

MARKET SURVEILLANCE ADMINISTRATOR

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MSA MANDATE

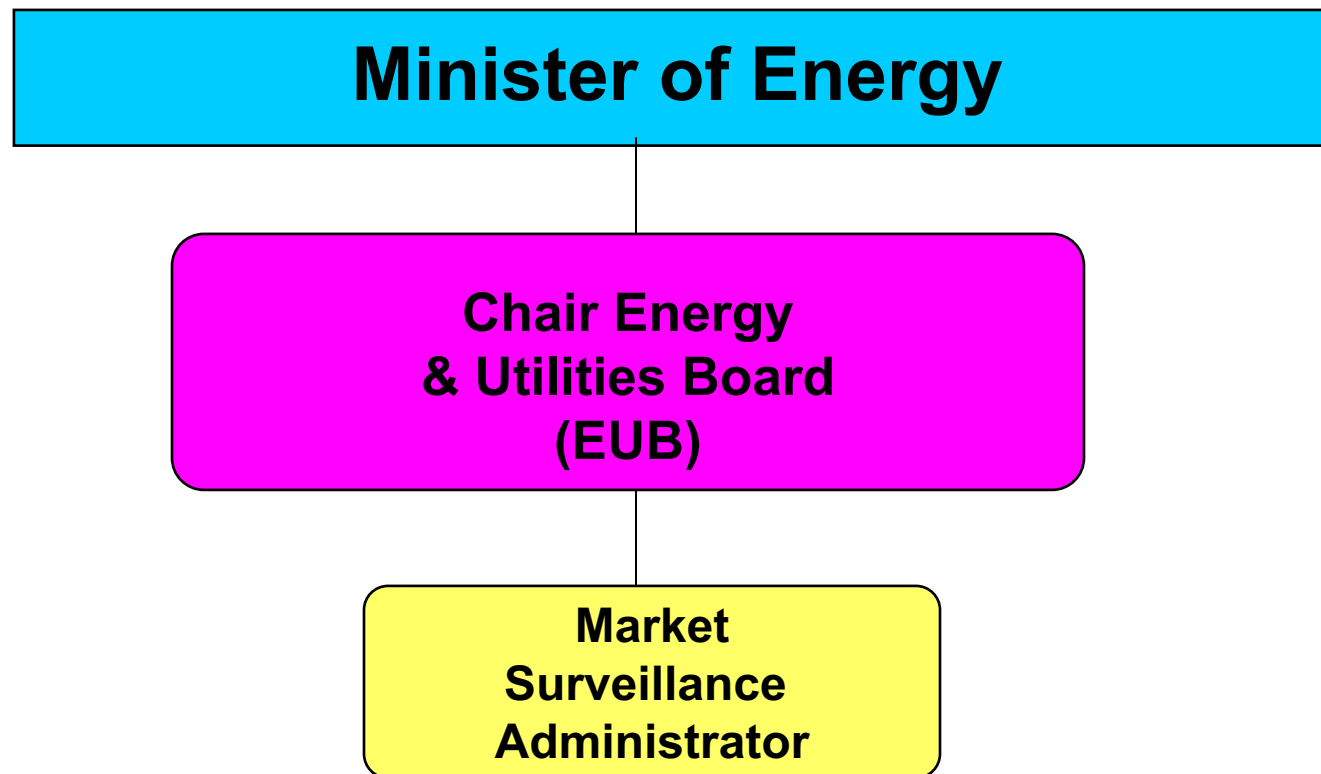
To ensure the operation of...

a fair, efficient and openly competitive market for the exchange of electricity in the Province of Alberta

ROLES AND RESPONSIBILITIES

- *To track participant behaviour to ensure rules are followed and enforcement is done even-handedly*
- *To test that the rules underpinning the market design are continuing to move the market towards being fair, efficient, and openly competitive*

GOVERNANCE



GOVERNANCE

- **Role of the Chairman of the EUB**
 - *Provide a recommendation to the Minister for the MSA*
 - *Receive the MSA Annual Report*
 - *Approve the MSA budget and any amendments*
 - *Convene the MSA tribunal at the request of the MSA*
 - *Receive and process any complaint against the MSA*

