

April 4th 2007

To: Peter Fraser
Market Surveillance Panel
Ontario Energy Board
2300 Yonge Street, Ste 2700
Toronto, Ontario M4P 1E4

Sent Via EMAIL and Mail

Comments of the Power Marketer's Council of the Canadian Electricity Association
(CEA PMC)

Dear Sir:

The Power Market's Council has a strong interest in functional and efficient power markets and seamless trade between power markets. The PMC would like to make the following general comments on the Proposed Framework for the Identification and Exercise of Market Power (PFIEMP).

The trade of power between adjacent markets is subject to many types of risk including the inherent volatility of power prices, and market rule/ seams issues between the markets. These risks are not uniform across all hours – but are at their greatest when power prices peak – and tend to be much lower during off peak hours. The PFIEMP, as it relates to imports to Ontario calculates the import offer ratios over all hours of the last 365 days. This inherently treats all imports hours as having equal risk, which they do not. If the PFIEMP is implemented in its present form, it could have the impact of reducing on peak import offers into Ontario – the time when they are most beneficial to the market. This would be detrimental to the Ontario consumers.

The PFIEMP appears to try to regulate the rate of return on assets located outside of Ontario. The PMC is of the position that assets located outside of Ontario, including generating facilities and other power trading assets located in other provinces or in the U.S. are subject to the regulations of that home jurisdiction. An attempt by each market jurisdiction to regulate assets in other jurisdictions would create a regulatory quagmire that ultimately would chill the economic movement of power between the markets and would only make each market worse off in the long run.



Canadian Electricity Association
Association canadienne de l'électricité

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The PFIEMP only considers marginal costs, and provides no mechanism to recover fixed costs, either within Ontario or on imports. To deny fixed cost recovery only ensures the Ontario Power Authority (OPA) will be around in perpetuity. What the MSP may see an exercise of market power may be more properly called fixed cost recovery. The MSP's own analysis has shown that there is insufficient fixed cost recovery in the current market for new gas turbine entrants. Further barriers to fixed cost recovery will only require greater amounts of support from the OPA.

Given the fundamental issues with the PFIEMP and stakeholder concerns, the PMC suggests the MSP or the IESO staff should prepare written response to the issues raised, and then prepare a complete new draft of the PFIEMP.

Original Signed by

Daniel St.-Onge, Chair PMC

cc Francis Bradley, Vice President, CEA
Dan Goldberger, Sr. Advisor Finance and Taxation, Secretary PMC, CEA

CEA

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