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# MSA REPORT

## Market Share Offer Control Process

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STRAWDOG DRAFT

13 July, 2009

**MARKET SURVEILLANCE**  
ADMINISTRATOR

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## 1 INTRODUCTION

Section 5 of the *Fair, Efficient, Open Competition Regulation* (the Regulation) requires that the MSA monitor and report on the market share offer control of larger market participants. In order to provide a clearly articulated process for market participants the MSA will engage in a Stakeholder Consultation and has produced this ‘Strawdog’ for stakeholder comment. At the end of the Stakeholder Consultation process the MSA is intending to publish the final monitoring/reporting process on its website.

In this ‘Strawdog’ we describe three key elements of the proposed process to calculate and publish offer control metrics:

- Annual data collection and reporting
- Data collection and reporting triggered by significant changes
- Review and evaluation of the process

In the final section of the ‘Strawdog’ we set out the expected timeline for this Stakeholder Consultation.

## 2 ANNUAL DATA COLLECTION

Section 5(3) of the Regulation states:

- (3) The MSA shall at least annually make available to the public an offer control report that
  - (a) shall include the names and the percentage of offer control held by market participants, where the percentage of offer control is greater than 5%, and
  - (b) may include the names and the percentage of offer control held by market participants, where the percentage of offer control is 5% or less.

The MSA sees some benefit to both the efficiency of the process and to market participants in limiting the number of data requests required to construct the metrics. Consequently the MSA proposes to use data available from the AESO where possible. At the current time the AESO has access to the maximum capability values for all generating units but does not have information on offer control. Section 6(2)(a) of the Regulation instructs the AESO to develop information technology systems capable of tracking information on offer control. The MSA understands these systems will take some time to develop.

The MSA also sees benefit for market participants in conducting an annual review at a known time each year in order that they are able to prepare for providing the required information. Rather than making separate information requests to each market participant, it appears reasonable and efficient to use a broader information request process – publishing a notice/request to which market participants will respond as applicable.

Consequently the MSA proposes the annual data collection required for the market share offer control metrics will occur in October of each year:

- Prior to October of each year the MSA will request that the AESO confirm the maximum capability of all units as defined in Section 5(1)(e) of the Regulation.
- In October the MSA will publish a notice on its website requesting that market participants controlling greater than 5% of the maximum capability provide the information. The notice will include:
  - the total maximum capability of all units as defined in Section 5(1)(e) of the Regulation. From this market participants will be able to calculate whether they are above or below the reporting threshold (5% of the total).
  - the notice will include an appendix listing all assets included in the total above showing the maximum capability of each, such that market participants are able to understand the calculation of the total and verify the maximum capability of assets under their control.
  - a deadline for market participants to provide the information not less than two weeks from the date of the notice.
  - a pro-forma to assist market participants in providing the requested information. A sample pro-forma is provided in Appendix A.<sup>1</sup>
- Market participants requiring an extension to the deadline to provide information should:
  - Request an extension at least two days prior to the deadline.
  - Requests must be in writing (e.g. email), submitted to [reporting@albertamsa.ca](mailto:reporting@albertamsa.ca) include the reason for requiring an extension and the length of extension requested.
  - Prior to the expiration of the deadline the MSA will post to its website a notice indicating if an extension has been granted, which may include the request(s) received from the market participant.
  - If a participant is above the reporting threshold and fails to respond to the notice within the specified timeline the matter may be pursued as a breach of the Act and/or regulations.
- In late October or November of each year the MSA will publish a report containing market share offer control metrics on its website. The report will contain a table specifying the company names, MW's controlled and percentages, similar to that shown in the table below.

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<sup>1</sup> The 'pro-forma' in Appendix A is similar to that provided in the MSA's May 29, 2008 request to market participants to provide information on offer control.

