

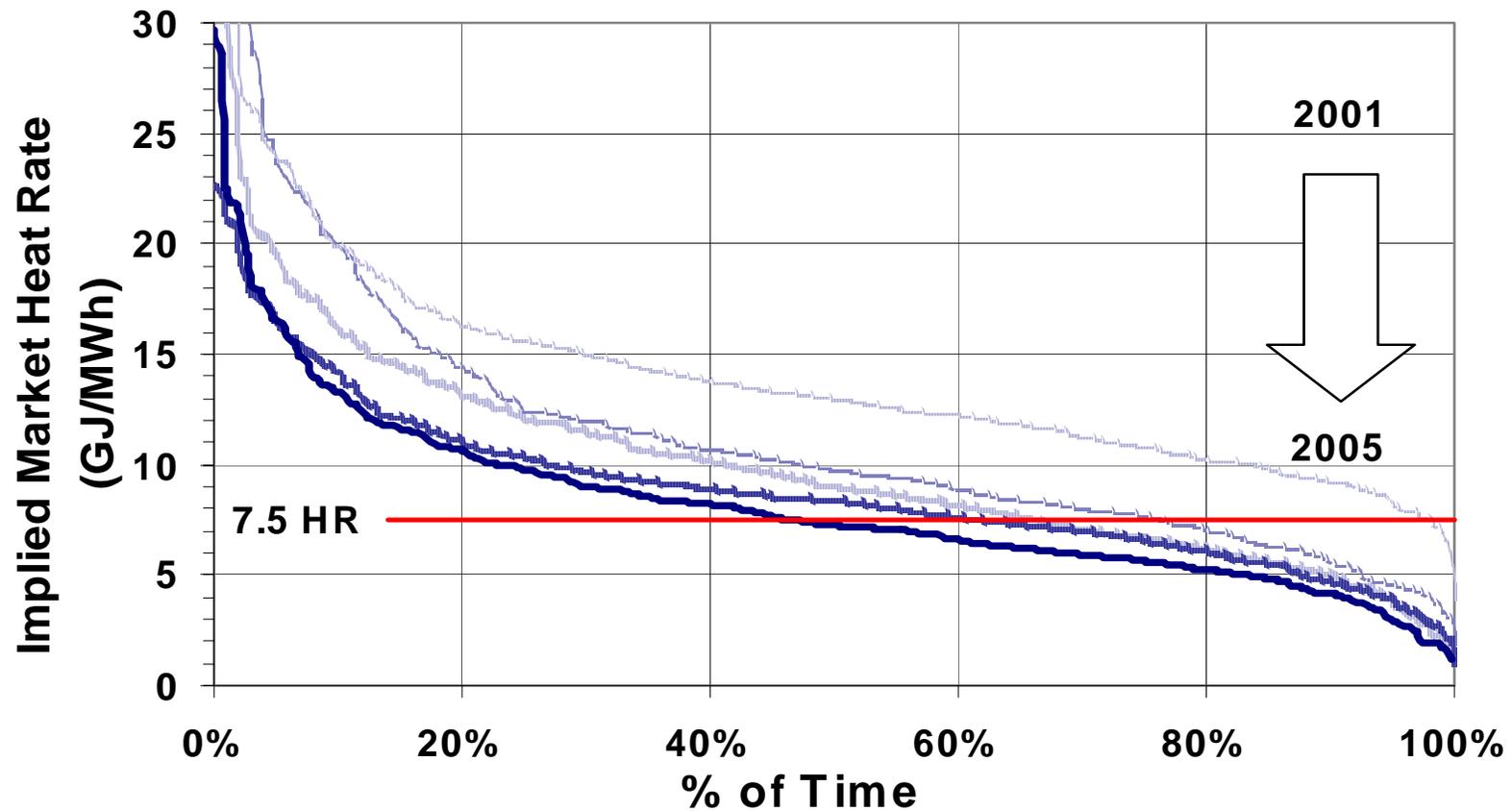
# Agenda

- 2005 Review
  - Market synopsis & Agency activity
- 2005 Financial Review
- MSA Stakeholder Process
  - Review of existing processes
  - Proposal for additional processes

