Decision **27495-D01-2023**

Alberta Utilities Commission

ENMAX Energy Corporation

2023-2024 Energy Price Setting Plan

May 1, 2023

Alberta Utilities Commission
Decision 27495-D01-2023
ENMAX Energy Corporation
2023-2024 Energy Price Setting Plan
Proceeding 27495

May 1, 2023

Published by the:
Alberta Utilities Commission
Eau Claire Tower
1400, 600 Third Avenue S.W.
Calgary, Alberta T2P 0G5

Telephone: 310-4AUC (310-4282 in Alberta)
1-833-511-4AUC (1-833-511-4282 outside Alberta)
Email: info@auc.ab.ca
Website: www.auc.ab.ca

Contents

Alberta Utilities Commission

Calgary, Alberta

ENMAX Energy Corporation **Decision 27495-D01-2023**
2023-2024 Energy Price Setting Plan **Proceeding 27495**

1 Decision summary

1. In this decision, the Alberta Utilities Commission provides its findings on an application from ENMAX Energy Corporation (EEC), as a regulated rate option (RRO) provider, requesting approval of its 2023-2024 energy price setting plan (EPSP). The Commission finds the application to be satisfactory; however, it has not approved all aspects of the 2023-2024 EPSP as detailed in this decision. Consequently, EEC is required to file a compliance filing and include, as an attachment to its application, a complete EPSP that reflects the findings, directions and conclusions in this decision by no later than May 23, 2023.

2 Background and process summary

2. In Alberta, consumers can purchase electricity from various competitive retailers. The Commission does not regulate competitive retail energy rates. Customers who do not choose a competitive energy rate can buy electricity through the default RRO provider in the customer's area of service.

3. The RRO is an energy rate set in accordance with a Commission-approved EPSP. The regulated retailer submits an EPSP to the Commission for approval, and that plan sets the parameters to determine the monthly RRO rate. The RRO is intended to reflect actual market wholesale energy charges.

4. EEC is a default RRO provider and regulated retailer and, as such, is required to provide or make arrangements for the provision of an RRO in its service area. The service area includes The City of Calgary and its surrounding regions. The monthly RRO rates are filed with the Commission before they go into effect.

5. EEC, as an RRO provider, is currently operating in accordance with its 2019-2022 EPSP approved by the Commission in Decision 25537-D01-2020[1] and Disposition 25537-D02-2020.[2] The 2019-2022 EPSP adopted two new processes for determining the RRO rate: a descending clock auction, and an alternative commodity risk compensation (CRC) calculation.

6. On July 29, 2022, EEC applied to the Commission requesting approval of its 2023-2024 EPSP in the subject proceeding. The Commission issued notice of application on August 2, 2022, and received statements of intent to participate from the Office of the Utilities Consumer Advocate (UCA) and the Consumers' Coalition of Alberta (CCA).

---

[1] Decision 25537-D01-2020: ENMAX Energy Corporation, 2019-2022 Energy Price Setting Plan Compliance Filing, Proceeding 25537, July 7, 2020.

[2] Disposition 25537-D02-2020: ENMAX Energy Corporation, 2019-2022 Energy Price Setting Plan Compliance Filing, Proceeding 25537, August 28, 2020.

7. The Commission considered the application by way of a *minimal written process*, including a round of information requests (IRs) and responses and written argument and reply argument.

8. Parties submitted written argument on October 26, 2022, and written reply argument on November 4, 2022.

2.1 EEC's request for confidential treatment of commercially sensitive information and subsequent process issues

9. On July 29, 2022, along with its application, EEC submitted a motion requesting confidential treatment of certain commercially sensitive information, including redacted and unredacted versions of the EPSP and certain schedules, and expert evidence of CL Advice LLC, titled "Analysis and Recommendations of Dr. Chantale LaCasse With Respect to ENMAX Energy Corporation's Regulated Rate Option Energy Price Setting Plan for 2023-2024" (CL Advice report). The Commission granted EEC's request for confidentiality pursuant to Section 30.7 of Rule 001: *Rules of Practice*.

10. In response to Commission direction, EEC filed unredacted versions of the confidential information on the confidential portion of the record of the proceeding on September 6, 2022. Any IRs or IR responses that contained confidential information were similarly filed on the confidential portion of the record, with redacted versions filed on the public portion of the record.

11. On November 4, 2022, when submitting its reply argument, EEC uploaded the file on the public record containing information for which confidential treatment had previously been granted by the Commission. On November 7, 2022, the document was removed from the record and EEC subsequently uploaded a new public version of its reply argument, with the confidential information redacted.

