

**MSA 2009 FALL
STAKEHOLDER MEETINGS**

OCTOBER 14 (CALGARY)

OCTOBER 15 (EDMONTON)

REVIEW OF THE FEOC REGULATION



October 14 & 15, 2009

MSA Stakeholder Meetings

REVIEW OF THE FEOC REGULATION

- **What we have done to date**
 - Section 3 - Info Sharing**
 - Section 4 - Trading on Outage Records**
 - Section 5 - Market Share Offer Control**
- **Review of other areas and work yet to do**
 - Section 2 - Conduct Prohibitions**

SECTION 3

- **Prohibition re: Preferential Sharing of Records**
- **Focus is only Price/Quantity Offers**
- **There are exceptions to general prohibition, including that only applies for 60 days**
- **Process in Subsection 3(3) to seek exemption (AUC)**

WHAT WE HAVE DONE RE: SECTION 3

- *MSA Notice July 22, 2009*
- **Process - How to notify MSA re Application**
- **Comment re: effect of Agency Approvals**
- **Comments into AUC Bulletin 2009-18 Consultation**

WHAT WE HAVE DONE RE: SECTION 3

- AUC has been addressing certain process matters, including minimum filing requirements
- AUC has requested early indication from participants as to likely applications
- MSA has similarly invited early contact from participants where seeking feedback on existing or planned record sharing and related applications

SECTION 4

- **Prohibition re: Trading on Non-Public Outage Records**
- **Trading Practices Guideline (TPG) has effectively moved into Section 4 of FEOC Regulation**
- **Basic principles of TPG live on, but some differences.....**

SECTION 4

- Cannot trade until after outage record *made public by the AESO* (it now does all outage reporting) – no longer deemed public once provided to AESO (per IDP)
- Subsection 4(2) adds requirement to provide outage records to the AESO *as soon as reasonably practicable*, even if no intent to trade on those records

SECTION 4

- **Subsection 4(6) allows AESO to exempt a participant from disclosure obligation on certain grounds, taking into account views of MSA re: likely impact on market prices**
- **Exemption would thus allow that participant to trade without disclosure**
- **AESO Consultation re: Load Outage Reporting**
- **Exemption re: Distribution Outage Reporting**

WHAT WE HAVE DONE RE: SECTION 4

- *MSA Notice July 23, 2009*
- TPG (and IDP) formally revoked at September 1, 2009 coincident with coming into force of FEOC Regulation

SECTION 5

- **Market Share Offer Control – 30% Cap**
- **Offer Control, not Ownership**
- **Transparency through MSA Reporting**
- **AESO to make public Price/Quantity Offers by asset, and ultimately also by participant with offer control (per Section 6 of FEOC Regulation)**

WHAT WE HAVE DONE RE: SECTION 5

- **MSA Consultation re: Market Share Offer Control – Data Collection and Reporting**
- *MSA Notice September 25, 2009*
- **Market Share Offer Control Process**

MSA PROCESS RE: SECTION 5

Step	Approximate timing	Description
1 Collection of maximum capability data from the AESO	Prior to May	MSA requests AESO provide maximum capability data of all units as per Section 5(1)(e) of the Regulation
2 MSA determines annual reporting threshold	Prior to May	MSA determines if annual reporting threshold. In most years this is expected to be set at 5%.
3 Publication of Notice	Early May	MSA publishes a notice on its website providing the annual reporting threshold, MC values for assets and date by which responses are required. The notice also includes a pro-forma to assist with data submission.
4 Market Participants submit data	May – at least two weeks after publication of the notice	Market participants submit data on pro-forma. At least four weeks is given to respond where the annual reporting threshold is less than 5%.
5 Publishing of Report	June	MSA publishes report with a summary table and more detailed appendices.

OTHER SECTIONS/WORK YET TO DO

- **Section 2 - Conduct 'Prohibitions'**
- **Some Competition and Securities law flavours**
- **MSA will consider guidance (and FAQs)**
- **Will likely prioritize efforts by areas in greatest need of clarity**
- **Subsection 2(j) 'Manipulation' (Offer Behaviour) may be first up for MSA Stakeholder Consultation**

SECTION 2

- *Intent vs Strict Liability vs Absolute Liability?*
- **AUC Consultation on MSA Proceedings is debating such things**
- **We can also debate them here (over wine and over beer)**

QUESTIONS?



