



## **Direct Energy Regulated Services**

**Request for Enforcement of Rule 004 on the ATCO Utilities**

**November 2, 2022**

**Alberta Utilities Commission**

Decision 27657-D01-2022

Direct Energy Regulated Services

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Proceeding 27657

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Eau Claire Tower  
1400, 600 Third Avenue S.W.  
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Telephone: 310-4AUC (310-4282 in Alberta)  
1-833-511-4AUC (1-833-511-4282 outside Alberta)

Email: [info@auc.ab.ca](mailto:info@auc.ab.ca)

Website: [www.auc.ab.ca](http://www.auc.ab.ca)

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## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission finds that the manual process as proposed by ATCO Electric Ltd. distribution and ATCO Gas (the ATCO Utilities) for cancel-rebills beyond the initial three months of data being migrated over to their new Customer Information System (CIS) does not meet the requirements of Section 5.4.4 of Rule 004: *Alberta Tariff Billing Code Rules*, and therefore, once the ATCO Utilities implement their new CIS, it will not comply with Rule 004.

## **2 Introduction and background**

2. On September 21, 2022, Direct Energy Regulated Services filed an application requesting the Commission's ruling to enforce Rule 004 on the ATCO Utilities.

3. The Commission issued notice of application on September 22, 2022, requesting parties interested to file written submission by September 30, 2022. The Commission received submissions from the ATCO Utilities, ENCOR by EPCOR, Access Gas Services Inc., Alberta Co-operative Energy, the Office of the Utilities Consumer Advocate, ENMAX Corporation, Sponsor Energy, and Alberta Utility Billing Inc. The Commission asked information requests (IRs) to parties and provided all parties with the opportunity to file final submissions and reply to final submissions.

4. In its application, Direct Energy explained that it was notified by the ATCO Utilities that after their CIS migration, they plan to utilize a manual solution for cancel-rebill transactions that occur outside of the three-month period of data that is being migrated to the new CIS system. The ATCO Utilities also notified Direct Energy that the CIS migration is scheduled for December 5, 2022, for ATCO Gas, and the second quarter of 2023 for ATCO Electric.<sup>1</sup> Direct Energy further explained that the ATCO Utilities' plan to introduce a manual cancel-rebill process will cause significant market harm, and as such, requested a Commission decision by November 1, 2022, so that the ATCO Utilities could identify an alternative solution that ensures compliance with Rule 004 upon migration to their new CIS.

## **3 The ATCO Utilities' manual proposal for cancel-rebill transactions**

5. Direct Energy explained that cancel-rebills are market transactions that are required whenever a transaction sent from the distributor to a retailer must be corrected in some manner. The ATCO Utilities' CIS is important to retailers in that it houses all the necessary processes to generate the tariff bill file (TBF) that retailers use to generate bills for customers. On July 22, 2022, Direct Energy learned that the ATCO Utilities planned to only migrate three months of

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<sup>1</sup> Exhibit 27657-X0001, DERS application, PDF page 1.

pricing data when they complete the migration to their new CIS. This plan means that after migration, cancel-rebill transactions that affect periods of time greater than three months prior to the go-live date will be handled through new manual processes managed by both the ATCO Utilities and the impacted retailers. These transactions are currently managed through an automated process.<sup>2</sup>

6. Instead of providing cancel-rebill information to retailers through an automated TBF, the ATCO Utilities' plan involves providing retailers a lump sum one-time adjustment through the TBF followed by a spreadsheet sent to the retailer by email containing the line-by-line detail for the correction. The retailer would then have to manually input and parse the information to correct a customer's bill. Direct Energy explained that such a process is prone to errors and stated that it received four samples of these cancel-rebills spreadsheets from the ATCO Utilities in September 2022 and found the samples to contain errors.<sup>3</sup>

7. Direct Energy noted that not all retailers have been notified by the ATCO Utilities of this plan, and some retailers have indicated to Direct Energy that they may not have the resources or capabilities to manage such a process. Direct Energy provided historical cancel-rebill volumes from the last 7.5 years indicating that in the fourth month after the original transaction, it expects between 132 (average) and 559 (maximum) gas cancel-rebills, and between 72 (average) and 314 (maximum) electricity cancel-rebills based on the normal course of business. It also estimated its own cost of processing manual cancel-rebill transactions at \$1.3 million and \$2.95 million for the entire retail market. While Direct Energy acknowledged that, on average, 97 per cent of cancel-rebill transactions occur in the first three months after the original transaction, it stated that the residual amount of transactions from month four onward is material. It provided an estimate for the total retail market that the amount of cancel-rebill transactions, based on 2016-2022 data, range from an average of 1,207 to a maximum of 5,914.<sup>4</sup> The other retailers that registered in this proceeding provided letters of support for Direct Energy's application and expressed similar concerns with respect to the ATCO Utilities' plan to introduce a manual process for the cancel-rebill transactions.