12. On November 8, 2022, the UCA filed a letter on the confidential record outlining its concerns with EEC's breach of the Commission's confidentiality ruling. It requested that the Commission conduct a full investigation into the breach of confidentiality, [redacted]

- [redacted]

- [redacted]

- [redacted][3]

13. [redacted][4]

[3] Exhibit 27495-X0072-C, CONFIDENTIAL UCA Letter re Breach of Confidentiality by EEC.
[4] Exhibit 27495-X0073-C, CONFIDENTIAL Letter from EEC re Response to UCA Letter on Confidentiality.

14. On November 25, 2022, the Commission reiterated its expectations regarding the significant attention and oversight related to submissions that contain or refer to information that has been granted confidential treatment, and stated that it was referring the disclosure to the Commission's Enforcement division.

15. [redacted]

16. [redacted]

- [redacted]
- [redacted]
- [redacted][5]

17. [redacted]

18. [redacted]

19. [redacted][6]

2.2 Application summary

20. In its application, EEC updated its approved 2019-2022 EPSP and made minor changes. Notable proposed changes to the 2019-2022 EPSP included:

- Issue 1 - Line of credit term and definition.

5 Exhibit 27495-X0079-C, PDF pages 7-8, and Exhibit 27495-X0080-C, PDF page 7.
6 Exhibit 27495-X0086-C, Confidential AUC letter close of record.

- Issue 2 - Calculation of the forecast NGX collateral costs.
- Issue 3 - Modification to the definition of "trading limit."
- Issue 4 - Duration of auction phases.

21. In its argument, the CCA proposed a competitiveness assessment [redacted] Further, the UCA proposed to remove the CRC from the energy revenues used to calculate EEC's energy return margin. The UCA additionally recommended that EEC limit the instances in which it recovers monthly monitoring costs. The Commission will decide on these intervener proposals:

- Issue 5 - Auction competitiveness assessment.
- Issue 6 - Excluding CRC from the energy revenues to calculate the energy return margin.
- Issue 7 - Limit the recovery of monthly monitoring costs to when, and if, the backstop mechanism is triggered.

22. In reaching the determinations set out within this decision, the Commission considered all relevant public and confidential material comprising the record of this proceeding. Where general information was included in the confidential filing that did not disclose confidential information on EEC's procurement protocol or other components of the EPSP, the Commission has referred to this general information in this decision.

23. References in this decision to specific parts of this record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the public and confidential record with respect to that matter.

3 Modifications to the 2019-2022 EPSP

3.1 Revision to the updating of the letter of credit rate

24. In the following section, the Commission denies the UCA's proposal to require Commission approval of any changes to EEC's letter of credit (LOC) rate but requires EEC to update its proposed wording in Section C(1) of Schedule F to include clarification of when updates to the LOC rate will occur.

25. Schedule A of the 2023-2024 EPSP included the following term and definition:

> **Letter of Credit (LOC) Rate** means the percentage value ENMAX Energy pays in fees on any outstanding balances and used to calculate third party collateral requirements[7]

26. This term and definition is the same as that included in the approved 2019-2022 EPSP. It is used as an input in calculating the monthly Alberta Electric System Operator (AESO) collateral costs and the monthly Natural Gas Exchange (NGX) collateral costs, as described in Section C(1) and Section C(4) of Schedule F of the 2023-2024 EPSP.

[7] Exhibit 27495-X0030, PDF page 10.

27. In calculating the monthly AESO collateral costs, as set out in Section C(1) of Schedule F of the 2023-2024 EPSP, EEC included the following reference to the LOC and when it would be updated:

> **"LOC"** is the LOC Rate and will be updated by ENMAX Energy.[8]

28. Section C(1) of Schedule F of the approved 2019-2022 EPSP included the following reference to the LOC and when it would be updated:

> **"LOC"** is the LOC Rate and will be updated annually by ENMAX Energy.[9]

29. The UCA did not object to the proposed change to allow more frequent updates to the LOC rate. However, it stated that it is concerned with ensuring that any such updates are made with the appropriate oversight. The UCA recommended that any changes to the LOC rate be filed with the Commission for approval as part of EEC's monthly energy rate filings, along with the requisite support for any such change.[10]

30. EEC did not agree with the UCA's recommendation and requested that it be denied. EEC indicated that the LOC rate will only be updated when there is a change in ENMAX Corporation's credit rating, when a new financial institution is selected, or when a third party changes it. EEC added that the LOC rate already appears in the monthly energy rate filings and is supported by a signed attestation letter. It submitted that providing more granular detail of the LOC rate calculations would require confidential treatment and lead to increased regulatory burden with no discernable benefit to RRO customers.[11]

31. The Commission denies the UCA's request. The Commission finds that requiring EEC to request Commission approval of a change to the LOC rate would be unnecessary and inefficient. The Commission does not approve the monthly energy rates filed by EEC, but instead acknowledges that those rates are determined in accordance with the approved EPSP. Requiring the Commission to approve a component of the monthly energy rates, when the Commission does not approve the total energy rates, is not logical and constitutes an unnecessary level of oversight.

