



MARKET
SURVEILLANCE
ADMINISTRATOR

Annual Report

For the Year Ended December 31, 2023

April 26, 2024

Taking action to promote effective competition and a culture of compliance and accountability in Alberta's electricity and retail natural gas markets

www.albertamsa.ca

April 26, 2024

Honourable Nathan Neudorf
Minister of Affordability and Utilities and Vice Chair Treasury Board
204 Legislature Building
10800 – 97 Avenue
Edmonton, AB
T5K 2B6

Re: Annual Report for the year ended December 31, 2023

Dear Minister,

I am pleased to submit the Annual Report of the Market Surveillance Administrator (MSA) for the year ended December 31, 2023. This report is provided to you pursuant to section 38(1) of the *Alberta Utilities Commission Act*.

If you have any questions about this report or the activities of the MSA, please do not hesitate to contact me.

Yours truly,

Derek Olmstead
Market Surveillance Administrator

Cc: Tim Grant, Deputy Minister, Affordability and Utilities

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1 INTRODUCTION

The MSA is an independent agency created under the *Alberta Utilities Commission Act* (AUCA) to promote the fair, efficient, and openly competitive operation of Alberta's electricity and retail natural gas markets. The MSA's roles in these markets are to conduct surveillance and report publicly on the competitiveness of market outcomes, investigate market participant conduct, bring enforcement actions before the Alberta Utilities Commission (AUC), and publish guidelines to support the fair, efficient, and openly competitive operation of these markets. The MSA may investigate and seek administrative penalties or other remedies before the AUC for contraventions of the *Electric Utilities Act* (EUA), the *Fair, Efficient and Open Competition Regulation* (FEOC Regulation), the ISO rules, and the Alberta Reliability Standards (ARS).

This Annual Report of the MSA for 2023 (Report) is provided pursuant to section 38(1) of the AUCA, which requires that the MSA provide the Minister with an annual report that reports on the MSA's activities in the fiscal year and contains its audited financial statements for the fiscal year.

Sections 2 and 3 of this Report summarize the MSA's activities in 2023 related to surveillance and enforcement, respectively. Section 4 provides the MSA's audited financial statements for 2023.

2 SURVEILLANCE ACTIVITIES IN 2023: MARKET MONITORING AND ASSESSMENT

2.1 Publication of Quarterly Reports

For many years the MSA has made public a report for each quarter (Quarterly Report) that provided an overview of:

- recent outcomes with respect to Alberta's electricity and retail natural gas markets;
- analysis of these market outcomes;
- a summary of the MSA's recently completed investigations and issue assessments; and
- an update on the MSA's compliance activities in the quarter.

It is through these reports, pursuant to sections 38(3) and (4) of the AUCA, that the MSA makes available to the Minister and the public its views on market events or conditions related to the MSA's mandate. The MSA has publicly stated that it will aim to publish its Quarterly Report within 30 business days of the end of each quarter. During 2023, the MSA published four Quarterly Reports, one of which covers the last quarter of the previous year:

- Quarterly Report for Q4 2022 on February 10, 2023;¹

¹ [Quarterly Report for Q4 2022](#) (February 10, 2023)

- Quarterly Report for Q1 2023 on June 2, 2023;²
- Quarterly Report for Q2 2023 on August 15, 2023;³ and
- Quarterly Report for Q3 2023 on November 15, 2023.⁴

The highlights of these four reports are not reproduced here. However, each report begins with a summary section called “Quarter at a Glance” that summarizes the highlights of the quarter. With the exception of the Quarterly Report for Q1 2023, each Quarterly Report was published within six weeks of the end of the relevant quarter. Publication of the Quarterly Report for Q1 2023 was delayed until after Alberta’s 2023 general election in accordance with the *Election Act*. The MSA considers that it satisfied the timing objective set out above.