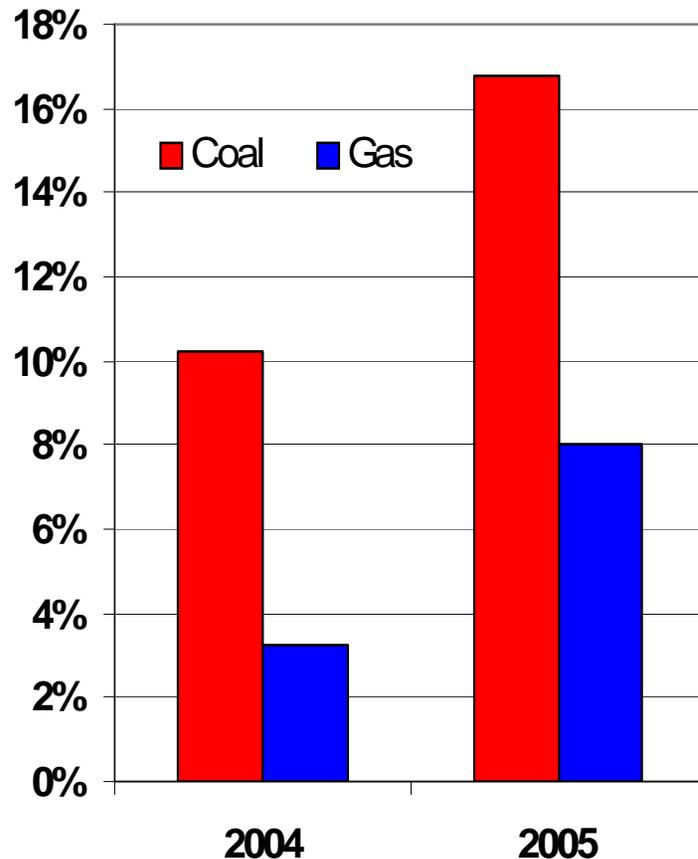
# 2005 Market Review

- March of efficiency
- Build Signal?
- Forward liquidity & TPG Survey
- Uneconomic Imports
- RRO regulation
- The changing shape of competition