32. The Commission places weight on the signed attestation letters that are included as part of the monthly energy rate filings, which includes the following: "ENMAX Energy affirms that all actual data, where employed, is correctly stated and reflects the underlying records of ENMAX Energy."[12] This provides the Commission with assurance that the LOC rate included in the monthly energy rate filings is accurate. In addition, EEC is required to retain sufficient records to enable the Commission to audit the monthly energy rate calculations, if it chooses to do so.[13]

---

8 Exhibit 27495-X0030, PDF page 52.
9 Disposition 25537-D02-2020, Appendix 1, PDF page 55.
10 Exhibit 27495-X0066, paragraph 37.
11 Exhibit 27495-X0071, paragraphs 20-22.
12 Proceeding 27738, ENMAX Energy Corporation, November 2022 regulated rates, Exhibit 27738-X0003.
13 This requirement is included in the Commission's monthly acknowledgment letter of ENMAX's regulated rates, including Disposition 27738-D01-2022: ENMAX Energy Corporation, November 2022 Regulated Rate Tariff Electric Energy Charges, Proceeding 27738, October 26, 2022.

33. EEC is not anticipating the LOC rates to change regularly. It requested the change to account for a circumstance that materially impacts the LOC rate off-cycle from its expected annual update. EEC noted that a material circumstance could include a change to ENMAX Corporation's credit rating or a change to the financial institution agreements in place.[14]

34. The Commission finds that the proposed LOC wording in Section C(1) of Schedule F of the 2023-2024 EPSP, which allows the LOC rate to be updated more frequently, allows EEC to prepare a more accurate forecast of the LOC rate to be included in determining the monthly AESO collateral costs and the monthly NGX collateral costs, because it reflects more recent actual data. Instead of approving the proposed LOC wording for Section C(1) of Schedule F of the 2023-2024 EPSP as filed by EEC, the Commission considers that the clarification provided by EEC about when the updates would occur is instructive, and that the wording in Section C(1) of Schedule F of the 2023-2024 EPSP should be updated to reflect this clarification. Therefore, the Commission directs EEC, as part of the compliance filing to this decision, to update the LOC wording in Section C(1) of Schedule F of the 2023-2024 EPSP to include details about when the updates to the LOC rate will occur, reflecting the information provided in response to EEC-AUC-2022SEP19-007 of Exhibit 27495-X0049 and the information provided in paragraph 20 of Exhibit 27495-X0071.

3.2 Calculation of the forecast NGX collateral costs

35. The Commission denies EEC's request to change how the monthly NGX collateral costs are calculated and reported.

36. The NGX collateral costs are costs associated with posting financial security with the NGX. While the definition of the NGX collateral costs is included as part of the EPSP, details of the calculation of the monthly NGX collateral costs are not set out in the EPSP. Details of the calculation are included in the illustrative energy charge workbook. EEC did not change the definition of the NGX collateral costs in the 2023-2024 EPSP. However, it did request approval of a change to how the monthly NGX collateral costs are calculated and reported in the illustrative energy charge workbook.

37. The currently approved illustrative energy charge workbook includes two inputs for the calculation of the NGX collateral costs: the posted collateral amount and the LOC rate. The product of these two inputs is divided by 12 to calculate the forecast monthly NGX collateral costs.

38. EEC proposed to add a line item described as "prior month adjustment" to the illustrative energy charge workbook, and to use the corresponding amount as another input in calculating the forecast monthly NGX collateral costs. It indicated that this prior month adjustment represented the inter-month adjustment to the posted collateral amount. The revised calculation of the forecast monthly NGX collateral costs is the product of the posted collateral amount and the LOC rate, divided by 12, plus the prior month adjustment amount.[15]

[14] Exhibit 27495-X0049, EEC-AUC-2022SEP19-007, PDF page 10.
[15] Exhibit 27495-X0007, worksheet "2 Inputs," cells D112 to D116.

39. EEC included an explanation of why it is necessary to include a prior month adjustment amount, how it will be calculated and how it should be permitted considering the prohibition against any true-ups or deferral accounts being included for energy costs.[16]

40. The Commission has reviewed EEC's explanations, and denies EEC's request. The use of the term "prior month adjustment" implies a true-up for activities from a previous month, and this was verified by EEC's statement, "In addition to the LOC cost forecast, ENMAX Energy includes an adjustment where the collateral changed in the prior month due to new requirements put forth by the NGX."[17] Any amounts for the current month's forecast that include differences in costs between the previous month's actuals and forecast is not permitted under the *Regulated Rate Option Regulation*. EEC is required to make monthly forecasts for the NGX collateral costs and EEC is at risk for any differences between the actual costs and the forecast costs.