**OPERATING RESERVES
PROCUREMENT:
UNDERSTANDING MARKET
OUTCOMES**

October 14 & 15, 2009

MSA Stakeholder Meeting

Kerry Snelson

OPERATING RESERVES PROCUREMENT

- **Released September 16, 2009**
- **Educational**
- **Uses illustrations of behaviour that appears 'odd'**
- **Explains some of the dynamics the current Active OR Market**

OPERATING RESERVES PROCUREMENT

- **Three kinds of Operating Reserves**
- **Stand-by and Active**
- **Two procurement platforms –Watt-Ex/OTC**
- **Standard On and Off Peak exchange products**
- **OTC unfilled volumes and shaping**

TRADE PRICE

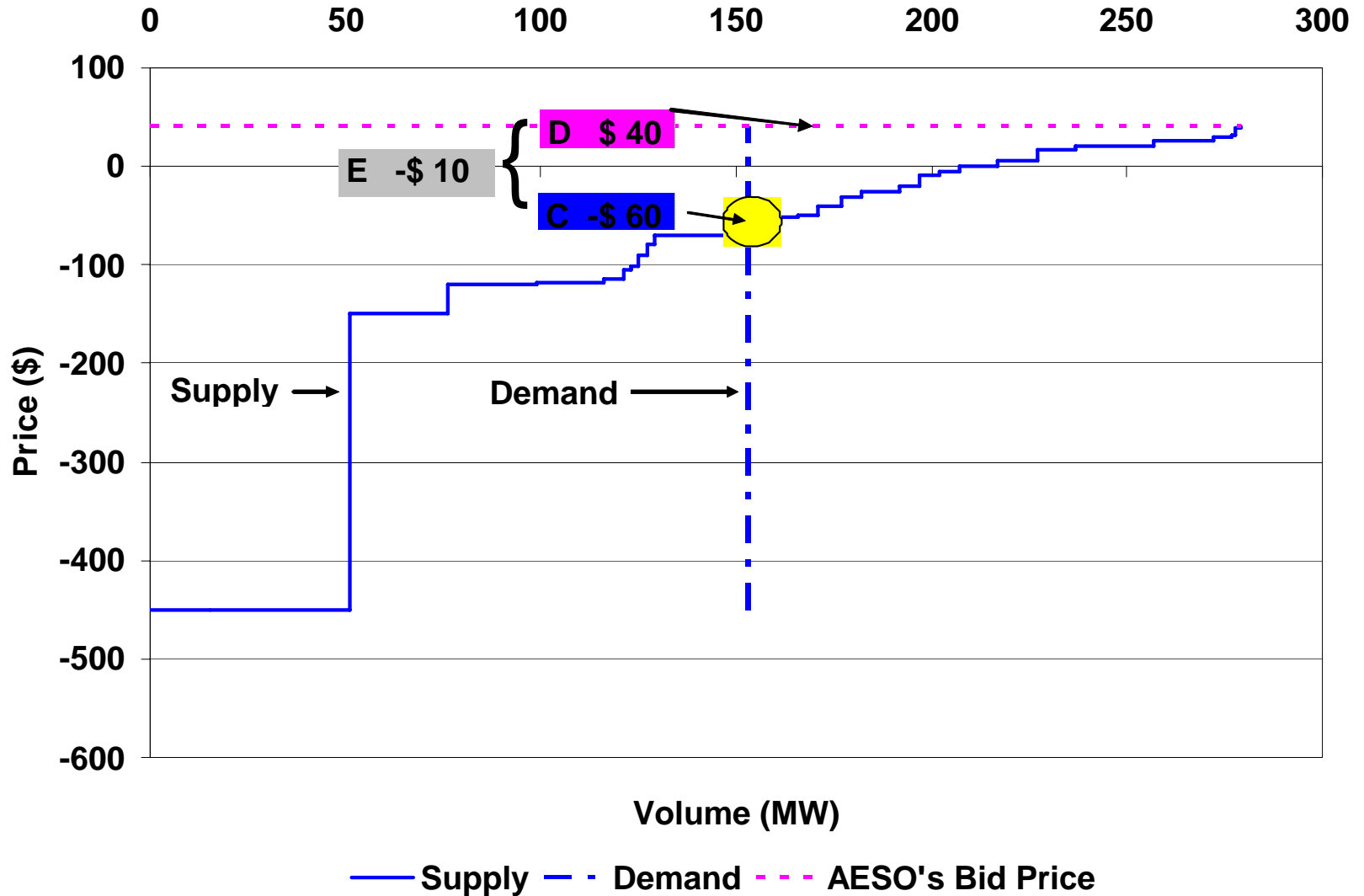


- Mid point between bid price and offer price
- Trade Price = $(\text{Bid} + \text{Offer})/2$
- $-\$10 = (\$40 + -\$60)/2$

