



VIA ELECTRONIC MAIL

July 7, 2011

Bob Heggie
Chief Executive
Alberta Utilities Commission
Calgary, AB T2P 3L8

Dear: Mr. Heggie

**RE: EPCOR ENERGY ALBERTA INC. –
AMENDMENT TO 2011-14 ENERGY PRICE SETTING PLAN**

The Market Surveillance Administrator has been following the recent auctions under EPCOR's 2011-14 EPSP with the assistance of the Sheldon Fulton, the Independent Advisor under the Plan. The auctions are experiencing difficulty attracting sufficient offers to enable competition for supply. One possible reason for this is restrictions in the calculation of the seed price that starts the auction.

Therefore, in an effort to succeed with the remaining auctions for August and September procurement, we are advised that EPCOR and the consulting parties propose to amend the formula for the seed price.

We are writing in support of this amendment proposal because without it the auctions may fail to attract sellers and consequently a large volume may have to be procured through the EPSP's 'backstop' arrangements. In the view of the MSA, the failure of the auctions to attract sufficient interest may mean that EPSP could not be considered "a fair, efficient and openly competitive acquisition process" as required under the Regulated Rate Option Regulation.

While there is an apparent urgency to address the next tranche of procurement, from a longer term perspective the MSA believes it is advisable for EPCOR, the consultation parties and the Independent Advisor to undertake a review of the auction mechanism as to its continuing appropriateness as the sole procurement mechanism for the EPCOR EPSP.

The MSA views the performance of the EPSP auctions in the broader context of the functioning of fair, efficient and openly competitive market operations in Alberta. The perceived shortcomings of the recent round of auctions may simply reflect flaws in auction design, or it may suggest underlying concerns with the overall competitiveness of the market. As such, the MSA will continue to take an active interest in future developments.

Regards,

A handwritten signature in black ink, appearing to read 'R. Penn', with a long horizontal flourish extending to the right.

R. Penn,
Senior Advisor

cc: Azad Merani
Bob Bruggeman
Greg Garbutt
Tammy Haydey
Sheldon Fulton