# The march of efficiency

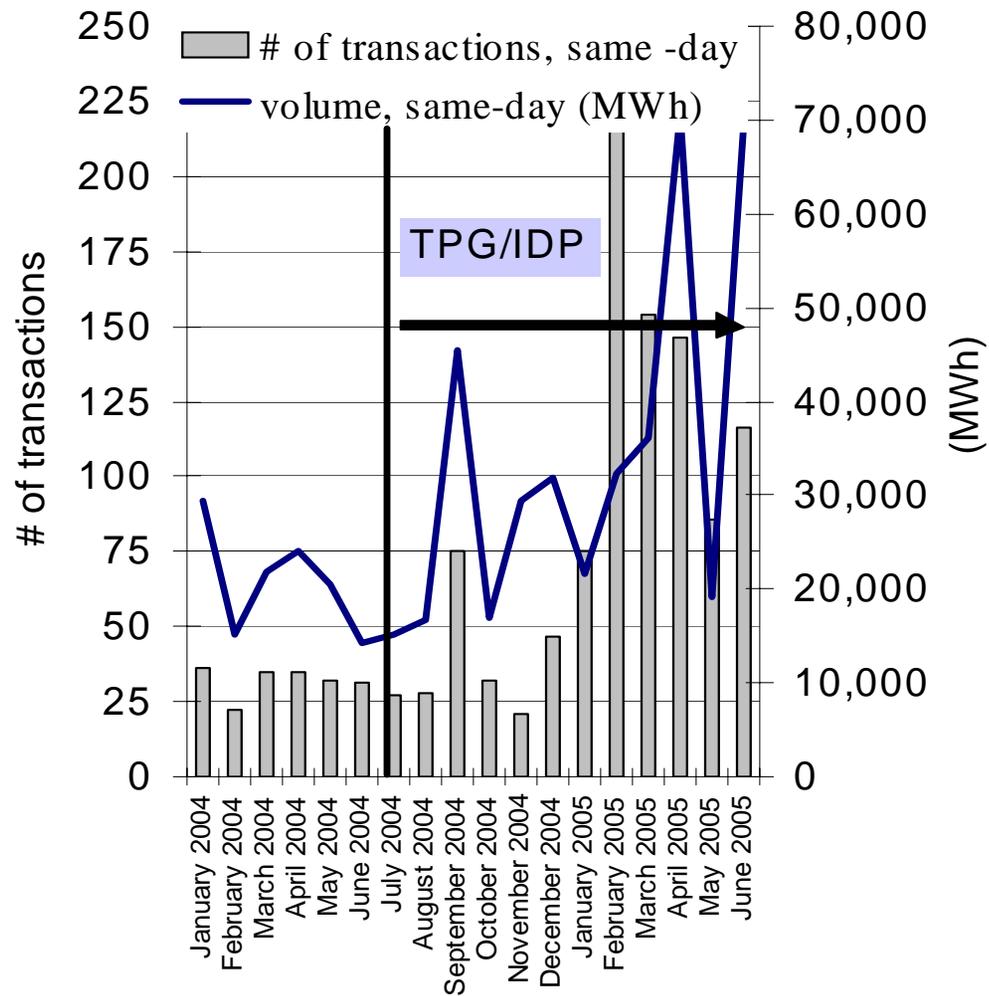


# A Build Signal?



- Hypothetical, look back, profitability models
- 2004 - nada
- 2005 – new coal appears commercially viable
- 2005 – new gas still marginal though higher volatility more than offsets lower heat rate
- MSA Report Apr 28, 2004

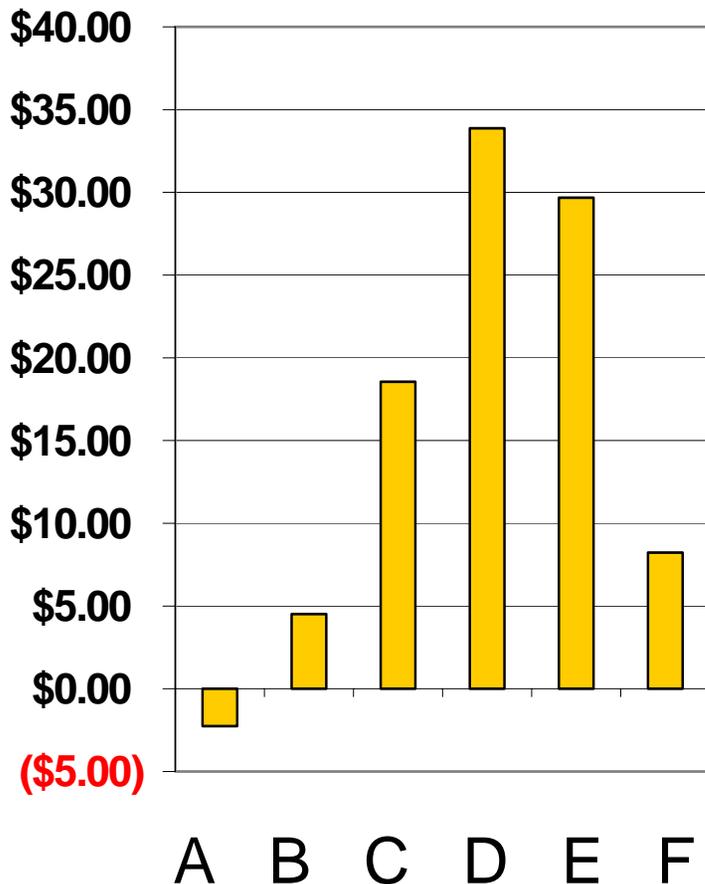
# Trading Practices Guideline & Liquidity



- MSA committed to evaluate TPG impact after 1 year
- Liquidity hard to measure
- Very generous Industry response to a tedious survey
- No apparent harm
- Outage disclosure now R/T via AESO
- MSA Report Sep 15, 2005

