

Announcement of MSP Consultation on Market Power Framework

The Market Surveillance Panel has prepared a proposed framework for identifying exercises of market power in the IESO-administered market for energy. With the publication of the discussion paper on the OEB web-site <http://www.oeb.gov.on.ca/>, we are initiating a consultation with interested stakeholders.

The framework is intended to provide a rigorous and transparent statement of how the MSP would determine if market power has been exercised – i.e., a market participant's action that has caused the market price to be set above the competitive level. This will aid the MSP in fulfilling its mandate to monitor activity in Ontario's wholesale electricity market, helping us to understand and explain unusual price movements.

The publication of this discussion paper and later the final framework does not signal a new approach to market surveillance by the Panel. While the exercise of market power, by itself, is not proscribed behaviour in Ontario, it is important for the Panel to be able to distinguish it from other factors that influence market outcomes. We believe it is also important to obtain stakeholders' insights and advice on the principles and proposed methodology before finalizing the framework.

Over the next few months the MSP and members of the Market Assessment Unit will be meeting with market participants and other interested stakeholders to provide further explanation about the proposed framework. We wish to hear your questions and comments face-to-face but we also request written submissions from you which will be publicly posted. To the extent feasible, the MAU will begin monitoring for the behaviour and results identified in the discussion paper and may discuss issues with individual market participants.

Following the period for formal comments, we will provide feedback to you, reporting what we've learned to that point and indicating our initial reaction. Needed modifications to the framework or detail will follow with identification and testing of options by the MAU. Once we publish the details of the final framework we will also begin the process for modifying the Data Catalogue to add new data which has been identified as necessary for the framework.

We anticipate that these activities should take place over the next several months according to the following plan:

- Solicit public comments from stakeholders and other interested parties
- Meet with stakeholders to explain proposal and answer initial questions
- Review written comments, including possible one-on-one follow-up by the MAU and MSP to clarify issues raised
- Report on comments to date and the initial MSP reaction, possibly at a stakeholder meeting
- MAU / MSP development and testing options.

- Publish framework
- Begin the process to modify Data Catalogue

The period for formal comments will continue until ***February 28, 2007***. All submissions will be published. We anticipate an initial meeting with stakeholders will take place early in January 2007. A separate announcement of the details of that meeting will follow.

Finally, we would like to thank Fred Gorbet, former MSP Chair, for his advocacy and contribution to the development of this discussion paper. We would also like to acknowledge the work of the Market Assessment Unit, and in particular Jack Lubek and Brian Rivard for helping to bridge the theoretical and practical in this important initiative.

Don McFetridge & Tom Rusnov

Market Surveillance Panel

If you have any queries, please contact Jack Lubek at 905-855-6148 or by email at MACD@ieso.ca

The Market Surveillance Panel, a Panel of the Ontario Energy Board, monitors, investigates and reports on activities and behaviour in the IESO-administered markets in Ontario's electricity sector.