

ORD. #2002/98
REC. #6096888
FILE #B25772

ALBERTA SECURITIES COMMISSION

IN THE MATTER OF the *Securities Act*,
R.S.A. 2000, c. S-4 (the "Act")

- and -

IN THE MATTER OF Alberta Watt Exchange Limited

ORDER
(Section 144 and 213)

1. WHEREAS Alberta Watt Exchange Limited ("WattEx") has made an application to the Alberta Securities Commission (the "Commission") for:
 - 1.1 an order pursuant to section 213 of the Act to exempt WattEx from the prohibition in section 62 of the Act against carrying on business as an exchange in Alberta unless recognized by the Commission as an exchange;
 - 1.2 an order pursuant to section 213 of the Act to exempt WattEx from the prohibition in section 106 of the Act against trading exchange contracts on an exchange in Alberta that has not been recognized by the Commission under section 62 of the Act and the form of contract has not been accepted by the Commission; and
 - 1.3 an order under subsection 144(1) of the Act to exempt trades in electricity and auxiliary services contracts ("Commodity Contracts") by WattEx and its contracting parties ("Contracting Parties") through the electronic trading system (the "Trading System") operated by WattEx from the registration and prospectus requirements in sections 75 and 110 of the Act;
2. AND WHEREAS it was represented by WattEx to the Commission that:
 - 2.1 WattEx operates the Trading System in Calgary, Alberta for trades in Commodity Contracts by Contracting Parties.
 - 2.2 WattEx has operated the Trading System since January 1, 2001 in accordance with the terms and conditions of a prior order of the Commission;

- 2.3 Access to the Trading System is limited to Contracting Parties that are qualified participants within the Power Pool of Alberta (“Power Pool”) and meet the qualifications set by the *Electric Utilities Act* (Alberta), the Power Pool Rules and the Power Pool code of practice, and have entered into a comprehensive customer agreement (the “Customer Agreement”) with WattEx;
 - 2.4 WattEx is capable of complying with the operating principles listed in Appendix A and will comply with the operating principles for the duration of this order;
 - 2.5 WattEx has undertaken to keep trading, financial records and other records sufficient to demonstrate compliance with the operating principles listed in Appendix A, make them available and submit data promptly to the Commission on request;
3. AND WHEREAS the Commission is satisfied that to do so would not be prejudicial to the public interest;
 4. IT IS HEREBY ORDERED that:
 - 4.1 pursuant to section 213 of the Act, WattEx is exempt from the prohibition in section 62 of the Act against carrying on business as an exchange in Alberta unless recognized by the Commission as an exchange;
 - 4.2 pursuant to section 213 of the Act, WattEx is exempt from the prohibition in section 106 of the Act against trading exchange contracts on an exchange in Alberta that has not been recognized by the Commission under section 62 of the Act and the form of contract has not been accepted by the Commission; and
 - 4.3 under subsection 144(1) of the Act, trades in Commodity Contracts by WattEx and Contracting Parties through the Trading System operated by WattEx are exempt from the registration and prospectus requirements in sections 75 and 110 of the Act;provided that:
 - 4.4 WattEx complies with the operating principles listed in Appendix A and keeps trading, financial and other records sufficient to demonstrate compliance with the operating principles in Appendix A;
 - 4.5 WattEx immediately informs the Commission of any event, circumstance or situation that materially affects WattEx’s ability to continue to comply with the operating principles listed in Appendix A;
 - 4.6 WattEx files with the Commission any revisions to the Customer Agreement within 2 business days of the effective date of the revision;
 - 4.7 WattEx immediately informs the Commission of any material change in the operation of the Trading System or in the beneficial ownership of the securities of WattEx.

5. AND IT IS FURTHER ORDERED that this order will expire on December 1, 2004.

Dated at the City of Edmonton)	
)	
in the Province of Alberta)	<u>“original signed by”</u>
)	Eric T. Spink, Vice-Chair
this 7th day of June, 2002)	
)	
)	<u>“original signed by”</u>
)	Thomas G. Cooke, Q.C., Member

Appendix A
Operating Principles

1. **Financial Resources** - Maintain adequate financial, operational and managerial resources to operate the Trading System and support its trade execution and clearing functions.
2. **Operational information relating to trading system and contracts** - Provide public disclosure of information about contract terms and conditions, trading conventions, mechanisms and practices, financial integrity protections and other information relevant to participants.
3. **Market oversight** - Establish appropriate minimum standards for participants and programs for on-going monitoring of the financial status or credit-worthiness of participants; monitor trading to ensure an orderly market; and maintain authority to collect or capture and retrieve all necessary information and to intervene as necessary to ensure an orderly market.
4. **Rule Enforcement** - Maintain adequate arrangements and resources for the effective monitoring and enforcement of the rules of the facility and for resolution of disputes and have the capacity to detect, investigate and enforce those rules (including the authority and ability to discipline, limit, suspend or terminate a participant's activities for violations of system rules).
5. **System Safeguards** - Establish and maintain:
 - a program of oversight and risk analysis to ensure automated order entry and clearing systems function properly and have adequate capacity and security, including emergency procedures and a plan for disaster recovery to ensure daily processing, clearing and settlement of transactions.
 - a program of periodic objective system testing and risk review to assess the adequacy and effectiveness of the Trading System's internal control systems and financial integrity protections, including a risk review of every new service and significant enhancement to existing services.
6. **Transparency** - Make information on settlement prices, price range, trading volume, open interest and other related market information available daily to participants.
7. **Record keeping** - Maintain records of all activities related to the trading system's business in a form and manner acceptable to the Commission for a period of five years and provide an undertaking to make books and records available for inspection by Commission representatives on request.
8. **Risk management** - Identify and manage the risks associated with clearance and settlement through the use of appropriate tools and procedures such as risk analysis tools and procedures, collateral, margin and credit limits.
9. **Settlement procedures** - Prescribe standards and procedures to protect and safeguard participants' funds and limit concentration of risk, including the safekeeping of funds in accounts in depositories or with custodians, that meet industry standards.