8. In their submission, the ATCO Utilities explained that migrating the necessary data into their new CIS to support automated cancel-rebill transactions beyond three months is a complex and costly solution. The ATCO Utilities stated that 97 per cent of cancel-rebills occur during the first three months after the original transaction. Post transition, the necessary data to perform such transactions will build over time and therefore the issue will diminish each month after the new CIS is live. Historically, 99 per cent of cancel-rebills occur within five months of the initial transaction.<sup>5</sup> The ATCO Utilities estimated that if they were to migrate two to three years of data to support automated cancel-rebills, it would cost \$10 to \$15 million due to the volume of data and subsequent testing required to confirm its accuracy, and as a result the costs would outweigh any benefits.<sup>6</sup> The ATCO Utilities also indicated that this is a once-in-a-generation system replacement and they are taking reasonable measures to reduce the retailer impact of the transition to the new CIS.<sup>7</sup>

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<sup>2</sup> Exhibit 27657-X0001, DERS application, PDF page 2.

<sup>3</sup> Exhibit 27657-X0001, DERS application, PDF pages 2-3.

<sup>4</sup> Exhibit 27657-X0001, DERS application, PDF pages 5-6.

<sup>5</sup> Exhibit 27657-X0016, ATCO Utilities submission, PDF page 7, paragraph 11.

<sup>6</sup> Exhibit 27657-X0037, ATCO Utilities reply to final submissions, PDF page 3, paragraph 5.

<sup>7</sup> Exhibit 27657-X0037, ATCO Utilities reply to final submissions, PDF page 2, paragraph 2.

9. The ATCO Utilities further explained that they are completing activities that will reduce the overall expected volume of cancel-rebills following the launch of their new system. This includes completing as many actual meter reads as possible instead of relying on estimates prior to launch and limiting billing cycle changes. In response to a Commission IR, the ATCO Utilities stated that for any customers that they cannot obtain an actual meter reading for, they will estimate the usage, which they believe they can do with a high level of accuracy.<sup>8</sup> The ATCO Utilities also indicated that they are continuing to work with Direct Energy on a more automated solution that will provide the limited set of cancel-rebills that extend beyond three months prior to go-live, in a TBF format that can be automatically ingested into the retailer systems. The ATCO Utilities explained that this limited set of cancel-rebills will include the data required to handle cancel-rebills back to the data retention period of the ATCO Utilities' existing CIS.<sup>9</sup> In their reply submission, the ATCO Utilities indicated that they are on track to have an interim automated solution in place that will present cancel-rebills in a TBF format that does not require the use of an OTC (one-time charge)/PPA (prior period adjustment) and anticipates testing the solution with retailers in early November 2022. The ATCO Utilities noted that the automated solution will be in place until such a time that the costs outweigh the benefits.<sup>10</sup>

10. Alberta Utility Billing anticipated that the ATCO Utilities' automated solution will require manual work to produce the automated TBF, which increases the risk of errors.<sup>11</sup> Direct Energy stated in its final submission that parties are in agreement that an automated solution for cancel-rebill transactions that allows for the smooth function of the market is required, and it is waiting for further information from the ATCO Utilities on their proposed automated solution. It is satisfied as long as the TBF will provide the detailed information that is required to allow for retailers to accurately bill customers and perform future audits.<sup>12</sup>

#### 4 Compliance with Rule 004

11. In its application, Direct Energy explained that the ATCO Utilities' plan to handle cancel-rebill transactions manually does not comply with Rule 004. It argued that the introduction of a new manual process is something that Rule 004 is specifically designed to prevent by standardizing and automating transactions so that information can be exchanged in a "consistent and expediated manner" as described in Appendix A (Information exchange standards) of Rule 004. Rule 004 also allows the Commission to issue an exemption if it is in the public interest to do so, among other things.<sup>13</sup> The ATCO Utilities have not requested an exemption. Direct Energy argued that the ATCO Utilities' manual cancel-rebill solution does not have a minimal impact on the market, and the other retailers that registered in this proceeding expressed similar concerns in their respective submissions.<sup>14</sup>

12. Direct Energy specifically stated that the ATCO Utilities will not be complying with Section 2.14 (Data retention) of Rule 004 where a distributor must retain tariff billing data in its original format to allow for one-time charge records for cancel and rebills for periods beyond

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<sup>8</sup> Exhibit 27657-X0023, ATCO-AUC-2022OCT11-001(d).