41. The Commission considers that there are still only two inputs required to forecast the monthly NGX collateral costs, namely the posted collateral amount and the LOC rate. EEC explained that the posted collateral amount can change daily, and that is why the prior month adjustment is required. The Commission considers that the prior month adjustment is not required as a specific line item, because any changes in the posted collateral amount during the forecast month can be incorporated into the forecast posted collateral amount, with the resulting forecast being a daily average balance. Any differences between the forecast daily average balance and the actual daily average balance are to the account of EEC's shareholder.

42. The Commission directs EEC, as part of the compliance filing to this decision, to update and refile the illustrative energy charge workbook, Exhibit 27495-X0007, by removing, in worksheet "2 Inputs," the prior month adjustment wording and the associated amount and by removing the addition of anything for a prior month adjustment in the formula for calculating the monthly NGX collateral costs.

3.3 Competitiveness assessments

43. [redacted]

44. [redacted]

45. [redacted]

[16] Exhibit 27495-X0049, EEC-AUC-2022SEP19-002, PDF page 3.
[17] Exhibit 27495-X0049, EEC-AUC-2022SEP19-002(c), PDF page 4.

[redacted][18]

46. [redacted]

47. [redacted][19]

48. [redacted][20]

49. [redacted]

18 Exhibit 27495-X0065-C, paragraphs 19-20.
19 Exhibit 27495-X0071-C, paragraphs 23-27.
20 Exhibit 27495-X0064-C, EEA-CCA-2022OCT06-001(d), PDF page 9.

3.4 Revision to the definition of trading limit

50. The Commission approves EEC's change to the definition of "TL" in its EPSP and denies the UCA's request to require EEC to provide an assessment of the merits of allocating the trading limit based on volumes, as part of a compliance filing to this decision.

51. Schedule F of the 2023-2024 EPSP included the following term and definition:

> "TL" is **the RRO portion** of the Trading Limit established for ENMAX Energy in the AESO Credit Procedure Guide. [emphasis added]

52. The above definition differs from the approved 2019-2022 EPSP by adding the wording "the RRO portion." The TL or trading limit is an unsecured credit limit that AESO provides to EEC, and it is used by both the regulated and unregulated businesses.

53. EEC calculates a ratio between regulated and unregulated businesses to allocate a portion of the trading limit costs to the RRO. The current ratio calculation is based on site counts: RRO sites relative to total customer sites. In EEC's IR response to the Commission, EEC stated that the definition change clarifies that the trading limit relates only to the RRO, and that it was exploring the adoption of a ratio that uses regulated and unregulated energy volumes. The energy volumes are expected by EEC to be a better indicator of cost causation.

54. The UCA, in its argument submission, was supportive of using energy volumes to determine the trading limit ratio and requested that EEC be directed to provide an analysis on its merits as part of a compliance filing to this decision. The UCA stated concerns that if the analysis was not completed on this proceeding, consideration of the issue would be delayed.

55. In EEC's reply argument, it requested that the Commission deny the UCA's proposal for an energy volume analysis. EEC stated that the analysis is not a condition for approval of its 2023-2024 EPSP and that the cost of completing the analysis would exceed any potential effects on trading limits cost.

56. The Commission accepts the "TL" definition submitted as part of the 2023-2024 EPSP. There was no objection by interveners to the change, and the Commission agrees that the added wording clarifies that the portion of unsecured credit limit relates to the RRO function.

57. The Commission denies the UCA's request for EEC to submit a compliance filing to assess the merits of allocating trading limit costs using energy volumes. The change was not submitted as part of this application by EEC. Instead, EEC explained its intent to explore the energy volume methodology in its IR responses to the Commission. EEC also stated that the potential effect on trading limit costs may be minimal. The Commission agrees that the additional work required to complete the analysis would outweigh the benefit of implementing an energy volume ratio at this time.

58. The Commission directs EEC to submit an analysis on the merits of using energy volumes to determine the trading limit ratio in its next EPSP application. All parties communicated that there may be merit in allocating trading limit costs by energy volumes during this proceeding. EEC also communicated that it had already considered exploring some form of analysis on the subject in its next EPSP application. The Commission finds that the interest expressed by the parties is, therefore, sufficient reason to assess a trading limit ratio determined

by energy volumes and that its submission in a future application is the most efficient manner to proceed.