The Quarterly Report for Q4 2023 was published on February 12, 2024.⁵

2.2 Market Share Offer Control report

Section 5(3) of the FEOC Regulation requires the MSA to at least annually make available to the public an offer control report that:

- includes the names and the percentage of offer control held by electricity market participants, where the percentage of offer control is greater than 5%, and
- may include the names and the percentage of offer control held by electricity market participants, where the percentage of offer control is 5% or less.

The MSA’s standard practice is to publish one offer control report per year. To reduce the number of documents on the MSA’s website, beginning in 2021 the MSA has incorporated this publication into its Quarterly Reports. For 2023, the MSA’s offer control report was published in section 1.5 of its Quarterly Report for Q1 2023.

2.3 Advice to the Minister

In a letter dated August 31, 2023, the Minister requested, among other things, the MSA’s advice regarding “whether any ... legislative or regulatory reforms are required to support more effective competition in our electricity market in order to support affordability and other outcomes in the consumer interest.” The MSA’s advice, titled “Advice to support more effective competition in the

² [Quarterly Report for Q1 2023](#) (June 2, 2023)

³ [Quarterly Report for Q2 2023](#) (August 15, 2023)

⁴ [Quarterly Report for Q3 2023](#) (November 15, 2023)

⁵ [Quarterly Report for Q4 2023](#) (February 12, 2024)

electricity market: Interim action and an Enhanced Energy Market for Alberta,” was submitted to the Minister on December 21, 2023, and made public on March 11, 2024.⁶

In another letter dated August 31, 2023, the Minister requested the Alberta Electric System Operator conduct a study, in conjunction with the MSA, on the current market framework and make observations and recommendations. The resulting report was submitted to the Minister on January 31, 2024, and made public on March 11, 2024.⁷

2.4 Retail statistics

The MSA collects data and reports publicly on the state of competition in the retail electricity and natural gas markets. The MSA carries out this function by, among other things, publishing information in its Quarterly Reports related to the share of different groups of consumers on competitive retail contracts for electricity and natural gas, and the rate at which customers on competitive contracts change suppliers. The MSA also maintains an up-to-date database of competitor retailer market shares on its website.

2.5 Regulated Rate Option Stability Act

The *Regulated Rate Option Stability Act* (RROSA) was enacted in December 2022. The RROSA placed a 13.5 cents/kWh ceiling on regulated electricity rates for the months of January, February, and March 2023. Deferred revenue that resulted from this rate ceiling will be recovered through regulated rate customer bills over the period of April 2023 to December 2024.

Each Owner⁸ was required to establish a deferral account with the approval of their “reviewing agency” as defined in the RROSA to administer the recovery of the monthly amounts. For Owners whose regulated rate tariff is approved by the council of a municipality or the board of directors of a Rural Electrification Association (REA) and for the City of Medicine Hat’s Electric Utility, the reviewing agency is the MSA. The combined total deferral amount for all REAs and municipalities for the January, February, and March 2023 deferral period was approximately \$27.7 million.

In March 2023, the *Regulated Rate Option Stability Regulation* (RROS Regulation) was enacted under the RROSA. The RROS Regulation establishes how an Owner shall calculate an instalment amount each calendar month in the recovery period to recover the deferral amount and interest that resulted from the RROSA. The RROS Regulation also establishes what Owners shall include in an application to recover an instalment amount and the role of the reviewing agencies to review and approve applications.

⁶ [Advice to support more effective competition in the electricity market: Interim action and an Enhanced Energy Market for Alberta](#) (December 21, 2023)

⁷ [Alberta's Restructured Energy Market: AESO recommendation to the Minister of Affordability and Utilities](#) (January 31, 2024)

⁸ “Owner” means (i) the owner of an electric distribution system, or (ii) if the owner makes arrangements under which one or more other persons perform any or all of the duties or functions of the owner, the owner and those one or more other persons. When referred to in this document, Owner also includes the City of Medicine Hat’s Electric Utility.