Company Name	Offer Control (MW)	Offer Control (%)
Company Name A	x MW	X%
Company Name B	y MW	Y%
Company Name C	z MW	Z%
Other	(total max. capability – x-y-z) MW	(100 –X-Y-Z)%
Total	(total max.capability) MW	100%

Where a market participant has associates (as defined under section 5(1)) these will be listed in an Appendix to the report. For all market participants above the reporting threshold appendices will also list the MC at individual assets under a market participant’s control.

- In some years the MSA may choose to more fully report on offer control (i.e. collecting data from some or all market participants under the 5% threshold). If it chooses to do so the MSA will communicate this in the initial notice and allow at least four weeks for market participants to respond.



**Request for feedback:** The MSA is interested in stakeholders feedback about the proposed annual collection of data and annual publishing, including:

- Is the MSA correct in assuming that a specific time each year for reporting assists market participants in responding in a timely manner?
- Is the proposed timing of the data collection in October problematic? If so, what timing would be preferable and why?
- Other suggestions regarding data collection.

### 3 OFFER CONTROL CALCULATIONS

Section 5(2) of the Regulation sets out the formula for the calculation of offer control, such that:

$$\text{Percentage Offer Control held by Market Participant X} = \frac{\text{Sum of offer control held by market participant X}}{\text{Sum of maximum capability of generating units in Alberta}}$$

#### 3.1 Sum of Maximum Capability of Generating Units in Alberta

Maximum capability is defined in section 5(1)(d) of the Regulation as:

- (d) “maximum capability” means the maximum quantity of megawatts that could be provided or offered from a generating unit to the power pool under optimal operating conditions, in accordance with ISO rules;

Under the ISO rules for a generating unit “maximum capability” means:

the maximum quantity (**MW**) that the **generating asset** is physically capable of providing under optimal operating conditions for that **asset** while complying with all applicable **ISO rules** and terms and conditions of the **ISO tariff**;

Not all units that are capable of providing energy to the power pool have submitted a “maximum capability” to the ISO as defined under the ISO rules. These units include:

- Wind generation
- Some small power producers
- Units smaller than 5MW

Where no “maximum capability” is provided under the ISO rules the MSA will request the AESO instead provide the generation units “maximum continuous rating” (MCR). Should “maximum capability” ratings for these become available in the future the MSA will update future calculations with these values.

Note that “maximum capability” differs from “maximum continuous rating” (MCR). The latter is defined as maximum net power output that can be sustained by a generator and such values are posted for most generators on the AESO’s website.<sup>2</sup> For most generating units maximum capability and maximum continuous ratings are similar. Values are most divergent for units that primarily supply onsite load and only offer net to grid, in these cases the MCR maybe considerably larger than the maximum capability.

### **3.2 Offer Control of Market Participant X**

Offer control is defined in section 5(1)(e) of the Regulation as:

(e) “offer control” means the ultimate control and determination by a market participant of the price and quantity offers made to the power pool of all or a portion of the maximum capability of one or more generating units, which

(i) includes the maximum capability associated with each generating unit where a market participant is required by the ISO to make a price and quantity offer to the power pool, including minimum stable generation and must run volumes, and

(ii) excludes the maximum capability associated with a generating unit where a market participant is not required by the ISO to make a price and quantity offer to the power pool.

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<sup>2</sup> [http://ets.aeso.ca/ets\\_web/ip/Market/Reports/CSDReportServlet](http://ets.aeso.ca/ets_web/ip/Market/Reports/CSDReportServlet)

ISO Rule 3.5.3.1 sets out the ISO's requirements for the submission of offers. Pool participants with source assets are exempt from making an offer if:

- The source asset has a maximum capability less than 5MW (ISO Rule 3.5.3.1)
- The source asset is a wind generator (Nov 22, 2007 Letter)<sup>3</sup>
- 'small power producers' as defined under the Independent Power and Small Power Regulation do not typically make offers to the ISO.

Units that do not submit offers are not considered under the control of any market participant. For all other units, offer control must equal the maximum capability of the unit.

