



NOTICE TO MARKET PARTICIPANTS AND STAKEHOLDERS

Date: October 18, 2012

Re: Market Data Transparency – Stakeholder Input Requested

This letter is a follow up to the joint AESO/MSA Data Transparency consultation.

The AESOs view is that the provision of market information is a key function of its duties as it supports a participant's ability to make informed business decisions and compete on a level playing field in the wholesale electricity market. By providing information rich environments, the barriers to entry should be lower, and fair and open competition in the wholesale market will occur. As part of the AESO's mandate to facilitate a FEOC market, the AESO must provide sufficient information for the market to operate in this manner. However, the AESO is sensitive to the fact that market information can, in some circumstances, have adverse effects on competition and the AESO should monitor this on an ongoing basis.

The information provided by AESO to the market is intended to contribute to the efficiency of the market while also respecting commercial and proprietary interests. The degree of information disclosure is intended to level the playing field among participants given the inherent advantage held by some of the more sophisticated market participants.

As part of the joint stakeholder consultation held by the AESO and the MSA on March 19, 2012, participants were asked for feedback on AESO reports. The majority of market participants indicated that the reports under discussion were useful and in some cases voiced the need for improvement.

In considering the general conclusions of the CRA report commissioned by the MSA, both the MSA and AESO agree that "public disclosure of market data generally improves market outcomes". However, there is potential that information disclosure might have the opposite effect, which the CRA report expresses as a concern over the possibility of coordinated behavior among participants.

The joint consultation raised potential concern over three reports on the AESO website, the Current Supply and Demand report (CSD), System Marginal Price report (SMP) and the Historical Trading Report (HTR). Other reports that were the source of comment have not been identified as a priority, or in some cases have already been eliminated.

Current Supply and Demand Page

The Current Supply and Demand page provides real time information on the output of generating units.

The AESO and the MSA agree that the Current Supply and Demand report is likely to support the competitive market. As such, no changes are recommended for the report.

Current System Marginal Price Report

The current system marginal price report provides the offer block size of the marginal price setter. The value that has been presented since the implementation of Quick-hits has been representative of the offer block size submitted by the participant capped at the submitted available capability. The true block size that sets price is determined by the block sizes in the energy market merit order (EMMO) which is automatically adjusted to account for the provision of operating reserves.

The AESO intends to make adjustments for consistency with other reports, so that the block size setting SMP be adjusted making the report consistent with the true (auto-adjusted) size that is setting price in the EMMO. This change should improve the quality of the information and provide clarity of the true value of the SMP.

Historic Trading Report (HTR)

The HTR displays price and quantity pairs after the hour has ended, with no asset identification. These are the offers made by participants in ETS and does not account for auto-reductions for active operating reserves or participation in the DDS market. The report presents the last version of the offer and the version that was submitted at noon on the previous day.

The AESO and the MSA have heard from market participants over the past year that this report is very valuable for their ability to make business decisions. Little information has been provided by stakeholders on exactly how the HTR information is useful or how the information it provides enhanced competition.

MSA and AESO have not found a systematic problem with coordinated behavior over the last year relating to the HTR. However, MSA analysis suggests it was a factor in some hours and the potential for harm exists. The MSA recommends the AESO modify the HTR to obscure actual offers made by market participants by aggregation through banding of price levels into the following groups of \$0, \$0-50, \$50-100, \$100-\$150, \$150-200 and \$200-\$999.99. The MSA believes this will reduce the potential for the information to contribute to coordinated behavior among market participants, while still retaining some visibility of merit order depth.

The AESO acknowledges that the report can also be improved in other areas. Specifically, that the day-ahead offers add little value to the report and can be removed from the report. Secondly, the AESO agrees with market participants in their requests that the report better reflect what is truly offered in the market. Thus the recommendation is that the report be reflective of the energy market merit order offers, thus eliminating the spurious MWs that are in the report currently that get auto-adjusted in real-time. To align with the 60 day merit order snapshots the AESO recommends that the 30th minute snapshot be used to create this report.

Next Steps

In order to finalize any recommendations the AESO and MSA request that stakeholders provide specific evidence that the current form of the historical trading report enhances competition. Please provide this information by November 2, 2012 to both:

stakeholderconsultation@albertamsa.ca and market.analysis@aeso.ca

Further questions regarding this consultation can be directed to John Esaiw, Director Forecasting, 403-539-2614, and/or Matt Ayres, MSA Chief Economist, 403-705-3182. From the perspective of the MSA's consultation process this letter constitutes a 'Draft' recommendation and the MSA's process is now in the 'Debate' phase.

Please also identify if the responses are to be confidential in nature as it is recognized that there may be commercially sensitive information included. Comments not clearly marked as confidential will be posted to the AESO / MSA website.

Yours truly,

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John Esaiw
AESO, Director, Forecasting