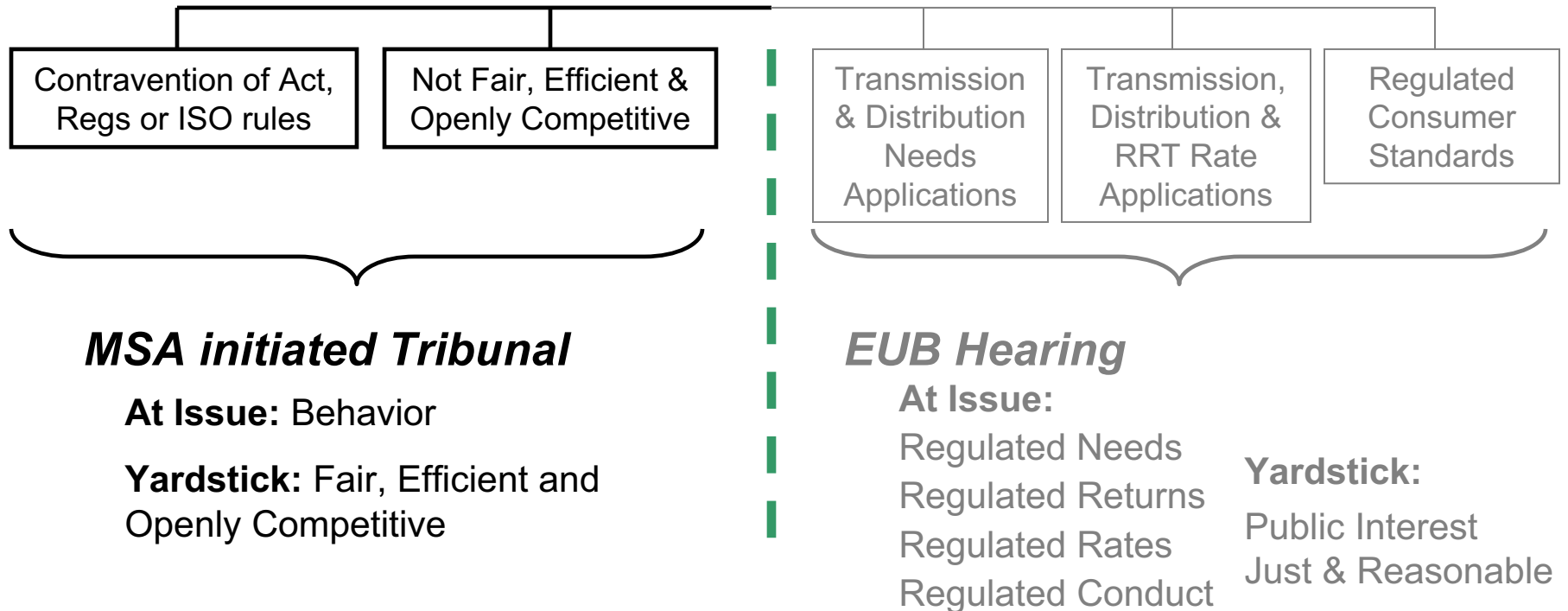
WHY MONITOR?

- *Not reasonable to expect self regulation*
- *Single 'Pool' markets concerned about physical and economic withholding*
- *Market is essentially one sided – load need not, and largely does not, participate*
- *Role includes supervision of the AESO*
- *Enhanced role in monitoring the retail market since June 1, 2003*

MONITOR WHAT?

- *Wholesale energy market requires the most active and close monitor effort (bid strategies, unit performance and excursions)*
- *Interconnections to BC and Saskatchewan (access and economics)*
- *Ancillary services*
- *Forwards market (exchange and OTC)*
- *Watch the watcher role (AESO and exchanges)*

SCOPE OF ISSUES



The AESO and the Federal Competition Bureau may also have domain

FAIR, EFFICIENT AND OPENLY COMPETITIVE (FEOC)

- *High Fidelity Price Signal*
- *Competitive response*
- *Information rich environment*
- *Balance between risk & reward*
- *Level playing field*
- *Opportunity to compete*

INVESTIGATIONS

- *Undertake review of issues based on:*
 - *Our own monitoring*
 - *Informal requests from market participants*
 - *Formal complaints*