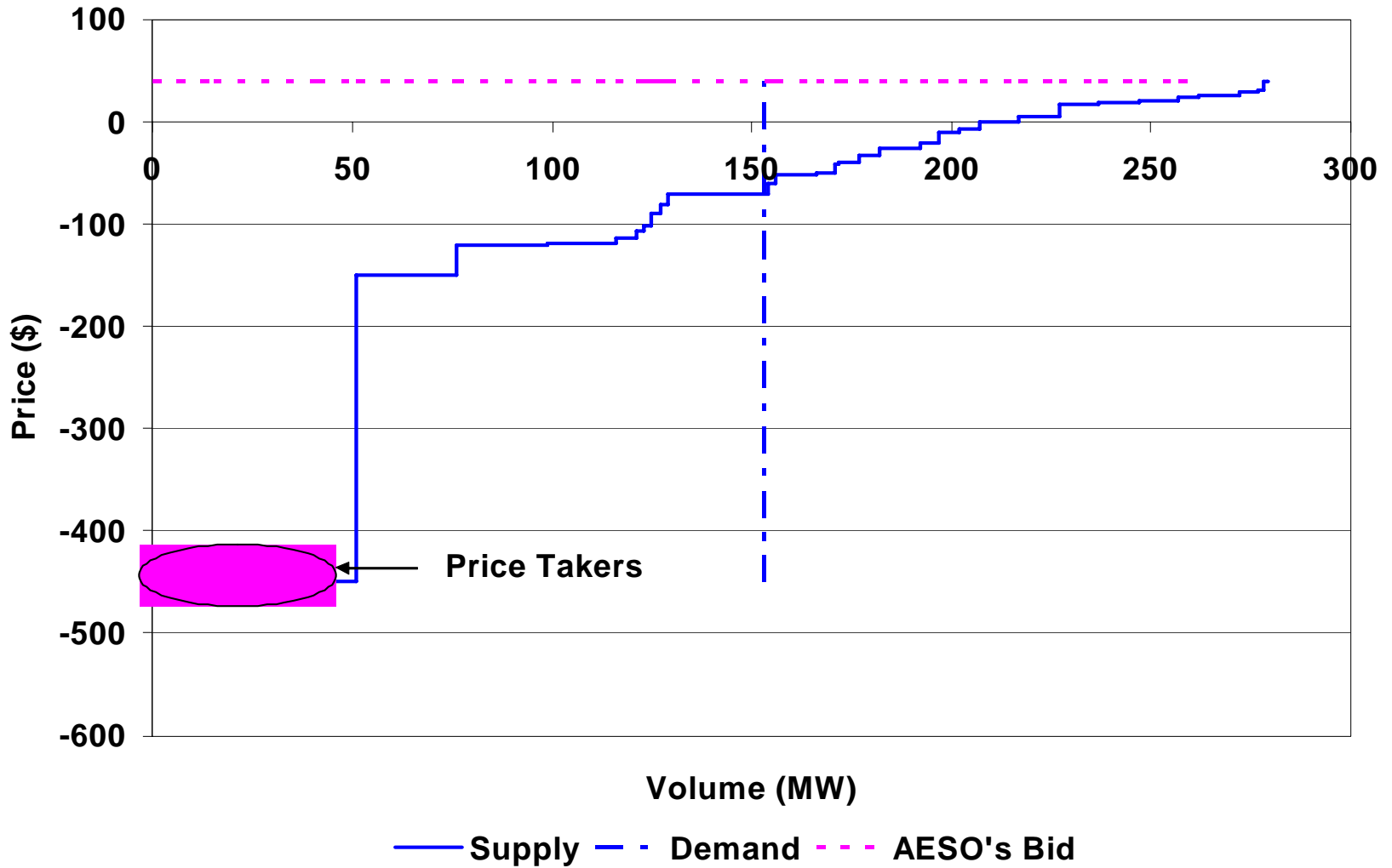
ON-PEAK PRICING AT **-\$57** TRADE PRICE/MWH

HE	Pool Price [A]	Trade Price [B]	Difference [A]+[B]=[C]	Payment per MWh =if [C] =< 0, 0,[C]
8	\$74.83	-\$57	\$17.83	\$17.83
9	\$54.31	-\$57	-\$2.69	\$0.00
10	\$48.03	-\$57	-\$8.97	\$0.00
11	\$27.78	-\$57	-\$29.22	\$0.00
12	\$35.69	-\$57	-\$21.31	\$0.00
13	\$52.01	-\$57	-\$4.99	\$0.00
14	\$74.41	-\$57	\$17.41	\$17.41
15	\$84.31	-\$57	\$27.31	\$27.31
16	\$138.92	-\$57	\$81.92	\$81.92
17	\$75.11	-\$57	\$18.11	\$18.11
18	\$407.01	-\$57	\$350.01	\$350.01
19	\$675.20	-\$57	\$618.20	\$618.20
20	\$48.61	-\$57	-\$8.39	\$0.00
21	\$32.90	-\$57	-\$24.10	\$0.00
22	\$31.26	-\$57	-\$25.74	\$0.00
23	\$45.22	-\$57	-\$11.78	\$0.00

