



Alberta Power Symposium 2014

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What does the Market Surveillance Administrator do?

- Investigation
- Enforcement
- Compliance with rule and reliability standards
- Market monitoring
- Guidelines
- State of the Market Reports: Assessment of competition



Today's topics

- State of the Market Report: Competition in the residential electricity and natural gas retail markets
 - What are the benefits that retail competition brings?
 - What product characteristics do consumers value?
- Going forward: MSA's retail market monitoring plan



State of the Market

- 2012: assess the state of competition in the wholesale electricity market

One main report and eight supplementary reports:

<http://albertamsa.ca/uploads/pdf/Archive/2012/SOTM%20Final%20Report%2020130104.pdf>

- 2014: assessment of residential retail competition in electricity and natural gas

One main report in the final stages and a supplementary report released in July:

[http://albertamsa.ca/uploads/pdf/Archive/00-](http://albertamsa.ca/uploads/pdf/Archive/00-2014/Alberta%20Retail%20Markets%20for%20Electricity%20and%20Natural%20Gas%20071714..pdf)

[2014/Alberta%20Retail%20Markets%20for%20Electricity%20and%20Natural%20Gas%20071714..pdf](http://albertamsa.ca/uploads/pdf/Archive/00-2014/Alberta%20Retail%20Markets%20for%20Electricity%20and%20Natural%20Gas%20071714..pdf)

- 2015: return to assess wholesale market competition again



Competitive markets: Benefits and costs

Potential benefits:

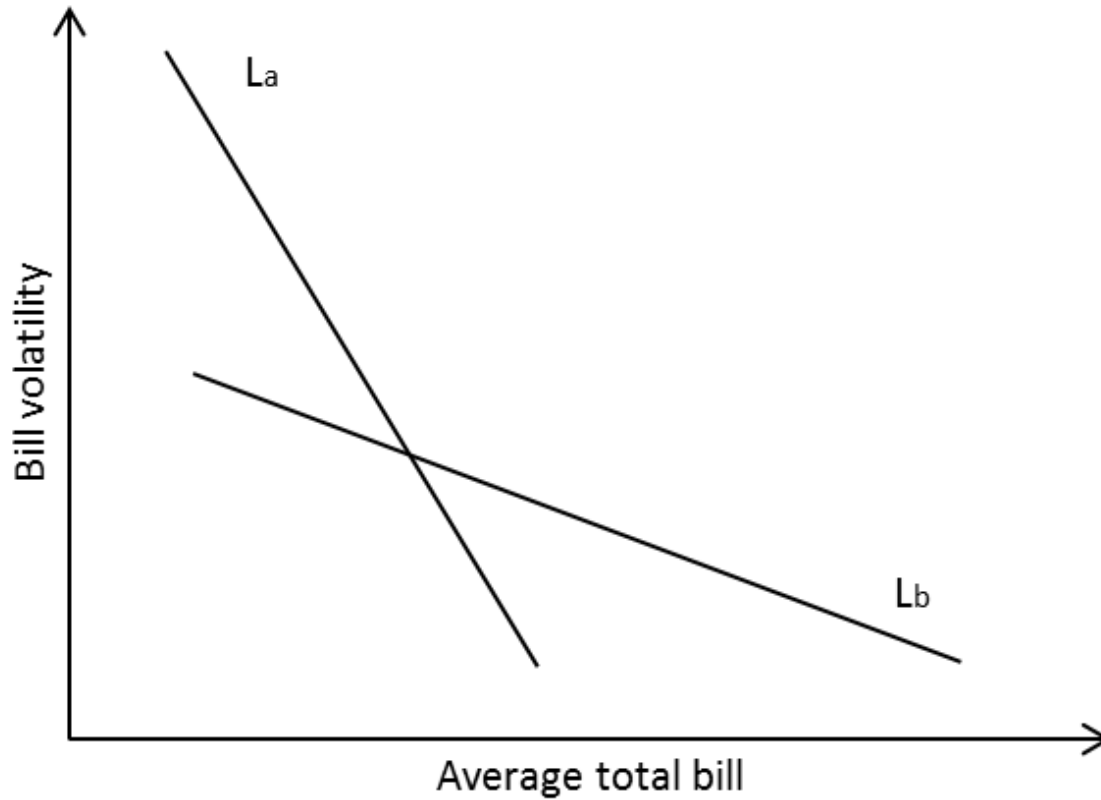
- Superior wholesale procurement
- Installation of smart meter and control technologies
- Hedging market price risk for consumers
- Hedging weather and other consumption uncertainties
- Behind the meter applications designed to provide additional services
- Green power
- Total energy management or utility services
- Supporting robust competition in the wholesale market
- Pressure on administrative costs

