

Balancing Pool's Market Impact Explained

- Behavior Impacts Power Market Investor Confidence

1) The Balancing Pool, an Alberta Government agency, is currently managing 4000 Megawatts (MW) of coal-fired power generation. This is a result of the Power Purchase Arrangements (PPA) that were terminated by the PPA Buyers and temporarily returned to the Balancing Pool.

2) 4000 MWs is the largest concentration of generation in the Alberta power market held by one participant, and it is enough to influence Alberta's market prices.

3) The Balancing Pool is choosing to offer power into Alberta's power market in a way that recovers only its variable costs (fuel, labour, carbon tax, etc.). It is not recovering the plants' fixed costs – the 'concrete and steel'.



4) As such, the Balancing Pool is losing money every day.

5) The Balancing Pool's losses are being paid by a loan from the Government of Alberta.

6) The loan is estimated in the 2017-2018 Government of Alberta budget to reach \$2.25 billion. The interest alone is estimated at ~\$400 million.

7) Because of the Balancing Pool's size, and decision to only offer into the market in a way that recovers its variable costs, the Balancing Pool is artificially suppressing Alberta's power price. This impacts all other Alberta generators' ability to recover their costs. And impacts generators' confidence in Alberta.

8) Albertans should be concerned about the government's \$2.25 billion loan to the Balancing Pool and the mounting interest cost (~\$400 million), which will need to be repaid. Albertans will also be impacted as generators seek to recover today's lost revenue from market prices in the future.

9) Much of this long term harm can be avoided if the Balancing Pool were to return PPA plants to their Owners, resell them to new Buyers, or offer into the market in a way that recovers all of their costs.