

# **Code of Ethics and Sound Trading Practices for Electric Power Suppliers**

## *Preamble*

This Code of Ethics and Sound Trading Practices (Code) defines and reaffirms the values, principles and internal controls that electric power supply companies must follow in conducting their business activities. The Code is intended to complement the internal principles and practices of each individual company and to guide companies as they supply power, manage risk, provide market liquidity and report financial results. Compliance with the Code allows companies to assure their customers, investors, legislators, regulators, the public and other market participants that their business activities are, and will continue to be, conducted with integrity. In addition, assurance is given that unlawful and unethical trading practices are not tolerated, that public disclosures of trading information are accurate, and that companies will abide by these ethical standards and maintain sound trading practices.

Clear, consistent and well-constructed market rules also are necessary. Without good rules, the strongest commitment to ethical standards will not result in the market efficiencies needed to provide maximum benefit to consumers. Each company adopting this Code commits to work with regulators, policy makers and other market participants to develop such rules and standards, thereby strengthening the competitive markets necessary to power the economy and provide ongoing value to consumers.

Above all, each electric power supply company adopting this Code reaffirms its commitment to excellence, professionalism and unwavering ethical conduct.

## **I. Ethical Standards**

### **Core Value: Integrity**

Conducting business activities with integrity is the essence of ethical conduct. Integrity means conducting business activities in an honorable and principled manner consistent with the ethical standards and sound trading practices set forth herein.

### **Ethical Standards**

Electric power suppliers will:

1. Conduct their business in accordance with all applicable laws, regulations, tariffs and rules, and in good faith, and with a commitment to honest dealing.
2. Not engage in fraudulent behavior.
3. Honor the terms and conditions of their contracts.
4. Engage only in transactions with legitimate business purposes, such as managing business risk or that otherwise have economic substance. In no event will companies engage in any transactions intended to boost revenues or volumes artificially, or intended to manipulate market prices.
5. Not collude with other market participants to affect the price or supply of power, allocate territories, customers or products, or otherwise unlawfully restrain competition.
6. Cooperate with transmission system operators in the implementation of system rules and reliability requirements, and manage the physical operation of supply resources and the scheduling of power transactions in a manner that is consistent with the reliable operation of the transmission grid.
7. Adopt, adhere to, and enforce risk management policies and structures that are designed to ensure that power-trading activities are conducted in accordance with this Code.
8. When reporting financial results, do so in a manner that fairly presents the financial health of the company, consistent with applicable accounting principles and applicable securities and other requirements.

## II. Sound Trading Practices

### Core Value: Adherence to Sound Trading Practices and Principles

Electric power markets reflect the constantly changing dynamics of supply and demand. Efficient business operations in such an environment demand practices that can manage risk and discover market prices. Such practices must be consistent with the guiding Ethical Standards of this Code.

### Sound Trading Practices Standards

Electric power supply companies will act in accordance with these standards of sound trading practices:

1. No unlawful withholding. Companies will operate and schedule generating facilities, undertake maintenance, declare outages, and commit or otherwise bid supply in a manner that complies with the rules, regulations and guidelines of the applicable power market. Moreover, companies will not engage in such activities or misrepresent the operational capabilities of generation facilities in a manner expressly calculated to affect market prices by unlawfully withholding available supply from the market in order to create artificial supply shortages. However, companies may decide not to run their generating plants or bid and schedule such resources or other power supplies when such actions would risk jeopardizing public health and safety or damaging their facilities, or in order to comply with facility licensing, environmental or other legal requirements, or when such actions would be uneconomic under the given circumstances.
2. No creation of artificial congestion. Companies will not engage in transactions or schedule resources with the intent of creating congestion to manipulate prices or to jeopardize the security of dispatch operations.
3. No non-performable reliability transactions. Companies will not offer reliability services to the market that they intend not to provide.
4. No “wash” trades. Companies will not arrange and execute simultaneous offsetting buy and sell trades, *i.e.* with the same counterparty and price, commodity, location and quantity terms, with an intent to artificially affect reported revenues, trading volumes or prices.
5. No misrepresentative trading. No trading will be conducted for the purpose of misrepresenting the financial condition of the organization.

### **III. Information Disclosure and Documentation**

#### **Core Value: Candid and Complete Disclosure**

Markets depend on trust in the accuracy of market information and transparency of market behavior and that the confidentiality of commercially sensitive information entrusted to each company will be maintained.

#### **Information Disclosure and Documentation Standards**

Electric power suppliers will:

1. Provide market and transaction information to regulators and market monitors in compliance with all applicable rules and requirements and continue to cooperate with regulators and market monitors as reasonably necessary to assist in their understanding of market operations.
2. When reporting financial results, do so in accordance with applicable accounting principles and in a manner that fairly presents the financial health of the company.
3. Ensure that any information disclosed to the media, including market publications and publishers of surveys and price indices, is accurate and consistent.
4. Maintain and adhere to internal procedures designed to ensure that all trades are properly documented in a timely fashion and that no trades are concealed or misrepresented.
5. Maintain documentation on all transactions for an appropriate period of time as required under applicable laws and regulations.

## **IV. Compliance**

### **Core Value: Comprehensive Corporate Compliance**

Each company subscribing to this Code will have a compliance program designed to ensure appropriate, timely and ongoing review of power trading practices and compliance with this Code.

### **Compliance Standards**

Electric power suppliers' compliance programs will:

1. Provide for proper training of personnel on the provisions of this Code and the company's risk management policies.
2. Maintain internal standards, policies, procedures and controls to promote compliance with this Code, and with other standards of sound trading practices and market commitments, and provide for the periodic internal or external audit of such standards, policies, procedures and controls.
3. Provide an environment that encourages employees within the trading organization to engage in safe and confidential discussions and to disclose to senior management any trading practices that might violate this Code.
4. Establish clear lines of accountability for the company's power trading practices, including provisions relating to the responsibilities of corporate officers, with appropriate oversight by the Board of Directors or other senior corporate management committee.