3.5 Exclude the net CRC from the revenues on which the energy return margin is calculated

59. The Commission accepts the UCA's recommendation to remove net CRC from the energy revenues upon which EEC's return markup is applied and requires EEC to reflect this removal in it compliance filing to this decision.

60. EEC receives an energy return margin for its obligation to provide RRO service, as required under Section 6(1)(b)(i) of the *Regulated Rate Option Regulation.* The approved after-tax return margin is calculated as a markup of energy revenues, distribution and transmission revenue and non-energy revenue, excluding local access fees and return revenues and expressed in dollars per megawatt hour.[21] The CRC is a legislated requirement under Section 3(1)(a)(iii) of the *Regulated Rate Option Regulation* that is meant to provide financial compensation for the risk that an RRO provider faces due to uncertainties associated with the quantity of energy to be supplied or the price at which the energy is procured.[22] When calculating the energy return margin, the CRC is included in the energy revenues upon which EEC's return markup is applied.

61. While the UCA did not challenge the descending-clock auction and a market-based CRC, it recommended that the interrelationship between risk margin and reasonable return be reconsidered. The UCA submitted that the net CRC collected by EEC effectively represents a profit, and if it is included in the energy return margin calculation, EEC is effectively receiving a return on what already represents a profit component. Accordingly, the UCA suggested that the net CRC be removed from the energy revenues included in the calculation of EEC's energy return margin.[23] The UCA stated that by removing this profit component, it would be consistent with the current methodology, which excludes the return margin revenue from the calculation. It added that this also appears to be consistent with Section 6(1)(b) of the *Regulated Rate Option Regulation*, which states that the risk margin must not be considered as a part of the reasonable return.[24]

62. The UCA commented that this inclusion of the CRC in the calculation of the energy return margin does not appear to have been addressed in Decision 2941-D01-2015.[25] It submitted that it is an issue that requires further scrutiny at this stage, in light of the significant changes to the CRC landscape over the past few years as well as the current affordability crisis facing RRO customers.[26] EEC replied that the affordability basis for the UCA's position is not founded on anything in the legislative scheme within which the EPSP is developed. It stated that neither the *Regulated Rate Option Regulation* nor the *Electric Utilities Act* mandate the Commission to consider affordability in reviewing and approving an EPSP. EEC commented that the concept of

21 Exhibit 27495-X0030-C, EEC EPSP, Schedule F, Section D, PDF page 55.
22 Exhibit 27495-X0002, EEC application, paragraph 159.
23 Exhibit 27495-X0066, UCA argument, paragraph 15.
24 Exhibit 27495-X0066, UCA argument, paragraphs 12 and 13.
25 Decision 2941-D01-2015: Direct Energy Regulated Services, ENMAX Energy Corporation and EPCOR Energy Alberta GP Inc., Regulated Rate Tariff and Energy Price Setting Plans – Generic Proceeding: Part B – Final Decision, Proceeding 2941, Application 1610120-1, March 10, 2015.
26 Exhibit 27495-X0066, UCA argument, paragraph 14.

affordability implies consideration of individual customer circumstance, which is beyond the scope of the current proceeding.[27]

63. EEC submitted that the foundation of the UCA's argument is that the energy return margin and the CRC compensate for the same thing, but this is not the case. It commented that the return revenues compensate for the services provided while there is no guarantee of commodity gains and that a month or two of highly volatile pool prices or extreme weather events can exceed the CRC that is provided.[28] EEC added that the Commission has established that the energy return margin be calculated on all retail revenues, including the CRC, and there have been no changes to legislation that support excluding the risk margin from the calculation of the return margin.[29]

64. The Commission accepts the UCA's recommendation that the net CRC, which is calculated as the difference between the clearing price of the full-load strips and the weighted average clearing price of all procured peak blocks and flat blocks, be removed from the revenues used in the calculation of the return margin. The Commission directs EEC, in the compliance filing to this decision, to amend the wording in Section D of Schedule F, and any other relevant areas of the proposed 2023-2024 EPSP, to make it clear that the **net** CRC is to be removed from the calculation of the return margin. The Commission also directs EEC, as part of the compliance filing, to amend the illustrative energy charge workbook that accompanies the 2023-2024 EPSP, so that it incorporates the amended wording and formula for the calculation of the return margin. The Commission further directs EEC, as part of the compliance filing, to recalculate and submit the initial return margin to be used in the 2023-2024 EPSP, using the information for 2021 reported in the 2021 Rule 005[30] filing, and including the details of the recalculation.

