Decision **23802-D02-2018**

Alberta Utilities Commission

Alberta Electric System Operator

2016 Deferral Account Reconciliation

November 23, 2018

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Proceeding 23802

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1 Decision

1. The Alberta Utilities Commission approves the Alberta Electric System Operator's (AESO) request to settle its 2016 net deferral account surplus with market participants, in the amount of $26.2 million, for the reasons discussed in this decision.

2 Introduction and process

2. On August 1, 2018, the AESO, pursuant to sections 30 and 119 of the *Electric Utilities Act*, S.A. 2003, c. E-5.1, filed an application with the Commission requesting approval of its determinination of deferral account balances for 2016 and changes to deferral account balances for 2010 through 2015.[1]

3. The Commission issued a notice of application on August 2, 2018. In response to the notice of application, submissions were received from the following parties:

- Alberta Direct Connect Consumers Association
- Industrial Power Consumers Association of Alberta
- ATCO Electric Ltd.

4. In its application, the AESO requested approval to settle the current deferral account balance amounts on an interim and refundable basis, subject to adjustment in the final decision following the Commission's review.[2] The AESO requested interim approval to "immediately settle deferral accounts amounts with market participants."[3] The AESO also stated that "To enable settlement on invoices issued in October 2018, the Commission would need to provide interim approval by October 3, 2018. Interim approval after that date (but before November 5, 2018) would result in settlement on invoices issued in November 2018."[4]

5. On August 27, 2018, the Commission issued a letter[5] that set out an interrogatory process and requested registered participants in the proceeding to provide comments on the need for further process. The Commission also requested that participants provide comments with respect to the AESO's request for an immediate interim settlement of deferral account amounts with market participants.

6. No party objected to the Commission issuing an interim decision on this application.

[1] Exhibit 23802-X0002 to X0046.
[2] Exhibit 23802-X0002, AESO 2016 DA [deferral account] Reconciliation - Application, paragraph 17.
[3] Exhibit 23802-X0002, AESO 2016 DA Reconciliation - Application, paragraph 17.
[4] Exhibit 23802-X0002, AESO 2016 DA Reconciliation - Application, paragraph 233.
[5] Exhibit 23802-X0053, AUC letter - Process schedule.

7. On October 2, 2018, the Commission issued Decision 23802-D01-2018,[6] approving, on an interim basis, settlement of the deferral account balances as applied for by the AESO.

8. On September 11, 2018, the Commission issued information requests[7] (IRs) to the AESO, with the AESO submitting its responses[8] to the Commission's IRs on September 21, 2018. No registered party submitted IRs to the AESO, nor requested additional process in the proceeding.

9. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. References in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to this matter.

3 Application details

10. The AESO requested approval of its determination and allocation of a $26.2 million net deferral account surplus. The deferral account balance results from differences between costs the AESO has incurred in providing system access service and the revenues recovered through rates charged to customers in prior periods.

11. Section 14(3) of the *Electric Utilities Act* states:

> The Independent System Operator must be managed so that, on an annual basis, no profit or loss results from its operation.

12. The deferral account reconciliation application allows the AESO to settle annual differences between actual costs and revenue collected in providing system access service to market participants, and ensures that no profit or loss results from its operation.

13. The settlement of deferral account reconciliation balances only applies to customers who received system access under Rate DTS (Demand Transmission Service) and Rate FTS (Fort Nelson Demand Transmission Service) during 2016, 2015, 2014, 2013, 2012, 2011 and 2010.[9] The AESO stated that the deferral account reconciliations were prepared on a retrospective, monthly, and production month basis, and were consistent with previous reconciliations reviewed and approved by the Commission.[10] The AESO explained that it was not proposing changes to the deferral account reconciliation methodology or Rider C in the application.[11]

14. The application reflects the AESO's first reconciliation of deferral account balances for 2016 and additional reconciliations to deferral account balances for 2010 through 2015 that relate to prior period adjustments. No transactions occurred between January 1, 2016 and December 31, 2017, that relate, either in whole or in part, to any year prior to 2010 and,

