Overview

- On May 11, 2012, the AESO filed a comprehensive deferral account reconciliation application for 2010-2011 with the Alberta Utilities Commission (Commission), to reconcile and allocate to transmission-connected market participants an overall deferral account shortfall of $1.6 million.
- The application will be reviewed and approved through a regulatory proceeding in accordance with a schedule set by the Commission.

AESO Deferral Accounts

- Section 14 of the *Electric Utilities Act* requires that “on an annual basis, no profit or loss results from its [the AESO’s] operation.”
- Variances arise between the actual costs the AESO incurs in providing system access service and the actual revenue recovered in rates charged to market participants for that service.
- These variances are recovered from or refunded to market participants through a deferral account adjustment rider and through deferral account reconciliations.

Deferral Account Rider C

- Deferral Account Adjustment Rider C is set quarterly to refund or charge forecast deferral account balances to market participants. Deferral account balances have been managed by rate (DTS and STS) since 2003 and by rate component (interconnection charge, losses charge, operating reserve charge, voltage control charge, and other system support services charge) since 2004.
- Based on rate changes in 2006, Rider C has charged or refunded deferral account balances only for service received under Rate DTS, through $/MWh amounts established each quarter.

Deferral Account Reconciliations

- Although Rider C manages balances on a quarterly basis, deferral accounts are subject to detailed review and reconciliation through applications to the Commission. The deferral account reconciliation applications ensure that appropriate amounts are allocated to each market participant.
- The AESO previously applied to the Commission and received approval for five separate deferral account reconciliation applications, for the years 2009, 2008, 2004 to 2007, 2003, and 2000 to 2002.
- This application is for the years 2010 and 2011, and also includes a second reconciliation for 2009, a third reconciliation for 2008, and fourth reconciliations for 2007, 2006, 2005, and 2004.

2010-2011 Deferral Account Reconciliation Amounts ($ 000 000)

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<td>Surplus (Shortfall)</td>
<td>$13.0</td>
<td>($16.6)</td>
<td>($12.6)</td>
<td>$10.0</td>
<td>$4.1</td>
<td>$0.3</td>
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<td>($0.01)</td>
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The primary reasons for the deferral account balances over those years were:
- Commission decisions on final transmission facility owner tariffs and related charges (about $10 million net surplus),
- higher costs for operating reserves due primarily to higher-than-forecast pool prices (about $10 million net shortfall), and
- higher costs for voltage control due primarily to unforeseen transmission must-run service requirements (about $1 million net shortfall).
Allocation to Market Participants

- The deferral account reconciliation application reviews all costs incurred and revenue received by the AESO in the years being applied for, and provides explanations for variances from forecast for both costs and revenue.
- The application then allocates the deferral account balances to individual transmission-connected market participants by rate, by rate component, and by month using the methodology approved in Commission decisions on prior deferral account reconciliations.
- After the allocation of deferral account balances to market participants, Rider C amounts already charged or refunded to market participants over the period being reconciled are applied on an individual market participant basis to determine the net amount proposed to be refunded to or collected from the market participant.
- The Commission will review and approve the deferral account balances and market participant allocation methodology through a regulatory process in which stakeholders can participate.
- Collections and refunds are made through one-time charges or payments, although a three-month option is offered to market participants if one-time payment would be a financial burden.

2010-2011 Deferral Account Reconciliation Application Process

- For the AESO’s 2010-2011 deferral account reconciliation application (including the re-reconciliations for prior years), the Commission is expected to establish a regulatory review process in June 2012 which would lead to a final Commission decision in late 2012.
- The AESO has asked the Commission to approve charging or refunding amounts to market participants on an interim, refundable basis subject to later review and final approval.
- If necessary, the AESO would adjust any amounts settled with market participants on an interim basis after the Commission issues its final decision in late 2012.

Confidential Market Participant Information

- The application includes details on the allocation of deferral account balances to individual market participants. The amounts allocated to distribution facility owners (DFOs) are identified in the application, while for other market participants names were replaced with random participant numbers for each year included in the application to protect confidentiality of market participant data.
- After submitting the application to the Commission, the AESO sent information to each market participant on the participant numbers and net deferral account amounts allocated to the market participant’s services.
- As well, the AESO will provide, on request of a market participant with more than one settlement point, reports that detail the market participant’s deferral account allocation information at a settlement point level.
- Amounts proposed to be charged or refunded to individual market participants vary greatly.
- For the six DFOs, a net total of $5.2 million is being refunded, and ranges from a $4.8 million charge to a $5.4 million refund.
- For the AESO’s 83 non-DFO market participants, a net total of $6.8 million is being charged, and ranges from a $1.0 million charge to a $0.7 million refund.

Additional Information Included With Application

- Reconciliation of deferral account balances to income statements and balance sheets.
- Reconciliation of inter-year adjustments for 2011 to 2004.
- Market participant-level allocation of annual and monthly deferral account balances.

For More Information

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