INVESTIGATIONS

- *Testing against FEOC*
- *Looking for:*
 - *Intent*
 - *Materiality*
 - *Repeatability*
 - *Sustainability*
- *Ultimate goal to find the best way to change behaviour so as to meet FEOC*

CALLING A TRIBUNAL

- *At the discretion of MSA*
- *Notice to the Chair and the participant(s) involved*
- *Must provide reasonable particulars of the issue*
- *Will provide a statement of the Order being requested*

TRIBUNAL'S POWERS

- *Call evidence - request people to appear*
- *Discretion re admissibility, relevance or weight of evidence*
- *Rule on procedural or jurisdictional matters*
- *Issue interim orders*
- *Written decision at conclusion of proceedings*

TRIBUNAL DECISIONS

- *Need to determine:*
 - *if behaviour is fair, efficient & openly competitive or*
 - *if behaviour is in accordance with the Act, Regulations or AESO Rules and if not...*
 - *impose terms or conditions*
 - *direct change to participant behaviour*
 - *assess any penalty or sanction*
 - *Administrative penalties – up to \$100,000/day*
 - *Claw back of total economic benefit*
 - *Other*

ENFORCEMENT

- *Through the Court of Queen's Bench of Alberta unless...*
 - *the order is under appeal (before the Court of Appeal);*
or
 - *the order is subject to judicial proceedings that put it*
in question; or
 - *the order is not capable of enforcement in law*

APPEAL

- *Made to a judge of the Court of Appeal of Alberta*
- *Appealed only on a question of jurisdiction or a question of law*

WHAT DO WE MONITOR?

Net Revenues

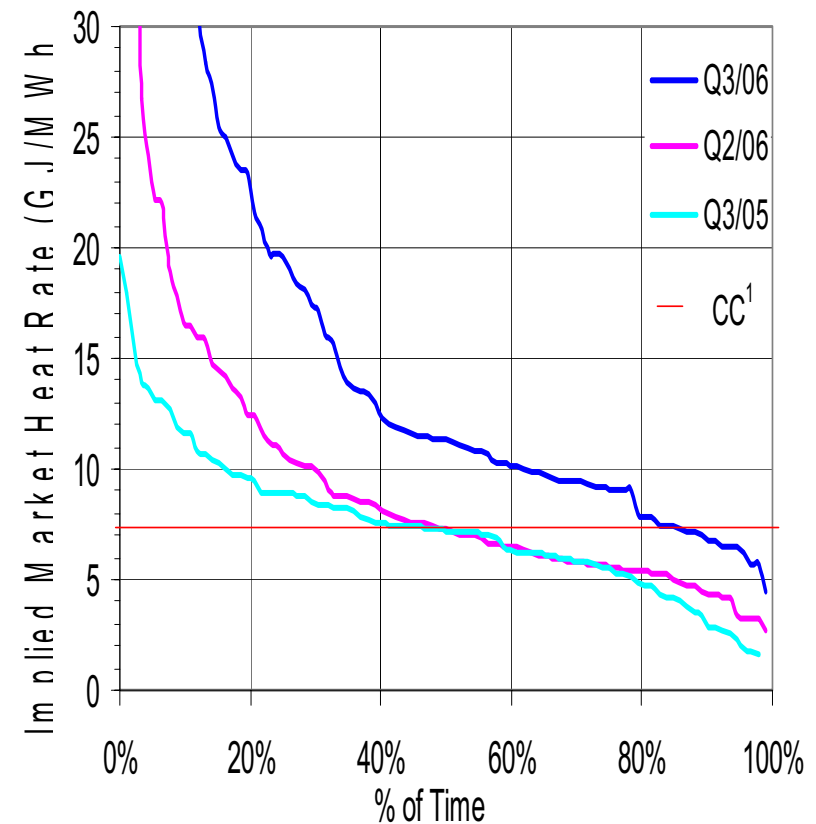
- *Hypothetical new peaker plant*
- *Estimated net revenue for attractive investment is 15% per year on capital cost*
- *Looks like 2006 is attractive*

Month	2005	2006
Jan	0.5%	0.6%
Feb	-0.2%	-0.3%
Mar	-0.2%	-0.4%
Apr	-0.1%	-0.1%
May	0.2%	1.2%
Jun	0.5%	1.4%
Jul	-0.3%	6.6%
Aug	1.1%	1.5%
Sep	0.4%	3.0%
Oct	2.5%	n/a
Nov	4.0%	n/a
Dec	1.6%	n/a
Total	9.8%	13.5%

WHAT DO WE MONITOR?

