

October 28, 2005

NOTICE TO: MARKET PARTICIPANTS

Re: Investigation/Intertie Conduct

Investigation

In accordance with its mandate under the Alberta *Electric Utilities Act*, the Market Surveillance Administrator (MSA) has commenced an investigation into import activity affecting the Alberta electricity market(s), and related conduct, during calendar 2005. At this juncture, the investigation is focusing primarily on the conduct of one market participant organization during September of this year.

Background

Pursuant to its overall mandate under the Act, the MSA undertakes surveillance and investigation of electricity exchanges on the tie lines connecting the interconnected electric system in Alberta with electric systems outside Alberta.

Importing and exporting activities are generally considered positive for the market. However, certain conduct on the tie lines can have negative consequences for the fidelity of the price signal in the short and longer term, and can otherwise undermine the *fair, efficient and openly competitive* operation of the market. The MSA monitors the B.C. and Saskatchewan tie lines closely, to protect the interests of stakeholders in Alberta.

In January 2005, the MSA issued a Report entitled *A Review of Imports, Exports, and Economic Use of the BC Interconnection*. In July 2005, the MSA issued a Report entitled *Undesirable Conduct and Market Power*. Also in July, the MSA issued a Notice which provided further advice and guidance about MSA expectations concerning import and export activity. In September 2005, the MSA issued a Report entitled *Update on Economic Use of the BC Interconnection*. All of these materials form part of the backdrop for the investigation currently underway, and can be found for reference on the MSA website.

Next Steps

The MSA will provide further information about these matters at the conclusion of the investigation, in accordance with its mandate.

Yours truly,

“Original signed”

W.W. (Wayne) Silk
Vice-President, Chief Operating Officer
Market Surveillance Administrator.