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[6] Decision 23802-D01-2018: Alberta Electric System Operator, 2016 Deferral Account Reconciliation Interim Settlement, Proceeding 23802.
[7] Exhibit 23802-X0055, AUC IR Round 1 to the AESO.
[8] Exhibit 23802-X0056 to X0059, AESO IR Responses and attachments.
[9] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 2.
[10] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 11.
[11] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 13.

therefore, no deferral account reconciliations or adjustments were included in the application for years prior to 2010.[12]

15. The AESO requested the Commission to approve the following:[13]

- The deferral account balance reconciliations for the calendar years 2016, 2015, 2014, 2013, 2012, 2011 and 2010 as presented in sections 3 to 5 of the application; consisting of:
    - A shortfall of $180.9 million for 2016 (first reconciliation);
    - A shortfall of $63.5 million for 2015 (second reconciliation);
    - A surplus of $86.3 million for 2014 (third reconciliation);
    - A surplus of $92.5 million for 2013 (third reconciliation);
    - A surplus of $61.0 million for 2012 (fourth reconciliation);
    - A surplus of $30.0 million for 2011 (fifth reconciliation); and
    - A surplus of $0.7 million for 2010 (fifth reconciliation).
- The methodology of allocating deferral account balances to market participants as presented in Section 6 and Appendices E through H of this application, for purposes of recovering and refunding outstanding variance amounts from and to market participants receiving system access service under Rate DTS or Rate FTS of the Independent System Operator (ISO) tariff;
- The collection and refund by the AESO of amounts through the use of a one-time collection and refund option similar to that used for previous years' deferral account balances, as more particularly described in Section 7 of this application;
- Further and other relief as the Commission deems appropriate.

16. The AESO submitted that the application incorporates all costs paid and revenue collected by the AESO that:[14]

- have not been settled in prior deferral account reconciliation filings;
- relate to 2016 or prior years for all costs except those related to losses and to provision of a wind forecasting service; and
- were accounted for up to December 31, 2017.

3.1 Methodology, allocation and settlement of deferral account balances

17. The AESO submitted it prepared the 2016 deferral account reconciliation and filed it in the same manner as its previous deferral account reconciliation applications.[15]

[12] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 12.
[13] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraphs 22 and 29.
[14] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 23.
[15] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 65.

18. The AESO used a December 31, 2017, data cut-off date to base deferral account reconciliation final settlement volumes for 2016.[16]

19. The AESO explained that its deferral account balances and adjustments allocation were implemented through its continued use of a software program, developed by the AESO, to automate deferral account reconciliation calculations.[17]

20. The AESO's use of deferral accounts is incorporated in the ISO tariff through Rider C, Deferral Account Adjustment Rider. Rider C from the tariff is reproduced below:[18]

> Applicability
>
> **1** Rider C applies to system access service provided under:
>
> (a) Rate DTS, Demand Transmission Service; and
>
> (b) Rate FTS, Fort Nelson Demand Transmission Service.
>
> Rider
>
> **2(1)** The ISO must recover or refund through Rider C accumulated deferral account balances which are comprised of differences between revenues and costs incurred in providing system access service to market participants.
>
> **(2)** The ISO must determine Rider C for each calendar quarter as an additional $/MWh charge or credit that applies to each rate listed in subsection 1 above.
>
> **(3)** The ISO must publish the Rider C charge or credit, including its calculation, on the ISO website at least thirty (30) days prior to the beginning of the calendar quarter in which it will apply.
>
> **(4)** The ISO must calculate the Rider C charge or credit as the sum of amounts, based on available recorded and forecast values, required to restore the deferral account balance to zero (0) over the following calendar quarter, or such longer period as determined by the ISO to minimize rate impact, in each of the following rate components:
>
> (a) connection charge;
>
> (b) operating reserve charge;
>
> (c) transmission constraint rebalancing charge;
>
> (d) voltage control charge; and
>
> (e) other system support services charge

[16] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 71.
[17] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 212.
[18] https://www.aeso.ca/rules-standards-and-tariff/tariff/rider-c-deferral-account-adjustment-rider/

where the ISO assigns revenues and costs to each rate component in accordance with the ISO tariff in effect during the period in which the revenue was collected or the cost was incurred.

