

# **MSA Trading Practices Guideline and Proposed Information Disclosure Procedure**

**Presentation to the EUA Advisory Committee  
March 23, 2004**

# Presentation Outline

- Trading Practices Guideline (TPG)
- Information Disclosure Procedure (IDP)
- FAQs, Administration, Performance Measurement
- Conclusions
- Questions?

# What is the Role of the MSA?

- Section 49(1)

Mandate to carry out investigation and surveillance

- Section 49(4)

Establish and publish guidelines to further the fair, efficient, and openly competitive operation of the market

# Trading Practices Guideline

- What is the TPG?
- What is the market basis for the TPG?
- How did we get to this point?

# What is the TPG?

Market participants must not trade on the basis of known but not public information about the status of supply, load or transmission assets that can reasonably be expected to have a material impact on the market place.

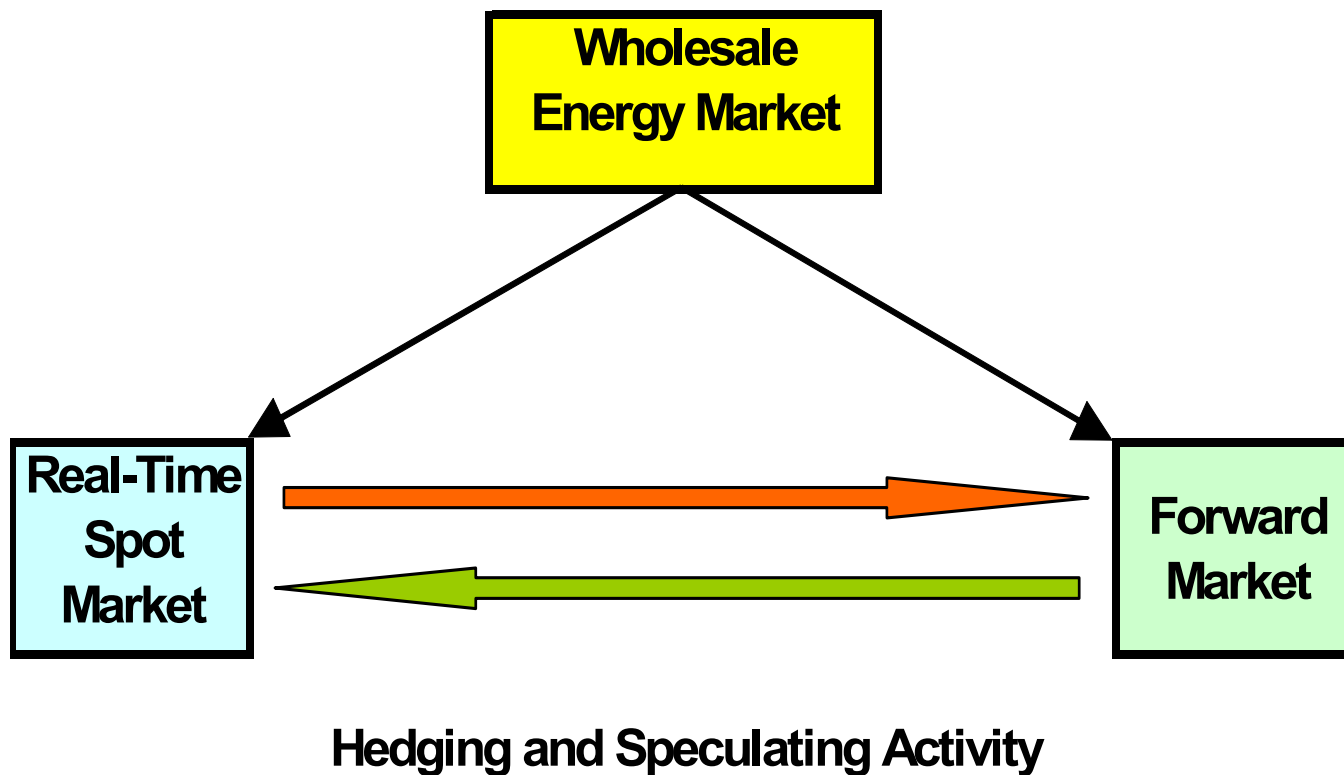
# What is the Basis for the TPG?

- Fundamentally, it is an issue of fairness which is analogous to insider trading.
- Trading on outage information creates perception that the market is unfair, has a high level of uncertainty, and reduces the ability of market participants to manage risk.
- Information asymmetry and trading on outage information contribute to poor liquidity in the forward market.

