

Stakeholder Comment Matrix – October 8, 2019

Request for input on market power mitigation



<p>Period of Comment: October 8, 2019 through October 29, 2019</p> <p>Comments From: URICA Energy</p> <p>Date: 2019/10/25</p>	<p>Contact: [REDACTED]</p> <p>Phone: [REDACTED]</p> <p>Email: [REDACTED]</p>
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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><i>URICA submits that the general policy direction, as articulated in the Electric Utilities Act, is that the wholesale electricity market should include a competitive power pool so that an efficient market for electricity based on fair and open competition can develop. Efforts to regulate any aspect of the industry in the name of market power mitigation should be avoided, until it can be definitively shown that reliance on competitive markets has not been successful over a sustained period of time.</i></p> <p><i>URICA is of the view that Alberta's historical approach has, for the most part, been effective in market power mitigation in the energy-only market. There have been instances where the MSA has investigated and prosecuted instances of market power and contraventions of section 2 of the Fair, Efficient and Open Competition Regulation.</i></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><i>We expect that the various tools available to the AESO, MSA and AUC will continue to be effective in mitigating market power in the wholesale and retail electricity markets. Tools such as the Offer Behaviour Enforcement Guidelines, ex-post monitoring, must-offer and must-comply ISO rules, as well as provisions within the Fair, Efficient and Open Competition Regulation, including prohibited activities, restrictions on trading using outage records that are not available to the public, market share offer control and reporting obligations of the AESO regarding the market have all worked together over the last two decades to allow the market to work in a reasonable manner.</i></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><i>Any further mitigation practices should be of an ex-ante nature. Ex-ante would limit the potential for non-compliant or self-interested behavior before it actually materializes rather than attempting to assess penalties and damages based on an ex-post application of judgements and fines.</i></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><i>The limits in place for each unit participating in the operating reserves have been effective in limiting market power.</i></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><i>Yes. For the most part the Operating Reserves market has operated as a competitive market without the need for extensive regulation to mitigate market power. URICA submits that in order to maintain a competitive Operating Reserves market the AESO should continue to leverage unit limitations as a mechanism to allow as many units as possible to participate in the market. This will allow the AESO to have a diverse and robust portfolio of suppliers for operating reserves.</i></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><i>If any measures are implemented, they should be of an ex-ante type. This will enable a more simple and direct settlement of the market.</i></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><i>The AESO should allow competition to prevail as it provides the most efficient results. Market Power mitigation should be limited to circumstances where the AESO can demonstrate unequivocally that interference in the market through additional regulation is warranted.</i></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><i>Alberta's electricity market has a number of unique characteristics:</i></p> <ul style="list-style-type: none"> <i>• Seasonal hydro capacity with respect to Operating Reserves (may be a bit more extreme in Alberta than other markets);</i> <i>• Alberta is an Energy Only market;</i> <i>• High concentration of unit ownership within a very small group of generators;</i> <i>• The overall size of market;</i> <i>• Percentage of wind assets;</i> <i>• Existing non-negative floor pricing and a relatively low price cap; and</i> <i>• Hourly SMP pricing that doesn't reward faster ramp rate units; therefore incenting higher offer blocks during expected peaking or high demand hours.</i> <p><i>A robust market framework with specified rules and practices for participation seems the most logical construct.</i></p> <p><i>We submit that these unique characteristics differentiate Alberta from other jurisdictions and that warrants a unique approach and mechanisms to market power mitigations in Alberta.</i></p>

9.	What do you think the appropriate role for the AESO is in Alberta's mitigation framework?	<i>The AESO, as operator, should assist in establishing the rules that create a fair, efficient, and openly competitive market as well as providing the environment by which the market can operate within those established rules. The environment should allow for visibility and transparency of requirements, responses, activities, and outcomes such that independent oversight bodies (i.e. the MSA) can perform surveillance, ex-ante and ex-post, to ensure compliance.</i>
10.	What do you think the appropriate role for the MSA is in Alberta's mitigation framework?	<i>The MSA should perform ex-ante and ex-post surveillance to monitor compliance with the market rules, conduct investigations, and exercise enforcement of the rules, as required. The MSA's mandate, as currently outlined in the Alberta Utilities Commission Act, is sufficient in its current form.</i>
11.	Please describe your role in the Alberta electricity market.	<p><i>URICA is a service provider to the Alberta electricity system in the following areas:</i></p> <ul style="list-style-type: none"> <i>• Provide third party facility dispatch services for generators;</i> <i>• Provide commercial management and optimization services to generators and load clients;</i> <i>• And provide portfolio management services to generators and load customers.</i>
	a. Are you a load, a generator, both, neither (e.g. developer, storage, interested party)	<i>URICA is neither load nor a generator, URICA is a service provider. We work with both generators and load.</i>
	b. What is the approximate size of your load and/or generation?	<i>URICA dispatches approximately 3,000 MW of generation, commercially manages approximately 500 MW, and provide portfolio management services to approximately 200 MW of load.</i>
	c. Do you participate in the energy market, AS market, both?	<i>On behalf of our generation clients, we participate in both the energy and the operating reserves market.</i>
	d. Do you forward hedge? If so, is it physically, financially, both? What percentage of your portfolio is hedged?	<i>Yes. We work with both generation and load clientele to hedge, either physically or financially, depending on the situation. The percentage of portfolio hedging is unique to each client.</i>

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