

November 20, 2006

Notice to Market Participants

Re: Offer Control and Information Sharing in the Alberta Wholesale Electricity Market

The MSA has a broad mandate under the Alberta *Electric Utilities Act* and related regulations, including monitoring the Alberta electricity market to help ensure that it functions in a *fair, efficient and openly competitive* manner. The purpose of this notice is to inform you that the MSA has begun a process to collect and then assess information on the control of asset offers to the pool and the sharing of confidential information within various market arrangements. At the present time, the requests for information are being sent out to participants with estimated asset portfolios of greater than approximately 100 MW. The project is intended to provide broader recommendations that may impact all participants.

Once the information gathering stage has been completed, the MSA will enumerate the data and will pass on the results, in suitably disguised form, to the “Section 6 Committee” for consideration in that forum. Later, when the MSA has assessed the information in regard to the possible effects on the fair, efficient and openly competitive operation of the market, this too will be shared with that committee.

Arrangements and information sharing are important factors in understanding the conduct of market participants, as described below.

Offer Control: Recently, the MSA published a paper on market concentration that included various metrics. In preparing that report, it was necessary to make certain assumptions about which firms controlled assets, particularly in the case of joint ventures. Although the MSA is generally aware of who controls the offers of the various assets in the market, it is not known with the degree of certainty and precision that is appropriate.

Agency: The MSA is aware of all the approved agency relationships in the market. However, in some cases the degree of precision around the flow of information is not sufficient and we are seeking to fill the gaps.

Joint Ventures: There are a number of joint ventures in the Alberta electricity market and more are expected in the future. Again, the level of knowledge of the details of information sharing and controls within these joint ventures is insufficient for the MSA to form an opinion on how they contribute towards a fair, efficient and openly competitive market.

The common theme that is evident from the above examples is that the MSA simply does not have a sufficiently clear knowledge of the control of offers and sharing of confidential information among market participants to be assured that they accord with the needs of a fair, efficient and openly competitive market.

The request seeks clarification on who offers assets to the ISO's pool. It also seeks to fully understand the flow of information among participants. In the context, "information" includes items such as unit outage information (planned or forced), general market strategy and any non-public data that is shared and has potential competitive value.

Where agency agreements simply involve settlement functions being assigned from principal to an agent and the agent is not also a pool participant the MSA does not require any additional information.

Upon completion of the data collection phase, the MSA will prepare an **internal assessment** of the information received. Among other things, the **internal assessment** will focus on:

- Whether agency or other relationships are mitigating or exacerbating MSA concerns on concentration of control and/or information;
- Whether there are instances of information sharing that appear unnecessary and/or detrimental to fair, efficient and open competition;
- The appropriateness of existing ISO rules on agency and information sharing and their application to the above matters;
- Is the degree of routine disclosure by participants and record keeping by the ISO/MSA commensurate with the importance of the role that offer control and information sharing play in ensuring a fair, efficient and openly competitive market? and,
- Would the market be better served if some, or all, of this control and sharing of information is known by the market at large?

Should specific instances of offer control or information sharing appear to be inappropriate or otherwise detrimental to the market, the MSA will inform the participants and/or agents involved and provide an opportunity for them to respond.

The MSA will report on its assessment in due course. Other than the above-referenced reporting to the "Section 6 Committee", the manner of that reporting, and any other next steps, are not yet known. The MSA may also discuss any recommendations from its assessment with the ISO, and if it does so will provide a summary of those recommendations on its website.

Please direct your information, and any questions or comments, to my attention via email at mike.nozdryn-plotnicki@albertamsa.ca.

Sincerely,

Original signed by

Mike Nozdryn-Plotnicki
Manager, Market Monitoring.