would work if the Framework was a cap and trade system
- BATEA discriminates fuel types
- The Framework has to reflect reality – Alberta does have different fuel types – but it was agreed in 2003 that we would develop a fuel neutral policy where each fuel type would be required to implement best practices
- Not supposed to pick winners and losers
- Our focus is pollution prevention and emissions minimization – the most effective ways to achieve this – by applying the best available technology
- In 2003, GoA indicated that standards that put coal out of business would be unacceptable

### **14. Renewable Energy**

- Renewable energy was considered in the original Framework – groups couldn't reach agreement
- Looking at renewables would require looking at market structure
- Currently, we have more renewable energy than what was envisioned
- Alberta Energy is developing an Alternatives and Renewable Energy Strategy
- Lacks renewable energy requirements
- Framework should include a renewable portfolio standard or other renewable energy support mechanism
- Looking at renewables could create a broader opportunity for consensus – allows flexibility in our response to changing circumstances

### **15. PM Management**

- The development of a PM Management system for existing units is in abeyance
- There wasn't enough certainty to develop a PM Management system in 2008 Review process
- Hasn't been full addressed or resolved

### **16. GHGs**

- The Framework should incorporate GHG Management (originally recommendations 23 to 26)
- The original recommendations were superseded by the Climate Change Policy which was much broader
- This is why we're here!! CASA Framework doesn't coordinate effectively with the federal GHG Reg and Alberta is vulnerable to the federal government stepping in

- Others don't see the misalignment
- There is little value in us pursuing GHGs unless we get direction from GoA on what meaningful work the team could do
- Could we have input to the SGER review?

### **17. 5 Year Review Process**

- The review process is quite rigid, without a lot of flexibility in terms of process design.
- Changes should be considered if they make sense, instead of being required every 5 years.
- The team shouldn't be "reinventing the wheel" every 5 years.
- There should be consideration for process efficiency – how can we improve, give that the review is every 5 years, but it takes us 2 years to complete? However, as this is only the second 5 Year Review, it will be a learning process that should become more efficient as all the bugs are worked out.
- On the other hand, requiring a review every 5 years ensures that our framework stays current and dynamic.
  - The Review process enables multi-stakeholder contributions to important policy discussions (for example, the federal GHG Regs).
  - The first 5 Year Review resulted in more stringent BATEA standards for new units.
- There is a distinct lack of clarity on the triggers:
  - Should the "trigger" be GoA saying they have a new requirement?
  - Should the "trigger" be on an as needed basis?
- There are also issues with:
  - GoA requirement to make a decision when there is a non-consensus recommendation (this hasn't happened).
  - GoA follow-up to implement consensus recommendations (this also hasn't 'officially' happened).
- The team could make more solid plans for starting work in advance.

### **18. Absolute emission limit**

- We could consider developing a backstop of an absolute emission limit to ensure environmental outcomes.
- The hot spots protocol addresses this.
- The Framework is based on technology, not ambient air quality.
- An absolute emissions limit would not account for geographic differences.
- There will be growth in overall emissions limits due to growth in generation, even if intensities don't increase. This should be considered in the 15% emissions trigger.

### **19. Link to Land Use Framework regional plans**

- Since the LUF is supposed to include a monitoring component, we could use this data to measure progress on environmental progress, looking at emissions trends, etc. This could help the team to answer the question about whether the Framework meeting everyone's needs. (However, we are uncertain on whether or not this monitoring will be sufficient.)
- Linking to the regional plans provides the opportunity to focus on areas that have air quality issues.
- The Land Use Framework is not meant to supersede or override the Alberta Electricity Framework.
- We should consider how our recommendations will interact with the regional plans.