Potential costs or problems:

- Confusion over options
- Undesirable or misleading sales practices
- Retail market power

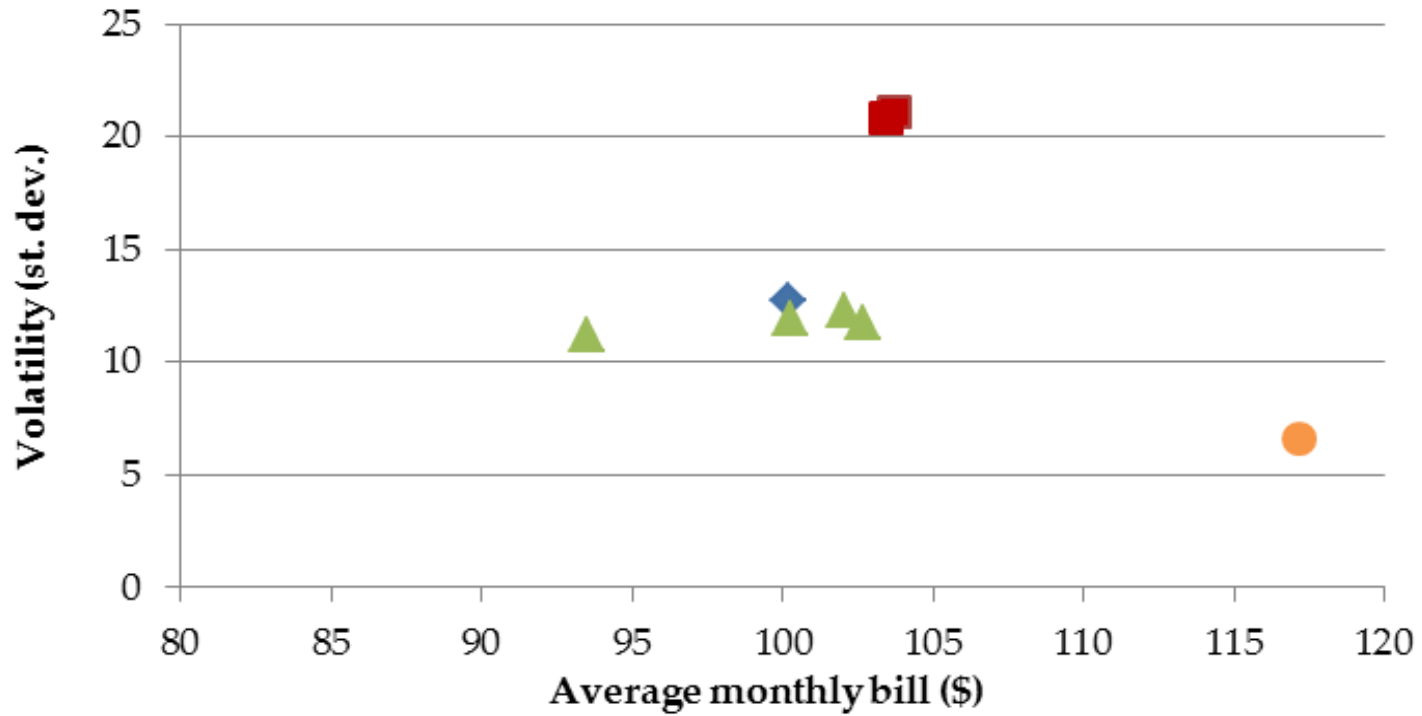


Consumer preferences





Electricity



◆ RRO

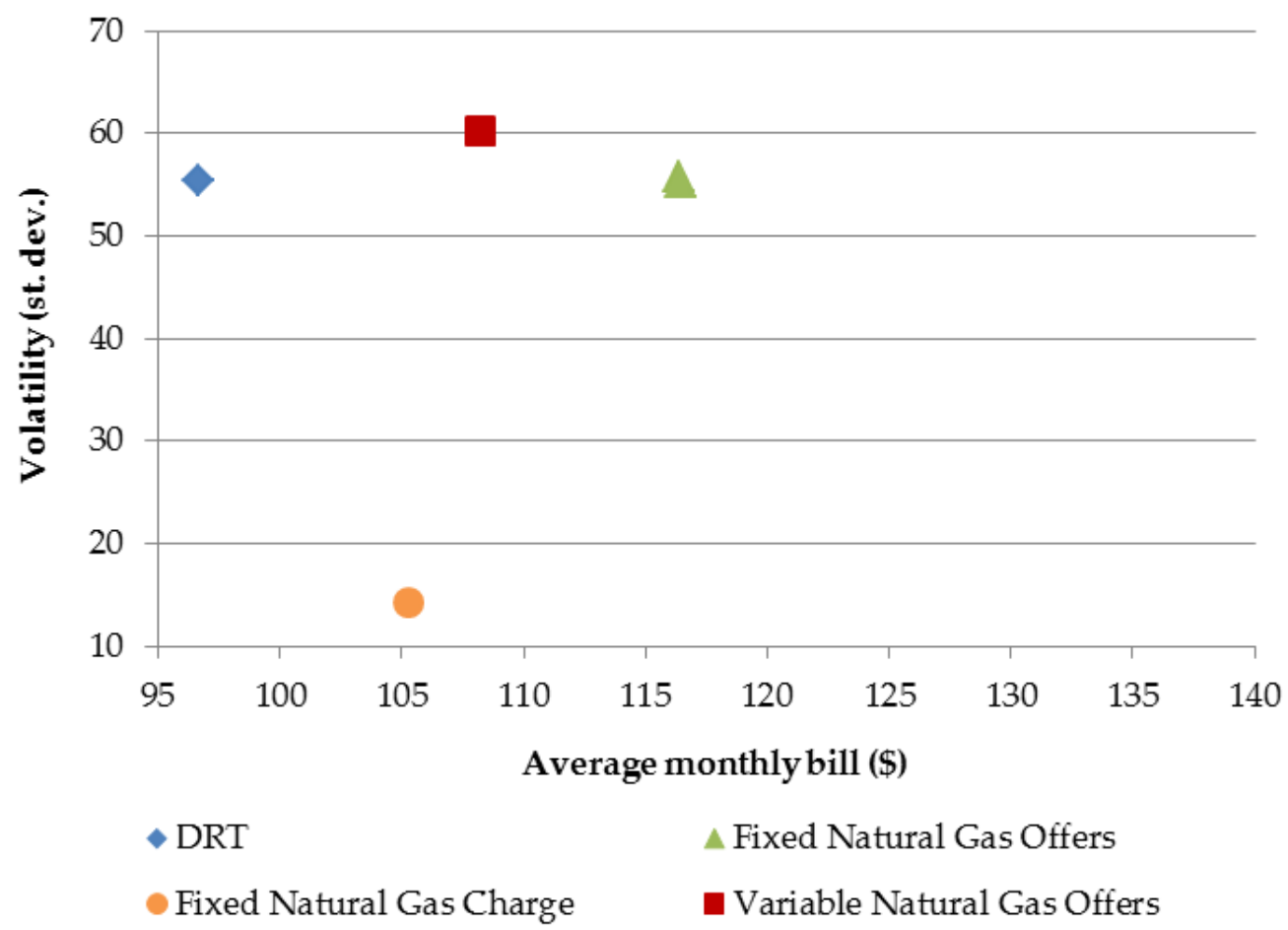
▲ Fixed Electricity Offers

● Fixed Electricity Charge

■ Variable Electricity Offers



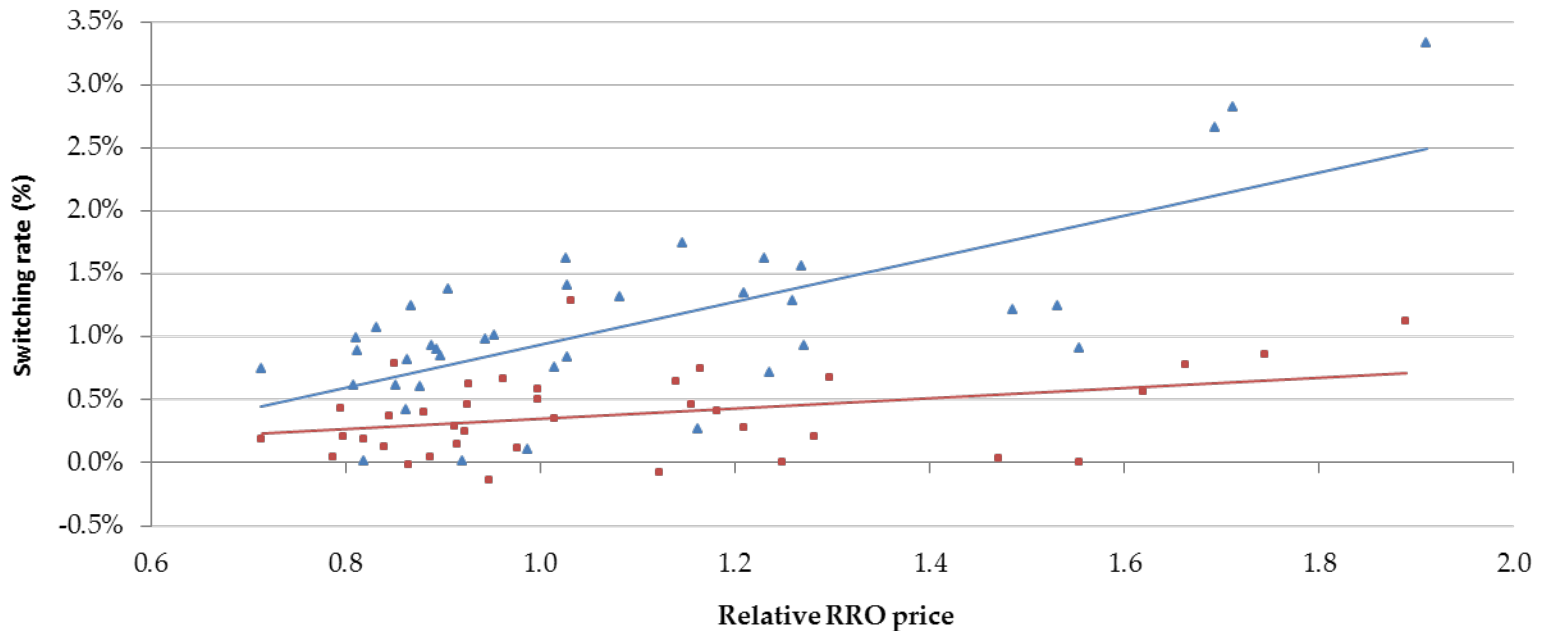
Natural gas





Switching and relative prices

- Multiple sources for rate comparisons: UCA, Electricity Shop, others
 - Does RRO structure make rate comparisons more difficult?





Costs and barriers-to-entry

- Not all costs faced by retailers constitute BTE.
- Costs faced *only by* potential entrants and expanding fringe are barriers to entry, e.g.,
 - Affiliate providers of default products