Where only one market participant determines the price and quantity of offers, offer control should be reported as the maximum capability of the unit, including any must run or minimum stable generation.

Where two or more market participants control a single generating unit the must run or minimum stable generation must be apportioned between them. In the MSA's view market participants should follow the following guidance:

1. Source asset X is offered to the pool by Participant A. Participant A plays no role in deciding offers but merely aggregates offers received from Participant B and Participant C. Participant A should record offer control of 0MW and Participant B and C should record offer control equal to the maximum number of dispatchable MW over which they are able to exercise control AND the same proportion of the asset's must run or minimum stable generation. For example, a source asset with a maximum capability of 100MW has a minimum stable generation of 20MW, participant B decides the offers for 30MW and participant C for 50MW. Participant B should record offer control of 37.5MW ( $30+20*(30/(30+50))$ ) and participant C should record offer control of 62.5MW ( $50+20*(50/(30+50))$ ).
2. Source asset Y is offered to the pool by Participant B. Participant A plays no role in determining pricing but does decide on the number of MW's that are must-run in order to supply their industrial facility with steam. Participant B submits the must run offer at \$0 and decides the price and quantity at which to offer the remainder of the unit. The amount of MW's that are must run varies from day to day. In this case the MSA seeks views on two possibilities:

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<sup>3</sup> The letter entitled RE: December 2007 Quick Hits Implementation & Applicability of Must Offer/Must Comply (MOMC) Rules for Wind Generation defers the application of ISO rules 3.2, 3.5 and 6.6 for wind generators until after

- a) Participant B should report all MW are under their control (consistent with 1) minimum stable MW's are allocated in proportion to control of dispatchable MW's); or
  - b) Participant B should record offer control equal to the maximum number of MW's over which they can exert control. Participant A should report the remainder up to the maximum capability of the unit.
3. Source asset Y is owned by Participant A and Participant B. Participant A plays no role in the day to day determination of the price and quantity offers. Participant A should record offer control of 0MW. Participant B should record offer control equal to the maximum capability of the unit.



**Request for feedback:** In addition to specific feedback on 2a) and 2b) outlined above, the MSA is interested in any concerns stakeholders may have on offer control calculations. Is further guidance needed on how control should be allocated.

#### **4 DATA COLLECTION AND REPORTING TRIGGERED BY SIGNIFICANT CHANGES**

Section 5(4) of the Regulation allows that the MSA may update the market share offer control metrics if, in the MSA's opinion, it believes there has been a material change in offer control or if a market participant may exceed the 30% offer control limit.

The MSA proposes that the any of the following criteria would trigger a market participant to resubmit the pro-forma prior to the annual update:

- if, based on the total maximum capability reported by the MSA in the previous October, the change would take the market participant above the 5% threshold.
- the market participant currently has offer control in excess of 5% of the and a change (increase/ decrease) in the market participant's offer control has occurred that is greater than 40MW<sup>4</sup> (either at one unit or at a combination of one or more units).
- if, based on the total maximum capability reported by the MSA in the previous October, the market participant would exceed the threshold set out in Section 5(5) of the Regulation.

While the proposed criteria above would trigger a market participant to resubmit information they may not result in an update of the offer control metrics. In determining whether to publish updated metrics the MSA would consider all updates received and the time remaining until the annual update.

<sup>4</sup> The MSA has selected the threshold of 40MW since this slightly less than size of typical peaking plant.  
Market Surveillance Administrator

A market participant may request in writing that the MSA recalculate metrics prior to annual update (e.g. a change in offer control places a market participant close to the 30% offer control limit). The MSA will consider such requests based on their merits.



**Request for feedback:** The MSA is interested in stakeholder feedback on what should trigger more frequent submission of market share information.

## 5 REVIEW OF THE MARKET SHARE OFFER CONTROL PROCESS

Section 6(2)(a) of the Regulation requires the AESO develop information technology systems capable of identifying and tracking a market participants offer control. The addition of these systems would likely remove the need for the MSA to collect data on offer control. On such systems are in place the MSA would review its market share offer control process. Such a review would seek comment from Stakeholders.

