



2024 ANNUAL REPORT



MESSAGE FROM

The President and Chief Executive Officer

I write to you in my first year as President and CEO of the Alberta Electric System Operator (AESO) with a strong sense of purpose. Having spent four years as a member of the AESO Board, I am well-acquainted with our core responsibilities of maintaining electric system reliability and promoting a fair, efficient and openly competitive market. However, stepping into this leadership role has given me a new level of appreciation for the dedication and expertise across this organization.

For me, this role is more than a professional commitment; it is personal. With my sons and their families all living in and around Calgary, I'm highly invested in the future of this province. The work we do at the AESO to ensure a reliable electricity system has an immediate and tangible impact on Alberta's industry, economy, and families, including my own.

A TRANSFORMATIVE YEAR

2024 marked the early retirement of coal and increased integration of renewables, introducing new and growing complexity of both grid and market operations. While the current market served us well for 20 years, the environment in which it was created has significantly changed. Industry and the AESO are aligned on the need to modernize our market to meet our current and future needs in an affordable and reliable way. The how to get there was the foundation of our intensive engagement with industry on the market redesign.

To our industry partners, I recognize the effort, technical expertise, and openness you bring to every engagement process. Your commitment to dialogue and ensuring we develop market solutions tailored to Alberta's unique system has been invaluable.

“Industry and the AESO are aligned on the need to modernize our market to meet our current and future needs in an affordable and reliable way.”

I extend my thanks to our dedicated AESO market redesign team, whose efforts—including developing and presenting viable market options packages that work together to achieve objectives—have been instrumental in fostering transparency and collaboration.

LOOKING AHEAD

Through 2024, extreme weather events, supply adequacy challenges, and increased reliance on intermittent renewable sources increased the complexity of grid operations. Our System Controllers skillfully navigated moments of significant strain, and thanks to their expertise and resilience, we maintained reliability even under difficult conditions.

Looking to 2025, our priorities include completing the market redesign and design of transmission policy changes, including optimal planning and tariff approaches. We will continue to work with the Alberta government to support potential data centre growth, while ensuring that the right technical requirements, tariffs, policies, and connection processes are in place for successful integration. And, as always, we will continue to pursue excellence in our core business activities.

CLOSING REFLECTIONS

Alberta's electricity system continues to rapidly evolve, and the AESO views these changes as opportunities for innovation and progress that will benefit us now and for future generations. Our past and future success is deeply rooted in the dedication, expertise and commitment of our people. Simply put, the AESO's people are not just contributors to our success; they are the foundation of it.

I am honoured to lead the AESO as we undertake our vital work, and I am grateful for the trust and collaboration of our stakeholders. Together, I am confident we can achieve success.

Sincerely,

Aaron Engen
President & Chief Executive Officer

YEAR IN REVIEW

Following is a snapshot of some of the AESO's most significant accomplishments in 2024

- Developed a detailed market design for the Restructured Energy Market in consultation with industry stakeholders, with the intent to finalize the design in 2025. The new market design is intended to help us build a grid that is both reliable and efficient, while also creating a market that sends the right investment signals.
- Reduced our system strength risk through new modelling and technical requirements, as well as implemented new internal operational tools to help reduce risk.
- Implemented new supply cushion regulation and secondary offer cap regulations.
- Worked to address frequency stability through procuring Islanded Fast Frequency Response (FFR) and increased interconnected FFR volumes. FFR procurements provided immediate benefits to our system, responding to real-time loss of supply events.
- Increased our regulating reserves and initiated a Fast Regulating Reserves pilot project with the intent to move into procurement in 2025.
- Transitioned to a supply connection Cluster Assessment approach, where projects are batched and studied together, which improved efficiency, schedule certainty and internal workflow.
- Introduced a new Connection Project List Dashboard that enhances transparency and access to value-added information.
- Received Alberta Utilities Commission (AUC) approval of proposed changes to the Demand Opportunity Service (DOS) ISO tariff rate. In early 2025, the AESO will complete system changes and modify the necessary processes and procedures to make DOS available to eligible load customers.

