



MARKET
SURVEILLANCE
ADMINISTRATOR

Annual Report

For the Year Ended December 31, 2024

April 25, 2025

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 25, 2025

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, 2024

Dear Minister,

I am pleased to submit the Annual Report of the Market Surveillance Administrator (MSA) for the year ended December 31, 2024. 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: David James, Deputy Minister, Affordability and Utilities

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1 INTRODUCTION

The MSA is an independent agency continued 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 from 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 2024 (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 2024 related to surveillance and enforcement, respectively. Section 4 provides the MSA's audited financial statements for 2024.

2 SURVEILLANCE ACTIVITIES IN 2024: 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 provides 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 enforcement activities in the quarter.

Through these reports, published 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 2024, the MSA published four Quarterly Reports, one of which covers the last quarter 2023:

- Quarterly Report for Q4 2023 on February 12, 2024;¹

¹ [Quarterly Report for Q4 2023](#) (February 12, 2024)

- Quarterly Report for Q1 2024 on May 12, 2024;²
- Quarterly Report for Q2 2024 on August 13, 2024;³ and
- Quarterly Report for Q3 2024 on November 13, 2024.⁴

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. Each Quarterly Report was published within six weeks of the end of the relevant quarter, thereby meeting the timing objective set out above.

The Quarterly Report for Q4 2024 was published on February 12, 2025.⁵ Given the evolving nature and complexity of the MSA’s work, the MSA will reorganize its Quarterly Reports and public reporting in 2025. Additional information will be provided in due course.

2.2 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 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

2.3 Special report on electricity system events on January 13 and April 5, 2024

Alberta’s electricity system experienced significant events on January 13 and April 5, 2024. On August 6, the MSA published a report and made seven recommendations to the AESO and market participants. While both events involved stressed grid conditions, the driving factors were very different. In addition, the MSA indicated it will place high priority on potential contraventions that hinder the AESO’s ability to effectively discharge its responsibilities under the *Supply Cushion Regulation*, which was enacted in 2024 based, in part, on the advice referred to in section 2.2.⁷

² [Quarterly Report for Q1 2024](#) (May 13, 2024)

³ [Quarterly Report for Q2 2024](#) (August 13, 2024)

⁴ [Quarterly Report for Q3 2024](#) (November 13, 2024)

⁵ [Quarterly Report for Q4 2024](#) (February 12, 2025)

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 electricity system events on January 13 and April 5, 2024: MSA review and recommendations](#) (August 6, 2024)

2.4 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. For 2024, the MSA's offer control report was published on June 7, 2024.⁸

Under the *Market Power Mitigation Regulation* enacted in 2024, the MSA's offer control report determines which electricity market participants can be subject to the monthly net revenue secondary offer price cap. Electricity market participants cannot be subject to that price cap if they have offer control of less than 5% of the total maximum capability of generating units in Alberta, as determined in the MSA's offer control report.

2.5 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 competitive retailer market shares on its website.

2.6 Regulated Rate Option Stability Act

The *Regulated Rate Option Stability Act* (RROSA)⁹ placed a 13.5 cents/kWh ceiling on regulated rate option (RRO) between January and March 2023. Deferred revenue resulting from this rate ceiling was recovered through regulated rates between April 2023 and December 2024.

The RROSA required each owner under the *Regulated Rate Option Regulation* (RRO Regulation) to establish a deferral account with the approval of their "reviewing agency," as defined in the RROSA, to administer the recovery of monthly deferral amounts. The MSA was the reviewing agency for owners whose regulated rate tariff (RRT) was approved by the council of a municipality or the board of directors of a Rural Electrification Association (REA), and for the City of Medicine

⁸ [June 2024 Market Share Offer Control Report](#) (June 7, 2024)

⁹ The Act previously titled "An Act to Cap Regulated Electricity Rates" was retitled the RROSA in 2022, then retitled the "Rate of Last Resort Stability Act" in 2024. For simplicity, this Report refers to this Act as the RROSA.

Hat's Electric Utility. In this role, the MSA approved monthly applications from REAs and municipalities to recover deferred revenue from regulated customers in 2024.