Market Heat Rate

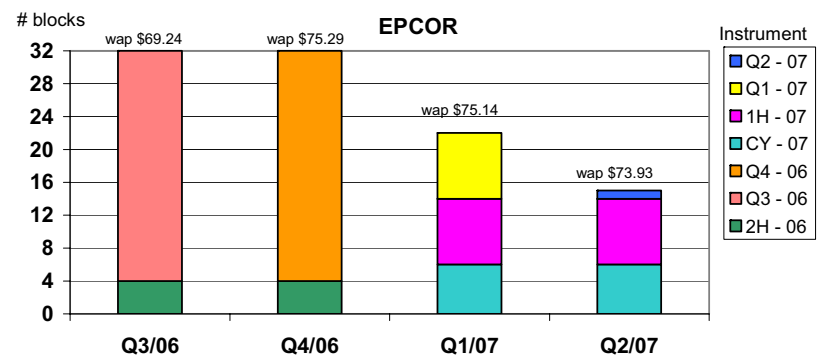
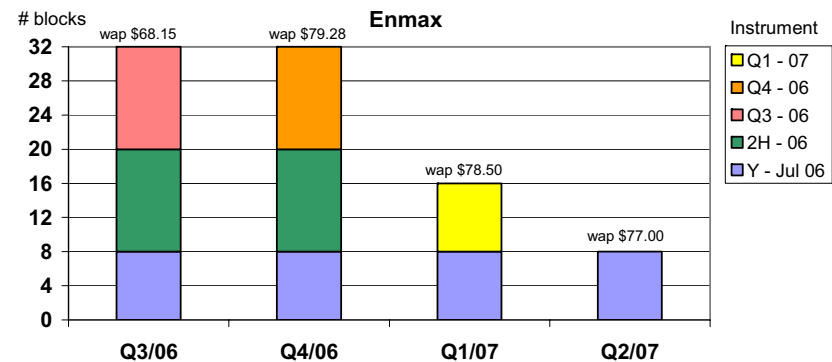
- *Price setting unit in Alberta is fueled by natural gas*
- *Unit efficiency*
- *Level of competition*



WHAT DO WE MONITOR?