# What are the Benefits of the TPG?

- Improved confidence
- Level playing field
- Improved market liquidity
- Improved efficiency

# Alberta Market Structure

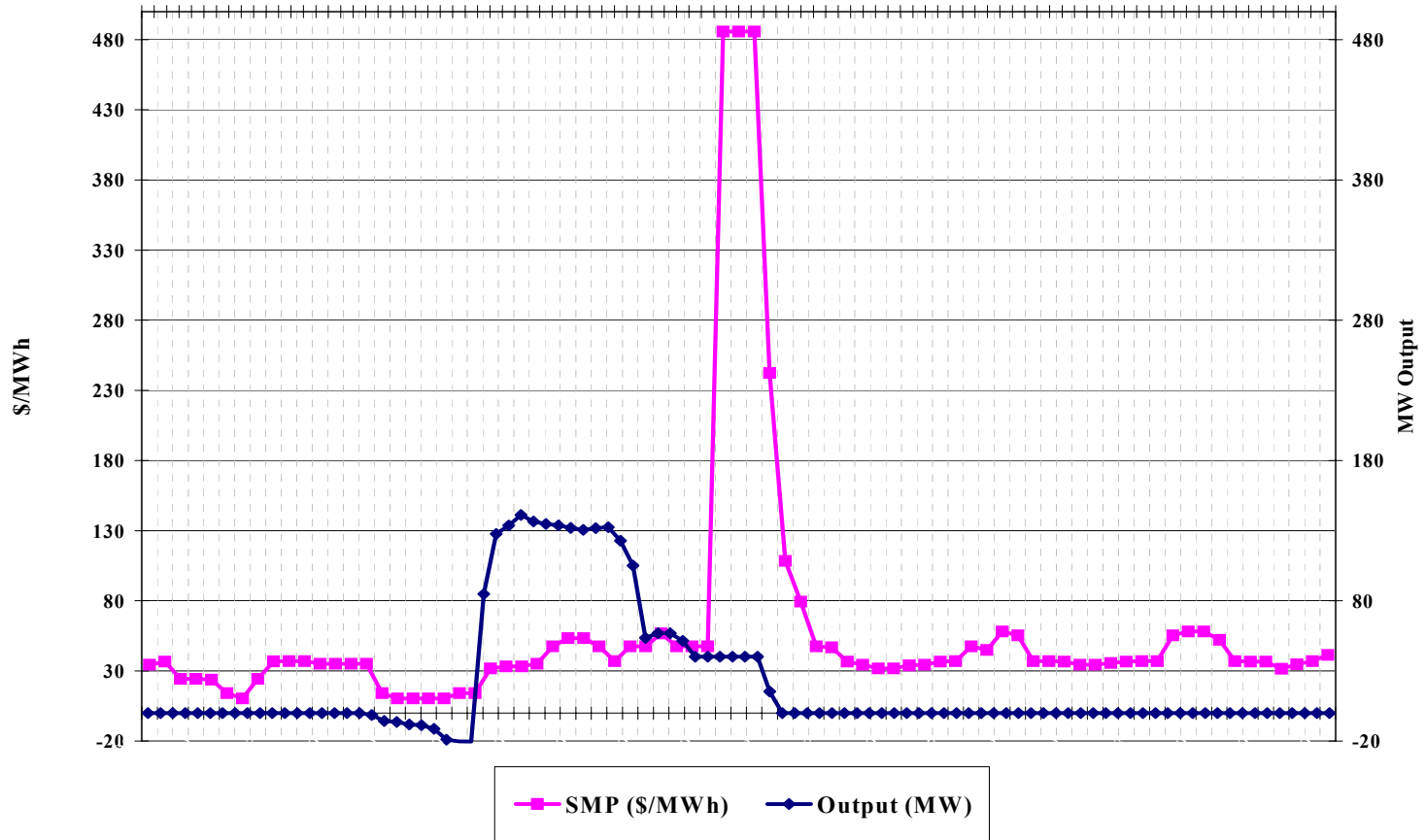




# Conceptual Comparison of Securities and Commodities Markets

<b>Market</b>	<b>External Market Factors</b>	<b>Factors Unique to Companies/Assets</b>
<b>Securities</b>	<b>Affect value of all securities</b>	<b>Affects the market price of a specific security</b>
<b>Commodities</b>	<b>Affect value of all commodities</b>	<b>Does not affect the market price of a commodity</b>
<b>Alberta Electricity</b>	<b>Affects value of electricity</b>	<b>Affects the market price of the commodity</b>

