

NEWS RELEASE

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For Immediate Release

MSA UPDATE : ENRON “PROJECT STANLEY” REVIEW

The Alberta Market Surveillance Administrator (“MSA”) has issued this News Release to provide an update concerning its review of information relating to the activities of ENRON Canada Corp. (“ENRON”) and Powerex Corp. (“Powerex”). The MSA first issued a news release on these matters on February 11, 2005.

The MSA has requested and obtained materials filed in a proceeding before the U.S. Federal Energy Regulatory Commission (“FERC”). The materials contain new information relating to “Project Stanley” (see Background below), being transcripts and summaries of communications alleged to have occurred between ENRON and Powerex in 1999, as well as other communications. The new information was previously subject to a claim of privilege in the FERC proceeding, and had not been made public before being released to the MSA.

This new information describes specific communications which were not available to the MSA in its 1999 investigation. The nature of the communications shown in the new information is of concern to the MSA. Those communications appear to reflect arrangements which might be challenged under federal competition law. Accordingly, the MSA will be asking the Competition Bureau to reopen its file on these matters.

However, like information previously reviewed, those communications describe activities specifically investigated by the MSA in 1999, and do not point out any previously unknown activities between ENRON and Powerex in this jurisdiction. Further, the new information does not suggest any breach of the Alberta market rules prevailing at that time.

As set out in the February 11th news release, the MSA is satisfied that the impact to Alberta consumers was minimized by the legislated hedges in place during this period. Further, changes to the Alberta market rules effectively precluded a reoccurrence of the conduct at issue. The steps taken here in 1999 and 2000 to address the “Project Stanley” activities have worked.

The MSA will continue its communications with the Competition Bureau on these matters, and will address any relevant developments as they arise. In accordance with its mandate, the MSA will take further action to address any conduct considered harmful to the Alberta market.

Background:

On February 5th, 2005 certain Alberta media began publishing articles and commentary in relation to an allegation that ENRON had manipulated the Alberta power pool in 1999. The activities were referred to by the code name “Project Stanley”. The media coverage was based upon allegations made in a U.S. lawsuit between Snohomish County Public Utility District (“Snohomish”), a Washington State utility, and an ENRON affiliate. Snohomish is also pursuing its claims in the FERC proceeding referenced above.

The MSA immediately reviewed the materials which were made available by Snohomish and other sources at that time.

In its February 11th news release, the MSA confirmed that “Project Stanley” referred to matters addressed in 1999 by the MSA and by the federal Competition Bureau in 1999/2000. Based upon the materials reviewed, there did not appear to be any new activities at issue. Accordingly, there was no reason for the MSA to reopen the previous investigation.

In 1999, market participants were allowed to restate their energy offers for various reasons. Depending upon market conditions, restatements could at times have a significant impact on the pool price. “Project Stanley” involved the use of offer restatements for imported energy in a manner which was allowed under the existing market rules but led to undesirable outcomes.

The MSA therefore recommended rule changes in order to preclude those undesirable outcomes.

Subsequent changes to the Alberta market rules have clarified the legitimate use of imports and offer restatements, and thus have precluded the type of conduct found to be of issue in 1999. Those rule changes have prevented the restatement strategy from being used further, notwithstanding that the strategy was not found to be illegal under the previous rules.

The MSA also noted that certain media coverage had significantly mischaracterized the allegations made by Snohomish, including as to the profits allegedly made by ENRON from its “Project Stanley” activities. Based upon the information available, the total ENRON profits from “Project Stanley” would have been a very small fraction of the “45 million dollars” reported in the media.

Alberta's Market Surveillance Administrator is in place to monitor Alberta's electricity market for fairness and balance in the public interest, and keeps a close watch on the overall performance of Alberta's electricity market - checking that it operates fairly, efficiently and in an openly competitive manner.

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A copy of this News Release and the February 11, 2005 News Release can be obtained from the MSA website: www.albertamsa.ca.

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