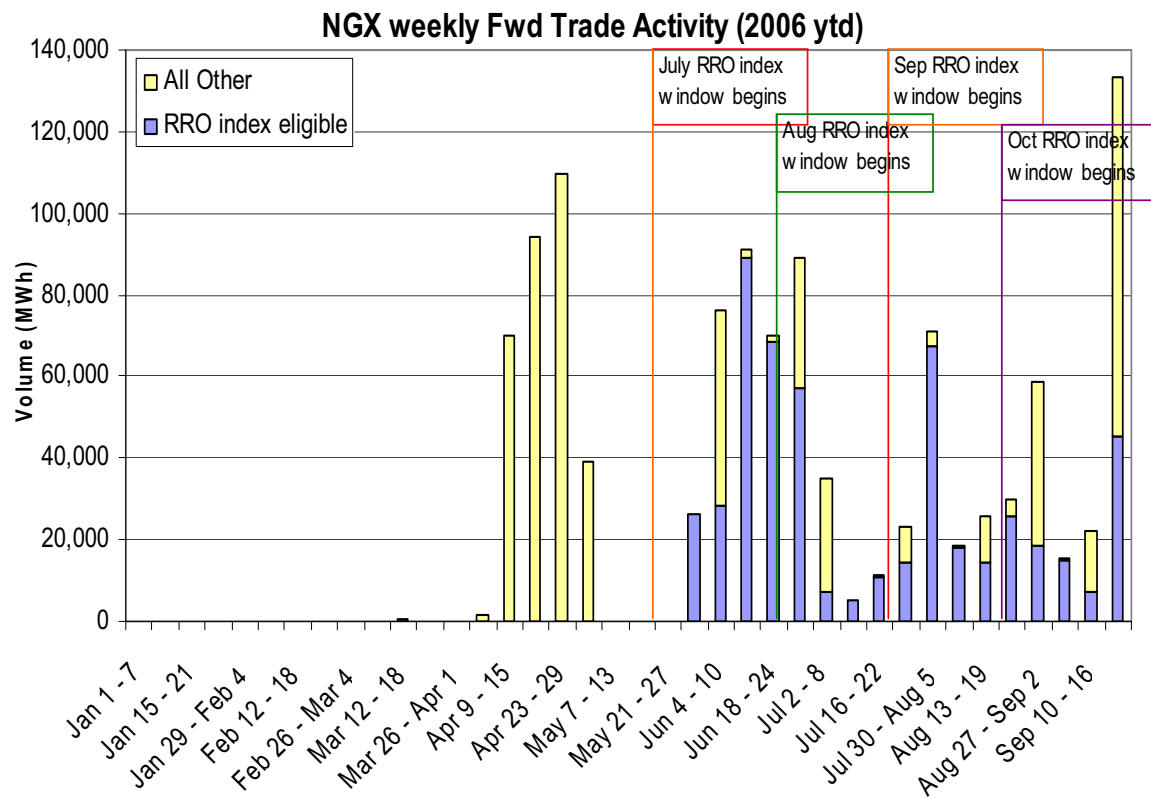
RRO Procurement

- *Is the RRO being procured in a competitive manner?*
- *No preferential treatment to affiliates*



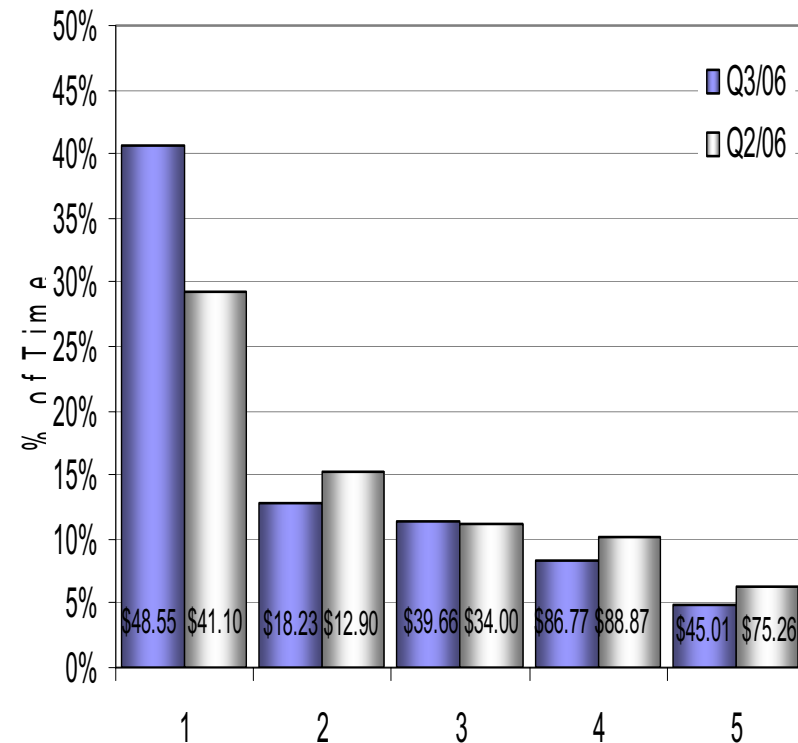
WHAT DO WE MONITOR? RRO Procurement

- Liquidity?
- Manipulation?
- Competition?



