

**Topic:** Future Deferral Account Reconciliation Processes

**Reference:** Application, Section 2.2, pages 25-28

**Preamble:** At page 26 of the Application, the AESO noted the following passage from Decision 2009-191 in respect of the AESO's 2008 deferral account:

“Notwithstanding this finding, the Commission wishes to highlight its concern about the number of times that additional reconciliation is required in respect of deferral account years that have already been considered by the Commission in the context of prior deferral account reconciliation applications. The Commission urges AESO to be mindful of this concern as it considers its redesign of deferral account reconciliation processes and associated rate riders for its forthcoming GTA.”

As part of its response to this Decision 2009-191 finding, the AESO proposed the following:

- a compliance review approach as an alternative to full regulatory reviews of second and later reconciliations after a first reconciliation has been approved for a deferral account year (paragraph 128);
- the AESO to retain the right to request Commission approval of any specific deferral account re-reconciliation, where the AESO considers that unusual circumstances warrant such a request (paragraph 129);
- compliance reviews estimated to cost between \$100,000 to \$200,000 per year (paragraph 130);
- the body of future AESO applications to include information related to the first reconciliation of the year for which the application is filed (paragraph 131);
- information regarding prior year second and later applications to be located in appendices to the application (paragraph 131);
- the AESO to engage a qualified third party to conduct compliance review of all reconciliations in the application. Assuming no issues are identified in the third party review, the AESO would file application with Commission and immediately settle deferral account balances with customers on an interim basis (paragraph 131);
- following interim settlement, the remainder of the Commission proceeding would continue, leading to final Commission approval of first reconciliation for the year of the deferral account reconciliation proceeding (paragraph 131).

The Commission notes that the proposed AESO process changes summarized above would still require the AESO to prepare an application which the Commission would be required to approve each year. The Commission wishes obtain the AESO's views on a possible alternative approach which would restrict the number of deferral account applications the AESO files with the Commission for approval, as further described below.

**Request:**

Please discuss the merits, if any, of an alternative approach whereby the AESO would:

- file deferral accounts with the Commission for approval only periodically, say:
  1. every three years; or
  2. once the deferral account balance has reached some threshold amount; or
  3. some combination of 1 and 2; and
- make annual settlements with its customers on an interim refundable basis without an application to the Commission, similar to the AESO's Rider C adjustments.

If the AESO considers that the above described framework has some merit, but would need to be improved for any reason, please fully describe any improvements the AESO considers would be required such that the Commission can consider the merits of a fully developed proposal.

**Response:**

One of the AESO's primary concerns with its deferral account reconciliations is that the AESO not be required to carry deferral account balances for multi-year periods. As well, during 2005, in consultation with stakeholders on the AESO's deferral account reconciliation process, the AESO concluded that deferral account settlement should strike a balance between competing goals of timeliness, accuracy, and certainty. The alternative approach suggested by the Commission does not appear to unduly affect any of those factors, and therefore appears reasonable.

The AESO would expect to continue its annual reconciliation process to provide timely deferral account settlement with market participants, on an interim refundable basis. This process would include consultation with stakeholders, preparation and publication of a deferral account reconciliation report including variance explanations, and a technical meeting with written responses to stakeholder questions. The AESO considers that future deferral account reconciliation processes should continue the same level of transparency as the AESO's recent processes. The AESO would require approval from the Commission in this proceeding so that, after following such a process in the future, deferral account balances could be settled with market participants on an interim refundable basis without further specific application to the Commission.

If annual settlement of deferral account balances is approved as part of the alternative process, the AESO considers that periodic applications on a predetermined schedule would be preferable, to provide some certainty of process and to also avoid potential concerns with offsetting balances in different rate components or different production years. The AESO also considers that any affected market participant should have the right to reasonably request the Commission to direct the AESO to prepare and file a deferral account reconciliation at any time. Given that deferral account reconciliation applications are the appropriate venue in which to consider the prudence of AESO costs as incurred, it seems appropriate to provide a mechanism to ensure that a prudency review can be conducted as promptly as possible. The AESO considers that it may be difficult for the Commission or interveners to assess the prudency of costs several years after they have been incurred.

The AESO would also appreciate guidelines from the Commission on the following questions:

- (a) With respect to the content to be included in a periodic reconciliation application, would the Commission accept the filing of the separate reconciliations prepared annually by the AESO as discussed above? Or would the Commission expect a consolidated application that comprehensively included all variances since the last approval? The latter approach could require additional effort by the AESO in preparing a consolidated application, and by stakeholders in reviewing it.
- (b) Would annual reconciliations be filed with the Commission for information purposes only, between periodic applications?
- (c) Should compliance reviews be performed annually as discussed in section 2.8 (pages 25-29) of the AESO's 2009 deferral account reconciliation application and having consideration for the expected cost of such reviews?

Finally, having consideration for all of the above, the Commission may want to consider further discussion with stakeholders to review these and other aspects of the deferral account reconciliation application process, before directing material changes to the current approach.