ELECTRICITY IN ALBERTA

PROVINCIAL ELECTRICITY DEMAND

88,827 GWh

▲ 2.9% increase from 2023

TOTAL INSTALLED CAPACITY

23,122 MW

▲ 11.3% increase from 2023

QUALIFIED GENERATING ASSETS

589

~384 Pool Participants

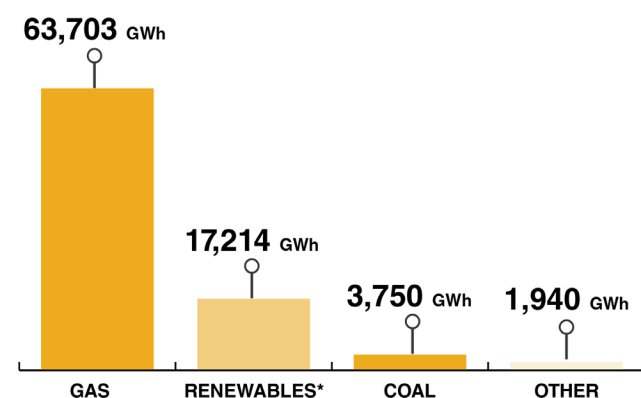
SEASONAL PEAK DEMAND

12,385 MW

All-Time Record Winter 2023

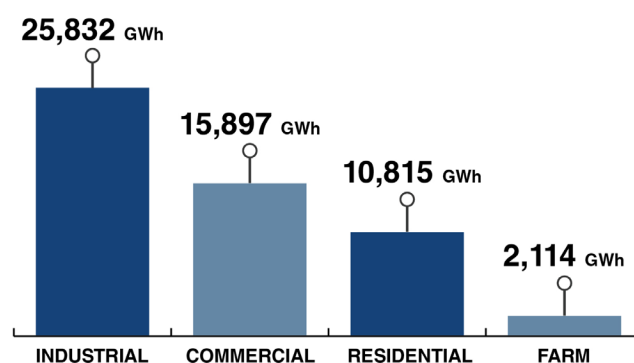
- Received AUC approval for the AESO's Needs Identification Document Application for the City of Edmonton Transmission Reinforcement in northeast Edmonton to serve growing demand and replace aging transmission infrastructure. This marks the first system project where distribution load transfer was utilized as a lower-cost solution to defer the need for the larger transmission expansion.
- Delivered a major Transmission Planning Compliance Report, which included conducting a major power system assessment to ensure the system reliably meets specified performance requirements.
- Completed a significant software upgrade for the Energy Management System (EMS), which enabled future enhancements, including real-time dynamic ratings, energy storage, and voltage/VAR dispatch system.
- Implemented a new Critical Infrastructure Protection (CIP) standard for supply chain risk management, with enhancements to three other CIP standards. This change enhances the protection of IT systems—especially systems like the EMS—from cyberattacks that target trusted third-party vendors who provide essential services to our operations.
- Delivered new education and secondment programs to foster continuous learning and employee development. AESO subject matter experts hosted and led Legal, Technical, and Economics Excellence Conferences, which also featured industry thought leaders.

GENERATION & POWER USE IN ALBERTA



Source: AESO Annual Market Statistics Datafile (data as of Dec 31, 2024)

*Renewables includes wind, solar and hydro.



Source: Annual Sales History 2023 (www.auc.ab.ca/annual-electricity-data/)

Note: Power Use values do not include usage at sites with an Industrial Site Designation (ISD). The ISD volume is estimated to be 28,000 GWh.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations (MD&A) as of March 6, 2025, should be read in conjunction with the Alberta Electric System Operator's (AESO) audited financial statements for the years ended December 31, 2024, and 2023, and accompanying notes. This MD&A is intended to provide an understanding of the AESO's business, financial operations, expectations of the future, and management of risk. The MD&A and financial statements are reviewed and approved by the AESO Board. Amounts within are expressed in Canadian dollars.

The AESO is responsible for:

- The operation of Alberta's fair, efficient and openly competitive energy market for electricity.
- Determining the order of dispatch of electric energy and ancillary services.
- Providing system access service on the transmission system.
- Directing the safe, reliable and economic operation of the interconnected electric system.
- Planning the capability of the transmission system to meet future needs.
- Administering the Renewable Electricity Program (REP).
- Administering load settlement.

The AESO recovers its costs through four separate revenue sources by way of collections from: market participants, suppliers under the REP, and owners of electric distribution systems and wires service providers for load settlement. There is no Government of Alberta (government) funding for the operations of the AESO.