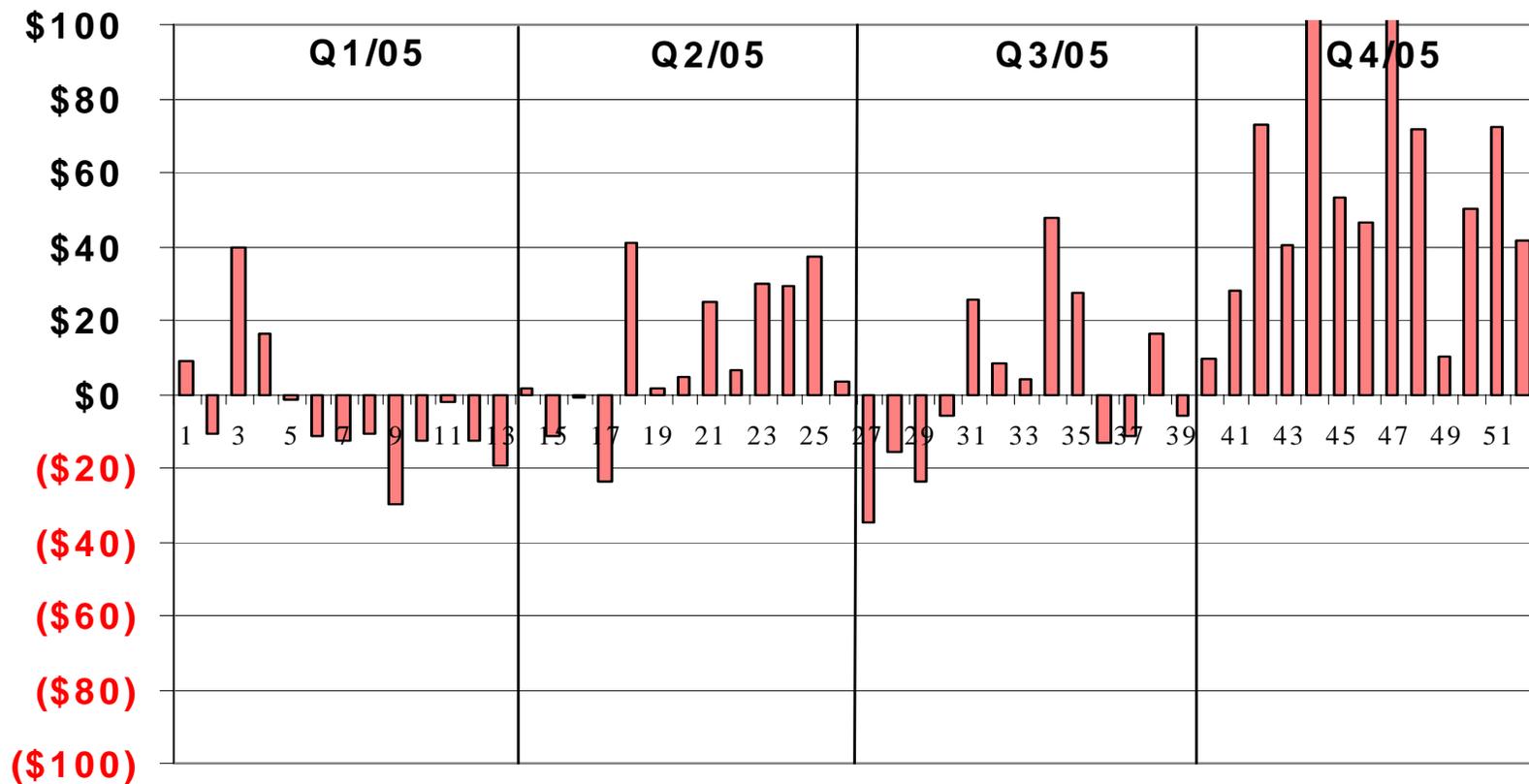
# Import Profitability Q1 – Q3

(hypothesized index to index profitability of top 6 importers)



- There were \$ to be made importing
- Distribution of outcomes speaks to strategy
- Neither dumping (or pumping) are acceptable
- Advice seems to have helped
- New AESO rules will help further
- MSA Reports Jul 28 & Sep 23, 2005

