

## Stakeholder Comment Matrix – October 8, 2019 Request for input on market power mitigation



<b>Period of Comment:</b> October 8, 2019 through October 29, 2019	<b>Contact:</b> [REDACTED]
<b>Comments From:</b> ENMAX	<b>Phone:</b> [REDACTED]
<b>Date:</b> 2019/10/28	<b>Email:</b> [REDACTED]

*The AESO is seeking comments from stakeholders on market power and market power mitigation in Alberta's energy and ancillary services markets.*

	Questions	Stakeholder Comments
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>The key mechanisms of Alberta's historical approach to market power mitigation in the energy-only market (i.e. Offer Behavior Guidelines (OBEG), ex-post monitoring, must offer/must comply, 30% offer control limit and the <i>Fair Efficient Openly Competitive (FEOC) Regulation</i>) have worked effectively to manage the issue of market power while maintaining a competitively driven market framework. These design elements have proven successful in addressing market power issues and market compliance contraventions in the past.</p> <p>Continued success of Alberta's wholesale electricity market is reliant on maintaining a stable set of market rules and a stable regulatory framework, in particular as it pertains to market power mitigation. This requires that the agencies responsible for overseeing or applying market power mitigation also take a consistent approach to the interpretation of the governing legislation.</p> <p>Clarification of the roles and mandates of the agencies overseeing market power mitigation would be a significant improvement to the framework.</p>
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>Yes, ENMAX feels that the historical approach to market power mitigation in the energy-only market will be effective on a go-forward basis. ENMAX stresses the importance of the OBEG guidelines that were subsequently revoked by the MSA in 2018. The OBEG was a very helpful interpretive guide that was the result of a comprehensive public consultation. The MSA's decision to revoke this valuable tool prior to the implementation of the capacity market was pre-mature. These historical tools worked effectively in tandem with the other elements of the market and regulatory framework; the removal of one or more of these elements would dramatically impact the effectiveness and value to mitigate market power issues.</p> <p>ENMAX understands that there will be a single generation participant with a significant market share when the PPAs expire in 2020. This issue needs to be dealt with directly. It is not appropriate to redesign the market and market power mitigation framework to address the market share of a single participant.</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>ENMAX is of the view that an Ex-post approach to market power mitigation is most effective for an energy only market and stresses that market power related to offer control limits should be addressed directly with the impacted participants. Other markets manage this by implementing single compliance plans for large players over a specific concentration measured over time. Secondly, the approach should consider the ability to influence market prices, rather than the size of the portfolio. ENMAX notes however, that a market participant with a large generation portfolio does not necessarily mean the market participant has the ability to exercise or abuse market power as this depends on its physical length. For instance, large portfolios that have hedged a significant amount of generation through marketing activities or forward financial sales, by definition, are not incented to exercise market power. Lastly, the approach should be asymmetrical, and be designed to deal with both raising prices and the ability to drive prices down.</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>The auction procurement mechanism managed within the requirements of the FEOC Regulation have been an effective approach to market power mitigation in the operating reserves market. ENMAX does not have any suggested improvements at this time.</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? If yes, please explain your rationale. If no, please explain your rationale and changes required.</p>	<p>Yes, ENMAX supports the current approach and we feel it will be effective on a go-forward basis.</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 ex-post (mitigation occurs following market prices being set).</p>	<p>ENMAX does not feel that any additional market power mitigation requirements are required for the operating reserves market at this time.</p>

7.	<p>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>	<p>The criteria that should be considered in evaluating Alberta's mitigation should be:</p> <ul style="list-style-type: none"> <li>- Maintaining a competitively driven energy price (allowing for dynamic and static efficiency to be reflected in the price)</li> <li>- Addresses market power directly</li> <li>- Focus on a market participant's ability to influence prices – not based on size of portfolio (i.e. large doesn't equal long)</li> <li>- Low administrative burden and stable rules</li> <li>- Clarity and transparency in design, market rules and interpretations of legislative/regulatory mandates by agencies</li> <li>- Market rules and the mitigation framework should not interfere with Alberta's competitive retail market.</li> </ul>
8.	<p>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.</p>	<p>Yes, Alberta's market is unique in design. Caution should be taken in attempting to import rules and/or mitigation feature of other markets that have very different frameworks and structures in both their wholesale and retail designs.</p>
9.	<p>What do you think the appropriate role for the AESO is in Alberta's mitigation framework?</p>	<p>It is imperative that the AESO maintain its "independent" role as market operator.</p>
10.	<p>What do you think the appropriate role for the MSA is in Alberta's mitigation framework?</p>	<p>It is difficult to comment on the appropriate role of the MSA prior to the completion of the review of the agencies being currently undertaken by the GoA. Having clear direction on the mandates and governance of the agencies from policy makers will help define the appropriate role of the agencies.</p>
11.	<p>Please describe your role in the Alberta electricity market.</p>	
	<p>a. Are you a load, a generator, both, neither (e.g. developer, storage, interested party)</p>	<p>ENMAX is both a generator and retailer of electricity.</p>
	<p>b. What is the approximate size of your load and/or generation?</p>	<p>ENMAX's generation portfolio is approximately 1500 MW.</p>
	<p>c. Do you participate in the energy market, AS market, both?</p>	<p>ENMAX participates in both the energy and AS markets.</p>

	d. Do you forward hedge? If so, is it physically, financially, both? What percentage of your portfolio is hedged?	ENMAX does actively forward hedge our portfolio through retail and wholesale markets, both physically and financially.
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Thank you for your input. Please email your comments to: [stakeholder.relations@aeso.ca](mailto:stakeholder.relations@aeso.ca).