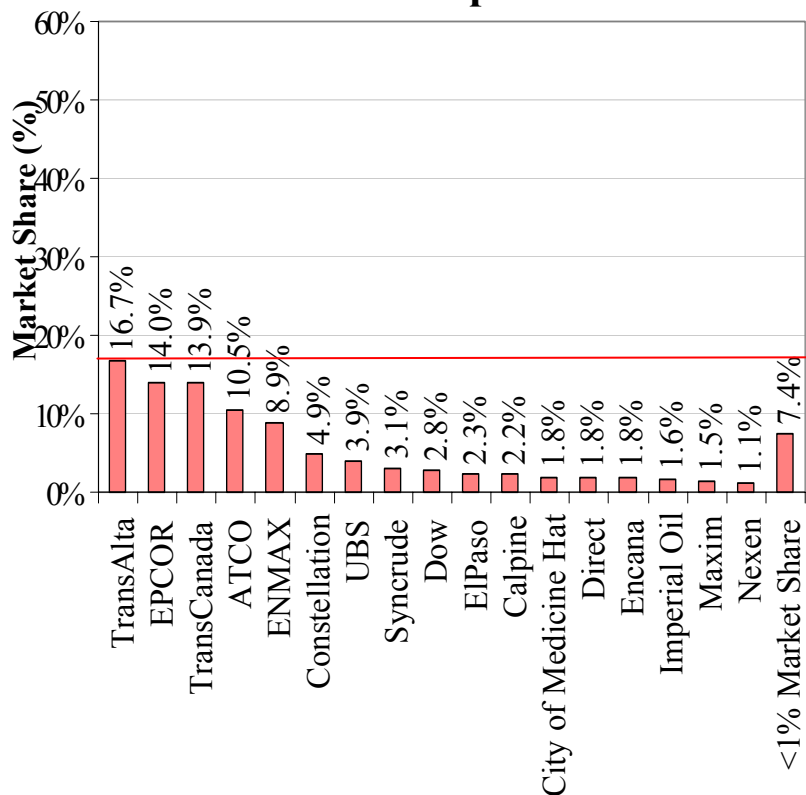
# Trading Around a Coal Plant Outage



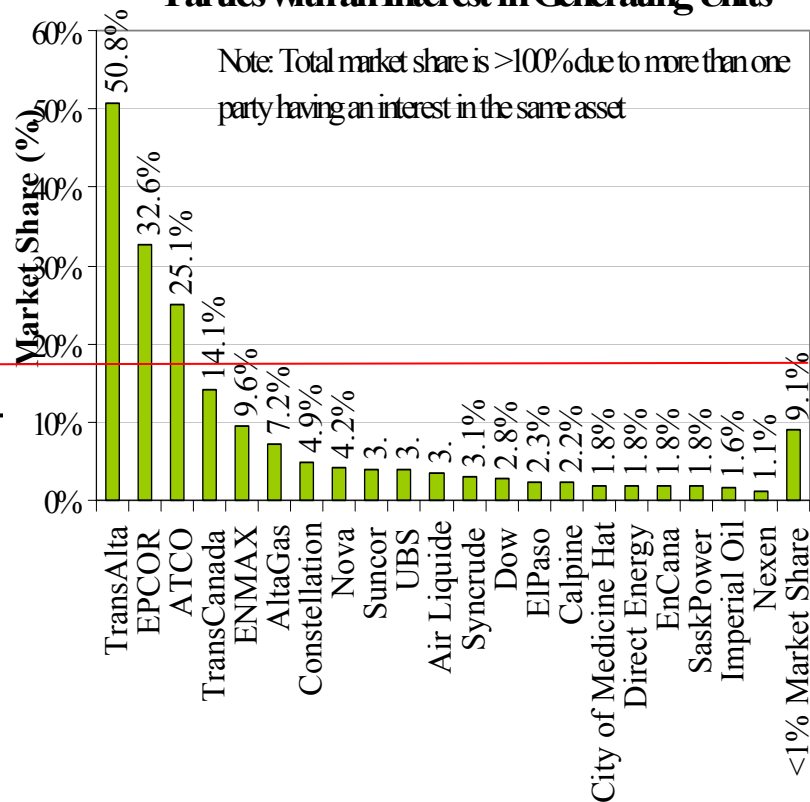
# Information Market Share

## Real-Time and Forward Market

**Parties with Dispatch Control**



**Parties with an Interest in Generating Units**



# Other Jurisdictions

- FERC Order 2004
- PJM instituted public access to system information
- Ontario IMO posting of outage forecasts
- Changes to natural gas reserves reporting

# How Did We Get to this Point?

- Approached by a PPA participant, fall 2001
- Developed outage information protocol, 2002
- Started to receive complaints
- Commenced broader approach to all PPAs, 2003
  - MSA position paper and draft protocol
  - Workshops and follow-up discussions with PPA Owners, Buyers, MAPP Buyers
  - Workshop outcomes – deep division among participants
- MSA signals market at CERI conference and fall stakeholder meeting concerning a broader market approach

# What are the Next Steps?

- Proposed Information Disclosure Procedure (IDP)
- Objectives:
  - Provide a mechanism for compliance
  - Facilitate self-monitoring by market
  - Improve efficiency in the forward market