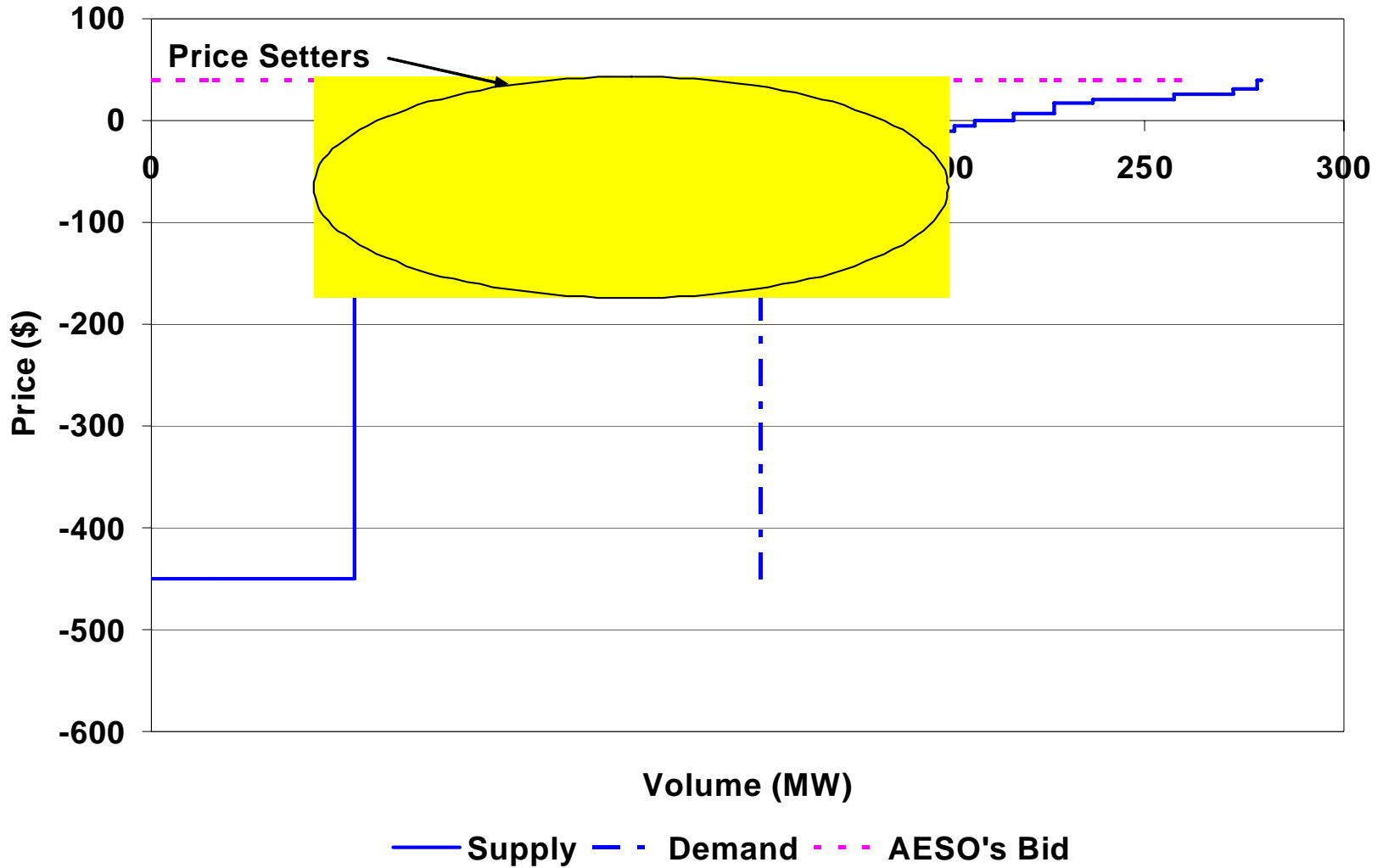
SUPPLY CURVE



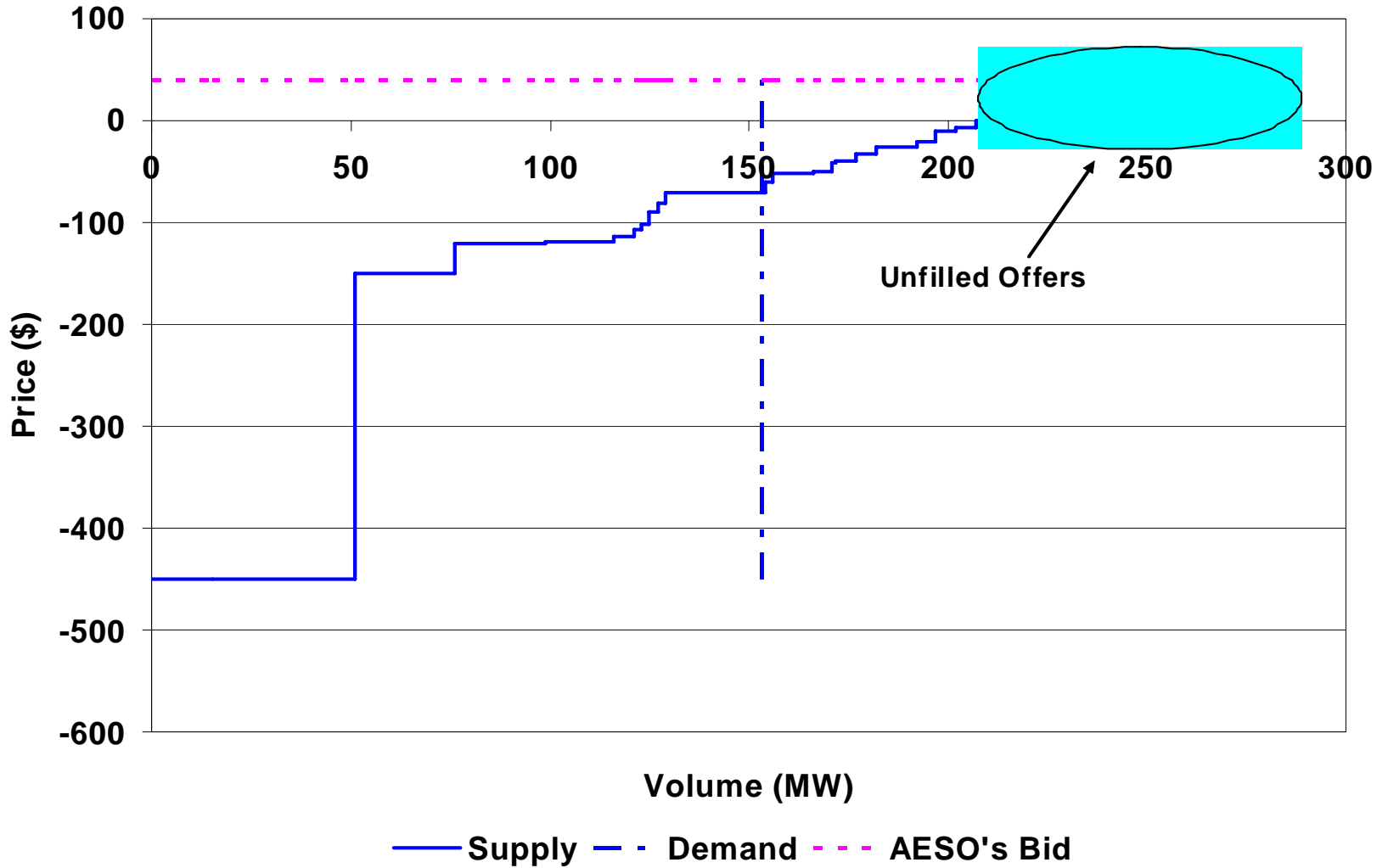
SUPPLY CURVE



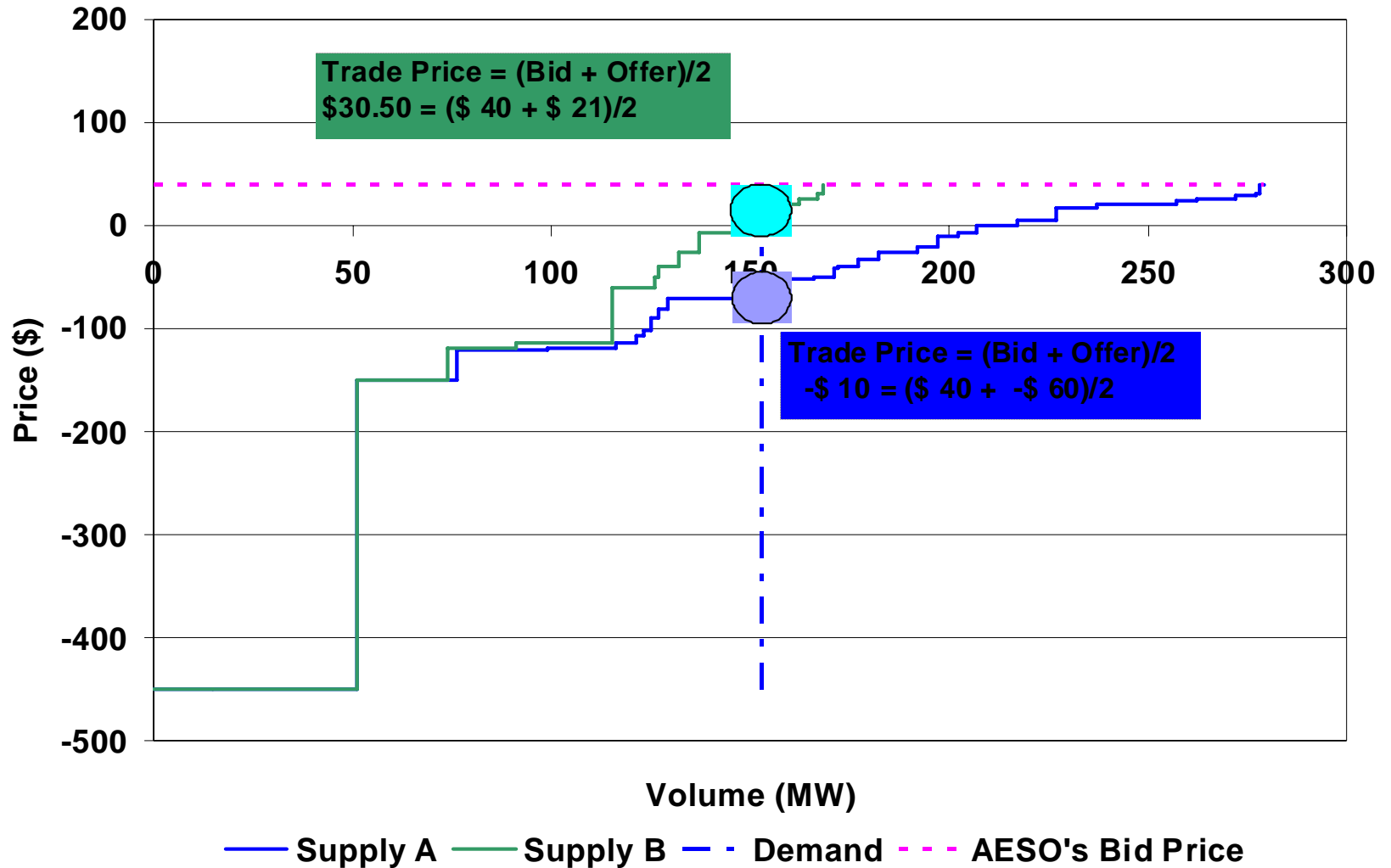
SUPPLY CURVE



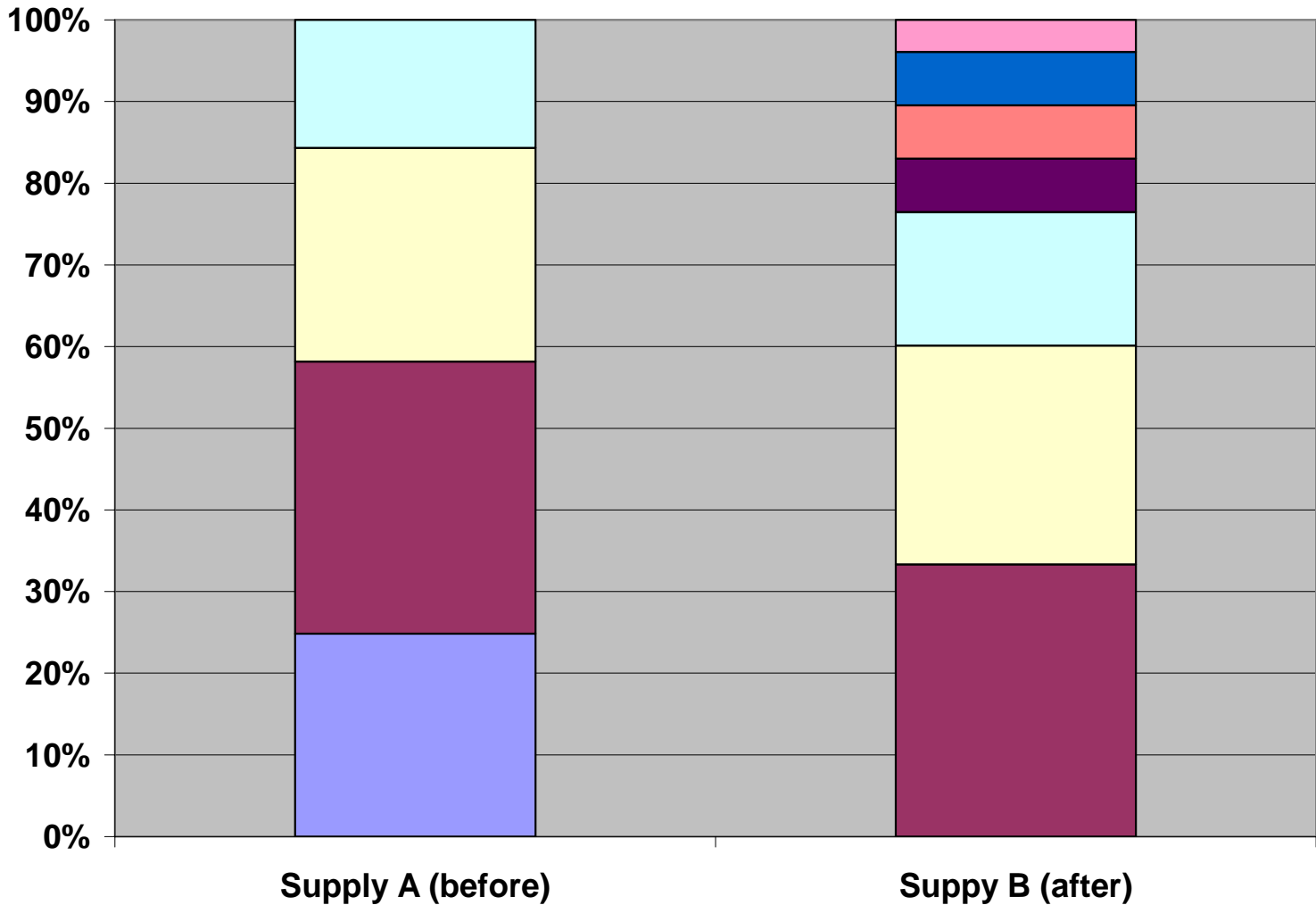
SUPPLY CURVE



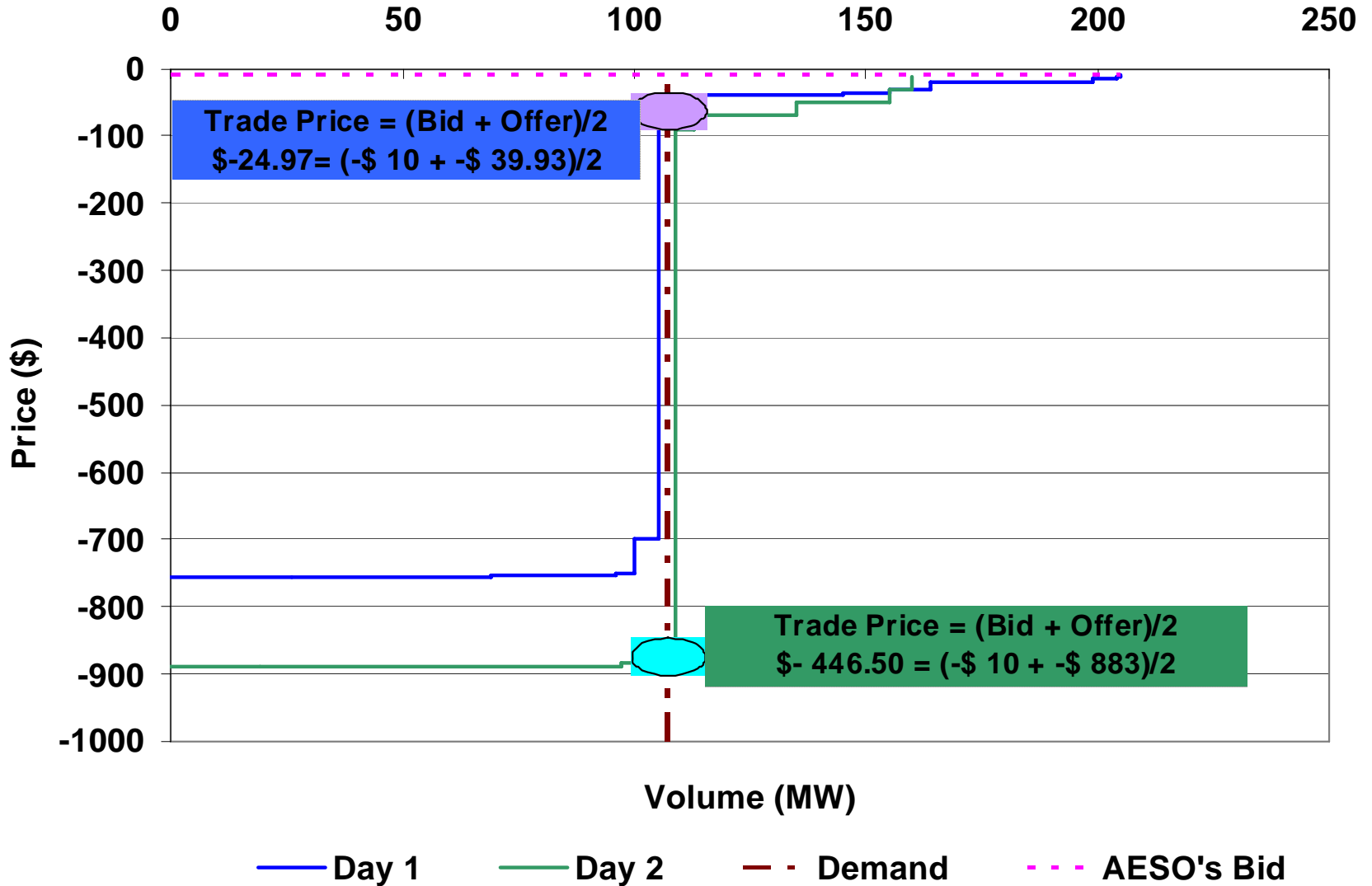
LARGE PARTICIPANT ABSENT FROM THE MARKET



MARKET SHARE WITH AND WITHOUT A LARGE MARKET PARTICIPANT



PRICE TAKERS CLEAR VOLUME



**REPORTS SECTION:
WWW.ALBERTAMSA.CA**

THANK YOU!!

ISO RULES COMPLIANCE UPDATE

October 14 & 15, 2009

MSA Stakeholder Meeting

Doug Doll

2008 V. 2009 COMPARISON

	2008 End of year	2009 End of Q3
Files under review	8	25
Notice of specified penalty	7	34
Other sanction	14	n/a
Forbearance or finding of no breach	42	22
Total	71	81

