

April 5, 2007

Independent Electricity Market Operator
Attn: Jack Lubek, Market Assessment Unit
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The Market Surveillance Panel (MSP) has invited stakeholders to comment on the proposed framework for identification of the exercise of market power in the IESO-administered market for energy. Brookfield Power appreciates the opportunity to do so.

Brookfield Power comprises the power generating and marketing operations of Brookfield Asset Management Inc. Brookfield Power has developed and successfully operated hydroelectric power facilities for almost 100 years. Brookfield Power's portfolio comprises almost 3,800 megawatts of capacity and includes 140 hydroelectric power generating stations and 1 pumped storage facility located on 50 river systems, 1 wind-powered generating facility, 2 thermal plants and transmission and distribution assets, principally in the northeastern North America and South America.

Brookfield commends the MSP for its effort to provide a rigorous and transparent statement as to how the MSP would determine if market power has been exercised.

Brookfield would like to make the following comment on the framework.

Part 1.1.1: Market Power and Competitive Pricing indicates that "a market participant has market power where it has an incentive and the ability – through its own actions – to move the market price away from the competitive level". In this section the MSP recognizes that market power can be used to increase price above the competitive level or to decrease price below the competitive level but proposes that the framework in the paper only deal with those cases where the exercise of market power has the effect of increasing the market price.

However, Brookfield Power believes that price manipulation downwards, in an attempt to gain under a financial transaction, may be just as, or more attractive to a market participant. Please see the example in an article (Appendix A) regarding a FERC investigation into a report that a subsidiary of Energy Transfer Equity artificially lowered the price of natural gas at the main gas purchasing hub in Texas in an apparent attempt to influence the outcome of a series of swaps trades.

Brookfield believes that this example demonstrates the importance of including cases in the proposed framework where the exercise of market power has the effect of decreasing market price.



We hope that our comments are of benefit as you continue this important work. If you have any questions or need any clarification please contact me at (819) 561-8068 or Tracy Erickson at (416) 419-5543.

Sincerely,

Daniel Whyte
VP Settlement and Regulatory Affairs

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APPENDIX A

<http://news.moneycentral.msn.com/printarticle.aspx?feed=FT&date=20061204&id=6243279>