2024 Accomplishments

The electricity industry began navigating monumental change during 2024 as the government provided policy direction for the AESO to lead the most significant restructuring of Alberta's electricity market in history. This was in concert with significant efforts required to ensure the reliability of the Alberta Interconnected Electric System (AIES) is restored to historic levels and supply adequacy is sustained amidst the significant challenges of changing supply and demand. In a year of challenge and continuous pivoting, opportunities for collaboration and innovation were brought to life at levels not historically experienced in the Alberta electricity industry or at the AESO.

Launch of a Restructured Energy Market

In March, the Minister of Affordability and Utilities directed the AESO to publish its Restructured Energy Market (REM) Recommendation, engage in a stakeholder consultation process on it, and work in collaboration with the Market Surveillance Administrator (MSA) and the Alberta Utilities Commission (AUC) to deliver a first draft of the detailed REM technical design by the end of 2024. This was followed in July with clear direction on the technical design of the REM, future changes to transmission planning and the design of the ISO tariff.

With a tight implementation timeline and policy direction in hand, the AESO launched six detailed design sprints with industry, leading to a high-level design. Experts were engaged both internally and externally to navigate the appropriate design and ensure thoughtful consideration of stakeholder feedback while ensuring the objectives of reliability, affordability, reasonable implementation and decarbonization by 2050.

Continued detailed design consultation will occur in 2025, along with advancement of supporting system design, ISO rules, tariff and *Transmission Regulation* (T-Reg).

While the planning and design of market reform is underway, the expected long-term benefits to the electricity market include:

- Improved reliability and coordination of supply across generation types (dispatchable, intermittent).
- Improved efficiency, with stronger incentives to invest in new energy sources that supply electricity when and where it is most valuable.
- Improved certainty for investors of the ability to make reasonable returns.
- Greater tools for customers to manage their costs and reduce price volatility.

Maintaining Grid Reliability and Supply Adequacy through the Transformation

Amidst the complexities of a REM design is the critical need to ensure system reliability and supply adequacy in the face of a transforming grid.

System Controllers manage frequency, system strength, flexibility and congestion as the issues arise in real time due to variability from fast-ramping solar and wind. The AESO responded to extreme weather events and high-demand scenarios throughout 2024 with effective strategies. However, risk will continue to grow as additional volumes of renewables connect to the grid in the coming months and years.

Throughout 2024, the AESO continued to address reliability and supply adequacy needs, including:

- Increasing regulating reserves and initiating a Fast Regulating Reserve (FFR) pilot project with the intent to move into procurement in 2025.
- Addressing frequency stability through procuring Islanded FFR and increased interconnected FFR volumes.
- Reducing system strength risk through new modelling and technical requirements, as well as implementing new internal operational tools to help reduce risk.
- Assessing options for strategic reserves to ensure supply adequacy during an Energy Emergency Alert.
- Delivering a major Transmission Planning Compliance Report.
- Implementing energy storage ISO rule amendments that facilitate new technologies, which are an important part of the energy transformation and maintaining AES reliability.

The T-Reg is a crucial legislative component underpinning the AESO's management of Alberta's electric system and overlaps with the province's market design. Through 2024, the AESO has been supporting the Alberta government's work in revising the T-Reg. The update to the T-Reg will help set the groundwork for future system planning, the development of new transmission lines and substations, and provisions for system access.

The AESO is also working with government to support potential data centre growth, while at the same time ensuring that the right technical requirements, tariffs, policies, and connection processes are in place for successful integration.

To continue to deliver on its mandate, the AESO will need to approach the pace of change with agility and innovation, continuously driving for improvement. The AESO successfully transitioned to a Cluster Assessment approach, where connection projects are batched and studied together, which has improved efficiency, schedule certainty and internal workflow.

Current and future challenges driven by the REM initiative, the implementation of transmission policy changes, and reliability and supply adequacy concerns will continue to drive the AESO's strategic direction and priorities as it embraces Alberta's energy future and works diligently to ensure Albertans will continue to benefit from a reliable grid and efficient market.

Summary Annual Highlights

The AESO, a not-for-profit statutory corporation, recovers its operating, right-of-use asset, intangible asset and property, plant and equipment (PP&E) costs through four separate revenue sources, each of which is designed to recover the costs directly related to the provision of a specific service, as well as a portion of the shared corporate services costs.