2.7 Rate of Last Resort

The RRO Regulation was amended to the *Rate of Last Resort Regulation* (RoLR Regulation) in September 2024. Under the RoLR Regulation, owners are required to set a Rate of Last Resort (RoLR) energy charge for a two-year term, with the first term beginning on January 1, 2025. Owners must set the RoLR energy charge in accordance with the energy price setting plan (EPSP) included in an owner's RRT application to their regulatory authority.

The MSA provided advice, guidance, or recommendations pertaining to the development of EPSPs to six owners in 2024. The MSA also advised owners of changes to the regulated rate policy and the MSA's new responsibilities under that policy.¹⁰

Before applying for approval of their RRTs, owners are required to submit their EPSPs to the MSA for a review and determination report. In its determination reports, the MSA must assess whether EPSPs comply with the requirements for a fair, efficient, and openly competitive (FEOC) market. The MSA produced determination reports for seventeen EPSPs in 2024.¹¹

The MSA must also assess the financial performance of each owner under the RRT and prepare financial performance reports every six months. These reports must include: an evaluation of the owner's financial performance and whether it falls within acceptable parameters established by the MSA, a recommendation on whether a rate reopener proceeding should be initiated, and any additional MSA observations or recommendations. The MSA is required to consult on the parameters for acceptable financial performance. The MSA initiated this stakeholder consultation on December 20, 2024.¹²

2.8 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

¹⁰ Presentations on the Rate of Last Resort Implementation by REAs and municipalities were held on [August 16, 2024](#), [September 3, 2024](#), and [October 7, 2024](#).

¹¹ Additional information regarding the FEOC principles used in these determinations can be found in section 6.2 of the [Quarterly Report for Q4 2024](#), and the MSA's [October 7, 2024](#) presentation on the Rate of Last Resort Implementation.

¹² [MSA stakeholder consultation on Rate of Last Resort Regulation activities](#) (December 20, 2024)

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 20 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 2024: 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 2024, the Enforcement Committee made decisions on 14 matters at seven 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 2024

Statute / Regulation / ISO rules	Resolved
<i>Electric Utilities Act</i> , sections 16 and/or 17	3
<i>Regulated Rate Option Stability Act / Rate of Last Resort Stability Act</i>	2
<i>Fair, Efficient and Open Competition Regulation</i> , section 3	2
<i>Fair, Efficient and Open Competition Regulation</i> , section 4	2
<i>Regulated Rate Option Regulation / Rate of Last Resort Regulation</i>	1
<i>Code of Conduct Regulation</i>	2
ISO rules	2
Total	14

3.2 Summary of selected enforcement matters

3.2.1 SUM1 Notices of Specified Penalties¹³

On June 23, 2023, Canadian Hydro Developers, Inc. (Canadian Hydro) self-reported contraventions of section 205.5 of the ISO rules to the MSA (ISO rule 205.5). After assessing the self-report, on February 22, 2024, the MSA issued 138 Notices of Specified Penalty (NSP) totaling \$678,500 to Canadian Hydro for contraventions of ISO rule 205.5 between August 20, 2022, and May 22, 2023. One NSP was issued for each day the Summerview1 battery storage asset (SUM1)

¹³ [MSA Quarterly Report for Q1 2024](#), page 72

was under dispatch to provide spinning reserve but did not provide frequency response when the system frequency dropped below the deadband set out in subsection 3(1)(b)(ii) of ISO rule 205.5.

3.2.2 AESO publication of forecast pool prices¹⁴

In August 2023, the MSA issued a Notice of Investigation to the AESO and requested that the AESO immediately stop publishing forecast pool prices for hours outside the T-2 offer lockdown window set out in ISO rule 203.3 (T-6 Forecast). The AESO promptly ceased publication of the T-6 Forecast and fully co-operated with the MSA during the investigation.

The MSA was concerned that the T-6 Forecast prices, which were available through the AESO's Data Portal Dashboard and Pool Price API, could be used by market participants to enhance their market power. Specifically, market participants could make successive restatements and observe the impact on the forecast price to gain information about their competitors' offers and facilitate economic withholding with greater precision. If it were to occur, this conduct may be inconsistent with sections 6(1) and 16(1) of the *Electric Utilities Act*, which require market participants and the AESO, respectively, to conduct themselves in a manner that supports the fair, efficient, and openly competitive operation of the electricity market.

Following its investigation, the MSA did not find evidence that any market participant misused the T-6 Forecast contrary to the fair, efficient, and openly competitive operation of the electricity market.

