

January 20, 2011

Alberta Electric System Operator  
2500, 330 5 Avenue SW  
Calgary, AB T2P 0L4

Attention: Anita Lee  
Manager, AESO Operations & Reliability

Dear Anita,

Thank you for the opportunity to comment on the AESO's Market Suspension Recommendation Paper dated December 2, 2010. MEG Energy (MEG) has reviewed the paper and is able, in general, to support the AESO's recommendations towards the goal of suspending the market under extraordinary circumstances as a last resort.

Further to previous conversations, between MEG and AESO, I'd like to clarify MEG's position on market suspension. MEG continues to believe, and support, the combined approach option wherein when all available MW are dispatched, or in the event of a blackout, the SMP is set at the price cap. In all other circumstances, SMP is determined by a reference price: 12.5 heat rate \* daily AECO gas price. The attractiveness of this option includes:

- a predictable and transparent pricing mechanism;
- a price that is based on a functioning market and is therefore more likely to reflect supply and demand dynamics should the blackout continue for a number of days;
- a price that is most likely to be greater than or equal to the variable costs of units on the margin;
- a pricing mechanism for which implementation tools already exist; process and schedule for implementation should be simple and short.

However, given the small probability that the market will be suspended, MEG is able to accept the AESO's recommendation to utilize the 30 day rolling average, with on peak and off peak prices, for all suspension circumstances when all MW are not dispatched.



Should you have any questions or comments, please contact Tom Corscadden at (403) 770-5371 or at [tom.corscadden@megenergy.com](mailto:tom.corscadden@megenergy.com).

Kind Regards,

A handwritten signature in black ink, appearing to read 'Tom Corscadden', with a long horizontal flourish extending to the right.

Tom Corscadden  
Director, Development Growth Projects  
MEG Energy