<i>(\$ Millions) Years ended December 31,</i>	2024	2023	Change	% Change
Collections	2,676.0	2,716.2	(40.2)	(1.5)
Deferred revenue	(57.8)	2.9	(60.7)	(2,102.8)
Other revenue	13.5	10.0	3.5	35.0
Total revenue	2,631.7	2,729.1	(97.4)	(3.6)
Transmission operating costs	2,449.4	2,580.5	(131.1)	(5.1)
Other industry costs	24.9	22.2	2.7	12.2
General and administrative costs	131.8	102.8	29.0	28.2
Amortization and depreciation	25.0	23.0	2.0	8.7
Borrowing costs	0.6	0.6	-	-
Total costs	2,631.7	2,729.1	(97.4)	(3.6)

Numbers may not add due to rounding

Total Costs

Transmission Operating Costs

Transmission operating costs represent wires costs, operating reserves, transmission line losses and other ancillary services costs. In 2024, transmission operating costs are \$2,449.4 million, which is \$131.1 million or 5.1 per cent lower than the 2023 costs of \$2,580.5 million. This decrease is associated with lower operating reserves and transmission line losses costs, partially offset by higher wires costs year over year.

(\$ Millions) Years ended December 31,	2024	2023	Change	% Change
Wires costs	1,975.3	1,885.7	89.6	4.8
Operating reserves	265.0	370.0	(105.0)	(28.4)
Transmission line losses	165.3	285.4	(120.1)	(42.1)
Other ancillary services costs	43.8	39.4	4.4	11.2
Transmission operating costs	2,449.4	2,580.5	(131.1)	(5.1)

Numbers may not add due to rounding

Wires costs represent regulated rates charged by the transmission facility owners (TFOs) for the current year, which are approved by the AUC and are not controllable costs of the AESO.

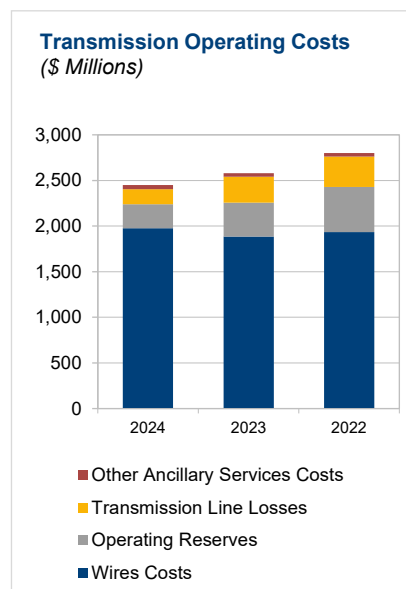
Operating reserves are generating capacity or load that is held in reserve and made available to the System Controller to manage the transmission system supply/demand balance in real time. The cost of operating reserves is impacted by actual volumes, hourly pool prices and operating reserve prices. Operating reserve costs in 2024 are \$105.0 million lower than the 2023 costs, primarily due to lower pool prices. The average hourly pool price is \$63 per megawatt hour (MWh) in 2024 compared to \$134 per MWh in 2023, representing a decrease of 53 per cent.

Transmission line losses represent the volume of energy that is lost as a result of electrical resistance on the transmission system. Volumes associated with line losses are determined through the energy market settlement process as the difference between generation and import volumes, less consumption and export volumes. The value of line losses is calculated based on the hourly pool price.

The cost of transmission line losses in 2024 is \$120.1 million lower than the 2023 cost, primarily due to the impact of the lower average pool price in 2024.

Other Ancillary Services

The AESO procures other ancillary services for the secure and reliable operation of the AIES. These services are procured through a competitive procurement process where possible, or in instances where such procurement processes may not be feasible, through bilateral negotiations.



In 2024, other ancillary services costs are \$43.8 million, which is \$4.4 million or 11.2 per cent higher than the 2023 costs of \$39.4 million. The increase is mainly attributable to frequency services costs.

(\$ Millions) Years ended December 31,	2024	2023	Change	% Change
Frequency services*	29.0	23.1	5.9	25.7
Transmission must-run				
- Contracted and Conscripted	5.4	5.4	(0.0)	(0.6)
Reliability services	2.9	2.9	(0.0)	(1.7)
Blackstart	2.7	2.6	0.1	4.6
Transmission constraint rebalancing	3.8	5.4	(1.6)	(28.9)
Total Other Ancillary Services	43.8	39.4	4.4	11.2

**Includes load shed service, fast frequency response, transferred frequency response, and voluntary load curtailment program.*

Numbers may not add due to rounding

Frequency services costs in 2024 are 25.7 per cent higher than the 2023 costs, primarily due to higher FFR costs resulting from increased arming requirements year over year. FFR costs are impacted by volume availability, contract prices and AIES requirements for arming and response.