In March 2023, the MSA approved April 2023 collection rates for REAs and municipalities for the recovery of the first instalment amounts. The MSA continued to review applications from each REA and municipality monthly through the balance of 2023.

2.6 Preferential sharing of records

Section 3 of the FEOC Regulation allows electricity market participants to preferentially share electricity market records relating to price-quantity offers not available to the public, after approval by the AUC. In the interest of regulatory efficiency, the MSA typically engages with electricity market participants to refine the application prior to submission to the AUC. This engagement helps ensure that any issues with the application are resolved efficiently. The MSA’s experience and perspective is especially valuable to section 3 applicants because prior applications are not publicly available, due to the confidential nature of the proceedings. The MSA’s review also ensures that appropriate safeguards are in place to ensure that the shared information is not used for purposes that do not support fair, efficient, and open competition.

In 2023, the MSA reviewed and provided feedback on 23 information sharing applications before they were filed with the AUC. The MSA believes that it can continue to help reduce regulatory burden by engaging with electricity market participants in similar instances.

3 ENFORCEMENT ACTIVITIES IN 2023: INVESTIGATIONS AND COMPLIANCE

3.1 Meetings of the Enforcement Committee

The MSA’s Enforcement Committee is comprised of senior staff of the MSA, including the Administrator. It serves as an oversight body within the MSA regarding compliance and enforcement matters, including issue assessments and investigations.

In 2023, the Enforcement Committee made decisions on 15 matters at ten meetings. These matters, categorized by the main applicable authority, are set out in Table 1.

Table 1: Resolved matters overseen by the MSA’s Enforcement Committee in 2023

Statute / Regulation / ISO rules	Resolved
FEOC Regulation, section 2	2
FEOC Regulation, section 3	4
FEOC Regulation, section 4	1
<i>Code of Conduct Regulation</i>	5
ISO rules	3
Total	15

3.2 Summary of selected enforcement matters

3.2.1 Wash trading investigation

In Q1 2023, the MSA opened an investigation into the conduct of two electricity market participants regarding potential contraventions of section 2 of the FEOC Regulation, relating to prearranging offsetting or wash trades. This matter related to electricity forward market trades that collectively resulted in no net change in the electricity market participants' volumetric position but did result in changes in financial risk and cashflows. Based on available information, the MSA was satisfied that no contravention occurred, and discontinued its investigation.

3.2.2 Fast frequency pilot

Between Q1 2022 and Q1 2023, two service providers participated in the AESO's Fast Frequency Response (FFR) Pilot. On June 26, 2023, the AESO published a report on lessons learned from that pilot.⁹ The report noted "potential opportunities and challenges associated with service providers offering FFR services while also participating in operating reserves and the energy market." The MSA reviewed several events where a service provider offered volumes of operating reserves and FFR, such that the total offered volume exceeded the asset's maximum capability and the asset would not have been able to comply with all dispatches related to those submissions. Following its review, the MSA issued ten Notices of Specified Penalty totalling \$57,000 for contraventions of ISO rule 201.4.

3.2.3 SUM1 frequency response

In August 2021, the AESO referred two suspected contraventions of ISO rule 205.5, *Spinning Reserve Technical Requirements and Performance Standards* by Canadian Hydro Developers Ltd. (Canadian Hydro) in relation to the Summerview1 battery storage asset (SUM1). The AESO suspected Canadian Hydro contravened ISO rule 205.5 based on two instances where the Alberta interconnected electric system (AIES) frequency dropped below the prescribed deadband, but SUM1 did not increase its real power output in proportion to the drop in system frequency.

Following an investigation, the MSA was satisfied that, contrary to ISO rule 205.5, TransAlta Corporation (TransAlta), as the operator of SUM1, and Canadian Hydro failed to ensure SUM1 was equipped with a governor that had control settings providing an immediate, automatic, and sustained response to frequency deviations on the AIES. The MSA also found that, contrary to ISO rule 205.5, when SUM1 was dispatched to provide spinning reserve, SUM1 failed to provide the immediate, automatic, and sustained response to drops in system frequency below the deadband required by ISO rule 205.5.