WHAT DO WE MONITOR? Price Setters

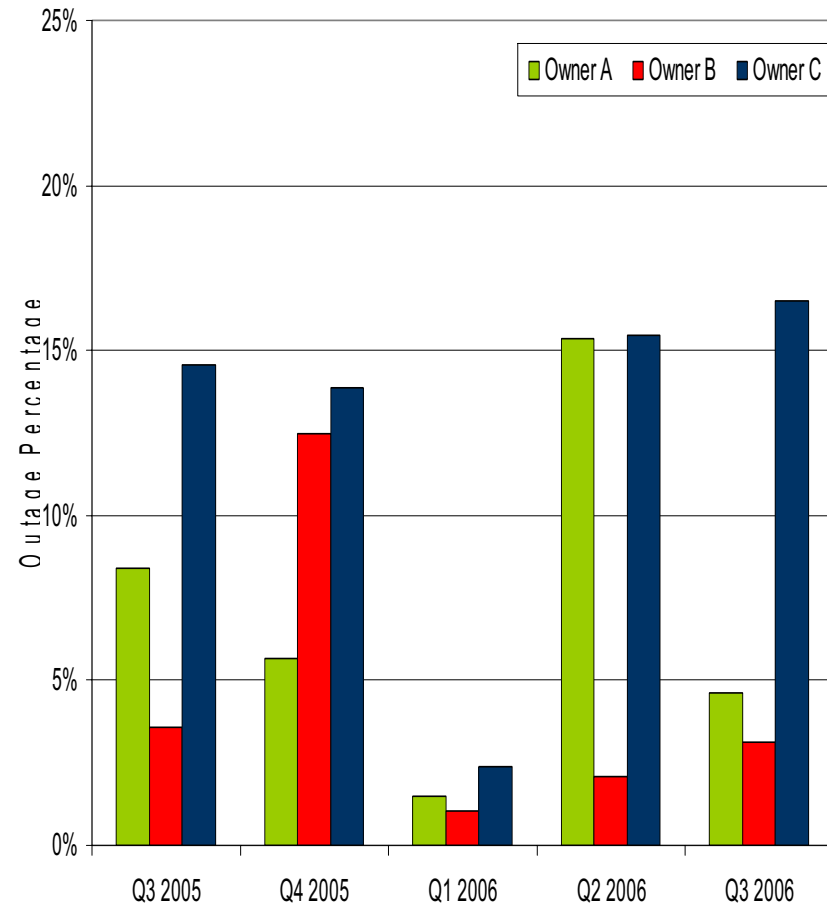
- *Who is setting price?*
- *What changes in distribution are occurring?*
- *How competitive is the situation?*



WHAT DO WE MONITOR?

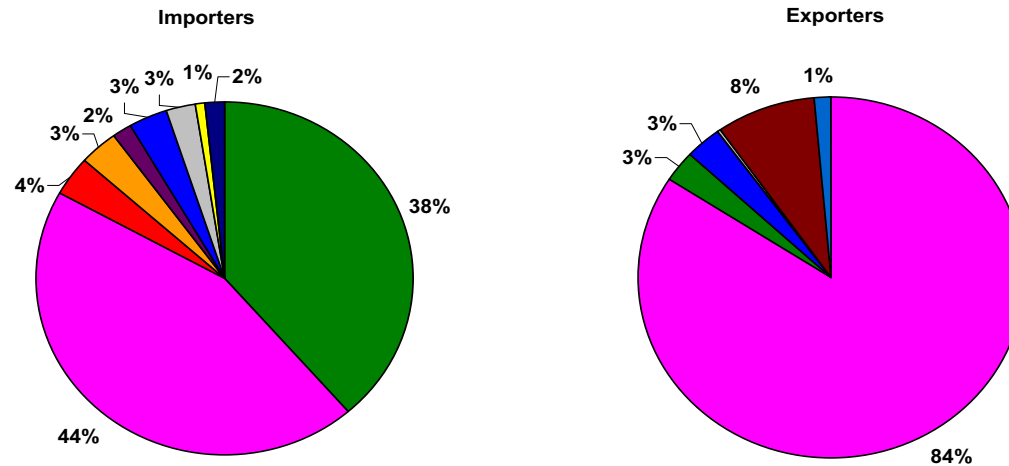
Outages

- *Coal units are the main work horses*
- *PPA units*
- *Physical withholding*



WHAT DO WE MONITOR?

Market Shares of Imports/Exports



➤ *Interties are the balancing mechanism for the system*

WHAT DO WE MONITOR?

Regional Prices

- *Connectivity to other markets is crucial*
- *Do our prices make sense in a regional context?*
- *Are we getting dumping?*