2009: WHICH RULES?

ISO Rule	Under review	Notice of Specified Penalty	Forbearance	Total
3.5.3 Offers / Restatements	1	6	3	10
3.5.5 Dispatch Down Service	5			5
6.2.3 Receiving and Implementing Directions		1		1
6.3.3 Interconnection Dispatching	9	11	2	22
6.4.3 Ancillary Service Provider Discretion			1	1
6.5.3 Ancillary Service Expectations	3		3	6
6.6 Energy Market Dispatch	6	16	8	30
9.1.5 Project Procurement			1	1
9.2 Transmission Loss Factors			1	1
OPP 003.2 ADAMS			3	3
OPP 102 Energy market dispatch	1			1
Total	25	34	22	81

2009: WHICH RULES?

Eligible for Specified Penalty ?

ISO Rule	Under review	Notice of Specified Penalty	Forbearance	Total
✓ 3.5.3 Offers / Restatements	1	6	3	10
✓ 3.5.5 Dispatch Down Service	5			5
✓ 6.2.3 Receiving and Implementing Directions		1		1
✓ 6.3.3 Interconnection Dispatching	9	11	2	22
✓ 6.4.3 Ancillary Service Provider Discretion			1	1
✗ 6.5.3 Ancillary Service Expectations	3		3	6
✓ 6.6 Energy Market Dispatch	6	16	8	30
✗ 9.1.5 Project Procurement			1	1
✗ 9.2 Transmission Loss Factors			1	1
✗ OPP 003.2 ADAMS			3	3
✗ OPP 102 Energy market dispatch	1			1
Total	25	34	22	81

2009: WHICH RULES?

The 'Big Three'

ISO Rule	Under review	Notice of Specified Penalty	Forbearance	Total
3.5.3 Offers / Restatements	1	6	3	10
3.5.5 Dispatch Down Service	5			5
6.2.3 Receiving and Implementing Directions		1		1
6.3.3 Interconnection Dispatching	9	11	2	22
6.4.3 Ancillary Service Provider Discretion			1	1