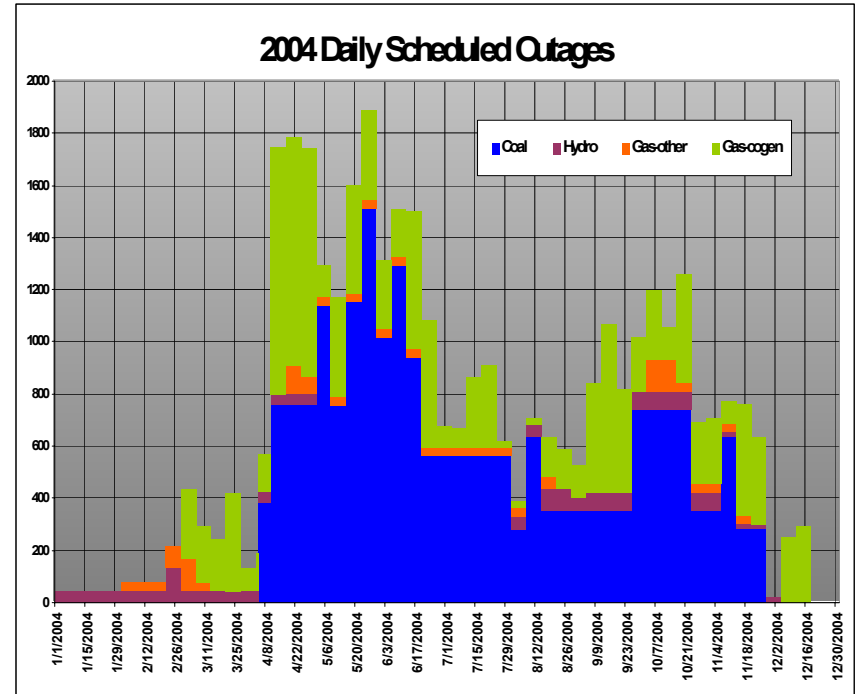
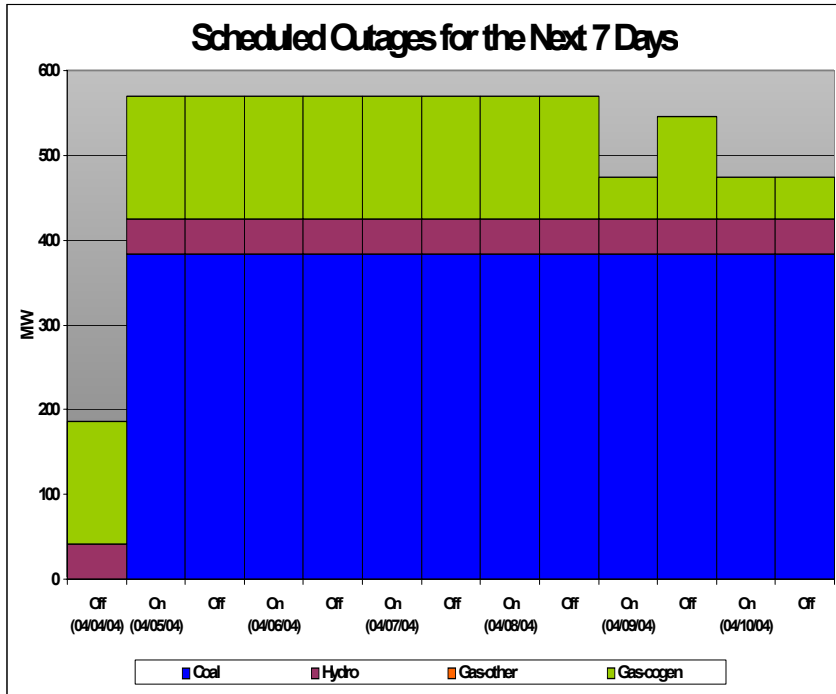


# IDP Issues

- Quality, quantity, and timeliness of outage information
- How to include load, transmission, and inter-tie assets
- Report format and balance of rights



# Potential Report Format



# Frequently Asked Questions

- Operational Strategy
- Bulls Eye Problem
- Property Rights
- Lack of Consultation
- Jurisdiction

# Administering the TPG/IDP?

- Self-regulation
- Monitoring Market Performance and Conduct
- Audits
- Informal and Formal Investigations
- Tribunals

# Performance Measuring

- Review after one year
- Performance metrics (examples)
  - TPG
    - Increased liquidity
    - Narrower bid/ask spreads
  - IDP
    - Actual vs planned outages (timing)
    - Forced outages as a percent of total
- Input from participants

# Conclusion

- MSA is taking a proactive approach
- Improve fairness of the forward market
- Outcome a more efficient and competitive market
- Emphasis on providing market with tools for self-policing
- Interested in any comments and suggestions