Load shed service (LSS) is interruptible load that can be armed to trip, either automatically or manually, on the loss of the Alberta–British Columbia intertie to allow for increased import available transfer capability (ATC). LSS is also utilized to restore the Most Severe Single Contingency (MSSC) limit while the AIES is weakly connected or islanded from the rest of the Western Interconnection.

FFR is based on LSS, but has been adapted for new technologies, such as energy storage.

Transferred frequency response (TFR) is a product that helps to satisfy the AESO's frequency response obligation within the Western Electricity Coordinating Council (WECC).

The voluntary load curtailment program (VLCP) supports system reliability by providing voluntary curtailable load during periods of energy emergency alerts. This program was terminated in early 2024.

Transmission must-run (TMR) occurs when generation is required to mitigate the overloading of transmission lines associated with line outages, system conditions in real time, or the loss of generation in an area. In circumstances when this service is required for an unforeseeable event and there is no contracted TMR, non-contracted generators may be dispatched to provide this service (referred to as conscripted TMR). In the event of foreseeable TMR, the AESO may enter into a contract with a generator to provide TMR services. TMR costs in 2024 are consistent with 2023 costs.

Reliability services are provided through an agreement with Powerex Corp. for grid restoration balancing support in the event of an Alberta blackout, and emergency energy in the event of supply shortfall.

Blackstart services are provided by generators that are able to restart their generation facility with no outside source of power. In the event of a system-wide blackout, blackstart services are used to re-energize the transmission system and provide start-up power to generators that cannot self-start.

Transmission constraint rebalancing (TCR) costs are incurred when the transmission system is unable to deliver electricity from a generator to a given electricity-consuming area without contravening reliability requirements. When this occurs, a market participant downstream of a constraint may be dispatched for purposes of transmission constraint rebalancing under the ISO rules and would receive a TCR payment

for energy provided for that purpose. TCR costs in 2024 are 1.6 per cent lower than the 2023 costs, primarily due to the impact of lower pool prices year over year, resulting in lower dispatched TCR prices.

Other Industry Costs

Other industry costs represent fees or costs paid based on regulatory requirements or membership fees for industry organizations that are not under the direct control of the AESO. Regulatory process costs are associated with the AESO's involvement in AUC proceedings and costs incurred to respond to specific agency-related directions or recommendations that are beyond the routine operations of the AESO; this does not include application preparation costs.

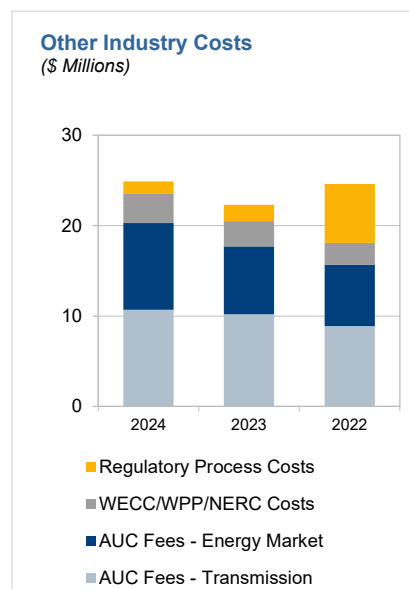
Other industry costs in 2024 are \$24.9 million, which is \$2.7 million or 12.1 per cent higher than the 2023 costs of \$22.2 million, primarily due to an increase in AUC fees.

(\$ Millions) Years ended December 31,	2024	2023	Change	% Change
AUC Fees – Transmission	10.7	10.2	0.5	4.9
AUC Fees – Energy Market	9.6	7.5	2.1	28.0
WECC/WPP/NERC costs	3.2	2.8	0.4	14.3
Regulatory process costs	1.4	1.8	(0.4)	(22.2)
Other industry costs	24.9	22.2	2.7	12.1

Numbers may not add due to rounding

Under the provisions of the *Alberta Utilities Commission Act* (AUC Act), AUC operating and capital costs are recovered from natural gas and electricity market participants under its jurisdiction or any person to whom the AUC provides services. Accordingly, the AUC apportions its costs related to its electricity transmission and wholesale electric market activities to the AESO, levying two separate administration fees to the AESO—a transmission fee and an energy market fee.

