



NOTICE TO MARKET PARTICIPANTS AND STAKEHOLDERS

Date: December 10, 2012

Re: State of the Market 2012 Report

Today the MSA is releasing its [State of the Market Report 2012](#). The MSA's state of the market report is an assessment of the state of competition within, and the efficiency of, the Alberta wholesale electricity market. The focus of the report is on the Alberta power pool and the forward financial market. The report does not consider markets for ancillary services or retail issues, although the MSA may return to consider these parts of the market in future work. Transmission and distribution remain regulated and as consequence are not part of the competitive framework, or part of the assessment we have undertaken.

The report uses analytical techniques grounded in economics and competition law, tailored to Alberta's electricity market. As a result some parts of the analysis are quite technical in nature and the report itself is supported by a number of preliminary 'building block' reports the MSA has released throughout 2012.

The conclusion of the report is that the market is found to be competitive. Wholesale prices have over the medium term been no higher than necessary to secure the reliable supply of electricity to consumers now and in the future. The report, for the first time, provides estimates of efficiency losses and gains. Our finding is that short term efficiency losses are small relative to gains over time.

Much of the *State of the Market Report* is dedicated to outlining the competitive process, the important actions and reactions that over time drive effective competition. Notwithstanding our conclusion that the market is effectively competitive, understanding these processes are the basis on which the MSA will monitor and measure whether market rules or participant behaviour impede competition. Participants acting to impede competition will face enforcement action from the MSA. Careful observation and enquiry will also look for weaknesses, scope for improvement and serve as early warning of emerging issues.

Unless requested, the MSA does not intend to produce another state of the market report until 2015. However, the detailed observations contained within this report will

form the basis for much of the MSA's work in the next few years. With that in mind the MSA is seeking input from stakeholders and other interested parties on where the focus of the MSA's monitoring should lie and where questions remain unanswered. Given the detailed nature of the report the MSA anticipates some stakeholders may benefit from an extensive period to review the findings. Comments and feedback are requested by February 28, 2013 and should be sent to stakeholderconsultation@albertamsa.ca. Any comments received will be posted to the MSA's website. The MSA will be scheduling meetings with individual stakeholders and interested parties early in 2013 to receive additional feedback; if you would like to be included, please use the 'contact us' space on our homepage.

We appreciate your participation in these matters.

Regards,

/s/ Harry Chandler

Market Surveillance Administrator