

## Alleged electricity price manipulation could exceed \$100M

TransAlta denies findings; says its actions approved by watchdog

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Damages stemming from alleged electricity market manipulation by TransAlta Corp. could exceed \$100 million, according to new documents filed with the Alberta Utilities Commission (AUC).

Alberta's electricity watchdog, the Market Surveillance Administrator (MSA), claims a TransAlta strategy to drive up power prices cost electricity consumers and other utilities tens of millions of dollars while TransAlta reaped \$16 million in profits.

"The MSA does not have a precise estimate on exposure to pool price and instead has shown harm relative to different proportions of total consumption of electric energy from the Alberta grid," say new documents filed with the AUC.

The MSA charted an impact ranging from \$40 million to \$160 million, and that doesn't include the impact on the forward power market.

The watchdog filed allegations of anti-competitive behaviour against Alberta's largest utility last month, accusing it of staging discretionary shutdowns at six power plants during peak demand periods over 11 days in 2010 and 2011.

The supper-hour shutdowns on cold winter nights increased electricity prices by 10 to 60 per cent and forced the companies that owned the rights to the power to scramble to purchase highpriced electricity for their customers, according to MSA filings. The shutdowns in 2011 triggered a power shortage emergency alert.

TransAlta and two of its electricity traders have denied any wrongdoing and have filed complaints about the MSA's handling of the investigation with the AUC. "To be clear, we do not agree with the findings of the MSA, including the conclusions that there was market harm, and we will challenge those conclusions at the hearing," said Trans-Alta spokeswoman Marcy McAuley in an email.

She said TransAlta will address all of the filings and related documents, "including those demonstrating that the MSA permitted the actions taken by TransAlta."

The AUC is considering whether to hear the complaints against the MSA separately or together with the allegations against TransAlta.

If the price hiking allegations are upheld by the AUC, TransAlta could be fined up to \$1 million per day and be required to reimburse consumers and affected utilities for their costs. It may also have to pay the cost of the lengthy investigation.

Edmonton-based Capital Power says the shutdowns cost it nearly \$10 million alone. In Calgary, Enmax says it also experienced financial losses but didn't specify an amount in documents filed to the AUC. The electricity watchdog is also asking the AUC to consider TransAlta's failure to immediately provide critical documents it sought in the investigation and to also take into account the allegation that the utility lost or deleted key computer hard drives.

The estimates of financial harm were included in updated allegations the MSA filed against TransAlta on Friday.

In the 125-page document, the MSA says TransAlta's complaints about its investigation are a delay tactic and the utility's argument that its activities were permitted under market rules has no merit.

While power producers can in certain circumstances withhold their own power to increase the price - a strategy known as economic withholding - TransAlta had no right to withdraw power it was committed to supply to Enmax and Capital Power, the MSA claims in its filings.

The MSA alleges in its filings that TransAlta manipulated the price of electric energy in Alberta by removing the committed capacity of its competitors at coalfired generating units during tight supply periods. "The strategy was uncompetitive in that it relied upon removing significant amounts of its competitors' committed capacity from the available supply of electricity."

The MSA said normal practice in the industry is to implement discretionary shutdowns during off-peak hours, usually on weekends.

But the MSA alleges Trans-Alta drafted a strategy in Oct. 21, 2010, that was approved by its senior vice-presidents, to time discretionary shutdowns to maximize profits.

In documents filed with the AUC, it quotes a TransAlta internal memo explaining the strategy with the following example: "Two units are down in the province and one of our units develops a leak. We take the unit down immediately instead of scheduling the unit off for the upcoming weekend."

The memo adds: "Previously we have shied away from setting price during tight situations because of the 'optics' of this."