



Alberta Electric System Operator

Deferral Account Reconciliation Methodology Revision

September 26, 2023

Alberta Utilities Commission

Decision 28293-D02-2023

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Proceeding 28293

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1 Decision summary

1. For the reasons set out in this decision, the Alberta Utilities Commission approves the Alberta Electric System Operator's (AESO) request to revise its deferral account reconciliation (DAR) methodology.

2 Introduction and background

2. The AESO is the Independent System Operator (ISO) in Alberta, charged with multiple roles. One of those roles is to provide system access service (SAS) on the transmission system through the ISO tariff. The AESO may undercollect or overcollect its forecast revenue requirement through the ISO tariff for three of its rate classes.¹ This can occur because the costs the AESO must include in its tariff may change as a result of Commission decisions regarding transmission facility owner tariffs or parts of the tariff that are linked to the wholesale pool price of electricity that may differ from its forecast. Additionally, the difference between forecast and actual billing determinants may alter the AESO's collected revenue. Should the AESO undercollect or overcollect its revenue requirement through the ISO tariff, it has a deferral account in order to ensure that, on an annual basis, no profit or loss results from its operation.

3. On June 30, 2023, the AESO filed an application with the Commission requesting approval of its 2022 DAR and for changes to the deferral account balances from 2018 to 2022. These reconciled variances arise between the actual costs the AESO incurred in providing SAS to market participants and the amounts recovered in rates charged to market participants for those years. The AESO requested approval of the determination and allocation of a \$18.9 million net deferral account surplus.² On August 1, 2023, the Commission issued Decision 28293-D01-2023,³ approving the AESO's 2022 DAR.

4. In addition to its request for approval and allocation of the \$18.9 million net deferral account surplus, the AESO also requested approval of a revision to the DAR methodology to restrict retrospective DAR adjustments to a maximum of five years for future DAR applications.⁴ To ensure that the AESO can commence development of its future DAR filings with a five-year retrospective limit, the AESO requested that the Commission approve this methodology revision

¹ Exhibit 28293-X0002, application, paragraphs 2 and 42. The three rate classes are Rate Demand Transmission Service (Rate DTS), Rate Fort Nelson Transmission Service (Rate FTS) and Rate Primary Service Credit (Rate PSC).

² Exhibit 28293-X0002, application, paragraph 3.

³ Decision 28293-D01-2023: Alberta Electric System Operator, 2022 Deferral Account Reconciliation, Proceeding 28293, August 1, 2023.

⁴ Exhibit 28293-X0002, application, paragraph 6.

by September 29, 2023.⁵ This decision relates to the AESO's request to revise its DAR methodology.

5. The Commission issued notice of the application on July 4, 2023, but received no statements of intent to participate by the July 11, 2023, deadline.

6. On July 24, 2023, the Commission issued information requests (IRs) to the AESO seeking clarification of the AESO's proposed DAR methodology revision. The Commission considers the record of this proceeding to have closed on August 3, 2023, the day that the AESO filed its IR responses to the Commission.

3 Should the Commission approve the AESO's proposed DAR methodology revision?

7. The AESO proposed to limit retrospective DAR adjustments to five years for the 2023 DAR and subsequent DARs, which would require the AESO to apply revenue and cost adjustments to the associated production year for the most recent five years. The AESO explained that adjustments that occur in year six and beyond would be consolidated and included in the year five deferral calculation.⁶

8. For reasons that follow, the Commission finds that the proposed DAR methodology revision is reasonable, and approves the revision as filed.

9. First, the Commission accepts that the proposed revision is unlikely to create material and deleterious changes in individual collection/refund amounts for market participants. This is because the amounts that are collected through a DAR are generally relatively small when compared to the amounts collected through annual rates and Rider C.⁷ In particular, the Commission observes that the year six and beyond DAR amounts have, in recent years, made up a negligible portion of the AESO's annual transmission revenue.⁸ As an example, the AESO identified that the average of the sum of the year six and beyond DAR amounts (based on information from the 2013 to 2022 DAR applications) is equal to \$4.9 million, or 0.2 per cent of the AESO's total base rate revenue for 2022 of \$2,542.5 million.⁹ The AESO also anticipates that these amounts will continue to decrease in the future.¹⁰

10. Therefore, under the proposed revision, when the year six and beyond DAR amounts are consolidated into year five of a DAR application, dispersed and allocated to each relevant market participant based on their percentage of the AESO's total base rate revenues collected (where the impact to each market participant is also proportional to their percentage of total base rate revenues),¹¹ and compared to the allocations under the current DAR methodology, the Commission expects that the effects of the proposed revision would also be negligible on

⁵ Exhibit 28293-X0001, PDF page 1.