The contraventions of ISO rule 205.5 arose because two settings necessary to allow SUM1 to meet the requirements of ISO rule 205.5 were not enabled in the software which controls SUM1. Because the necessary settings were not enabled, SUM1 was incapable of providing the required

⁹ [Fast frequency pilot lessons learned](#) (June 26, 2023)

frequency response from October 27, 2020, to June 1, 2021. During this period, Canadian Hydro offered spinning reserve from SUM1 on the WattEx Exchange and derived revenue of \$1,931,204.68 from the sale of spinning reserve, net of recoveries for directive/dispatch non-compliance and costs to charge SUM1 following responses to directives. The MSA found that, by offering spinning reserve while SUM1 was incapable of meeting the requirements of ISO rule 205.5, TransAlta misrepresented the availability of ancillary services from SUM1, contrary to section 2(d) of the FEOC Regulation.

TransAlta and Canadian Hydro fully co-operated with the MSA in the course of the investigation. After it received the MSA's summary of facts and findings, TransAlta implemented a program of corrective actions to prevent similar contraventions from occurring.

The MSA, TransAlta, and Canadian Hydro reached a comprehensive settlement agreement which provided for:

- a) payment of an Administrative Monetary Penalty (AMP) of \$2,470,204.68, composed of:
 - i) \$1,931,204.68 as disgorgement of the estimated economic benefit to Canadian Hydro;
 - ii) \$39,000 in interest on the benefit wrongly taken in the amount; and
 - iii) \$500,000 as an additional AMP;
- b) payment of the MSA's costs, in the amount of \$65,000; and
- c) an order directing TransAlta and Canadian Hydro to meet with the MSA to share and discuss their progress in meeting the program of corrective actions and permitting the MSA to seek a further order from the AUC if it determined TransAlta had not made adequate progress toward implementing its program of corrective actions.

The AUC approved the settlement agreement in *Decision 28217-D01-2023 Market Surveillance Administrator - Application for Approval of a Settlement Agreement Between the Market Surveillance Administrator, Canadian Hydro Developers Inc. and TransAlta Corporation*.¹⁰

3.2.4 EPCOR customer information sharing

Following an investigation, the MSA was satisfied that EPCOR Energy Alberta GP Inc, as general partner of EPCOR Energy Alberta LP (collectively, EEA) and 1772387 Alberta Ltd, as general partner of 1772387 Alberta Limited Partnership (collectively, Encor) each contravened section 17(2) of the *Code of Conduct Regulation* (CCR) and section 6 of the EUA.

¹⁰ [Decision 28217-D01-2023](#) (September 16, 2023)

Encor is a “retailer” within the meaning of the EUA and the CCR, and EEA is a regulated rate supplier within the meaning of the CCR. The contraventions arose out of an arrangement between EEA and Encor, under which EEA provides services to Encor for a fee, including the assessment of prospective Encor customers’ creditworthiness. In assessing some prospective Encor customers creditworthiness, EEA relied on customers’ billing history (RRO Billing History), including overdue balances, collections steps taken, and pending service disconnections.

Section 17(2) of the CCR prohibits the sharing of customer information between a regulated rate option (RRO) provider and its affiliates that creates an unfair competitive advantage for the regulated rate supplier or its affiliate. Section 18 of the CCR suggests that sharing of customer information for a sales purpose would be prohibited under section 17(2). When EEA shared the creditworthiness assessment derived from its RRO Billing History with Encor, it shared customer information with Encor for a sales purpose. By using the RRO Billing History to assess creditworthiness, EEA avoided the cost of an external credit check, which resulted in a lower fee charged to Encor from July 1, 2016, to June 20, 2021, and gave Encor an unfair competitive advantage.

