

Four years in...how are we doing?

Alberta's Competitive Electricity Market

There is no “right” model

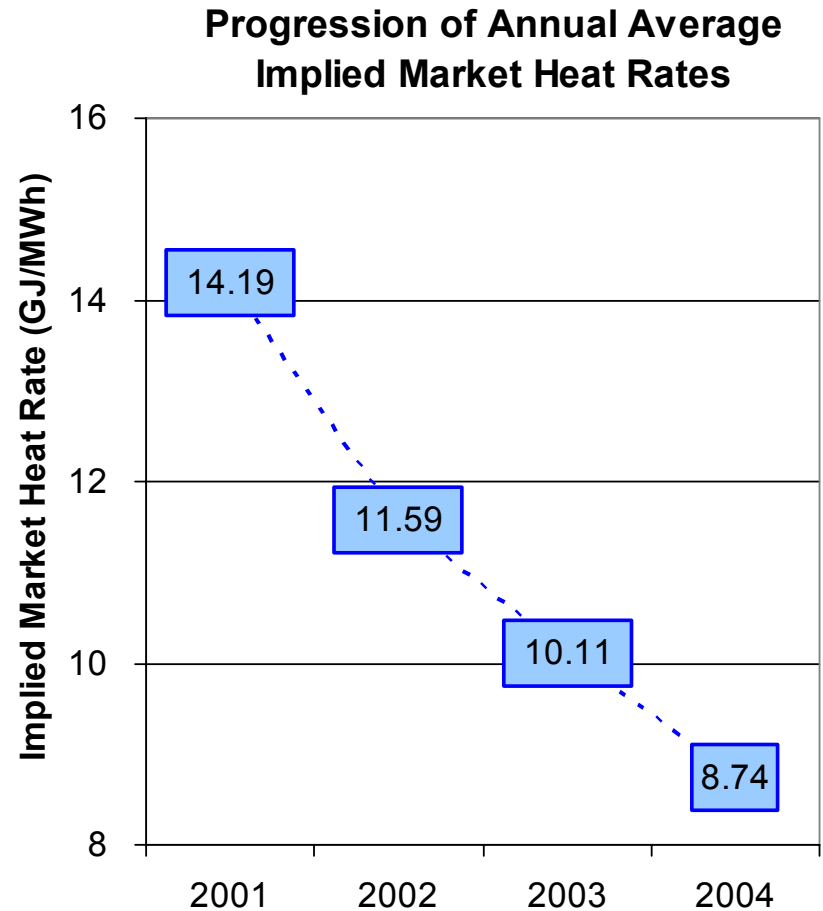
- Many models can work
- A great deal depends on where you start
- Human foibles are omnipresent!



Competent implementation of any model is key!

Re-Structuring so far – Alberta

- Consumers are much better off
- Major risk reallocation has taken place
- Supply adequate for now
- Supplier profitability low
- Future supply adequacy?



The free Lunch fantasy

- Artificially low power Prices?
- No Tax burden?
- No Public debt?
- Economic sustainability?



Pick any 3 of the 4! ...We can have almost anything we want... just not everything we want!

4 Premises of competitive markets

1. The essence of a competitive market is a price signal.
2. The market operator and all market participants are competent, and rational. Each act in their self interest per the market rules, guided by a price signal.
3. The market design must cause the pursuit of self interest to produce societal benefits.
4. The optimal outcome for society should not depend on expecting or forcing participants to behave irrationally.

Our curious mind...

- What is it about the nature of our price signal (or the rules, or interaction between rules and participants or between participants) that can might cause individually optimal strategies to produce collectively sub-optimal results?

This question provides useful guidance to surveillance, investigative and market efficiency initiatives.

Summary

- There is no perfect model
- We still have issues to deal with
- Beware the free lunch
- Alberta ratepayers are better off than they would have been
- Market Surveillance is an integral part of competitive markets