(5) The ISO must calculate Rider C to include only transactions settled with the ISO that have occurred after January 1 of the calendar year in which the Rider C charge or credit will apply, although such transactions may involve amounts that relate to prior years.

Terms

3(1) The ISO may adjust Rider C amounts collected or refunded, through a deferral account reconciliation application filed with the Commission by the ISO.

(2) The ISO must not add or deduct interest to or from amounts recovered or refunded through Rider C or through a deferral account reconciliation application, unless the Commission orders otherwise in specific circumstances.

(3) The terms and conditions of the ISO tariff form part of this rider.

21. The deferral account reconciliation only applies to Rate DTS and Rate FTS. The deferral account balances are allocated to individual market participants based on each market participant's percentage of base rate revenue collected, based on Rate DTS and Rate FTS that were in place during the period, by month and by rate component.[19]

22. The AESO noted an exception to how its deferral account balances are allocated to individual market participants. Between July 2015 and December 2015 the voltage control charge of both Rate DTS and Rate FTS was $0.00 per megawatt hour (/MWh), which was a result of a forecast of zero costs for transmission must-run services in the 2014 ISO tariff compliance filing. The AESO claimed that unforeseeable transmission must-run services were conscripted during the last half of 2015, which were financially settled during 2016, and are now included in this application as prior-period adjustments for 2015. The AESO explained that because the voltage control charge was $0.00/MWh from July 1 to December 31, 2015, there is no base rate revenue for the voltage control rate component to allocate the deferral account balance for those production months.[20]

23. The AESO used metered energy as the allocator for the voltage control deferral account balance for July through December 2015. The AESO explained that for both Rate DTS and Rate FTS, the voltage control charge is the product of metered energy and a single, constant $/MWh amount. The AESO rationalized that:[21]

(i) the voltage control revenue would be proportional to metered energy for each market participant; and

(ii) using metered energy as the allocator for the voltage control deferral account balance by production month results in the same allocation to market participants as would using revenue with a non-zero voltage control charge.

19 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 213.
20 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 214.
21 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 215.

24. The AESO noted that no other period has had a voltage control charge of $0.00/MWh and that it does not expect this issue to arise in any other tariff period. It added that metered energy may need to continue to be used as the allocator, to allocate voltage control charges, if additional prior-period adjustments for July through December 2015 affect voltage control deferral account balances in a future deferral account reconciliation.[22]

25. After the allocation of deferral account balances is determined by rate and rate component for each market participant, additional revenue already settled through Rider C or in prior deferral account reconciliations with each market participant is subtracted or added by rate and rate component. The remaining balance is the amount of the deferral account charge or refund attributed to the market participant on a production month basis, by rate and rate component.

26. In its application, the AESO proposed to settle the outstanding deferral account balances through a one-time payment and collection option and, similar to past reconciliation applications, the AESO offered a three-month payment option, including carrying charges, if the one-time payment option presented a financial burden to market participants.[23]

Commission findings

27. In Decision 21735-D02-2017, with respect to the AESO's 2015 deferral account reconciliation application, the Commission provided the following direction to the AESO:

> Nonetheless, the Commission expects the AESO to follow through on its commitment to further consult with stakeholders on this issue and directs the AESO to address whether changes to the deferral account allocation methodology and to Rider C are warranted given the concerns raised by the PS Group, as part of its next ISO tariff application.[24]

28. In compliance with the above Commission direction, the AESO requested approval, on an interim basis, of proposed changes to its deferral account reconciliation methodology for production year 2017, and to Rider C and Rate PSC, effective January 1, 2018, in its 2018 independent system operator tariff application.[25] The Commission approved the AESO's interim request for the proposed changes in Decision 22942-D01-2017.[26]

29. In line with the findings in Decision 22942-D01-2017, the AESO explained that its revised deferral account reconciliation methodology, Rider C and Rate PSC, are not applicable to this 2016 deferral account reconciliation application. However, the revised deferral account reconciliation methodology would apply to the 2017 and future production years.[27]

30. The Commission was interested in exploring what effect, if any, the AESO's use of a December 31, 2017 cut-off date, in this application, may have on the revised deferral account reconciliation methodology that the AESO intends to apply to 2017 and future production years.