EEA and Encor fully co-operated with the MSA’s investigation. After they received the MSA’s summary of facts and findings in its investigation, EEA and Encor took remedial steps, and agreed to the imposition of conditions to maintain the remedial steps in order to prevent a recurrence of the contraventions. The MSA, Encor, and EEA reached a comprehensive settlement agreement which provided for:

- a) EEA and Encor to maintain the remedial actions taken after receiving the MSA’s facts and findings;
- b) Encor’s payment of an AMP of \$105,000, composed of:
 - i) \$84,000 as the approximate benefit taken by Encor; and
 - ii) \$21,000 as an additional AMP;
- c) EEA’s payment of an AMP of \$21,000; and
- d) payment by Encor and EEA, jointly and severally, of the MSA’s costs in the amount of \$20,000.

The AUC approved the settlement agreement in *Decision 28207-D01-2023 Market Surveillance Administrator - Application For Approval of a Settlement Agreement Between the Market Surveillance Administrator, EPCOR Energy Alberta GP Inc. and 1772387 Alberta Ltd. (Encor by EPCOR)*.¹¹

¹¹ [Decision 2023-D01-28207](#) (October 11, 2023)

3.2.5 HR Milner outage reporting

Following an investigation, the MSA was satisfied that Milner Power II Limited Partnership, by its General Partner Milner Power II Inc. (Milner) contravened ISO rule 306.5, *Generation Outage Reporting and Coordination*, section 6 of the EUA, and sections 2(d), 2(e), and 4(2) of the FEOC Regulation.

The MSA also investigated possible contraventions of the FEOC Regulation by Maxim Power Corp. (Maxim), and concluded that Maxim and its trading staff did not improperly trade forward market products and, at all times, acted in good faith and for no improper purposes with respect to their trades of forward market products.

Section 4(2) of the FEOC Regulation requires electricity market participants to provide outage records to the AESO as soon as reasonably practicable in a form and manner, and containing the contents required by the AESO. ISO rule 306.5 prescribes the requirements for the submission of outages to the AESO, and requires pool participants to submit: (i) the dates, times, durations, and impact to the affected asset's MW capability of planned outages through ETS; and (ii) any revisions to planned outages to the AESO as soon as reasonably practicable.

In breach of ISO rule 306.5 and FEOC Regulation section 4(2), Milner unintentionally did not remove an outage that was planned for October 2021 as soon as reasonably practicable. In breach of ISO rule 306.5 and FEOC Regulation section 4(2), Milner did not submit an outage planned for November 2021 as soon as reasonably practicable. By its conduct and omissions, Milner breached sections 2(d) and 2(e) of the FEOC Regulation and, in doing so, breached its obligation under section 6 of the EUA.

Maxim Power Corp. (Maxim) and Milner fully co-operated with the MSA's investigation. After they received the MSA's summary of facts and findings in its investigation, Maxim and Milner took remedial steps to prevent a recurrence of the contraventions. The MSA, Maxim, and Milner reached a comprehensive settlement agreement which provided for:

- a) Milner's payment of an AMP of \$20,000, and
- b) Milner's payment of the MSA's costs in the amount of \$20,000.

The AUC approved the settlement agreement in *Decision 28589-D01-2023 Market Surveillance Administrator - Application for Approval of a Settlement Agreement with Maxim Power Corp. and Milner Power II Limited Partnership*.¹²

3.3 ISO rules enforcement

The purpose of the ISO rules is to promote orderly and predictable actions by electricity market participants and to facilitate the operation of the AIES. The MSA is responsible for the enforcement of the ISO rules and endeavours to promote a culture of compliance and

¹² [Decision 28589-D01-2023](#) (December 21, 2023)

accountability among electricity market participants, thereby contributing to the reliability and competitiveness of the AIES. If the MSA is satisfied that a contravention has occurred and has determined that a NSP is appropriate, then AUC Rule 019 guides the MSA on how to issue a NSP.

