Technical Meeting to Discuss Compliance Filing in Response to Decision 790-D06-2017

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Topics

• Findings and directions from Decision 790-D06-2017 in Module C
• Proposed modifications to the Module B methodology and related procedures for the historical period of 2006-2016
• Possibility of filing the proposed payment plan as a separate compliance filing
• Schedule for compliance filings and remaining Module C activities
• Update on 2018 loss factor calculations
• Overview of all loss factor work expected for 2018
• Discussion

Please ask questions during presentation
Decision 790-D06-2017 determined remaining issues in Module C

• Commission issued Decision 790-D06-2017 on December 18, 2017
  – Preliminary issues were determined in Decision 790-D04-2016 issued on September 28, 2016

• Modified Module B methodology is to be used to calculate final loss factors for 2006 to 2016 (the historical period)

• Invoices for loss charges or credits for the historical period are to be issued to original parties that held STS contracts when charges or credits were first incurred
  – Assignments do not apply to adjustments resulting from correction of unlawful interim rates
  – Assignments continue in effect for adjustments to a lawful tariff in the normal course
Decision 790-D06-2017 determined remaining issues in Module C (cont’d)

• Bills for the historical period are to be recalculated and reissued under the ISO tariff

• Single settlement approach to be used for the historical period with simultaneous collection and reimbursement
  – One or more secondary processes may be needed to address any trailing amounts resulting from inability to collect from or reimburse certain market participants
  – Provides opportunity to pursue review or appeal remedies

• Yearly line loss results and updated line loss charges to be released for each year as they become available
  – To include updated line loss charges for specific year and cumulative results for each party
  – Parties should have opportunity to review yearly line loss results
Decision 790-D06-2017 determined remaining issues in Module C (cont’d)

• Interest to be awarded or charged at Bank of Canada rate plus 1½%
  – Consistent with direction in Decision 790-D04-2016
  – To be set out on bills reissued for the historical period

• AESO to assign necessary resources to implement accelerated single settlement approach
  – AESO to track additional costs and recover through energy market trading charge

• Allow 60 days beyond due date that would otherwise apply to a tariff invoice, for both payments and refunds

• AESO to develop structure, terms and eligibility criteria for payment plan and file with compliance filing
Decision 790-D06-2017 determined remaining issues in Module C (cont’d)

- Recover incremental administration costs and interest costs associated with credit facilities to manage shortfall balances through energy market trading charge
- Collect initial payment default shortfalls through adjustment of loss factors using Rider E applied to all market participants receiving charges or credits during the historical period
  - Payment default shortfalls to be recovered as a cost of losses
  - AESO to exhaust all reasonable means to collect outstanding amounts before resorting to recovery through Rider E
- Collect subsequent payment default shortfalls as they become known through Rider E applied on a go-forward basis
AESO is required to submit compliance filing

• New rule is not required to implement rate adjustments for the historical period

• Compliance filing is required to document methodology and procedures that will be implemented to produce final line loss charges for the historical period
  – Compliance filing to specify and describe how AESO will implement modified Module B methodology and related procedures

• Consultations by AESO may be required as compliance filing is being developed and when AESO recalculates line loss charges
  – Necessary level of consultation to be determined by AESO
Implementation to include measures to allow reasonable verification opportunity

- Compliance process will allow market participants to provide feedback to AESO before and after compliance filing.
- Staggered year-by-year release of loss factors will afford market participants opportunity to review and assess loss factors on a yearly basis.
- Audit process during staggered release of loss factors will allow market participants to verify results using a limited number of hours, with an opportunity to report identified errors to AESO.
AESO has identified preliminary list of modifications to Module B methodology

• Convert from rule to stand-alone methodology document
• Accommodate earlier versions of rates (Rate EOS and Rate DOS variations) [§1(b)]
• Remove provision for loss factors for new service requests [§2(3)]
• Remove provisions for adjustments after publication due to changes to a facility during year [§2(4), 3(3)]
• Replace location requirements with requirement to use historical locations [§5(2)]
• Remove exceptions to location requirements [§5(3), 5(4)]
• Remove aggregation and disaggregation provisions [§5(5), 5(6), 5(7)]
AESO has identified preliminary list of modifications to Module B methodology (cont’d)

• Remove incorporation of new source assets [§6(1)(c)]
• Remove incorporation of new sink assets [§6(2)(c-d)]
• Limit system topologies to transmission facilities in service during month of the historical period [§7]
• If no raw loss factors are able to be calculated for a generator, use the loss factor for the following year rather than for the prior year [§9(2)]
• Modify compression limits to accommodate pre-2009 requirements [§11(1), 11(2)]
• Update verb tenses and grammatical conventions throughout methodology
Modifications to procedure document will be reflected in annual documents

