



May 10, 2007

### Recent Changes to AESO Ancillary Service Procurement Practices

Recently, AESO management became aware of business practices involving communication between the AESO and market participants during the Watt-Ex trading session and the posting of Over-The-Counter (OTC) transactions on the Watt-Ex trading platform. These practices were initiated in an attempt to provide greater price transparency, however, the practices may have had an unintended influence on the ancillary services price index. AESO management views these practices as inappropriate and immediately stopped them.

The AESO has also commenced an internal review of these activities. In addition, given its role as the system operator, and its role and responsibilities as the sole buyer of ancillary services, the AESO implemented the following in relation to its OTC transactions and communications with participants in the ancillary services market:

- 1) During the Watt-Ex trading session, all negotiation and execution of ancillary services transactions will be conducted via the Watt-Ex trading platform. AESO Commercial Services staff will not discuss, negotiate or transact any OTC transactions prior to or during the daily Watt-Ex trading session.
- 2) AESO Commercial Services staff will not communicate with any market participant concerning any type of commercial transaction via Instant Messenger.
- 3) A series of internal steps have also been implemented with regard to all commercial activities. These include senior management review of procedure and policy compliance prior to daily procurement activities, pre-approval of any OTC agreements and, to assist in the ongoing training and development of commercial services staff, a comprehensive review of all procurement activity at the end of the trading day.

The AESO has also brought these activities and its change in practices to the attention of the MSA for their review.