 - Market knowledge (to an extent)
 - Credible strategic responses
 - Regulatory: some, self-operating REAs are not *Tariff Billing Code*-compliant; natural gas co-ops; Medicine Hat
- Are BTE substantial? To what extent do BTE prevent benefits from being realized?



Overall

- Important we test what are the benefits of competition
 - Switching statistics
 - Product variety
 - For electricity, most gains for consumers (lower bills) come from enhancing wholesale competition. This does not apply to natural gas (wholesale market independently competitive).
- Do not misinterpret limited gains from residential retail competition as a preference for regulation.



Going forward: The MSA's retail market monitoring plan

The MSA is looking to do more work on retail competition:

- Retail SOTM report

Forthcoming

- Annual report with enhanced data analysis; periodic publication of some monthly data

<http://albertamsa.ca/uploads/pdf/Archive/00->

[2014/Annual%20Retail%20Stats%20Report%20041614.pdf](http://albertamsa.ca/uploads/pdf/Archive/00-2014/Annual%20Retail%20Stats%20Report%20041614.pdf)

- Consumer survey and information collection

<http://albertamsa.ca/uploads/pdf/Archive/00-2014/Leger%20-%20MSA->

[%20Co%20Branding%20FINAL%20Feb%2026.pdf](http://albertamsa.ca/uploads/pdf/Archive/00-2014/Leger%20-%20MSA-%20Co%20Branding%20FINAL%20Feb%2026.pdf)

- Enhanced monitoring of EPSPs

The MSA is interested in receiving feedback from market participants about these activities.



Questions?

Feel free to contact me directly with feedback.

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