



## Alberta Market Surveillance Administrator (MSA) Newsletter

December 2014

*The MSA is an independent enforcement agency that protects and promotes the fair, efficient and openly competitive operation of Alberta's wholesale electricity markets and its retail electricity and natural gas markets. From time to time the MSA receives enquiries from academics, students, and consultants about the Alberta market.*

*The purpose of this newsletter is to provide useful information on current and recent analysis and data availability. The MSA hopes this will inspire more analysis and greater understanding of the Alberta electricity market. Moreover, the MSA hopes to advance its own analyses by adopting better practices and techniques and by increasing its interaction with external researchers.*

### **State of the market 2014: The residential retail markets for electricity and natural gas**

The MSA recently published a state of the market report that assesses Alberta's residential retail markets for electricity and natural gas. The report considers various aspects of these markets related to competitiveness and economic efficiency. The report is available [here](#). The key findings are:

- The retail market is competitive
- Default-rate options for electricity and natural gas are critical features of the market
- Barriers-to-entry are low but there is no retail competition in some areas of the province
- The absence of smart meters limits the scope of competition in electricity retailing but cost-benefit analysis should guide any consideration of their adoption
- The retail market provides choice to consumers and contract terms are consumer-friendly
- Co-branding may impact the competitive process
- Switching rates away from default-options are low and steady but switching is not always guided by the best information; better information could lower transaction cost and help consumers make better-informed decisions
- There are few complaints about retailers' conduct
- New business models reduce cost
- The default-rate for natural gas outperforms competitive natural gas contracts
- Wholesale market feedback effects are important for electricity but not natural gas

#### *Annual retail statistics report*

The MSA has published retail statistics regarding the percentage of customers on competitive contracts on its website since 2013. The MSA has prepared a detailed report that provides market shares by customer class and area, dual fuel and green contracts, and churn rates. The 2014 report is available [here](#).

#### *Basic structural factors of the retail market*

Before embarking on the state of the market report described above, the MSA published a preliminary report about the underlying structure of these markets titled "Alberta retail markets for electricity and natural gas: A description of basic structural features." The report is available [here](#).

### *Presentation at the Alberta Power Symposium*

The MSA discussed preliminary analysis from the report at the Alberta Power Symposium. The presentation is available [here](#).

### **Assessment of changes to EPCOR's Energy Price Setting Plan**

EPCOR uses an auction approach to procure energy for its Regulated Rate Option (RRO) customers. Beginning with delivery month October 2013 certain features of this approach changed. In particular, buying began to take place during the 120-day window preceding the delivery month (formerly 45 days) while the standardized block sizes were reduced to 10 MW and 5 MW for flat and extended-on-peak contracts, respectively (formerly 25 MW and 10 MW, respectively). The MSA's assessment of the impact of these changes was reported in its Q2 2014 Quarterly Report, p. 10-15. The report is available [here](#).

### **Complaint against ENMAX solar energy program**

In late 2013 the MSA received a complaint about ENMAX's Solar Energy Program, which sells and leases solar PV panels to residential and business customers. The complaint was from a firm engaged in the design and installation of solar energy systems, who believed that ENMAX unfairly leverages its brand affiliation with the City of Calgary as well as its status as the local electricity distributor. After consideration of the issues, MSA came to view that the matter was not within its mandate and that no breach of *Electric Utilities Act*, s. 6 had occurred. The MSA's assessment of the matter was reported in its Q3 2014 Quarterly Report, p. 6-9. The report is available [here](#).

### **Solar generation and the Alberta wholesale market**

The MSA made a presentation at the Canadian Solar Industries Association (CanSIA) about solar PV in the Alberta market, specifically the revenue that would have been provided to a small, hypothetical generator from the hourly spot market had one been there. The presentation is available [here](#).

### **Stakeholder meeting**

On October 17, 2014 the MSA held a stakeholder meeting to discuss and solicit feedback regarding its strategic plan and the public projects it intends to pursue in the near term. The strategic plan is available [here](#); meeting notes that provide an overview of the discussion are available [here](#).

### **Data availability regarding Alberta's electricity market**

Significant data regarding the wholesale market is available from the AESO, including firm-level offers, demand, and pool prices. In some cases, these data are available for up to 13 years at an hourly frequency. Some retail and forward market data is also available on the MSA website.

A recent, one-time publication of supply cushion data for the years 2012 and 2013 has been published by the MSA. It is available [here](#).

The MSA is also willing to engage with interested researchers to assist in the interpretation of market data as this can sometimes present a significant barrier to research.

### **Contact information**

Additional information is available on the MSA's website at [www.albertamsa.ca](http://www.albertamsa.ca). Interested readers can also contact Derek Olmstead at [derek.olmstead@albertamsa.ca](mailto:derek.olmstead@albertamsa.ca) or Matt Ayres at [matt.ayres@albertamsa.ca](mailto:matt.ayres@albertamsa.ca) with questions and comments.

The MSA publishes this short newsletter on a semi-annual basis. Readers wishing to subscribe to this newsletter can [subscribe here](#). Please note that the subscription to the newsletter is independent from the MSA's regular news subscription available on its website.