



# **AESO 2006 GTA Preview—Revenue Requirement**

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AESO Stakeholder Session

January 19, 2005 -- Calgary, Alberta

# 2006 Forecast Methodology

- **Wires**

- Approved as Final or Interim Tariffs

- **Ancillary Services**

- Forecast volumes and pool price
- Contractual agreement requirements

- **Losses**

- Forecast losses volumes and pool price



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# 2006 Forecast Methodology

- **AESO Own Costs**

- The AESO & Stakeholders met in December 2004 to explore alternative processes for reviewing AESO Own Costs
- Proposed to form a Standing Advisory Committee consisting of AESO & Stakeholders
- Proposal would be for the Committee to collaborate on 2006 AESO priorities
- As such, the 2006 AESO Own Cost Forecast consists of the 2005 Own Costs Forecast as a placeholder
- Preliminary meeting set for January 24 to establish membership, goals, principles, and guidelines
- Manageable working size for Committee



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# AESO Revenue Requirement (\$M)

	<b>2006 *</b> <b>Forecast</b>	<b>2005</b> <b>Forecast</b>	<b>2004 *</b> <b>Recorded</b>	<b>2004</b> <b>Forecast</b>
<b>WIRES</b>	<b>407.7</b>	<b>445.7</b>	<b>398.0</b>	<b>399.4</b>
<b>ANCILLARY SERVICES</b>				
Operating Reserves	85.3	84.4	69.2	105.0
Transmission Must Run	53.2	41.4	43.3	49.3
Other Ancillary Services (including Poplar Hill/ILRAS)	12.0	11.9	10.7	12.0
<b>Subtotal</b>	<b>150.6</b>	<b>137.7</b>	<b>123.2</b>	<b>166.3</b>
<b>LOSSES</b>	<b>131.0</b>	<b>181.0</b>	<b>155.4</b>	<b>159.9</b>
<b>OWN COSTS</b>				
Other Industry Costs	7.8	7.8	5.0	7.3
General and Administrative Costs	30.1	30.1	26.1	24.6
<b>Subtotal</b>	<b>37.9</b>	<b>37.9</b>	<b>31.1</b>	<b>32.0</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>727.2</b>	<b>802.3</b>	<b>707.7</b>	<b>757.6</b>

\* Preliminary



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# AESO Volumes Forecast for Losses (MWh)

	<b>2006 *</b> <b>Forecast</b>	<b>2005</b> <b>Forecast</b>	<b>2004 *</b> <b>Recorded</b>	<b>2004</b> <b>Forecast</b>
<b>TOTAL</b>	3,180,000	2,986,034	2,883,431	2,873,282

\* Preliminary



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# Commodity Prices

	<b>2006 *</b> <b>Forecast</b>	<b>2005</b> <b>Forecast</b>	<b>2004 *</b> <b>Recorded</b>	<b>2004</b> <b>Forecast</b>
Average Pool Price (\$/MWh)	41.20	59.92	54.59	54.05
Average Gas Price (\$/GJ)	5.80	6.81	6.17	6.14
Average Market Heat Rate (GJ/MWh)	7.1	8.8	8.8	8.8

\* Preliminary

Source: Forecasts from EDC Associates Ltd.



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# 2006 Forecast to 2005 Forecast Variances (\$M)

<b>COST CATEGORY</b>	<b>2006 * Forecast</b>	<b>2005 Forecast</b>	<b>Variance Under (Over)</b>
Wires	407.7	445.7	38.0
Ancillary Services	150.6	137.7	(12.9)
Losses	131.0	181.0	50.0
Own Costs	37.9	37.9	-
<b>TOTAL REVENUE REQUIREMENT</b>	<b>727.2</b>	<b>802.3</b>	<b>75.1</b>

\* Preliminary



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# Variance Explanations – 2006 Forecast versus 2005 Forecast

- **Wires:** \$38.0 Million / 8.5% Decrease
  - Decrease as a result of recent Board Decisions for TFO Applications
  - 2005 Forecast included both applied for and interim/final Board approved tariffs
- **Ancillary Services:** \$12.9 Million / 9.4% Increase
  - Primarily due to an increase in Transmission Must Run service



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# Variance Explanations – 2006 Forecast versus 2005 Forecast

- **Losses: \$50.0 Million / 27.6% Decrease**
  - Pool price decrease results in approximately a \$60 million decrease in losses
    - partially offset by*
  - Volume increases which results in approximately a \$10 million increase in losses
- **Own Costs**
  - 2006 Forecast consists of the 2005 Own Costs Forecast as a placeholder



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# 2004 Recorded to 2004 Forecast Variances (\$M)

<b>COST CATEGORY</b>	<b>2004 * Recorded</b>	<b>2004 Forecast</b>	<b>Variance Under (Over)</b>
Wires	398.0	399.4	1.4
Ancillary Services	123.2	166.3	43.1
Losses	155.4	159.9	4.5
Own Costs	31.1	32.0	0.9
<b>TOTAL REVENUE REQUIREMENT</b>	<b>707.7</b>	<b>757.6</b>	<b>49.9</b>

\* Preliminary



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# Variance Explanations – 2004 Recorded versus 2004 Forecast

- **Wires:** \$1.4 Million / 0.4% Decrease
  - No significant variances in wires costs
- **Ancillary Services:** \$43.1 Million / 25.9% Decrease
  - Primarily due to increased competitive behaviour on the part of operating reserve providers
  - Higher than expected availability of operating reserve generating units



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# Variance Explanations – 2004 Recorded versus 2004 Forecast

- **Losses:** \$4.5 Million / 2.8% Decrease
  - Higher volumes in low pool price hours and lower volumes in higher priced hours as compared to forecast
- **Own Costs:** \$0.9 Million / 2.8% Decrease
  - Decrease of \$2.3 million in External Regulatory Costs as a result of hearing delays for regulatory applications
  - Increase in staff and consulting costs of \$1.4 million due to unanticipated work for various initiatives such as SW, NS, business processes, and interconnection applications



# Regulatory Update

- 2003 Deferral Account
  - Reply Argument Jan 21
- Control Centre Relocation
  - Reply Argument Jan 21
- 2005 Own Costs
  - Reply Argument Jan 20; Decision Feb 1
- Article 24
  - IRs Jan 20; Intervenor Evidence Feb 11; Hearing Mar 16



# Regulatory Update

- Questions and Comments?

## Contact Us....

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