<sup>9</sup> Exhibit 27657-X0023, ATCO-AUC-2022OCT11-001(a).

<sup>10</sup> Exhibit 27657-X0037, ATCO Utilities reply to final submissions, PDF page 4, paragraph 8.

<sup>11</sup> Exhibit 27657-X0026, PARTY-AUC-2022OCT11-006(a).

<sup>12</sup> Exhibit 27657-X0030, DERS final submission, PDF page 5, paragraph 14.

<sup>13</sup> Rule 004, Section 6.1.5.

<sup>14</sup> Exhibit 27657-X0001, DERS application, PDF page 4.

two years. Therefore, the ATCO Utilities' plan to only migrate three months of pricing information does not adhere to Section 2.14.<sup>15</sup> In their submission, the ATCO Utilities disagreed with Direct Energy's assertion that their manual cancel-rebill process will not comply with Section 2.14 of Rule 004. The ATCO Utilities argued that they will still continue to retain and have access to the tariff billing data in its original format consistent with Rule 004, and the TBF information is archived and accessible in a centralized repository.<sup>16</sup>

13. The ATCO Utilities also explained that Section 5.4.4 (Cancels and rebills of charges spanning extended periods) of Rule 004 expressly allows for OTC adjustments for data that is not converted using the PPAC (prior period adjustment code), and this is a process currently being performed by market participants. Upon their review of Section 5.4.4, the retailers should already have a defined working process to facilitate the processing of PPAs made by OTC adjustments. Therefore, this is not a new manual process initiated by the ATCO Utilities but was already contemplated by Rule 004. The ATCO Utilities also stated that they are not aware of any requirements in Rule 004 that the OTC/PPA can only be used for periods that are older than two years.<sup>17</sup>

14. In its final submission, Direct Energy stated that the ATCO Utilities have misinterpreted the intent of the PPAC, which they used to support their OTC/PPA proposal. Direct Energy noted that the ATCO Utilities were involved in AUC consultations that took place related to the PPAC creation between 2014 and 2015. Direct Energy provided a meeting summary from May 14, 2015, in which the intended use of the code was clarified. The PPAC is only to be used where a cancel-rebill is for periods beyond the distributor's data retention period. AUC staff pointed out, in the meeting summary, that since more than three years of data is generally retained, the use of PPAC will be a very rare occurrence. Direct Energy argued that since it estimated there will be between 1,027 (average) and 5,914 (maximum) cancel-rebill transactions beyond the three months of migrated data to the ATCO Utilities' new CIS, the planned manual solution using the OTC/PPA would not be a "very rare occurrence." Also, in Alberta Utility Billing's final submission, it stated that it has experienced less than 10 cases annually of cancel-rebills using the OTC/PPA process allowed under Section 5.4.4 of Rule 004, and since the frequency is low, it has never automated the handling of these cases, but a significant amount of effort is required to manually process these transactions.<sup>18</sup>

15. Direct Energy also stated that as the ATCO Utilities have the data in its original format, the PPAC should not be required as the PPAC is to be used for transactions spanning beyond periods in which the ATCO Utilities have the data in its original format.<sup>19</sup> The ATCO Utilities are relying on a section of Rule 004 that does not apply to recent data, and points out that Section 5.4.4 is aptly named "Cancel and rebills of charges spanning extended periods." This section defines an extended period to be beyond the distributor's data retention period, which the ATCO Utilities have already stated is 25 months for ATCO Gas, and 36 months for ATCO Electric. As a result, recent data cannot fall into the term "extended period." Direct Energy also explained that in contrast to the approach taken by the ATCO Utilities, EPCOR Distribution & Transmission Inc. made a decision to convert two years of data while implementing its new CIS, and also noted that Apex Utilities Inc. migrated to a new CIS without requiring a manual

<sup>15</sup> Exhibit 27657-X0001, DERS application, PDF pages 4-5.

<sup>16</sup> Exhibit 27657-X0016, ATCO Utilities submission, PDF page 4, paragraph 3.