65. The Commission acknowledges the UCA's submission that the inclusion of the CRC in the calculation of the return margin does not appear to have been addressed in Decision 2941-D01-2015. Therefore, no specific direction was given with respect to this component. All three RRO providers now receive market-based CRC, which was not the case when Decision 2941-D01-2015 was issued, and the Commission considers that this is another reason to examine this issue here. In doing so, the Commission panel is aware that the UCA has made the same recommendation about the calculation of the return margin in Proceeding 27562, which is Direct Energy Regulated Services' 2023-2025 EPSP. This issue was decided on in Decision 27562-D01-2022.[31]

66. The evidence shows that under the previous CRC methodology, EEC had a net CRC gain of approximately $0.46 million over the 25-month period under its 2016-2018 EPSP. Under the market-based methodology, EEC has had a net CRC gain of approximately $5.14 million over the 18-month period under its 2019-2022 EPSP, including a net CRC gain of $3.71 million in the first five months of 2022 alone.[32] This supports the UCA's submission that there has been a significant change to the CRC landscape.

[27] Exhibit 27495-X0071, EEC reply argument, paragraph 8.
[28] Exhibit 27495-X0071, EEC reply argument, paragraph 7.
[29] Exhibit 27495-X0071, EEC reply argument, paragraph 6.
[30] Rule 005: *Annual Reporting Requirements of Financial and Operational Results.*
[31] Decision 27562-D01-2022: Direct Energy Regulated Services, 2023-2025 Energy Price Setting Plan, Proceeding 27562, December 22, 2022.
[32] Exhibit 27495-X0066, UCA argument, paragraph 8.

67. Including the net CRC in the calculation of the return margin will increase the return margin for EEC if the net CRC figure is positive, and will decrease the return margin if the figure is negative. If the net CRC for a year is positive, that means EEC's shareholder has already realized a commodity profit. If EEC is then permitted to include this commodity profit in the calculation of the return margin, this creates a compounding effect that would allow EEC to earn a further profit on the risk compensation, through the return margin. The Commission considers that this is not fair to customers, because this would result in a commodity profit component being included in the return margin when a positive amount was already earned for commodity risk, and therefore finds that the net CRC figure should be excluded from the calculation of the return margin, in order to avoid this compounding effect. This finding is symmetrical, and will benefit EEC in the case where EEC's net CRC for a year is negative.

4 Flexibility in the 2019-2022 EPSP to amend the duration of the rounds and phases within the round

68. The 2019-2022 EPSP included flexibility for EEC to modify the duration of the auction rounds within a range of 2-15 minutes, or the duration of the phases within the auction rounds. If any modifications were made to these duration parameters, EEC was required to file them with the Commission for acknowledgment. The bidding phase duration set out in the 2019-2022 EPSP was 1-2 minutes and the reporting phase was set to be no longer than one minute.

69. In the application, EEC indicated that beginning with the first auction under the 2019-2022 EPSP, the bidding phase used was two minutes and 50 seconds, and the reporting phase used was 10 seconds. EEC explained that these durations were selected based on discussions with the NGX and feedback from suppliers in the EPCOR Energy Alberta GP Inc. auctions, and match the durations used in EPCOR's auctions. EEC noted that it inadvertently failed to notify the Commission of the changes it had made to the durations set out in the 2019-2022 EPSP.

70. The Commission acknowledges the modifications that EEC made to the duration of the bidding phase and the reporting phase that were set out in the 2019-2022 EPSP, and considers that the reasons for the modifications are justified.

71. The proposed 2023-2024 EPSP includes flexibility for EEC to adjust specific auction parameters, with the requirement that EEC file any adjustments that are made with the Commission for acknowledgment. The Commission expects EEC to be cognizant of this requirement, and to file any acknowledgment requests no later than 30 days after the adjustments are made. This will keep the Commission and other interested parties informed of any adjustments on a timely basis.

5 Limit the recovery of monthly monitoring costs (backstop service costs)

72. The Commission denies the UCA's proposal to only allow monthly monitoring costs related to the backstop mechanism in months when the mechanism is triggered.

73. EEC has listed costs that it incurs to facilitate the EPSP. Consistent with the current EPSP, it has listed backstop service costs, which includes a market monitoring fee of $2,500 per month and a charge of $5,000 per quote when the backstop is triggered. These services are performed by URICA.

74. A backstop is in place to ensure that the required volumes are procured. Typical procurement comes from three regular auction sessions. If these are unsuccessful in producing the required volumes, EEC will hold up to two contingency auction sessions. If these contingency auction sessions are additionally unsuccessful, the backstop mechanism is triggered. Once triggered, URICA will initiate a competitive Request for Quotation process in the over-the-counter market to procure any outstanding volumes from Confirmed Backstop Suppliers.

75. To ensure that it is prepared to initiate a backstop mechanism, URICA performs monthly monitoring of the market at a cost of $2,500 per month.