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22 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 216.
23 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraphs 230-231.
24 Decision 21735-D02-2017: Alberta Electric System Operator 2015 Deferral Account Reconciliation Proceeding 21735, March 14, 2017, paragraph 108.
25 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 15.
26 Decision 22942-D01-2017: Alberta Electric System Operator 2018 Independent System Operator Tariff – Interim Approval, Proceeding 22942, November 28, 2017.
27 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 16.

31. The AESO acknowledged that the use of an end date in 2017 (for a 2016 deferral true-up year) was not consistent with cut-off dates used in previous deferral account reconciliation applications. However, the AESO explained that as a result of the delay in the application filing date, it determined that a later cut-off date, to align the cut-off date and filing date, would minimize deferral account balances and minimize refunds or collections from market participants.[28] The AESO explained further that its methodology is determined by production month and year, and not by cut-off date. In addition, it noted that the use of a cut-off date of December 31, 2017, in this 2016 deferral account reconciliation application would not change revenue and costs for the 2016 production year.[29]

32. The Commission understands that, if a December 31, 2016 cut-off date was used, the net refund would be $109.8 million. This would result in an increase to the refundable amount by $83.6 million in this application.[30] However, this amount would need to be collected in a future deferral account reconciliation application for the 2016 production year.

33. In response to a Commission IR asking how the AESO intended to apply its new methodology, the AESO stated:

> The new methodology, approved on interim basis in Commission Decision 22942-D01-2017, will be applied to production year 2017 and onwards. Production years 2016 and prior will be treated under the same methodology as the current 2016 deferral account reconciliation application and all applications prior. The AESO intends to “split” these methodologies until production years 2016 and prior are no longer in scope of the current year application. The AESO will document in each application the years and the applicable methodology in each deferral account application.[31]

34. No market participant objected to the use of a December 31, 2017 cut-off date in the application, nor to the methodology the AESO used to allocate the voltage control deferral account balance. The Commission accepts the AESO’s method to allocate voltage control charges and finds the use of a December 31, 2017 cut-off date to be reasonable for the following reasons:

(i) It minimizes the refunds and subsequent collections (or vice-versa) from market participants that would have occurred if a December 31, 2016 cut-off date was used.

(ii) The 2016 and prior production years will not be affected by the AESO’s revised methodology in future deferral account reconciliation applications, as the AESO stated that its revised methodology will only be applied to 2017 and future production years, while 2016 and prior production years will be treated under the same methodology as the current 2016 deferral account reconciliation application.

Accordingly, the Commission approves the AESO’s methodology, allocation and settlement of the deferral account balances.

[28] Exhibit 23802-X0057, AESO-AUC-2018SEP11-001 to 003, AESO-AUC-2018SEP11-001 (e).
[29] Exhibit 23802-X0057, AESO-AUC-2018SEP11-001 to 003, AESO-AUC-2018SEP11-003 (b).
[30] Exhibit 23802-X0057, AESO-AUC-2018SEP11-001 to 003, AESO-AUC-2018SEP11-001 (c).
[31] Exhibit 23802-X0057, AESO-AUC-2018SEP11-001 to 003, AESO-AUC-2018SEP11-003 (a).