In 2023, the MSA addressed 298 ISO rules matters.¹³ Of these, 100 matters were addressed with a NSP, totalling \$173,250 in financial penalties. For additional information regarding the MSA's ISO rules enforcement activities in 2023, see section 3 of the MSA's Compliance Review 2023.¹⁴

3.4 ARS enforcement

The purpose of ARS is to ensure the various entities involved in grid operation (generation operators/owners, transmission operators/owners, distribution system operators/owners, and the independent system operator) are doing their part by way of procedures, communications, coordination, training, and maintenance, among other practices, to support the reliability of the AIES. ARS apply to both electricity market participants and the AESO. ARS are divided into two categories: Operations and Planning (O&P) and Critical Infrastructure Protection (CIP). The MSA's approach with respect to compliance with ARS is focused on promoting awareness of obligations and a proactive compliance stance. The MSA has established a process that, in conjunction with AUC rules, provides incentives for robust internal compliance programs, and self-reporting.

In 2023, the MSA addressed 56 O&P ARS compliance matters. Of these, 16 matters were addressed with a NSP, totalling \$55,000 in financial penalties. In 2023, the MSA addressed 162 CIP ARS compliance matters. Of these, 57 matters were addressed with a NSP, totalling \$162,000. For additional information regarding the MSA's ARS compliance activities in 2023, see section 4 of the MSA's Compliance Review 2023.¹⁵

4 FINANCIAL STATEMENTS

Section 36(3) of the AUCA provides that the MSA must be managed so that on an annual basis no profit or loss results. To that end, the MSA's fiscal operations are managed in accordance with an annual budget approved by the Chair of the AUC and its revenue is obtained from electricity market participants through a levy based on the approved budget and collected by the AESO and remitted monthly to the MSA. The MSA's audited financial statements for the year ended December 31, 2023 follow, as prepared by an independent auditor appointed by the MSA. The format of the audited financial statements reflects accounting standards for not-for-profit organizations.

¹³ A compliance matter is considered to be addressed once a disposition has been issued.

¹⁴ [Compliance Review 2023](#) (March 22, 2024). Pursuant to section 23(2) of the *Transmission Regulation*, the MSA is required to make available to the public an annual report related to its compliance activities.

¹⁵ [Compliance Review 2023](#) (March 22, 2024)

**Market Surveillance
Administrator**

**Financial Statements
December 31, 2023**



Independent auditor's report

To the Management of Market Surveillance Administrator

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Market Surveillance Administrator (the Administrator) as at December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Administrator's financial statements comprise:

- the balance sheet as at December 31, 2023;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Administrator in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada T2P 5L3
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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Administrator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Administrator or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Administrator's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administrator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Administrator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Administrator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 23, 2024

Market Surveillance Administrator

Balance Sheet

As at December 31, 2023

	2023 \$	2022 \$
Assets		
Current assets		
Cash	847,955	1,336,511
Accounts receivable	491,634	888
Prepaid expenses and deposits	57,485	44,712
	<u>1,397,074</u>	<u>1,382,111</u>
Capital assets (note 3)	<u>426,497</u>	<u>529,778</u>
	<u>1,823,571</u>	<u>1,911,889</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	293,619	273,746
Current portion of deferred lease inducement	49,171	49,171
Deferred contributions (note 4)	1,104,545	1,163,565
	<u>1,447,335</u>	<u>1,486,482</u>
Deferred lease inducement	376,236	425,407
Net Assets (note 1)	<u>-</u>	<u>-</u>
	<u>1,823,571</u>	<u>1,911,889</u>
Commitments (note 5)		
Contingencies (note 7)		

On Behalf of the Corporation

Derek Olmstead

Derek Olmstead, Chief Executive Officer
Market Surveillance Administrator

L. Kram

Larry Kram, General Counsel and Corporate Secretary
Market Surveillance Administrator

The accompanying notes are an integral part of these financial statements.

