Overview

- On August 29, 2013, the AESO filed a comprehensive deferral account reconciliation application for 2012 with the Alberta Utilities Commission, to reconcile and allocate to transmission-connected market participants an overall deferral account surplus of $7.5 million.
- The application included a first reconciliation of deferral accounts for 2012 as well as re-reconciliations of deferral accounts for 2005 to 2011 to address transactions during 2012 that affected prior years.
- 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 through rates charged to market participants for that service.
- These variances are charged or refunded to market participants through a deferral account adjustment rider and through deferral account reconciliations.

Rider C, Deferral Account Adjustment Rider

- Rider C is set quarterly to charge or refund forecast deferral account balances to market participants.
- Rider C is calculated by rate (DTS and STS) and rate component (connection charge, losses charge, operating reserve charge, voltage control charge, and other system support services charge).
- 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

- Deferral accounts are subject to detailed review and reconciliation through applications to the Commission to ensure that appropriate amounts are allocated to each market participant.
- A deferral account reconciliation application reviews all costs incurred and revenue received by the AESO in the years being applied for, and provides explanations for significant variances from forecast.

2012 Deferral Account Reconciliation Balances ($ 000 000)

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</tr>
</thead>
<tbody>
<tr>
<td>Surplus (Shortfall)</td>
<td>$5.6</td>
<td>$1.9</td>
<td>($0.2)</td>
<td>$0.02</td>
<td>$0.1</td>
<td>$0.05</td>
<td>$0.04</td>
<td>$0.02</td>
<td>$7.5</td>
</tr>
</tbody>
</table>

The primary reasons for the deferral account balances over those years were:

- lower costs for transmission must-run (TMR) services in 2012 due to lower-than-forecast volume requirements for foreseeable TMR (about $14 million surplus);
- undercollection of forecast costs due to Rider C being held constant during 2012 as a result of the Alberta Minister of Energy’s request to the Commission to maintain electricity rates at their March 2012 levels (about $7 million net shortfall);
- a Commission decision on final transmission facility owner tariffs for 2011 (about $7 million surplus); and
- higher costs for transmission must-run (TMR) services in 2011 due to finalization of a review of costs for unforeseeable TMR in accordance with the ISO tariff (about $5 million net shortfall).
Allocation to Market Participants

- The application allocates 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 are applied on an individual market participant basis to determine the net amount proposed to be refunded to or collected from the market participant.

- Amounts proposed to be charged or refunded to individual market participants vary greatly:

<table>
<thead>
<tr>
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<th>Owners of Distribution Systems</th>
<th>Direct Connected Market Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum and Minimum</td>
<td>$4.8 million refund</td>
<td>$0.5 million refund</td>
</tr>
<tr>
<td>Allocation - Refund (Charge)</td>
<td>$0.01 million refund</td>
<td>($0.8 million) charge</td>
</tr>
<tr>
<td>Total Refunds and Charges</td>
<td>$13.7 million refund</td>
<td>($6.2 million) charge</td>
</tr>
</tbody>
</table>

- 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.

2012 Deferral Account Reconciliation Application Process

- For the AESO’s 2012 deferral account reconciliation application (including the re-reconciliations for prior years), the Commission is expected to establish a regulatory review process in September 2013 which would lead to a final Commission decision in early 2014.

- The AESO has asked for approval to charge or refund amounts to market participants on an interim, refundable basis in November 2013, 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 (expected in early 2014).

Confidential Market Participant Information

- The application includes details on the allocation of deferral account balances to individual market participants.

- The amounts allocated to owners of distribution systems are identified in the application, while for other market participants names are 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 at a settlement point level.

Additional Information Included With Application

- Reconciliation of deferral account balances to income statements and balance sheets.

- Reconciliation of inter-year adjustments for 2012 to 2005.

- Market participant-level allocation of annual and monthly deferral account balances.

For More Information

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