⁶ Exhibit 28293-X0002, application, paragraph 94.

⁷ Exhibit 28293-X0031, AESO-AUC-2023JUL24-001 to 004, IR response AESO-AUC-2023JUL24-003(a), PDF page 8 and Exhibit 28293-X0022, Appendix I - Deferral Account Reconciliation (DAR) Methodology Impact Analysis Report, PDF page 5.

⁸ Exhibit 28293-X0022, PDF page 5.

⁹ Exhibit 28293-X0031, IR response AESO-AUC-2023JUL24-003(a), PDF page 8.

¹⁰ Exhibit 28293-X0002, application, PDF page 28, paragraph 97.

¹¹ Exhibit 28293-X0031, IR response AESO-AUC-2023JUL24-003(a), PDF page 8.

individual market participants (barring any exceptional circumstances). This process, with examples of how market participants would be affected by the proposed revision at a site level, was outlined by the AESO in Appendix K of the application using data from the 2021 DAR application.¹²

11. Furthermore, the Commission is persuaded by the AESO's analysis in Appendix I of the application,¹³ which demonstrated that the revision had minimal impact on deferral account balances and revenues for market participants, when applied to the 2021 DAR amounts (no site was impacted by more than 0.07 per cent of its total revenue).

12. Second, the Commission observes that the AESO on multiple occasions notified affected stakeholders about the proposed revision through its actively used stakeholder engagement communication channels, utilized these communication methods to promote understanding of the proposed revision and its potential effects, and gave stakeholders multiple opportunities to provide feedback.¹⁴ Based on the consultation materials the AESO included as part of its application, the Commission observes that no market participant involved in the consultation opposed the revision. Additionally, through the notice issued after the AESO filed its application with the Commission, the Commission invited interested parties to comment on the application and register to participate in this proceeding. Notably, no party intervened in this proceeding. The Commission concludes that market participants were made aware of, and are either neutral to or supportive of, the proposed revision.

13. Third, the Commission accepts the AESO's submission that the current DAR methodology is not efficient, because it requires the AESO to expend a disproportionate amount of resources to reconcile small adjustments for a potentially infinite number of years that provide little or no benefit to market participants.¹⁵ Therefore, the Commission agrees that the proposed revision will provide benefits such as cost savings and efficiencies for the AESO in preparing the DAR applications and simplicity for market participants in understanding their bills.

14. Lastly, the Commission accepts the AESO's position that the proposed DAR revision complies with Section 14(3) of the *Electric Utilities Act*, which requires that "[t]he Independent System Operator must be managed so that, on an annual basis, no profit or loss results from its operation." The AESO explained that it would continue to reconcile all adjustments under the revised DAR methodology, and the net deferral account surplus or shortfall would, on an annual basis, remain unchanged.¹⁶

15. The Commission will monitor the functionality and efficacy of this revision in future DAR applications.

¹² Exhibit 28293-X0024, Appendix K - Site Examples of Revision to Methodology.

¹³ Exhibit 28293-X0022, PDF page 3.

¹⁴ Exhibit 28293-X0031, IR response AESO-AUC-2023JUL24-001, PDF pages 1-3.

¹⁵ Exhibit 28293-X0002, application, PDF page 28-29, paragraphs 97-101.

¹⁶ Exhibit 28293-X0031, IR response AESO-AUC-2023JUL24-004, PDF pages 10-11.

4 Order

16. It is hereby ordered that:

- (1) The Alberta Electric System Operator implement its proposed DAR methodology revision with immediate effect.

Dated on September 26, 2023.

Alberta Utilities Commission

(original signed by)

Vera Slawinski
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Alberta Electric System Operator (AESO)

Alberta Utilities Commission
Commission panel V. Slawinski, Commission Member
Commission staff A. Starkov F. Alonso