Market Surveillance Administrator
Statement of Operations and Changes in Net Assets
For the year ended December 31, 2023

	2023	2022
	\$	\$
Revenue		
Contributions from the Alberta Electric System Operator (note 4)	4,184,360	3,884,349
Interest and other income	131,875	14,893
	<hr/> 4,316,235	<hr/> 3,899,242
Expenses		
Salaries and benefits	3,032,695	2,846,404
Consultants and audit	259,764	153,454
Operating, office and administrative	754,004	722,637
Amortization	175,365	173,907
Legal fees	94,407	2,840
	<hr/> 4,316,235	<hr/> 3,899,242
Excess of revenue over expenses for the year	-	-
Net assets – Beginning of year	<hr/> -	<hr/> -
Net assets – End of year	<hr/> -	<hr/> -

The accompanying notes are an integral part of these financial statements.

Market Surveillance Administrator
Statement of Cash Flows
For the year ended December 31, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	-	-
Item not involving cash		
Amortization	175,365	173,907
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(490,746)	73,153
(Increase) in prepaid expenses and deposits	(12,773)	(12,444)
Increase (decrease) in accounts payable and accrued liabilities	19,873	(151,748)
(Decrease) in deferred lease inducement	(49,171)	(49,171)
(Decrease) in deferred contributions	(59,020)	(390,265)
	<u>(416,472)</u>	<u>(356,568)</u>
Investing activities		
Expenditures on capital assets	<u>(72,084)</u>	<u>(27,082)</u>
(Decrease) Increase in cash during the year	(488,556)	(383,650)
Cash – Beginning of year	<u>1,336,511</u>	<u>1,720,161</u>
Cash – End of year	<u>847,955</u>	<u>1,336,511</u>

The accompanying notes are an integral part of these financial statements.

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2023

1 Nature of business

Market Surveillance Administrator (the MSA) was incorporated on June 1, 2003 under the *Electric Utilities Act* of the Province of Alberta and continued as of January 1, 2008 under the *Alberta Utilities Commission Act* (AUCA).

The operations of the MSA corporation are managed by an individual appointed as Market Surveillance Administrator by the Minister of Affordability and Utilities for the Province of Alberta.

The MSA has a broad mandate including surveillance, investigation and enforcement to help ensure fair, efficient and openly competitive electricity and retail natural gas markets in Alberta. The MSA monitors the behaviour of market participants, the Alberta Electric System Operator (AESO), and the overall performance of the market to ensure there are no anti-competitive activities and that rules are appropriate and are working as intended.

The MSA also issues guidance to the markets and makes recommendations to the Ministry of Affordability and Utilities and other parties, where appropriate, toward the development and operation of fair, efficient and openly competitive markets.

The MSA has no share capital. The AUCA requires that the MSA prepare a budget for each fiscal year, for approval by the chair of the Alberta Utilities Commission. Once approved, the AESO is required to pay the MSA the budgeted costs net of any other revenues. The MSA is to be managed so that no profit or loss results on an annual basis from its operations.

2 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Cash

Cash consists of cash held with chartered financial institutions.

Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practical and when estimates can be made of the estimated useful lives of the separate components.

Amortization is provided using the following methods and estimated lives:

Computer hardware	3 years	straight-line
Computer software	3 years	straight-line
Leasehold improvement	lease term	straight-line
Furniture and equipment	5 years	straight-line

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2023

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to the MSA's ability to provide services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The impairment of capital assets is recognized as expenses in the statement of operations and changes in net assets. Impairments are not subsequently reversed.