6.5.3 Ancillary Service Expectations	3		3	6
6.6 Energy Market Dispatch	6	16	8	30
9.1.5 Project Procurement			1	1
9.2 Transmission Loss Factors			1	1
OPP 003.2 ADAMS			3	3
OPP 102 Energy market dispatch	1			1
Total	25	34	22	81

PROCEEDINGS AND COSTS

- Since Jan 1/08 four notices of specified penalty disputed or not paid within 30 days.
- Three have resulted in contested hearings, one a consent order.
- Specified penalties have been confirmed in each case
- Last decision released September 22/09 (Proceeding 168, Decision 2009-144) . MSA expects to make an application for costs (per AUC Rule 015).

MORE INFORMATION

- **Since July 1/09 all Notices of Specified Penalty issued are posted to the MSA's website after 30 days (per AUC rule 019)**
- **Updates on compliance activity provided in MSA quarterly reports.**
 - **Includes information about emerging non-compliance trends**

RELIABILITY STANDARDS

- **New legislation envisages a role for MSA around enforcement for reliability standards**
- **AESO will monitor market participants**
- **WECC will monitor the AESO**
- **Role for mitigation plans / technical feasibility exemptions**
- **Details around enforcement should become clearer during Q4**
- **Participants should address compliance requirements now.**

QUESTIONS ON COMPLIANCE

- **Matt Ayres, Chief Economist –
matt.ayres@albertamsa.ca**
- **Doug Doll, Senior Analyst –
doug.doll@albertamsa.ca**
- **Kerry Snelson, Analyst –
kerry.snelson@albertamsa.ca**