Regulatory process costs in 2024 are \$0.4 million lower than the 2023 costs, primarily due to a decrease in AUC proceedings requiring involvement of the AESO.



General and Administrative Costs

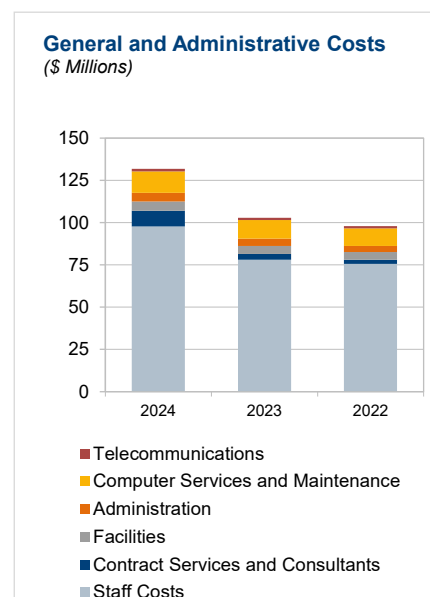
General and administrative costs in 2024 are \$131.8 million, which is \$29.0 million or 28.2 per cent higher than the 2023 costs of \$102.8 million. This increase is primarily associated with an increase in staff costs, and contract services and consultants costs.

(\$ Millions) Years ended December 31,	2024	2023	Change	% Change
Staff costs	97.7	78.1	19.6	25.1
Contract services and consultants	9.4	3.3	6.1	184.8
Facilities	5.5	4.8	0.7	14.6
Administration	5.1	4.4	0.7	15.9
Computer services and maintenance	12.6	10.9	1.7	15.6
Telecommunications	1.5	1.3	0.2	15.4
General and administrative costs	131.8	102.8	29.0	28.2

Numbers may not add due to rounding

In 2024, staff costs are \$19.6 million higher than the 2023 costs, primarily due to an increased staff complement of approximately 10.0 per cent on average year over year and the implementation of an employee retention program to support the REM activities. In addition, increases in salaries and benefits costs were driven by rising market rates.

In 2024, contract services and consultants costs are \$6.1 million higher than the 2023 costs, primarily due to the timing of, and changes to, activities and initiatives requiring specialized external legal and consulting resources. In the latter half of 2024, notable consulting and legal service providers were engaged to assist with the market design activities.



Amortization and Depreciation and Borrowing Costs

(\$ Millions) Years ended December 31,	2024	2023	Change	% Change
Amortization of right-of-use assets, intangible assets and depreciation of PP&E	25.0	23.0	2.0	8.7
Borrowing costs	0.6	0.6	-	-

Intangible Assets and Property, Plant and Equipment

The AESO's development and acquisition of intangible assets and PP&E, most significantly the investment in information technology infrastructure and business systems, is a key component of business operations. As with all information technology-intensive organizations, the AESO's challenge is to find the appropriate balance between implementing technology advancements, determining the level of information technology development that can be supported by business operations, and validating the overall financial requirement. To address these challenges, a Corporate Capital Management Program facilitates the development, prioritization and approval of capital budgets and provides ongoing corporate visibility and coordination of the enterprise portfolio of capital projects and programs to ensure intangible asset and PP&E purchases achieve the most beneficial and cost-effective results while continuing to meet operating requirements.

Right-of-Use Assets

The AESO is a lessee under various lease contracts for office space with lease terms between 10 and 40 years. The AESO has a lease contract for land with a term of 55 years, commensurate with the expected life of the building owned by the AESO and located on the land.

In 2024, the AESO executed a Lease Amending Agreement to secure office space for a term of 10 years commencing on April 1, 2025, which resulted in the addition to the related right-of-use assets in 2024 due to the early occupancy of the newly leased space.

Borrowing Costs

Borrowing costs are incurred primarily as a result of interest charges on bank debt held throughout the year and the associated borrowing rate. Debt financing occurs to fund intangible asset and PP&E purchases, prepayments of future expenses and working capital deficiencies due to timing differences in the collection of revenues and payment of expenses. Intangible assets and PP&E are financed through the AESO's credit facilities and recovered as amortization and depreciation over the useful lives of the assets. Capitalized borrowing costs in 2024 were nil, as no debt financing was required during the year.