<sup>17</sup> Exhibit 27657-X0016, ATCO Utilities submission, PDF page 4, paragraph 4.

<sup>18</sup> Exhibit 27657-X0034, Alberta Utility Billing final submission, PDF page 2.

<sup>19</sup> Exhibit 27657-X0030, DERS final submission, PDF pages 1-2, paragraphs 1-6.

cancel-rebill process.<sup>20</sup> In their reply submission, the ATCO Utilities stated that they have significantly more customers than EPCOR and Apex, which makes the volume of the ATCO Utilities' data that requires testing and validation larger.<sup>21</sup>

16. Upon review of the evidence and submissions of the parties in this proceeding, the Commission is of the view that whether the ATCO Utilities are compliant with Rule 004 rests on the interpretation of Section 5.4.4. Section 5.4.4 allows for “one or more one-time charge adjustment that summarize the adjustments to charges that spawn the period beyond the data retention period.” The ATCO Utilities relied on this provision to allow them to have retailers make manual adjustments for cancel-rebill transactions that occur beyond the three months of data that will be migrated to their new CIS, noting that “data retention” is an undefined term in Rule 004.

17. The ATCO Utilities interpreted the data retention period in Section 5.4.4 of Rule 004 to be applicable to the retention of data in their system to facilitate automated cancels and rebills, and therefore, the applicability of the OTC/PPA process. In contrast, the ATCO Utilities stated that “data retention” in Section 2.14 applies to the retention of the original TBF.

18. The Commission finds that the express link in Rule 004 between sections 2.14 and 5.4.4, the history of Section 5.4.4 and the policy objectives of Rule 004 all support the view that “data retention” has the same meaning in Section 2.14 and Section 5.4.4, contrary to the ATCO Utilities' submission. Accordingly, the ATCO Utilities would be non-compliant with Rule 004 if they were to rely on a manual solution to process cancel and rebill transactions within their “data retention” period, as that period is described in Section 2.14.

19. In the Commission's view, sections 2.14 and 5.4.4 of Rule 004 are expressly linked, such that the meaning of the phrase “data retention,” although undefined in Rule 004, has the same meaning in sections 2.14 and 5.4.4. Section 2.14 of Rule 004, entitled “Data retention,” states that “A distributor is allowed to retain tariff billing data in its original format for two years if it provides multiple One-Time Charge Records that align with the charge periods when performing cancels and rebills of charges, **as described in Section 5.4.4, spanning beyond the period that the distributor has tariff billing data in its original format.** [emphasis added]” To interpret “data retention” differently in Section 5.4.4 diminishes coherence between sections 2.14 and 5.4.4 of Rule 004, undermining how effective Rule 004 would be in achieving its purpose.

20. The history of sections 2.14 and 5.4.4 further show the linkages between these sections. In the May 14, 2015, consultation meeting relating to the introduction of the PPAC, the meeting summary observed that the intent of the PPAC was for cancel-rebill transactions for periods beyond the distributor's data retention period. This is reflected in the heading to Section 5.4.4, which is entitled “Cancels and rebills of charges spanning extended periods.” The ATCO Utilities' proposal for Section 5.4.4 to allow the PPAC to correct billing data within the “data retention” period as described in Section 2.14 makes Section 5.4.4 illogical. Cancels and rebills made within the data retention period would not span extended periods, as set out in Section 5.4.4.

21. In view of the linkages between sections 2.14 and 5.4.4, a manual cancel and rebill process applicable to cancel and rebill transactions within the “data retention” period, as

<sup>20</sup> Exhibit 27657-X0030, DERS final submission, PDF pages 1-2, paragraphs 8-9.

<sup>21</sup> Exhibit 27657-X0037, ATCO Utilities reply to final submissions, PDF page 3, paragraph 4.



described in Section 2.14, is not within scope of Section 5.4.4. The ATCO Utilities continue to have the tariff billing data in the original format, and using the OTC/PPA process to process cancel-rebill transactions for data that is within the data retention period (25 months for ATCO Gas, and 36 months for ATCO Electric) is contrary to Rule 004.