3.2 Cost variances

35. The costs and cost variances applied for in the application are summarized in Table 1 below:

Table 1. Recorded costs and cost variances subject to assessment in the application

	Deferral account reconciliation						
Component	**2016 Recorded costs**	**2015 Cost variances**	**2014 Cost variances**	**2013 Cost variances**	**2012 Cost variances**	**2011 Cost variances**	**2010 Cost variances**
Costs Paid	($ million)						
Wires	1,724.4	(54.5)	86.5	92.5	61.0	30.0	0.7
Ancillary Services	93.2	(8.3)	(0.1)	-	-	-	-
Other Industry	14.9	-	-	-	-	-	-
General & Administrative	85.5	-	-	-	-	-	-
Total Costs Paid	1,918.0	(62.8)	86.4	92.5	61.0	30.0	0.7

Source: Exhibit 23802-X0002, Table 2-4 Summary of 2016 net deferral account transactions since 2015 deferral account reconciliation.

36. The AESO submitted, in Section 2.4 of the application, that where significant adjustments to 2015 or to prior year AESO costs are included in the deferral account reconciliation, this proceeding should be the venue for consideration of the prudence of those adjustments. However, it maintained that the prudence of the AESO's costs incurred with respect to 2015 and prior years, which were previously dealt with in prior deferral account reconciliation proceedings, should not be reviewed again.[32]

37. The AESO noted that the prudency of transmission facility owner (TFO) wires costs is assessed by the Commission as part of its approval of TFO tariff applications and TFO deferral account reconciliation applications.[33] The AESO stated that the wires costs included in the application were based on the AESO's 2016 ISO tariff update application filed on February 2, 2016, and approved by the Commission in Decision 21302-D01-2016,[34] and reflected the approach approved by the Commission in Decision 2011-275.[35] [36]

38. The AESO explained that the AESO's own administrative costs are approved by the AESO board in accordance with the *Transmission Regulation*. Once these costs are approved by the AESO board, Section 46(1) of the *Transmission Regulation* provides that the AESO's own administrative costs must be considered to be prudent by the Commission, unless an interested person satisfies the Commission otherwise.[37]

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32 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 56.
33 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 50.
34 Decision 21302-D01-2016: Alberta Electric System Operator 2016 ISO Tariff Update, Proceeding 21302, March 31, 2016.
35 Decision 2011-275: Alberta Electric System Operator, Compliance Filing Pursuant to Decision 2010-606 and 2011 Tariff Update, Proceeding 1074, Application 1607003-1, June 24, 2011.
36 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 78.
37 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 51.

39. As for ancillary services costs and line losses costs, the AESO stated that those are approved by the AESO board; however, it noted that, as stated by the Commission in Decision 2014-242:[38]

> 36. … there is no equivalent provision to Section 46 (1) of the *Transmission Regulation* that provides an interested party with the ability to argue the reasonableness of [ancillary service costs and costs for line losses] before the Commission. Instead, Section 20 of the *Electric Utilities Act* and sections 15, 17, 33 and 34 of the *Transmission Regulation* authorize and, in some instances, direct the AESO to establish rules related to the calculation and recovery of ancillary service costs and costs for line losses. Consequently, where ISO rules are proposed or created for the calculation and recovery of ancillary service costs or the costs for line losses, the Commission's oversight of these costs is addressed through the objection and complaint provisions found in sections 20 and 25 of the *Electric Utilities Act*, respectively.[39]

40. With respect to its own administrative costs, the AESO submitted that its budget review and approval process, developed in consultation with market participants, includes an agreed-upon practice to be applied in circumstances where estimated costs are expected to exceed budgeted amounts; specifically, this practice is to be applied in circumstances involving general and administrative costs and capital. Variances above a specified threshold are first reviewed with market participants prior to presentation to the AESO board for consideration and approval. A request for additional budget approval may be required to accomplish specific business priorities or to meet the AESO's mandate, and would only be made after consideration has been given to managing the timing or reducing the scope of other business priorities to remain within budget. In summary, the AESO claimed that its management structure and approach provide an appropriate and adequate process to establish and manage the AESO's budget.[40]

41. No interested party filed submissions in the proceeding regarding the AESO's cost variances set out in the application.