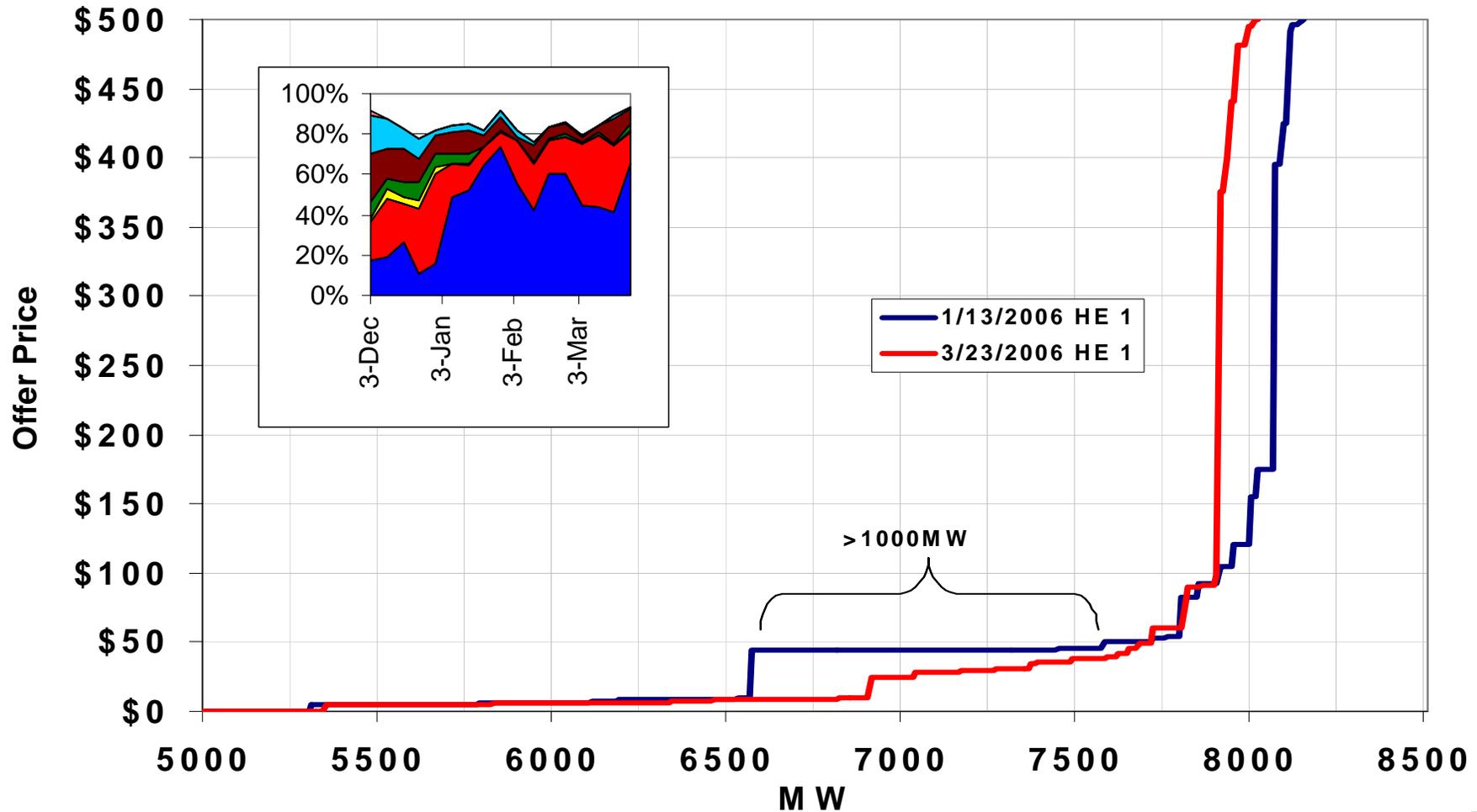
# Import Profitability - 2005



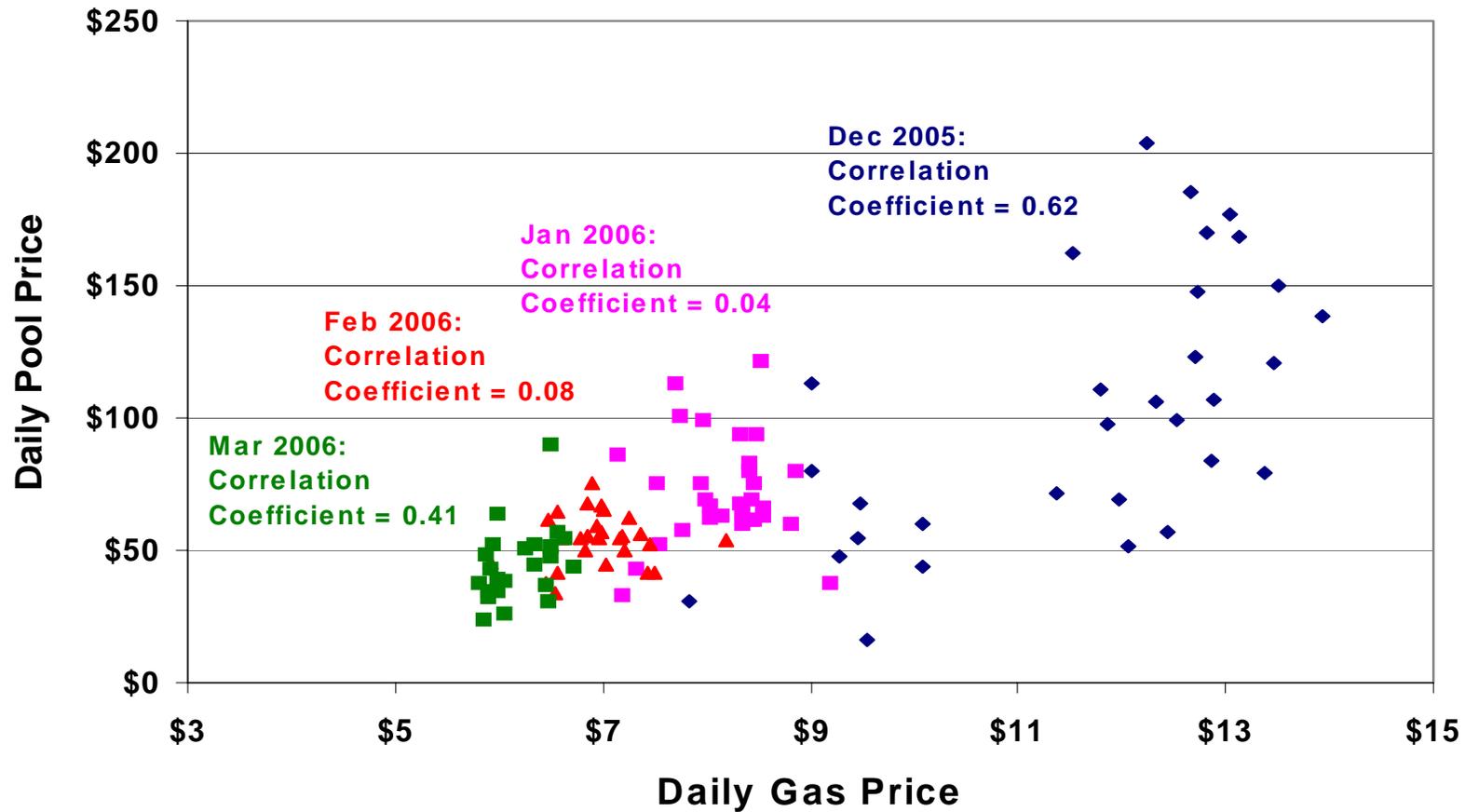
# RRO Regulation & the MSA

- Section 4(1):
  - “The price setting plans ...must, with a reasonable degree of transparency, use a fair, efficient and openly competitive acquisition process to ensure that the resulting prices for the supply of electric energy are just, reasonable and electricity market based”
- Public disclosure about the process
- Many ways to skin the cat
- Providers must consider competitive principles
- MSA will investigate complaints
- See MSA Report dated March 14, 2006

# The Changing Shapes of Competition



# Fundamentals?...



# MSA 2005 Financial Review

Stakeholder Meeting  
March 28 & 29, 2006

# MSA Financial Report

- 2005 Budget – \$2.563 million
- 2005 Actual – \$2.263 million
  - Loss of staff
  - Compliance plan audits under budget
  - Current complement – 10
- 2006 budget – \$2.7 million
  - Higher rent, return to full compliment, investigation cost
  - Effect on Trading Charge; \$0.0193, (2005 \$0.0227)

# Stakeholder Process

Stakeholder Meeting  
March 28 & 29, 2006

# Stakeholder Process

- What have we heard from you?
- What types of process used to date?
- What might be added?
- What is different?