76. The UCA argued that the monthly monitoring cost should only be allowed if the backstop mechanism is triggered. It noted that EEC has proposed to amend its backstop mechanism such that it would be triggered after its final contingency auction session ahead of the eighth business day prior to the first day of the month and that this should provide sufficient time for reactive monitoring.

77. EEC responded that the ongoing preparation work by URICA each month is critical for the backstop mechanism to be successful when triggered. It described URICA's monitoring activities to include review of the credit status of potential backstop suppliers for potential participation in the backstop process, review of EEC's associated requirements and the requirements of potential backstop suppliers, and regular market screening and discussions with market participants regarding indicative pricing. It asserts that the background monitoring is necessary for the backstop mechanism to be operational in a timely and successful manner when triggered. EEC further clarified that its proposed amendment to the backstop mechanism would not obviate the need for monthly monitoring.

78. The Commission rejects the UCA's recommendation to only allow the monthly monitoring cost if the backstop mechanism is triggered, and it refers to its findings in Decision 24721-D01-2020.[33]

79. The Commission approves EEC's proposed modification to its backstop mechanism, and accepts that this modification will not reduce the need for monthly monitoring.

6 Term of the proposed EPSP

80. EEC requested approval of the 2023-2024 EPSP for a two-year term (commencing January 1, 2023, and ending December 31, 2024). The Commission considers that it is reasonable for EEC's proposed EPSP to remain in effect until December 31, 2024. The Commission, therefore, directs EEC to apply for an extension of its 2023-2024 EPSP by no later than November 30, 2024, unless a new EPSP is approved by the Commission prior to its expiry on December 31, 2024.

---

[33] Decision 24721-D01-2020: ENMAX Energy Corporation, 2019-2022 Energy Price Setting Plan, Proceeding 24721, March 19, 2020, paragraph 216.

7 Responses to previous Commission directions

81. EEC initially applied for approval of its 2019-2022 EPSP in Proceeding 24721. In Decision 24721-D01-2020, the Commission found that the proposed auction design satisfied the requirements set out in the *Regulated Rate Option Regulation*, but it did not approve all aspects of the 2019-2022 EPSP. The Commission directed EEC to reapply for its 2019-2022 EPSP as part of a compliance filing.

82. EEC reapplied in Proceeding 25537, and the 2019-2022 EPSP was approved in Decision 25537-D01-2020.

83. Both decisions 24721-D01-2020 and 25537-D01-2020 contained directions relevant to the current application. The Commission has reviewed EEC's application with respect to directions in those decisions and finds that EEC has complied with directions 7 and 8 from Decision 24721-D01-2020 and Direction 2 from Decision 25537-D01-2020.

8 Compliance filing

84. To account for the Commission's findings and directions included as part of this decision, it is necessary for EEC to submit a compliance filing. The Commission directs EEC to submit a compliance filing on or before May 23, 2023, that incorporates all the effects of the Commission's findings and directions in this decision. The compliance filing should include an updated public and confidential 2023-2024 EPSP, and an updated illustrative energy charge workbook.

85. The directions and findings EEC is required to incorporate into the compliance filing should be fairly straightforward. Consequently, if EEC complies fully with all of the directions and findings from this decision and it does not include any new requests or non-directed changes in its compliance filing, the Commission considers that the compliance filing could be dealt with as a routine application as set out in Section 4 (Streamlining compliance filings), of Bulletin 2016-18, Rates proceedings process improvements, October 18, 2016.

8.1 Modifications to the proposed 2023-2024 EPSP and illustrative energy worksheet model

86. The Commission identifies below corrections to be made to the proposed 2023-2024 EPSP and the illustrative energy worksheet model.

87. In the "Template for the Proposed RRO Energy Charge Calculation,"[34] the Commission has identified two items for correction:

(a) On worksheet "1 Calculations," in Row 51, Formula #8 has to be updated to include "+ MC."

(b) On worksheet "1 Calculations," in Excel cell K44, the word "Miscillaneous" needs to be corrected to "Miscellaneous."

[34] Exhibit 27495-X0007.

88. In the proposed EPSP at Schedule A, the definition of "Months Procurement Target" needs to be corrected by adding the word "and" at the second line, after the words "Full-Load Product."

89. In Appendix B.1, the sentence at Section F(d) must be revised to state the following: "ENMAX Energy will recover these Backstop Service Costs, excluding item c) above, as part of the RRO Energy Charge" as requested by EEC in its response to Commission IRs.[35]

90. The Commission directs EEC to make the above-identified corrections to the EPSP and illustrative energy worksheet model and to submit the revised versions with its compliance filing. The Commission further directs EEC to include with its compliance filing a consolidated list of all corrections made.

