

January 11, 2019

SENT VIA EMAIL

Mr. Gordon Kaiser
Market Surveillance Administrator
500 – 400 5th Avenue S.W.
Calgary, Alberta T2P 0L6

Dear Mr. Kaiser:

Re: Offer Behaviour Guidelines Consultation – Balancing Pool Comments

This letter is in reply to the December 10, 2018 notice provided by the Market Surveillance Administrator (“MSA”) requesting written stakeholder comments on the report prepared by the MSA’s consultant, Charles River Associates, regarding offer behaviour into the energy market (the “Report”) by the end of day on Friday, January 11, 2019.

The Balancing Pool understands that the MSA has decided to hold a consultation to determine if guidelines to address acceptable offer behaviour (“Offer Behaviour Guidelines”) are warranted during the transition period leading up to the implementation of the capacity market. The Balancing Pool is supportive of the MSA’s consultation process in this regard and appreciates the opportunity to provide comments.

The Balancing Pool is also aware that the MSA has decided to concurrently hold a consultation to determine if the establishment of an Advisory Opinion Programme (“AOP”) is warranted and intends to provide written comments by January 21, 2019 in relation to the report prepared by the MSA’s consultant, Ian Nielsen-Jones, to address specific questions related to the AOP.

The Balancing Pool considers clarity regarding offer behaviour to be a matter of critical importance. Such clarity could be achieved either through Offer Behaviour Guidelines or the AOP but, in the Balancing Pool’s view, should involve at least one of these mechanisms. The Balancing Pool would much prefer certainty in the form of guidance and direction from the MSA rather than the ambiguity that exists currently in the market regarding what constitutes acceptable offer behaviour.

Timing is of utmost importance to the Balancing Pool as it relates to implementation of the chosen mechanism. The Power Purchase Arrangements (“PPAs”) expire at the end of 2020 and the Balancing Pool seeks clarity regarding acceptable offer behaviour for the remainder of the PPA term as soon as possible in order to reduce the risks associated with management of its portfolio of generation assets.

The Report contains many assumptions in relation to the Balancing Pool’s current and future offer strategy. The Balancing Pool cautions that any policy decisions made by the MSA should not be premised on the Balancing Pool maintaining its current offer strategy for the remainder of the PPA term. The Balancing Pool has the option to consider alternative offer strategies or to maintain its existing offer strategy, as it deems appropriate, as long as it continues to fulfil its mandate to manage generation

assets in a commercial manner. As noted in the Balancing Pool's 2018 Q3 reporting, the Balancing Pool is currently exploring options that might provide it with more flexibility to potentially alter its offer strategy in the future. The Balancing Pool may or may not ultimately conclude that it can and/or should alter its offer strategy, but the outcome of this initiative should not have any effect on the development of appropriate Offer Behaviour Guidelines or the timing associated with them.

Finally, the Balancing Pool does not believe it should be held to a different standard than other market participants in relation to managing generation assets in the market. In particular, its offer behaviour should not be singled out as the basis for any policy decisions or as the cause of any past market outcomes. Appropriate Offer Behaviour Guidelines should apply equally to the market as a whole and should be equipped to address the full range of permitted offer strategies by all market participants.

Should you have any further questions or concerns relating to this matter, please contact me directly at 403.539.5360 or sharleen.traynor@balancingpool.ca.

Sincerely,



Sharleen Traynor
Manager, Corporate Services

cc Benjamin Chappell, Acting President and CEO