• AESO expects few modifications will be required to procedure document

• Required modifications will be identified as calculations are completed and incorporated in annual procedure documents

• For example, provisions for adjusting flows on western Alberta and eastern Alberta high-voltage direct current transmission lines will be removed for years before those lines were in service [Steps 9(b), 13(c-d)]
AESO proposes two-part compliance filing

• Commission directed compliance filing to:
  – document methodology and procedures; and
  – include structure, terms and eligibility criteria for payment plan

• AESO expects to be able to file methodology and procedures in February
  – Methodology approval needed before loss factors can be calculated

• AESO estimates four months will be needed to develop payment plan
  – Payment plan approval not needed until late in 2018

• AESO proposes two-part compliance filing to accommodate different timing requirements
AESO proposes two-part compliance filing (cont’d)

• Initial compliance filing would document methodology and procedures that will be implemented to produce final line loss charges for the historical period
  – Expect to file in February 2018
  – Will also include expected implementation schedule for information purposes only
  – Calculation of loss factors expected to launch in May 2018

• Subsequent compliance filing would include structure, terms and eligibility criteria for payment plan
  – Target filing in June 2018
  – Initial invoicing of loss charges and credits targeted for January 2019
AESO seeking stakeholder comments on two-part compliance filing approach

• Comments on both approach and proposed modifications to methodology

• No formal comment process
  – Comments during stakeholder meeting or by email or phone following the meeting

• Comments requested no later than Wednesday, February 14

• AESO will consider comments when preparing compliance filing but will not provide written replies to comments
AESO expects loss factors calculations to be complete by December 2018.

- Input data preparation
- Compliance filing: methodology
- Compliance filing: payment plan
- Calculation of loss factors
- Postings and consultation
- Invoicing
- Initial settlement
- Settlement of shortfalls
AESO expects additional Module C consultation during rest of 2018

- Stakeholder session on payment plan (April)
- Posting of merit order data and system topologies as they become available (March through June)
- Posting of annual loss factors and annual and cumulative charges for the historical period as loss factor calculations are completed (approximately twice a month from June through December)
- Stakeholder sessions on annual loss factors once a month in June, July, and August
- Stakeholder sessions as needed after August
Calculations are underway for 2018 loss factors

• AESO decided in fall of 2017 to use 2016 merit order data being prepared for Module C as starting point for 2018 loss factor calculations

• Unanticipated complexity was encountered in process, such that 2016 merit order data was delayed until end of December 2017
  – AESO submitted request in mid-December for forbearance from MSA to publish 2018 loss factors by end of March 2018

• 2016 merit order data has now been supplemented with additions, changes, and retirements since 2016
  – Load input data and system topologies have also been prepared

• Initial preparation of calculations is underway with expected completion in early March
Calculations are underway for 2018 loss factors (cont’d)

• Stakeholder session expected for mid-March
• Input data will be posted within a few days
AESO will propose permanent amendment to loss factor rule project inclusion criteria

- Project inclusion criteria in loss factor rule were amended in late 2017 on an interim basis
- Amendment included requirement to replace subsection 7 during 2018
- Project inclusion criteria will be reviewed based on experience gained during 2018 loss factor development
- Consultation on project inclusion criteria will be included in amendment process
- AESO expects to also include revisions to subsections 8(7) and 8(8) to address exclusion of all locations for an hour in which calculations cannot be completed for a single location
  - Similar to amendment that was proposed in mid-2017 and later withdrawn
Other loss factor activities are integrated with Module C schedule

- Input data preparation
- 2018 loss factors
- Loss factor rule amendment
- Quarterly calibration factors
- Compliance filing: methodology
- Compliance filing: payment plan
- Calculation of loss factors
- Postings and consultation
- Invoicing
- Initial settlement
- Settlement of shortfalls
- 2019 loss factors
Discussion

• Module C compliance filings, implementation, and settlement
• Stakeholder consultation
• 2018 loss factors
• Loss factor rule amendment
• 2019 loss factors
For more information

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• Loss factors, stakeholder consultation information, and related documents are posted on AESO website
  – Grid ➤ Loss factors ➤ Loss factors recalculation for 2006-2016
  – Grid ➤ Loss factors ➤ 2017-2018 loss factor development
  – Grid ➤ Loss factors ➤ 2018 loss factors