Non-cash borrowing costs are also recognized in relation to the accretion of the AESO's lease liabilities, post-retirement defined benefit liabilities, and asset retirement obligation.

Service Area Cost Detail

Allocation of Costs for Revenue Requirements

The majority of the revenues the AESO collects relate to the recovery of transmission operating costs (wires, ancillary services and transmission line losses costs). The remaining costs (general and administrative, other industry, amortization and depreciation and borrowing costs) are recovered through a methodology intended to relate the costs to the specific services that they support (transmission, energy market, REP or load settlement).

The allocation of costs to one of the AESO's four services is based on the direct or indirect relationship the costs have to one of the services. If an operating cost is directly associated with a service, the cost will be assigned directly to that service (e.g., a consultant cost in the transmission group would be assigned 100 per cent to transmission and recovered through the transmission tariff). Alternatively, if an operating cost is not directly associated with any one service (typical for corporate service areas), the cost will be allocated to the services based on the value of the directly assigned costs. This methodology

assumes that the service with the higher direct costs would contribute to a higher demand for general costs (such as corporate services) and therefore be assigned a higher percentage allocation.

Exceptions to this general methodology arise for information technology, office operating costs, borrowing costs, other industry costs, right-of-use asset, intangible asset and PP&E costs. Information technology costs are allocated based on an activity-based analysis to reflect the nature of the underlying costs. Office operating costs and right-of-use asset depreciation costs (office leases) are allocated based on the staff associated with the four services and specific uses of space. Borrowing costs are allocated based on the service for which the borrowed funds were required. Other industry costs are allocated based on the nature of the specific cost. Intangible asset and PP&E purchases made to support one service are recovered from that service or, alternatively, from multiple services based on management judgment, taking into consideration the business or operating activities that will be supported by the assets.

Allocation of Operating Costs

Operating costs, which consist of wires costs, ancillary services costs and transmission line losses are allocated 100 per cent to the transmission service area for cost recovery purposes.

Allocation of Non-Operating Costs

The AESO recovers the non-operating costs from the four revenue sources, based on an established allocation methodology, the results of which are illustrated below.

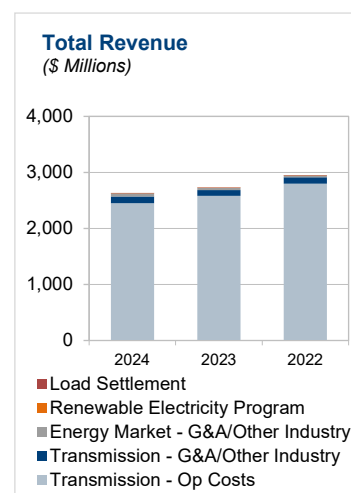
(\$ Millions) Years ended December 31,		Trans- mission	Energy Market	REP	Load Settlement	Total
Other industry	2024	15.3	9.6	-	-	24.9
	2023	13.7	8.5	-	-	22.2
General and administrative	2024	88.9	41.0	0.9	1.0	131.8
	2023	75.9	24.8	1.1	1.0	102.8
Amortization and depreciation	2024	18.5	6.0	0.2	0.3	25.0
	2023	16.9	5.6	0.3	0.2	23.0
Borrowing costs	2024	0.5	0.1	-	-	0.6
	2023	0.5	0.1	-	-	0.6
Total	2024	123.2	56.7	1.1	1.3	182.3
	2023	107.0	39.0	1.4	1.2	148.6

Numbers may not add due to rounding

In 2024, the allocation of non-operating costs resulted in an overall increase to transmission and energy market costs compared to 2023, with negligible change to REP and load settlement cost allocations. The movement in the transmission and energy market allocations is primarily due to increased general and administrative costs related to the REM implementation.

Total Revenues

The *Electric Utilities Act* (EUA) requires that the AESO operates so that no profit or loss results on an annual basis from its operations. To achieve this, revenue is recognized to the extent of annual operating costs, including the amortization of intangible assets and depreciation of right-of-use assets and PP&E. When revenue collections differ from the annual operating costs, the difference is recorded as an adjustment to revenue, recognized as other accounts receivable or payable and subsequently collected or refunded. The AESO's four revenue sources are from market participants for transmission and the energy market, REP suppliers, and owners of electric distribution systems and wires service providers for load settlement; there is no government funding for the operations of the AESO.



