

Stakeholder Comment Matrix – October 8, 2019

Request for input on market power mitigation



Period of Comment: October 8, 2019 through October 29, 2019 Comments From: IPPSA Date: [2019/10/16]	Contact: [REDACTED] Phone: [REDACTED] Email: [REDACTED]
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1.	<p>What has been effective in Alberta’s historical approach to market power mitigation in the energy-only market, and what could be improved?</p>	<p>Alberta’s energy-only market design and governing legislation (including the PPA design, S. 6 of the EUA, the FEOC regulation and the Transmission Regulation) has successfully produced competition among power suppliers.</p> <p>Reliance on competition is the most effective approach to ameliorating market power. Market power itself is not a precursor to market failure if the underlying market is competitive.</p> <p>In Alberta’s power market, competition between market participants has been effective in:</p> <ol style="list-style-type: none"> 1) providing customer choice (contracting, constructing and curtailing in response to real time price). Customer choice ameliorates supplier market power. 2) Alberta history of attracting new suppliers ameliorates market power. This has included creating new Alberta power producers and the successful attraction of North American and now international power producers. Supply additions have been enabled in part through a price signal intended to reflect supply and demand and through legislation’s commitment to open access and robust transmission serving suppliers and consumers. 3) Creating a downward pressure on price. Price outcomes have proven the success of competition in Alberta’s electricity market. The market’s success was recently confirmed by the Market Surveillance Administrator’s 2014 state of the market report. <p>IPPSA recommends the following improvements to Alberta’s market design:</p> <ol style="list-style-type: none"> 1) A re-alignment of agency roles and mandates to reduce cross-threading and ensure the promotion of competition. 2) Reduce regulatory risk by ensuring that decisions are coherent with
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		<p>legislation and not retroactive.</p> <ol style="list-style-type: none"> 3) A focus on dynamic efficiency when assessing market outcomes. 4) The restoration of the AESO's Historic Trading Report, which enables consumers, new entrants and smaller players the same understanding of market dynamics as larger supply participants. 5) Enshrine in law the principle that unilateral offer behavior is permissive in Alberta, but not coordinated behavior. 6) Improve stakeholder consultation at the AESO to encourage collaboration in issues resolution. 7) Reliance on evidence-based decision-making by all government agencies.
2.	<p>Do you expect the historical approach to market power mitigation in the energy-only market (e.g. OBEG, ex-post monitoring, must offer, 30% offer control limit, FEOC Regulation) will be effective on a go-forward basis?</p> <p>If yes, please explain your rationale. If no, please explain your rationale and changes required.</p>	<p>IPPSA offers no comment in response to this question.</p>
3.	<p>If deemed that additional mitigation measures are required in the energy-only market, please indicate whether they should be applied ex-ante (mitigation occurs prior to prices being set) or ex-post (mitigation occurs following market prices being set).</p>	<p>IPPSA offers no comment in response to this question.</p>
4.	<p>What has been effective in Alberta's historical approach to market power mitigation in the operating reserves market, and what could be improved?</p>	<p>IPPSA offers no comment in response to this question.</p>
5.	<p>Do you expect the historical approach to market power mitigation in the operating reserves market (e.g. FEOC regulation, indexed to pool price) will be effective on a go-forward basis?</p> <p>If yes, please explain your rationale. If no, please explain your rationale and changes required.</p>	<p>IPPSA offers no comment in response to this question.</p>
6.	<p>If deemed that additional mitigation measures are required in the operating reserves market, please indicate whether they should be applied ex-ante (mitigation occurs prior to prices being set) or</p>	<p>IPPSA offers no comment in response to this question.</p>

	ex-post (mitigation occurs following market prices being set).	
7.	What criteria should be considered in evaluating Alberta's mitigation framework? Would you rank one or some of these criteria more highly than others?	<p>Ranked criteria could include:</p> <ol style="list-style-type: none"> 1) A recognition that any mitigation framework cannot impede an investors' opportunity to earn a return of and on capital and that mitigation frameworks must not impede scarcity signals/future investment signals. 2) Reliance on tools that promote competition, rather than administrative tools. 3) Reliance on dynamic efficiency tests. It is inappropriate to rely on static efficiency/hourly market outcomes in the mitigation of market power. 4) Identification of harm, given the depth of contracting, on-site construction and curtailment options that consumers have exercised in Alberta's competitive electricity market. 5) An approach that is simple and stable and to the greatest degree possible, non-discriminatory. 6) A recognition that Alberta has rejected forced divestiture.
8.	Are there unique characteristics of Alberta's electricity market that may impact whether the market power mitigation approaches used in other jurisdictions are suitable for Alberta? If so, please describe them.	<ul style="list-style-type: none"> ▪ Mitigation approaches must align with and promote Alberta's energy-only design. Approaches from capacity market designs likely do not apply.
9.	What do you think the appropriate role for the AESO is in Alberta's mitigation framework?	<ul style="list-style-type: none"> ▪ The design of Alberta's market mitigation framework is ultimately a policy decision. The AESO would implement any such decision as it relates to its mandate. ▪ In addition, the AESO could continue its annual market statistics work where it includes revenue sufficiency calculations. This is an appropriate measure of the market's dynamic efficiency. The AESO could also monitor and report on consumer behavior to understand the degree consumers are employing choices available to them in managing price and supply.
10.	What do you think the appropriate role for the MSA is in Alberta's mitigation framework?	<ul style="list-style-type: none"> ▪ The MSA should not have a role in market design, including the design of the market mitigation. Mitigation is a policy matter. The MSA's role should

		simply be to enforce AESO rules, including monitoring the market for anti-competitive behavior.
11.	Please describe your role in the Alberta electricity market.	
	a. Are you a load, a generator, both, neither (e.g. developer, storage, interested party)	IPPSA is the trade association representing Alberta power supply. IPPSA has ~100 members including power suppliers and their supporting industries. Our members produce power from gas, coal, wind, hydro, geo-thermal and solar projects. IPPSA's members compete to serve Alberta's power consumers.
	b. What is the approximate size of your load and/or generation?	
	c. Do you participate in the energy market, AS market, both?	
	d. Do you forward hedge? If so, is it physically, financially, both? What percentage of your portfolio is hedged?	

Thank you for your input. Please email your comments to: stakeholder.relations@aeso.ca.