

# 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>Comments From:</b> Maxim Power Corp. <b>Date:</b> [2019/10/29]	<b>Contact:</b> [REDACTED] <b>Phone:</b> [REDACTED] <b>Email:</b> [REDACTED]
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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>Maxim has found the current system to be largely effective. Ex-post monitoring has minimized the administrative burden relative to those observed in other jurisdictions, while OBEG clearly defined what behavior was acceptable within the energy-only market and aided the understanding of all market participants. Competition under these rules has promoted efficient power pricing that is reflective of the long term Cost Of New Entry and provided reliable power at a reasonable cost to consumers.</p> <p>Maxim supports the reinstatement of OBEG or another similar document.</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>Maxim expects the historical approach for market power mitigation to be effective on a go-forward basis. The current system has been effective at incenting new generation, providing proper signals for the entry and exit of generation as needed.</p> <p>Maxim believes the 30% offer control limit is acceptable, assuming the key associated mitigation features (OBEG, offer cap, etc..) are reinstated or kept in place. If the offer control limit is modified, a corresponding change in some other portion of the mitigation framework (ie. higher price cap, lower/negative floor price, etc..) would be required to support sufficient long term pricing to encourage continued investment in the Alberta power market.</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>Maxim does not believe additional mitigation measures are required.</p> <p>Maxim reiterates that whatever mitigation measures are decided to be used going forward, they should use ex-post monitoring and mitigation to limit the associated administrative burden for both enforcement and compliance.</p>

4.	What has been effective in Alberta's historical approach to market power mitigation in the operating reserves market, and what could be improved?	<i>No comment</i>
5.	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.	<i>No comment</i>
6.	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).	<i>No comment</i>
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><i>In order of importance:</i></p> <ol style="list-style-type: none"> <li><i>1) The framework should reflect that Alberta uses an energy-only market and recognize that proper pricing signals are of vital importance to the success of the market (Free Market Principles)</i></li> <li><i>2) The framework results in a power market that provides proper incentives to both existing and potential new entrants to the market through clear market signals (Incentives)</i></li> <li><i>3) The framework utilizes clear and well-defined rules that allow for consistent application (Clarity)</i></li> <li><i>4) The framework is established in a fashion that allows execution without unreasonable administrative burden (Practicability)</i></li> </ol>
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.	<p><i>Maxim notes that Alberta is an energy-only market which exhibits significant differences when compared to the capacity markets that operate in the majority of deregulated electricity markets within North America. In energy-only markets all returns must be made through energy prices. Energy prices must provide appropriate pricing signals to either incent or deter new generation. Prices must be sufficiently high enough to allow existing generation to recoup their cost and earn a reasonable rate of return or risk early retirement of generation assets that may well be needed for system reliability. Free market principals must prevail in an energy-only market or risk unintended consequences which may impact system reliability.</i></p>

9.	What do you think the appropriate role for the AESO is in Alberta's mitigation framework?	<i>Maxim believes the AESO should provide the necessary analysis and support for any Government of Alberta requests related to policy changes in Alberta's electricity market.</i>
10.	What do you think the appropriate role for the MSA is in Alberta's mitigation framework?	<i>Maxim believes the MSA should act solely as an enforcement arm, with <b>no</b> involvement in the creation or design of mitigation or market rules in order to avoid any potential conflict or bias.</i>
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)	<i>Maxim is an independent power producer that operates one generation asset (HR Milner) in Alberta</i>
	b. What is the approximate size of your load and/or generation?	<i>Maxim currently operates the HR Milner generator with a capacity of 150MW, expanding to 204MW with Milner 2 in early 2020.</i>
	c. Do you participate in the energy market, AS market, both?	<i>Maxim has historically been involved in both markets</i>
	d. Do you forward hedge? If so, is it physically, financially, both? What percentage of your portfolio is hedged?	<i>Maxim exercises all tools available to optimize the operation of its generation assets, including hedging.</i>

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