## What are the Messages?

- Stakeholders have talked about:
  - Wanting more say in positions/views of MSA
  - Wanting more say in development of the MSA's process to develop its views
  - Wanting more say in the MSA process to release its views
  - Wanting more say in the MSA mandate and roles

# What is meant by process?

- External vs. internal process?
- Transparent roadmap of overall process
  - Designed by stakeholders?
  - Understood by stakeholders?
- Certainty of roadmap
  - Always followed to the letter or as general guidance?
- Not a question of process but one of more transparent reporting of progress of issues?

# Current MSA Process

- Code of Conduct Regulation
  - Compliance Plans
    - Bilateral process
    - Compliance plans then generally public
    - Reports on outcomes of audits directionally public
    - Same process later adopted by EUB
  - Exemptions
    - Broad stakeholder process

# Current MSA Process

- Investigation process
  - Internal process but general approach provided on MSA web site
- TPG and IDP
  - Multiple workshops – with supporting materials
  - Small task force to work out data masking for outage reports
  - Work-in period where expectations were in place but no enforcement
  - Review and Survey delivered as promised after one year
- Undesirable Conduct Discussion
  - Paper issued in July in anticipation of reversion of Cloverbar and the Sheerness auction along with holding restriction removal
  - Comments at Sept Stakeholder meeting based on feedback from paper
  - Nov. paper based on feedback at Stakeholder meeting

# Current MSA Process

- RRO Paper
  - Concerns from participants led to review by MSA
  - Discussion with large RRO providers
  - Review of facts with large RRO providers
  - Review of first paper by large RRO providers
  - Follow up meetings to hone understanding of concerns
  - Prior to the release of second paper it was provided to all who helped
  - Meetings with REA's to assist in understanding implications of MSA concerns

## What are the Issues?

- Process is not a set of check boxes and stakeholders cannot follow a set road map?
- Process is not known up front?
- Process seeks views of some but not all - targeted
- Process is broken if we do not like the outcome or view of the MSA?
- MSA is providing views but its role should not be to interpret?
- MSA should only be the meter maid?
  - Either you are onside or offside
  - Only those tests defined by industry at large

## What can the MSA do?

- MSA can improve on seeking input and sharing that input
- We maybe need to be clearer on what kind of process will be used and provide that up front
- We maybe need to see if we can more clearly acknowledge receipt of and our acceptance or rejection of the input
- Not everything is going to be nor can it be decided by consensus
- Pursuant to the Act the MSA is here to provide interpretation
- **What we must do is continue to evolve our stakeholder process**

# Development of New Process

- Making MSA Guidelines
  - Broad stakeholder process to develop a process for guideline making
  - Within that provide for stakeholder process for input into Guidelines
- Publishing Sensitive Information
  - naming of names etc.
  - Broad stakeholder process to help define the balance between the need of the market for transparency and the desire of the participant for confidentiality

# Development of New Process

- Development of a lexicon
  - Confusion wrt the various papers put out by the MSA
  - We will attempt to provide a titling convention to assist
    - Just information – Market Monitor
    - Observations with some interpretation
    - Requests for input
    - Notices – investigations, requests for exemptions, meetings
    - guidance
    - Guidelines
    - Decisions

# What is different about our process?

- We need to be nimble
  - Balance the need for input vs value of earlier outcome
  - We can't always wait while the “pillaging” carries on
- We can not always consult in large forums
  - Some people will not talk to the policeman in public
  - Targeted consultation can be more time efficient for all
- We can not always share all information
  - People may be willing to offer constraints or controls to their behaviour but fear that publicity will be a bulls eye
- Stakeholder consultation is *almost* full time work for some – **help us find the right balance!**

# Annual Reports

Stakeholder Meeting  
March 28 & 29, 2006

# 2005 Annual Reports



**Corporate Annual – available today**



**Year in Review – The Technical Annual – on the website**