The MSA may also review the monitoring/reporting process from time to time. Significant changes would be the subject of Stakeholder Consultation. Changes to the pro-forma in Appendix A may be made from time to time (for example: due to change in AESO rules) and would not normally constitutes a significant change in process.



**Request for feedback:** The MSA is interested in stakeholder feedback on whether other circumstances should trigger a review.

## 6 NEXT STEPS

This Stakeholder Consultation process is expected to lead to a process document that will be published on the MSA's website.

The expected timeline for this Stakeholder Consultation is set out in the table below and will be updated throughout the process. We are currently in the 'INITIATE' phase. Stakeholder comments on the Strawdog are due by **AUGUST 07, 2009**

**Table 1: Project Schedule**

<b>Stage</b>	<b>Results</b>	<b>End Date</b>
INITIATE	Publish Strawdog for Market Share Offer Control Process	July 13, 2009
DEVELOP	Receive Stakeholder comments on Strawdog	August 7 , 2009
DRAFT	Revised (as applicable) Draft Market Share Offer Control Process	August 28, 2009
DEBATE	Receive stakeholder comments on Draft	September 11, 2009
DECIDE	Finalize Market Share Offer Control Process	September 25, 2009

## APPENDIX A

### Section A

**Market participant** – name of market participant and list of associates as defined in Section 5(1)(a) of the *Fair Efficient Open Competition Regulation*.

**Date** – date on which submission made

**Contact information** – Name, job title, email, phone number. The contact person should be able to answer questions regarding the participants' response.

### Section B

To be completed for all generating units where the market participant has offer control:

**[A] Asset name** – should match the unit name as listed on the AESO's Current Supply and Demand Report ([http://ets.aeso.ca/ets\\_web/ip/Market/Reports/CSDReportServlet](http://ets.aeso.ca/ets_web/ip/Market/Reports/CSDReportServlet))

**[B] Asset ID** – should match the three or four digit alpha-numeric identifier assigned to each unit as listed on the AESO's Current Supply and Demand Report

**[C] Maximum Capability (MC)** – the maximum capability of the asset (the sum total of the offers made for the source asset in accordance with ISO rule 3.5.3.1). NOTE: this value is not necessarily the MCR listed on the AESO's Current Supply and Demand Report.

**[D] MC controlled by the market participant** – Market participants offer control as defined in Section 5(1)(e) of the *Fair Efficient Open Competition Regulation* and in accordance with the guidelines set out in Section 3.2 of the MSA's *Market Share Offer Control Process*.

Complete column [E] if the market participant is also the submitting participant for the generating unit and the values recorded in [C] and [D] are not the same:

**[E] List of other controlling participants – For all other market participants with offer control for the asset** list the name of the market participant and the number of MW controlled by the participant. The list should be delimited by ',' with MW levels enclosed in '()'. The total of the MW levels listed in this should be equal to the difference between [C] and [D]. Example: 'Anonymous Power Ltd (20), 'Acme Energy Company (10)'.

**Figure A.1: Spreadsheet for Participants' Submissions**

SECTION A:				
<b>Market Participant and list of associates:</b>          <b>Date:</b>  <b>Contact name:</b> <b>Contact job title:</b> <b>Contact email:</b> <b>Contact phone number:</b>	<div style="border: 1px solid black; width: 100%; height: 100%;"></div>			
(insert more rows if required)				
SECTION B: To be completed for all generating units where the market participant has offer control				
[A]	[B]	[C]	[D]	[E]
Asset name	Asset ID	Maximum Capability (MC)	MC controlled by the market participant	List of other market participants and (MW) controlled
		MW	MW	Name (MW), Name ( MW)
1	<div style="border: 1px solid black; width: 100%; height: 100%;"></div>			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
(insert more rows if required)				