9 Order

91. It is hereby ordered that:

(1) ENMAX Energy Corporation shall file a compliance filing to its 2023-2024 energy price setting plan, and include as an attachment to its application a complete energy price setting plan that reflects the findings, directions and conclusions in this decision, by no later than May 23, 2023.

Dated on May 1, 2023.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

(original signed by)

Vincent Kostesky
Acting Commission Member

[35] Exhibit 27495-X0049, EEC responses to AUC IRs, PDF page 6.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) **Company name of counsel or representative**
ENMAX Energy Corporation (EEC) Regulatory Law Chambers
Office of the Utilities Consumer Advocate (UCA) Reynolds, Mirth, Richards & Farmer LLP
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission Commission panel C. Dahl Rees, Chair V. Kostesky, Acting Commission Member Commission staff R. Watson (Commission counsel) L. Fukuda D. Mitchell M. Logan K. O'Neill

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. The Commission finds that the proposed LOC wording in Section C(1) of Schedule F of the 2023-2024 EPSP, which allows the LOC rate to be updated more frequently, allows EEC to prepare a more accurate forecast of the LOC rate to be included in determining the monthly AESO collateral costs and the monthly NGX collateral costs, because it reflects more recent actual data. Instead of approving the proposed LOC wording for Section C(1) of Schedule F of the 2023-2024 EPSP as filed by EEC, the Commission considers that the clarification provided by EEC about when the updates would occur is instructive, and that the wording in Section C(1) of Schedule F of the 2023-2024 EPSP should be updated to reflect this clarification. Therefore, the Commission directs EEC, as part of the compliance filing to this decision, to update the LOC wording in Section C(1) of Schedule F of the 2023-2024 EPSP to include details about when the updates to the LOC rate will occur, reflecting the information provided in response to EEC AUC-2022SEP19-007 of Exhibit 27495-X0049 and the information provided in paragraph 20 of Exhibit 27495-X0071. .... paragraph 34

2. The Commission directs EEC, as part of the compliance filing to this decision, to update and refile the illustrative energy charge workbook, Exhibit 27495-X0007, by removing, in worksheet "2 Inputs," the prior month adjustment wording and the associated amount and by removing the addition of anything for a prior month adjustment in the formula for calculating the monthly NGX collateral costs. .... paragraph 42

3. The Commission directs EEC to submit an analysis on the merits of using energy volumes to determine the trading limit ratio in its next EPSP application. All parties communicated that there may be merit in allocating trading limit costs by energy volumes during this proceeding. EEC also communicated that it had already considered exploring some form of analysis on the subject in its next EPSP application. The Commission finds that the interest expressed by the parties is, therefore, sufficient reason to assess a trading limit ratio determined by energy volumes and that its submission in a future application is the most efficient manner to proceed. .... paragraph 58

4. The Commission accepts the UCA's recommendation that the net CRC, which is calculated as the difference between the clearing price of the full-load strips and the weighted average clearing price of all procured peak blocks and flat blocks, be removed from the revenues used in the calculation of the return margin. The Commission directs EEC, in the compliance filing to this decision, to amend the wording in Section D of Schedule F, and any other relevant areas of the proposed 2023-2024 EPSP, to make it clear that the net CRC is to be removed from the calculation of the return margin. The Commission also directs EEC, as part of the compliance filing, to amend the illustrative energy charge workbook that accompanies the 2023-2024 EPSP, so that it incorporates the amended wording and formula for the calculation of the return margin. The Commission further directs EEC, as part of the compliance filing, to recalculate and submit the initial return margin to be used in the 2023-2024 EPSP, using the information

for 2021 reported in the 2021 Rule 005 filing, and including the details of the recalculation. ....paragraph 64

5. EEC requested approval of the 2023-2024 EPSP for a two-year term (commencing January 1, 2023, and ending December 31, 2024). The Commission considers that it is reasonable for EEC's proposed EPSP to remain in effect until December 31, 2024. The Commission, therefore, directs EEC to apply for an extension of its 2023-2024 EPSP by no later than November 30, 2024, unless a new EPSP is approved by the Commission prior to its expiry on December 31, 2024. ....paragraph 80

6. To account for the Commission's findings and directions included as part of this decision, it is necessary for EEC to submit a compliance filing. The Commission directs EEC to submit a compliance filing on or before May 23, 2023, that incorporates all the effects of the Commission's findings and directions in this decision. The compliance filing should include an updated public and confidential 2023-2024 EPSP, and an updated illustrative energy charge workbook. ....paragraph 84

7. The Commission directs EEC to make the above-identified corrections to the EPSP and illustrative energy worksheet model and to submit the revised versions with its compliance filing. The Commission further directs EEC to include with its compliance filing a consolidated list of all corrections made. ....paragraph 90