



## **IPPSA FILES COMPLAINT TO MSA ON CONDUCT OF BALANCING POOL**

August 31, 2017

The Independent Power Producers Society of Alberta (IPPSA) filed a complaint to the Market Surveillance Administrator (MSA) regarding the conduct of the Balancing Pool (BP).

The BP controls 25% of the province's power supply through its continued management of the generation capacity contained within the Power Purchase Arrangements (PPAs). The BP's size allows it to significantly influence Alberta's wholesale power prices. Moreover, the BP is selling energy from the PPAs at prices only sufficient to recover its variable cost (fuel and carbon tax).

The BP's pricing strategy has artificially suppressed Alberta's power market prices, which undermines investor confidence and has the potential to raise long-term prices.

The BP is not recovering its fixed costs from its pricing strategy and is incurring significant losses. The BP is able to incur these losses only as a result of loans the Government of Alberta is providing to it.

According to Government of Alberta budget estimates, these loans are forecast to be in excess of \$2 billion, with an interest cost of approximately \$400 million. Alberta consumers will have to pay back these loans, and the associated interest, in the form of a charge on bills extending from 2020 to 2030.

IPPSA believes the BP's conduct is:

- a) contrary to and does not support the fair, efficient and openly competitive operation of the electricity market;
- b) contrary to the BP's legislative mandate and responsibilities to, among other things, act in a commercial manner during the period when it holds generating units subject to PPAs;
- c) creating and exacerbating financial losses for the BP. Those losses, and the interest payments associated with them, will ultimately have to be recovered from Alberta ratepayers;
- d) artificially distorting pricing outcomes away from competitive outcomes, resulting in harm to Alberta generators

IPPSA requests that the MSA, pursuant to its mandate, investigate and undertake activities to address:

- a) contraventions by the BP of the Electric Utilities Act and the regulations thereunder; and
- b) conduct of the BP that affects the efficiency of the Alberta electricity market.

Evan Bahry  
Executive Director

*IPPSA members compete to serve Alberta's power consumers and include most of Alberta's power supply.*

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