

October 8, 2004

Alberta Energy and Utilities Board
640 – 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Attention: Mr. Jamie Cameron
Application Officer

Dear Sir:

**Re: Alberta Electric System Operator (AESO) Article 24 Amendments
Application No. 1357161 (Application)**

This letter is in response to the Board's correspondence dated September 17, 2004 and September 29, 2004 concerning the above referenced Application and the related ATCO Power motion. In this regard, the Market Surveillance Administrator (MSA) wishes to advise the Board that it will conduct a formal investigation pursuant to Part 3 of the *Electric Utilities Act* of Alberta (*Act*) into the competitiveness of the market for transmission must run service (TMR) in Alberta.

The formal investigation will include, but may not be limited to, consideration of the following matters:

1. Does a competitive market exist for TMR services?
2. If the answer to question #1 is no, is it possible to design and implement a competitive market for TMR?
3. If the answer to question #2 is no, what are the alternatives to a competitive market?

A critical component of the competitive market assessment is to examine current and past conduct of parties involved in commercial TMR transactions to determine if it has been consistent with conduct that would be expected in a "*fair, efficient, and openly competitive*" market.

The MSA has retained a qualified, independent consultant to assist in the market and conduct assessment. The MSA will conduct the formal investigation in an expedited manner and anticipates reporting on its findings by the end of this year.

The MSA does not contemplate directly participating in any regulatory proceeding that may be conducted by the Board in relation to the Application or the ATCO Power motion.

Please do not hesitate to contact the writer by telephone at 403.705.3195 or by email at rob.spragins@albertamas.ca if you have any questions.

Yours truly,

MARKET SURVEILLANCE ADMINISTRATOR

“Original signed by Rob Spragins”

Robert F. Spragins
Manager, Investigations