22. This finding is consistent with the purpose of Rule 004, which is an operational rule that defines the business processes and mechanics of how timely and accurate tariff bill-ready information is to be produced and transmitted to retailers by electricity and natural gas distributors for distribution and system access service.<sup>22</sup> Rule 004 is a fundamental regulatory instrument that advances a fair, efficient and openly competitive retail electricity and natural gas market, in furtherance of the overall statutory scheme. The ATCO Utilities' interpretation of Rule 004 would impose a higher number of manual transactions, which in turn would cause greater transactions costs and potentially increase the number of inaccurate consumer bills, and therefore this interpretation must be disfavoured. In this regard, the Commission observes that the volume of expected cancel-rebill transactions using the OTC/PPA would not be a "very rare occurrence," as discussed in the May 14, 2015, meeting summary, and is not supportive of a fair or efficient electricity and natural gas retail market.

23. The Commission recognizes that a CIS transition is an infrequent occurrence and that an exemption from Rule 004 may be appropriate in this circumstance. Migrating two or three years of data to the ATCO Utilities' new CIS to comply with Rule 004 requirements, and its attendant costs, may not be prudent or in the public interest if the ATCO Utilities have other options that are consistent with the purpose of the overall statutory scheme, but possibly not with the prescriptive requirements of Rule 004. This is particularly the case where the data retention issue will resolve itself over time.

24. The Commission is interested in the ATCO Utilities' proposed automated solution to transition to their new CIS, and would like further information about it. The Commission understands that the ATCO Utilities propose to test their automated solution with retailers in early November 2022.

25. The Commission understands that Direct Energy and other retailers may not prefer to do any incremental manual cancel-rebills other than those already contemplated in Section 5.4.4; however, taking such an approach to Rule 004 compliance, without considering overall costs, among other things, may not be reasonable in the circumstances. In the Commission's view, there appears to be some acknowledgment among retailers that an automated solution may be reasonable.<sup>23</sup> The ATCO Utilities' proposed automated solution may ensure efficient and orderly information exchange, consistent with the purpose of Rule 004 and the overall statutory scheme.

26. Based on the foregoing, the Commission directs the ATCO Utilities to report back to the Commission, on the record of this proceeding, by November 17, 2022, on their automated solution. Given the time constraints, the Commission understands that the report will be concise; however, it should contain:

- (i) A description of the proposed approach, including the cancels and rebills the solution would apply to, and the timeline for implementing it.

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<sup>22</sup> Rule 004, page 1.

<sup>23</sup> Exhibit 27657-X0030, DERS final submission, PDF page 5, paragraph 14.

- (ii) Risks and uncertainties in implementing the solution.
- (iii) Expected cost to implement, including any costs incurred to date.
- (iv) Retailer feedback and any support on the proposed solution.

27. Along with its report, the ATCO Utilities may also choose to file a request for an exemption from Rule 004 requirements on this proceeding record.<sup>24</sup>

28. Parties to this proceeding will have five business days to respond to the ATCO Utilities' report after it is filed and, if applicable, any request made for an exemption. For example, if the ATCO Utilities file their report and exemption request early on November 14, 2022, parties must file any comments they have supporting or opposing the ATCO Utilities' proposed automated solution and exemption request by November 21, 2022. The Commission will then issue a further decision in this proceeding.

## 5 Order

29. It is hereby ordered that:

- (1) The ATCO Utilities must report to the Commission by November 17, 2022, as set out in this decision.

Dated on November 2, 2022.

### Alberta Utilities Commission

*(original signed by)*

Cairns Price  
Commission Member

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<sup>24</sup> The requirements for an exemption are set out in Section 6.1.5 of Rule 004.

**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) Company name of counsel or representative</b>
Direct Energy Regulated Services (Direct Energy or DERS)
ATCO Gas Bennett Jones LLP
ENCOR by EPCOR
Access Gas Services Inc.
Alberta Co-operative Energy
Office of the Utilities Consumer Advocate
ENMAX Corporation
Sponsor Energy
Alberta Utility Billing Inc.

Alberta Utilities Commission
Commission panel C. Price, Commission Member
Commission staff P. Khan (Commission counsel) A. Spurrell E. Chu

## Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. Based on the foregoing, the Commission directs the ATCO Utilities to report back to the Commission, on the record of this proceeding, by November 17, 2022, on their automated solution. Given the time constraints, the Commission understands that the report will be concise; however, it should contain:
  - (i) A description of the proposed approach, including the cancels and rebills the solution would apply to, and the timeline for implementing it.
  - (ii) Risks and uncertainties in implementing the solution.
  - (iii) Expected cost to implement, including any costs incurred to date.
  - (iv) Retailer feedback and any support on the proposed solution. ....paragraph 26