Commission findings

42. This application represents the first opportunity to consider the actual recorded AESO revenue requirement costs for the year 2016, and the first opportunity to consider cost variances for the years 2010 to 2015 in relation to the recorded cost amounts for those years, subsequent to the Commission's assessment in Decision 21735-D02-2017.[41] The Commission agrees with the AESO that a deferral account reconciliation proceeding is the proper venue to consider the prudence of AESO costs incurred with respect to 2016 and any cost variance amounts not already considered in previous deferral account reconciliation decisions related to prior years.

43. The provisions of the *Electric Utilities Act* and the *Transmission Regulation* provide guidance to the Commission regarding the extent to which it may assess the costs and expenses incurred by the AESO. As set out by the Commission in Decision 2014-242,[42] which decided the

38 Decision 2014-242: Alberta Electric System Operator, 2014 ISO Tariff Application and 2013 ISO Tariff Update, Proceeding 2718, Application 1609765-1, August 21, 2014.
39 Decision 2014-242, paragraph 36.
40 Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 54.
41 Decision 21735-D02-2017: Alberta Electric System Operator 2015 Deferral Account Reconciliation, Proceeding 21735, March 14, 2017.
42 Decision 2014-242, paragraph 33.

AESO's 2014 tariff and 2013 tariff update, there are four principal categories of costs and expenses incurred by the AESO in its tariff, namely:

- the AESO's own administrative costs
- ancillary services costs
- transmission line losses
- costs related to transmission wires payable under a TFO tariff

44. Each of these categories are discussed in turn.

The AESO's own administrative costs

45. The AESO's own administrative costs are defined in Section 1(g) of the *Transmission Regulation* to include: (1) the transmission-related costs and expenses of the AESO respecting the administration, operation and management of the AESO; (2) the transmission-related costs and expenses of the AESO respecting reliability standards and reliability management systems; and (3) the transmission-related costs and expenses required to be paid by the AESO that are not for the costs of providing ancillary services; costs of transmission line losses nor amounts payable under a TFO tariff.

46. As noted by the AESO, Section 46(1) of the *Transmission Regulation* limits the Commission's review of the AESO's own administrative costs to those costs that an interested party has argued are not prudent. Moreover, the onus is on the interested party, not the AESO, to satisfy the Commission that the AESO's own administrative costs are not reasonable. In addition, Section 3 of the *Transmission Regulation* addresses consultation and approval of those costs and requires that the AESO consult with market participants with respect to proposed costs to be approved by the AESO.

47. No interested person has argued that the AESO's own administrative costs were unreasonable, nor has any party indicated that the AESO has not consulted properly as required pursuant to Section 3 of the *Transmission Regulation*. Consequently, the AESO's own administrative costs, shown above in Table 1, are accepted as filed.

Ancillary services costs

48. The AESO board approves the costs for ancillary services. However, Section 3(1) of the *Transmission Regulation* requires the AESO to consult with market participants directly affected by these costs. As noted by the Commission in Decision 2014-242, there is no equivalent provision to Section 46(1) of the *Transmission Regulation* that enables an interested party to argue the reasonableness of these costs before the Commission.

49. The recovery of ancillary services costs is prescribed in Section 30(4) of the *Electric Utilities Act* and Section 48 of the *Transmission Regulation*. These provisions are as follows:

> *Electric Utilities Act*
>
> **30(4)** The Independent System Operator may recover the costs of transmission line losses and the costs of arranging provision of ancillary services acquired from market participants by

> (a) including either or both of those costs in the tariff, in addition to the amounts and costs described in subsection (2), in which case the Commission must include in the tariff the additional costs it considers to be prudent, or
>
> (b) establishing and charging ISO fees for either or both of those costs.

> *Transmission Regulation*
>
> **48(1)** A reference in the Act to "prudent" or "appropriate" in relation to the ISO's costs for the provision of ancillary services and costs of transmission line losses means the amounts of those costs that have been approved by the ISO members.

50. The AESO has stated that ancillary services costs have been approved by the AESO board members, and no party has indicated that the AESO has failed to consult properly. The Commission accepts these amounts as prudently incurred and these amounts are approved as filed.