Despite finding no evidence of misuse of the T-6 Forecast in this instance, the MSA is of the view that the T-6 Forecast could have been used by market participants to enhance market power. The MSA has requested that the AESO implement a more robust process to assess the potential competitive implications of its public-facing reporting.

3.2.3 Regulated Rate Option Stability Act investigation¹⁵

On December 15, 2022, the RROSA was amended to impose a maximum RRO rate that could be charged in January, February, and March 2023. The amendments required RRO providers to calculate a deferral amount in each month based on the difference between the maximum rate and the RRO rate they would have otherwise charged during those months, and to establish a deferral account so they could track that deferral amount. That deferral account was to be established on or before December 23, 2022.

The MSA investigated an issue related to RROSA implementation at an REA and found that the REA failed to establish the required deferral account, in contravention of section 4.2(1) of the RROSA. In addition, the MSA found the REA moved all its RRO customers to a retail tariff without their consent, contrary to section 5 of the *Code of Conduct Regulation*, to circumvent the requirement to establish a deferral account under the RROSA and thereby contravened section

¹⁴ [MSA Quarterly Report for Q2 2024](#), page 75

¹⁵ [MSA Quarterly Report for Q3 2024](#), page 77

2(l) of the FEOC Regulation. In accordance with MSA's Investigation Procedures, the MSA provided a summary of its findings to the REA for comment. The REA disputes the MSA's findings, and no entity with jurisdiction to do so has made a final determination as to whether the REA contravened the RROSA, FEOC Regulation, or other applicable enactment.

Section 26 of the *Rural Utilities Act* empowers the Minister of Affordability and Utilities (Minister) to direct the Director of Rural Electrification Associations to conduct an inquiry into the affairs of a rural utility. When the MSA determines that a matter is within the jurisdiction of another body, the MSA is required to notify that body. Accordingly, and based on information gathered in its investigation, the MSA referred this matter to the Minister pursuant to section 45(1) of the AUCA.

3.2.4 TA Alberta Hydro LP Brazeau Spinning Reserves¹⁶

On November 30, 2022, the MSA received a self-report from TA Alberta Hydro LP (TransAlta) regarding a contravention of ISO rule 205.5 at its Brazeau hydro-electric asset, for the period of August 13, 2021, to November 1, 2022. This self-report was submitted to the MSA during a previous investigation of conduct under the same ISO rule related to a different asset (SUM1) that was also owned by TransAlta.¹⁷

The MSA investigated whether TransAlta was physically able to provide the frequency response that the AESO paid it to provide from the Brazeau hydro-electric asset. The AESO procures frequency response as part of spinning reserves because it is essential to the reliable operation of Alberta's power system.

As a result of the investigation, the MSA found that TransAlta was not able to provide the required frequency response from the Brazeau hydro-electric asset for 7,412 hours between August 13, 2021, and November 1, 2022.

A penalty was assessed for every hour of contravention in this period, with a maximum of \$100,000 of penalty a day – a limitation that is set out in section 52(7)(b) of the AUCA. Notices of Specified Penalties totalling \$32,683,500 were issued by the MSA to TransAlta on November 29, 2024, for payment on or before January 10, 2025. Payment was received on January 10, 2025. The NSPs are available on the MSA website.

3.3 ISO rules enforcement

The ISO rules require orderly and predictable actions by electricity market participants to facilitate the efficient and reliable operation of the Alberta interconnected electric system (AIES). The MSA is responsible for the enforcement of the ISO rules and endeavours to promote a culture of compliance and accountability among electricity market participants, thereby contributing to the reliability and competitiveness of the AIES. If the MSA is satisfied that a contravention has

¹⁶ [MSA Quarterly Report for Q4 2024](#), page 125

¹⁷ See section 6.1 of the MSA's [Quarterly Report for Q3 2023](#). Also see section 6.1 of the MSA's [Quarterly Report for Q1 2024](#).

occurred and has determined that an NSP is appropriate, then AUC Rule 019 guides the MSA on how to issue an NSP.

