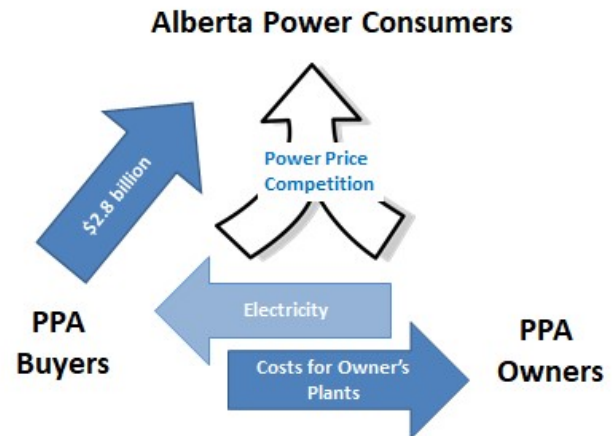


What is a PPA?

- 1) The Power Purchase Arrangements (PPAs) were a key step required to turn Alberta's previously regulated power market into a competitive one. The PPAs helped create a level playing field among competing generators.
- 2) The PPAs transferred the right to sell power from power plants owned by Alberta's formerly regulated power companies (TransAlta Utilities, ATCO Power and Edmonton Power; known as the 'PPA Owners').
- 3) The Owners continued to own the plants. The Buyers received the plants' output. The Buyers then competed with each other, and other generators, to serve Alberta's power consumers.

- 4) The PPAs also determined the market value of that formerly regulated generation. The difference between the price paid for the PPAs and the actual cost of the PPA units was provided to Alberta power consumers. Consumers, after all, paid for those plants when the market was regulated. Alberta consumers received **\$2.8 billion** from the sales of the PPAs. This is the "Balancing Pool credit" that appeared on consumers' bills from 2001 to 2016.



- 5) The PPAs included a change in law provision which provided the Buyers with protection for their investment should the government, whom organized the sale of the PPAs, changed the law and impacted the Buyers' investment decision. In 2016, the Government of Alberta did just that and the Buyers exited the PPAs.
- 6) The Balancing Pool is now acting as the Buyer until the PPAs expire in 2020. The Balancing Pool was created as government agency at the same time the PPAs were developed. Its main purpose was to return the proceeds of PPA sales to consumers, as well as to provide a backstop role with the PPAs in the event that some of them didn't sell or if any of the PPAs were terminated prior to expiry.
- 7) The BP is now offering power from the PPAs to only recover the plants' variable costs. Fixed costs are being provided by a government loan. See "Balancing Pool's Market Impact Explained."