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*Sent via email to: Stakeholderconsultation@albertamsa.ca*

January 11, 2019

**RE: Offer Behaviour Enforcement Guideline Report by Charles River & Associates**

Dear Mr. Kaiser:

In response to the December 10, 2018 Notice to Participants and Stakeholders, ENMAX Corporation is pleased to provide the following comments for consideration.

The paper from Charles River & Associates (“CRA”) provides the view that in the absence of a guideline the Alberta market prices have reflected acceptable offer behaviour by participants with appropriate competitive outcomes. This summary is supported with the statement “...*examination of pool prices does not give cause for concern at this time.*” The MSA should reinforce this finding with a public statement to market participants that maintains support for a competitive market and helps bolster confidence in market operations.

As a result of their views expressed in the report, CRA does not recommend reinstating the old Offer Behaviour Enforcement Guideline (“OBEG”) or undertaking the development of a new set of OBEGs to have effect prior to the start of the Alberta Capacity Market. In the absence of reinstating the OBEG and providing clarity to market participants, ENMAX views the CRA report as fundamentally reinforcing the main tenants of the old OBEG.

The CRA report emphasizes that existing market outcomes are reasonable with scarcity pricing being properly reflected in periods of tight supply. High prices in and of themselves are not a symptom of a poorly functioning market. Higher pricing in these supply situations sends the correct signal to encourage an appropriate competitive response.

Having a third party provide views that suggest participants are acting appropriately and can continue to do so within the current ISO rules is a positive signal to the market. CRA states “...*our analysis of conditions in the Alberta market suggests that there is limited cause for concern at this time that prices will increase as a result of insufficient competitive discipline.*” This statement is consistent with the ENMAX view that the market is functioning properly and has sufficient

competitive responses to price offers that are higher in the merit order. As with the old OBEG, generators are free to offer as they see fit and take on the risk of not being dispatched by being undercut by more efficient units with variable cost advantages. All generators acknowledge the existence of the *FEOC Regulation* and the ability for the MSA to become involved in cases where there are market manipulation events.

However, it would be helpful for the MSA to provide clarity to market participants on offers that are below “all in” cost levels and when this activity constitutes manipulation. ENMAX believes the MSA has not been clear enough on this type of predatory offer behaviour. Manipulation of market prices can include actions that purposely drive market prices lower to benefit not only portfolio positions but to also achieve other objectives. CRA commented that *“It is possible that conservative offer behavior on the part of Balancing Pool resources, which set the price in a significant number of hours, moderated pricing outcomes and contributed to below average market clearing prices.”* With this comment and other written material by the MSA, the issue of price-reducing offer behaviours needs to be addressed by the MSA. This can occur in an OBEG-like discussion document or some other advisory statement from the MSA.

ENMAX suggests that it can be difficult for supply side market participants to provide competitive responses to this type of below cost offer behaviour. Exporting is the primary activity that can provide this market discipline response but it is an option limited by available volume and non-market forces.

Thank you for the opportunity to provide our comments and we look forward to discussing this issue in more detail at the January 17 stakeholder consultation.

Sincerely,

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