Transmission line losses

51. At Section 2.1.3 of the application, the AESO noted that, effective January 1, 2006, the cost of transmission system losses is no longer subject to the retrospective deferral account reconciliation. Accordingly, the AESO did not include the reconciliation of transmission line loss amounts in the application.[43]

Costs related to transmission wires payable under a TFO tariff

52. With respect to TFO wires-related costs and cost variances identified in Table 1 above, the AESO must pay the rates set out in the approved tariff of the owner of each transmission facility pursuant to Section 32 of the *Electric Utilities Act*. The Commission approves the costs and expenses of a TFO in the TFO's applicable tariff application, pursuant to Section 122 of the *Electric Utilities Act*. It does not review the prudence of these expenditures in an AESO deferral account reconciliation application nor in an AESO tariff application. Consequently, the costs and cost variances set out above in Table 1 for TFO wires-related costs are approved as filed.

3.3 Deferral account amounts

53. The AESO identified a net surplus of approximately $26.2 million (net of Rider C charges and refunds and any prior deferral account reconciliation settlements) to be allocated to customers, composed of the following amounts:[44]

- A shortfall of $180.9 million for 2016 (first reconciliation);
- A shortfall of $63.5 million for 2015 (second reconciliation);
- A surplus of $86.3 million for 2014 (third reconciliation);
- A surplus of $92.5 million for 2013 (third reconciliation);
- A surplus of $61.0 million for 2012 (fourth reconciliation);
- A surplus of $30.0 million for 2011 (fifth reconciliation); and
- A surplus of $0.7 million for 2010 (fifth reconciliation).

[43] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 26.
[44] Exhibit 23802-X0002, AESO 2016 DA reconciliation - application, paragraph 3.

54. A summary of the proposed reconciliation between tariff revenues collected, costs paid by the AESO, collections or refunds of Rider C, and prior year deferral account reconciliation collections or refunds was provided in Table 2-2 of the application. The Commission reproduced Table 2-2 (in part) below:

Table 2. Summary of 2016 deferral account reconciliation application

	Deferral Account Reconciliation							Totals
Component	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2016 to 2010**
	($ million)							
Total revenue net of offsets	1,807.4	1,550.7	1,476.0	1,391.8	1,243.3	1,069.3	772.1	9,310.5
Total Costs Paid	(1,918.0)	(1,851.6)	(1,604.6)	(1,517.0)	(1,330.2)	(1,205.8)	(879.5)	(10,306.6)
Deferral Account								
(Shortfall) Surplus	(110.7)	(300.9)	(128.6)	(125.2)	(86.9)	(136.5)	(107.3)	(996.1)
Rider C Refund (Collection)	(70.1)	220.2	185.5	247.9	158.5	185.8	104.6	1,032.4
Prior DAR Collection (Refund)	-	17.2	29.4	(30.2)	(10.6)	(19.3)	3.4	(10.1)
Net (Shortfall) Surplus	(180.9)	(63.5)	86.3	92.5	61.0	30.0	0.7	26.2

Source: Exhibit 23802-X0002, Table 2-2 Summary of 2016 deferral account reconciliation application.

Commission findings

55. The Commission accepts the accuracy of the deferral account amounts and the calculation of the net deferral account surplus of $26.2 million and notes that no market participant has objected to the application. Accordingly, the Commission approves the deferral account balances and the net deferral account surplus amount of $26.2 million.

4 Order

56. It is hereby ordered that:

(1) The Alberta Electric System Operator’s 2016 deferral account reconciliation application is approved as filed.

Dated on November 23, 2018.

Alberta Utilities Commission

(original signed by)

Henry van Egteren
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) **Company name of counsel or representative**
Alberta Electric System Operator (AESO)
Alberta Direct Connect Consumers Association
Industrial Power Consumers Association of Alberta
ATCO Electric Ltd.

Alberta Utilities Commission Commission panel H. van Egteren, Commission Member Commission staff L. Desaulniers (Commission counsel) C. Strasser S. Karim