In 2024, the MSA addressed 518 ISO rules matters.¹⁸ Of these, 119 matters were addressed with an NSP, totalling \$33,614,000 in financial penalties.¹⁹ For additional information regarding the MSA's ISO rules enforcement activities in 2024, see section 3 of the MSA's Compliance Review 2024.²⁰

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 2024, the MSA addressed 112 O&P ARS compliance matters. Of these, 35 matters were addressed with an NSP, totalling \$148,500 in financial penalties. In 2024, the MSA addressed 108 CIP ARS compliance matters. Of these, two matters were addressed with an NSP, totalling \$7,500. For additional information regarding the MSA's ARS compliance activities in 2024, see section 4 of the MSA's Compliance Review 2024.²¹

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, 2024, 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.

¹⁸ A compliance matter is considered to be addressed once a disposition has been issued.

¹⁹ This includes NSPs discussed in sections 3.2.1 and 3.2.4.

²⁰ [Compliance Review 2024](#) (March 26, 2025)

²¹ [Compliance Review 2024](#) (March 26, 2025)

Market Surveillance Administrator

Financial Statements
December 31, 2024



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 Organization) as at December 31, 2024 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 Organization's financial statements comprise:

- the balance sheet as at December 31, 2024;
- 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 Organization 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.

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.

PricewaterhouseCoopers LLP
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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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 21, 2025

Market Surveillance Administrator

Balance Sheet

As at December 31, 2024

	2024 \$	2023 \$
Assets		
Current assets		
Cash	1,582,701	847,955
Accounts receivable	-	491,634
Prepaid expenses and deposits	56,712	57,485
	<u>1,639,413</u>	<u>1,397,074</u>
Capital assets (note 3)	378,963	426,497
	<u>2,018,376</u>	<u>1,823,571</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	158,784	293,619
Current portion of deferred lease inducement	49,171	49,171
Deferred contributions (note 4)	1,483,356	1,104,545
	<u>1,691,311</u>	<u>1,447,335</u>
Deferred lease inducement	327,065	376,236
Net Assets (note 1)	<u>-</u>	<u>-</u>
	<u>2,018,376</u>	<u>1,823,571</u>
Commitments (note 5)		
Contingencies (note 7)		

On Behalf of the Corporation



Derek Olmstead, Chief Executive Officer
Market Surveillance Administrator



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, 2024

	2024 \$	2023 \$
Revenue		
Contributions from the Alberta Electric System Operator (note 4)	5,337,939	4,184,360
Interest and other income	63,786	131,875
	<u>5,401,725</u>	<u>4,316,235</u>
Expenses		
Salaries and benefits	3,718,616	3,032,695
Consultants and audit	454,684	259,764
Operating, office and administrative	831,691	754,004
Amortization	176,759	175,365
Legal fees	219,975	94,407
	<u>5,401,725</u>	<u>4,316,235</u>
Excess of revenue over expenses for the year	-	-
Net assets – Beginning of year	<u>-</u>	<u>-</u>
Net assets – End of year	<u>-</u>	<u>-</u>

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

Market Surveillance Administrator

Statement of Cash Flows

For the year ended December 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	-	-
Item not involving cash		
Amortization	176,759	175,365
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	491,634	(490,746)
Decrease (increase) in prepaid expenses and deposits	773	(12,773)
(Decrease) increase in accounts payable and accrued liabilities	(134,835)	19,873
Decrease in deferred lease inducement	(49,171)	(49,171)
Increase (decrease) in deferred contributions	378,811	(59,020)
	863,971	(416,472)
Investing activities		
Expenditures on capital assets	(129,225)	(72,084)
Increase (decrease) in cash during the year	734,746	(488,556)
Cash – Beginning of year	847,955	1,336,511
Cash – End of year	1,582,701	847,955

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

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2024

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, 2024

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 in 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, 2024.

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 and 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

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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

	2024		2023	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware	288,405	(175,671)	112,734	46,188
Computer software	32,004	(25,227)	6,777	6,466
Leasehold improvement	629,957	(380,529)	249,428	320,106
Furniture and equipment	272,299	(262,275)	10,024	53,737
	1,222,665	(843,702)	378,963	426,497

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.

	2024 \$	2023 \$
AESO		
Opening balance – January 1	1,104,545	1,163,565
Add: Contributions from February to December	5,175,971	3,691,090
Less: Revenue recognized in the year from AESO	(5,337,939)	(4,184,360)
	942,577	670,295
Contribution for January	540,779	434,250
	1,483,356	1,104,545
Closing balance – December 31		

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.

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Total lease costs are approximately as follows:

	\$
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 2024, 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, 2025.