

May 14, 2007

NOTICE TO: MARKET PARTICIPANTS

Re: Investigation / Trading Activity

Investigation

In accordance with its mandate under the Alberta *Electric Utilities Act* (Act) and its *MSA Investigation Procedures* (<http://www.albertamsa.ca>). - see Processes Section, the Market Surveillance Administrator (MSA) has commenced an investigation into certain trading activity in the ancillary services market.

Background

The MSA has the broad mandate of surveillance and investigation around all aspects of the province's electricity markets, and seeks to ensure the *fair, efficient and openly competitive* operation of the market. As part of its mandate, the MSA may publish reports to give guidance to the market as to the MSA's view of what is *fair, efficient and openly competitive*. In this regard, the MSA published its report *Undesirable Conduct and Market Power* on July 26, 2005 (<http://www.albertamsa.ca/2665.html>). The report describes some of the key principles that are related to this investigation including:

1. *High fidelity price signal: A price signal that is reflective and responsive to changes in fundamentals such as fuel prices, outages, and supply-demand balance. It is particularly important in an energy-only market that prices are able to reflect conditions of scarcity.*
2. *Level playing field: A level playing field is a fundamental part of promoting confidence in a fair and openly competitive environment.*
3. *Opportunity to compete: Market participants (and potential participants) should have the opportunity to compete or contest in any part of the market without undue barriers or interference, whether structural or by a competitor.*

In the view of the MSA, inappropriate trading practices may negatively impact the *fair, efficient and openly competitive* operation of the market, contrary to s.6 of the Act.

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