

## 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:** Industrial Power Consumers Association of Alberta (IPCAA)  
**Date:** 2019/10/29

**Contact:** [REDACTED]  
**Phone:** [REDACTED]  
**Email:** [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>As anticipated in 2000, the PPAs reduced the impact of market power. However, they will be completely ending on December 31<sup>st</sup> 2020 and IPCAA is concerned that one market participant could have sufficient market power in the Energy-Only Market (EOM) to drive inefficient pricing outcomes, if they so choose. This should be examined by the AESO.</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? If yes, please explain your rationale. If no, please explain your rationale and changes required.</p>	<p>Certain aspects of the EOM design and regulations will continue to limit market power, including:</p> <ul style="list-style-type: none"> <li>• The Offer Cap (at \$999.99/MWh) limiting economic withholding;</li> <li>• FEOC – prohibiting physical withholding; and</li> <li>• Ex-post monitoring to ensure the FEOC Regulation is adhered to.</li> </ul> <p>IPCAA has some concerns with the 30% offer control cap. It is not clear that 30% is the appropriate amount. Customers are concerned that the introduction of this 30% limit did not come with rationale as to how the 30% was established. With the ending of the PPAs, TransAlta will have significant market power. We estimate 27% market share in the EOM and 98% market share in the Ancillary Services Regulation Market. The AESO and/or DOE should examine this limit and provide rationale as to what level is appropriate for the Alberta electricity market. This rationale should be made public.</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>If it is deemed that additional mitigation measures are required in the EOM, IPCAA emphasizes that both loads and generators react to the pool price in the EOM, and changing that price after-the-fact would lead to incorrect outcomes and both loads and generators having to second guess the published price. More information is required on what the AESO is considering re: additional measures.</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>IPCAA submits that the marketplace needs additional information on the historical performance of the OR markets, as well as what they will look like post-PPAs. The AESO should track and report on any over-procurement of OR as well as any market power concerns in the OR market. The AESO should also evaluate and report on the efficiency of day-ahead procurement of OR.</p>
5.	<p>Do you expect the historical approach to market power mitigation in the operating reserves market (e.g. FEOC regulation, indexed</p>	<p>IPCAA submits that the marketplace needs additional information on what the OR markets will look like post-PPAs. IPCAA understands that TransAlta hydroelectric</p>

	<p>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>energy provides over 90% of Regulating Reserve (RR). It would be useful to understand what capabilities companies (other than TransAlta) have and to understand the supply that is available to this market. It is pre-mature to request stakeholders' views on MPM for the OR markets prior to providing information on the potential supply in this market. The AESO should consider publishing a report on the demand and supply in the OR markets that is expected post-PPAs.</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>The AESO needs to provide additional information to the market on what the OR market will look like post-PPAs. As stated above, it would be useful to understand what capabilities companies (other than TransAlta) have and to understand the supply that is available to this market. It is pre-mature to address application of MPM prior to providing information on the potential supply in this market.</p> <p>If the capabilities in the RR market are limited, as there are infrastructure costs associated with providing RR, the AESO might consider mechanisms to enhance competition in the RR market, such as an auction.</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>Key criteria for evaluating any MPM framework, in no particular order, should include:</p> <ul style="list-style-type: none"> <li>• As little regulatory burden, as possible;</li> <li>• Simplicity in design; and</li> <li>• Transparency.</li> </ul> <p>IPCAA also submits that MPM should not lead to "missing money" issues and the need for other top-up mechanisms like increased offer cap or a higher market cap and an Operating Reserve Demand Curve (ORDC). Mitigation should not lead to the "missing money" needed for investment being paid over a few hours in the year.</p>
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>IPCAA does not believe the typical marginal cost framework used in various US markets will work in Alberta. In this framework, prices only rise when shortage occurs. In Alberta's experience, price rises towards scarcity as supply tightens. In most years, Alberta's EOM has worked well.</p> <p>There are issues with average hourly prices where the settlement interval and the dispatch interval should be the same and loads and generators are not necessarily rewarded. IPCAA recommends a shorter settlement interval for Alberta.</p> <p>There are issues with the pool price not being reflective of ramp scarcity, which with</p>

		<p>the increase in renewables is anticipated to be a much larger issue. Loads and generators should be rewarded when they react to scarcity conditions.</p> <p>IPCAA submits that there should be no additional regulatory burden created for market participants who are not deemed to have market power. Alberta's market benefits from less administrative and regulatory burden than we have seen in other markets.</p> <p>Any market power mitigation framework would have to be modelled and tested to determine if it was leading to the correct outcomes.</p>
9.	What do you think the appropriate role for the AESO is in Alberta's mitigation framework?	<p>The AESO should provide transparent information to the market to allow all participants to understand the market rules.</p> <p>The AESO should enable competition and be open to consultation with stakeholders if there are any proposed market changes it is considering.</p>
10.	What do you think the appropriate role for the MSA is in Alberta's mitigation framework?	The MSA should monitor the markets, after-the-fact, to ensure the FEOC Regulation is adhered to (including no physical withholding) and the AESO's market design is working as anticipated. The MSA should also report on the outcomes in both the EOM and AS markets and monitor all markets to ensure no collusion is occurring.
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)	The Industrial Power Consumers Association of Alberta (IPCAA) is a membership based organization representing large industrial loads. Our members are involved in oil sands development, oil and gas exploration and development, oil and gas pipeline transportation, forest products and pulp and paper production, steel and petrochemical manufacturing, and other key Alberta industries. Our mission is to take a leadership role in achieving a fair, open and efficient marketplace for electricity sales and services in Alberta.
	b. What is the approximate size of your load and/or generation?	IPCAA represents a considerable portion of the load in Alberta.
	c. Do you participate in the energy market, AS market, both?	Our members participate in all aspects of the market, both EOM and AS.
	d. Do you forward hedge? If so, is it physically, financially, both? What percentage of your portfolio is hedged?	Some members do hedge, both physically and financially. Portfolio information is not public.

Thank you for your input. Please email your comments to: [stakeholder.relations@aeso.ca](mailto:stakeholder.relations@aeso.ca).