

October 29, 2015

## **AUC approves \$56 million TransAlta market manipulation settlement**

Calgary, Alberta, Canada... In a decision and consent order issued today the Alberta Utilities Commission (AUC) approved a settlement under which TransAlta Corp. will pay \$56 million to resolve contraventions of Alberta's wholesale electricity market rules. The decision can be found on the AUC website at [www.auc.ab.ca](http://www.auc.ab.ca).

Under the settlement agreement brought forward by the Market Surveillance Administrator (MSA) and TransAlta, related to TransAlta's wholesale electricity market manipulation in November 2010 and February 2011, and insider trading in January 2011, TransAlta will pay close to \$56 million made up of several components.

First, TransAlta will pay nearly \$52 million in an administrative penalty, what the AUC understands to be the largest of its kind in Canadian history and approaching the maximum limit available under law. The penalty is composed of \$26,920,814.31 in disgorgement of profits to cover TransAlta's economic benefit, and a monetary penalty of an additional \$25 million.

In addition, TransAlta will pay \$4,327,542.29 to pay the full costs of the MSA's investigation and the MSA's participation in the AUC proceeding.

In July, the AUC found TransAlta had contravened Alberta's Electric Utilities Act and its Fair, Efficient and Open Competition Regulation on four separate occasions, and had engaged in insider trading. The disgorgement payment is based on the benefits TransAlta accrued from the influence of its actions on Alberta power pool prices, on forward prices and from trading on non-public information.

"The Commission believes that the magnitude of the proposed monetary penalty, when coupled with the disgorgement payment, is such that it cannot be considered by TransAlta or other future transgressors as a cost of doing business or a licensing fee for transgressions," the AUC said in its decision.

In assessing the adequacy of the penalty, the AUC noted "the contraventions resulted in significant, widespread harm to customers and the market by negatively impacting pool prices, the forward market and customer confidence... The outage contraventions were premised on manipulation and were part of a broad scheme (the portfolio bidding strategy) that was systematic and persistent... The portfolio bidding strategy was approved by TransAlta's senior management..."

The AUC also noted the contraventions were not TransAlta's first breach of the Fair, Efficient and Open Competition Regulation, following an earlier episode of TransAlta impeding import transactions in November 2010.

The Alberta Utilities Commission is an independent, quasi-judicial agency of the province of Alberta. The AUC regulates the utilities sector, natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not.

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