Leases

Leases in which the MSA obtains substantially all the risks and rewards of ownership are classified as capital leases. The MSA records its capital leases as an acquisition of an asset and an assumption of an obligation. The asset value and the amount of the obligation, recorded at the inception of the lease, are the present value of the minimum lease payments. Each lease payment is allocated between the liability and interest expense so as to achieve a constant rate of interest on the recorded capital lease obligations. Equipment acquired under a capital lease is amortized over the term of the lease, or the expected useful life of the asset when the lease contains a purchase option. All other leases are accounted for as operating leases wherein rental payments are recognized in the statement of operations and changes in net assets on a straight-line basis over the terms of the leases. Deferred lease inducements represent amounts received for leasehold improvements and the value of rent free periods. Lease inducements are deferred and amortized on a straight-line basis over the term of the lease and the amortization is recorded as a reduction of rent expense for the year.

The MSA does not have any leases that are classified as capital leases as at December 31, 2023.

Income taxes

No provision has been made for income taxes as the MSA is a not-for-profit organization as set out in the AUCA of the Province of Alberta.

Financial instruments

The MSA's financial instruments consist of cash, accounts receivable, deferred lease inducement, accounts payable and accrued liabilities. Due to the current nature of the MSA financial instruments, fair value approximates the carrying value. It is management's opinion that the MSA is not exposed to significant interest rate, currency or credit risks associated with these financial statements.

Revenue recognition

The MSA follows the deferral method of accounting for contributions.

Consistent with the requirements of the AUCA that the MSA operate with no annual profit or loss, contributions from the AESO are recognized as revenue to the extent of annual operating costs including amortization of capital costs. In circumstances where annual contributions are in excess of annual costs, the excess is deferred and recognized in future periods. In the event of a shortfall between contributions and costs, the shortfall in revenue will be accrued and be collected in a subsequent period from the AESO.

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2023

Measurement uncertainty

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations, which have been made using management's best judgment. Actual results could differ from those estimates.

3 Capital assets

			2023	2022
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware	171,165	124,977	46,188	83,666
Computer software	23,106	16,640	6,466	13,241
Leasehold improvement	629,958	309,852	320,106	333,473
Furniture and equipment	277,702	223,965	53,737	99,398
	<u>1,101,931</u>	<u>675,434</u>	<u>426,497</u>	<u>529,778</u>

4 Deferred contributions

Contributions from the AESO are set to recover the operating and capital costs of the MSA. Any excess or shortfall in collections is deferred to or accrued for future years.

	2023 \$	2022 \$
AESO		
Opening balance – January 1	1,163,565	1,553,830
Add: Contributions from February to December	3,691,090	3,158,531
Less: Revenue recognized in the year from AESO	<u>(4,184,360)</u>	<u>(3,884,349)</u>
	670,295	828,012
Contribution for January	<u>434,250</u>	<u>335,553</u>
	1,104,545	1,163,565
Closing balance – December 31	<u>1,104,545</u>	<u>1,163,565</u>

5 Commitments

The MSA is committed under a lease agreement for its current premises until July 2030.

This lease provides the MSA with landlord funded capital improvements and rent free periods as part of this lease. These benefits will be amortized on a straight-line basis over the lease term.

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2023

Total lease costs are approximately as follows:

	\$
2024	150,319
2025	159,955
2026	173,445
2027	173,445
2028	173,445
Thereafter	274,621

The MSA has entered into a service agreement with the AESO, under which the MSA receives certain information technology and office services. These services are provided for a monthly fee of \$3,365, plus an hourly fee for special projects.

6 Credit facility

The MSA has a demand operating facility. Under the terms and conditions of this facility, the MSA can borrow up to \$300,000 at the prime rate plus 0.75% of interest. No pledges of security are required from the MSA for the facility and no amount was drawn on this facility at year-end.

7 Contingencies

The MSA is involved in claims arising in the normal course of business. In 2023, there were no such contingencies arising.

8 Related party

Effective September 11, 2020, Mr. Olmstead was appointed Administrator for a five-year term. Mr. Olmstead's compensation associated with his position as Administrator, including his employment contract, will be disclosed in the normal course with other MSA employees on the MSA's website in accordance with the requirements of the *Public Sector Compensation Transparency Act*. The next scheduled disclosure date is June 30, 2024.