Total Revenue

(\$ Millions) Years ended December 31,

	2024	2023	Change	% Change
Revenue collections				
Transmission	2,629.6	2,681.0	(51.4)	(1.9)
Energy market	56.4	42.0	14.4	34.4
Renewable Electricity Program	2.5	1.7	0.8	47.3
Load settlement	1.0	1.5	(0.5)	(31.8)
Total revenue collections	2,689.5	2,726.2	(36.7)	(1.3)
(Deferred revenue) revenue				
Transmission	(57.1)	6.4	(63.5)	(988.5)
Energy market	0.5	(2.9)	3.4	(117.0)
Renewable Electricity Program	(1.2)	(0.2)	(1.0)	481.2
Load settlement	0.1	(0.4)	0.4	(114.4)
Total (deferred revenue) revenue	(57.8)	2.9	(60.7)	(2,102.8)
Total revenue	2,631.7	2,729.1	(97.4)	(3.6)

Numbers may not add due to rounding

Transmission

The AESO is responsible for paying all of the costs incurred in managing the provincial transmission system and recovering the costs through a tariff approved by the AUC. The transmission tariff is designed to allocate the costs to all users of the transmission system based on the metered demand and energy for system access service.

On a monthly basis, the AESO invoices market participants for transmission system access services based on approved tariff rates. The AESO also pays for costs associated with providing system access services. The monthly difference in the revenues collected and the costs incurred is accumulated in the AESO's transmission deferral account and can be attributed to several factors:

- forecast variances (pool price volatility, meter volumes and regulatory decisions);
- timing of revenues and costs (monthly fluctuations); and
- any misalignment of approved rates and the current year revenue requirement (delays in having the current year rates approved).

Transmission Deferral Summary

(\$ Millions) Years ended December 31,

	2024	2023
Revenue collections	2,629.6	2,681.0
Costs	2,572.5	2,687.5
Transmission (deferred revenue) revenue	(57.1)	6.4
Other accounts receivable, beginning of year	41.4	16.0
Disbursement of the deferral account reconciliation applications	5.6	18.9
Remeasurement of post-employment benefit obligations	0.8	0.1
Other accounts (payable) receivable, end of year	(9.3)	41.4

Numbers may not add due to rounding

As part of the transmission tariff, Deferral Account Adjustment Rider C is intended to bring the transmission deferral account balance for rate categories other than transmission line losses to zero during the following calendar quarter. It is an additional percentage charge or credit that applies to each of the components of Rates Demand Transmission Service (DTS) and Fort Nelson Demand Transmission Service (FTS). Losses Calibration Factor Rider E is intended to bring the transmission line losses deferral account balance to zero during the remainder of the calendar year. Rate Rider E is a percentage adjustment to all location-specific loss factors.

For rate categories other than transmission line losses, the AESO files a retrospective deferral account reconciliation application with the AUC for approval of the final settlement amounts. The final reconciliation process associates all revenue and cost adjustments by rate category to the appropriate production period and allocates the corresponding charges and refunds to market participants. For transmission line losses, Rate Rider E is a prospective adjustment for the reconciliation of deferral account balances.

The transmission settlement deferral account at December 31, 2024, is a \$9.3 million payable compared to a \$41.4 million receivable at the end of 2023. The \$41.4 million receivable balance was primarily related to the under-collection of line losses costs, and was largely collected over the course of 2024 through increases to Rate Rider E.

Energy Market

The AESO recovers the costs of operating the real-time energy market through an energy market trading charge on all MWh traded. The AESO's component of the energy market trading charge recovers regulatory process costs, general and administrative costs, borrowing costs, amortization of intangible assets and depreciation of right-of-use assets and PP&E. The energy market trading charge also recovers the AUC administration fee and the operating costs for the MSA, which are organizations that are independent of the AESO's operations.

For 2024, the AESO's component of the energy market trading charge is 26.3 cents per MWh compared to 23.8 cents per MWh in 2023.

Energy market collections are dependent on the energy market trading charge and the volume of energy traded through the power pool.

The energy market deferral account is the accumulated difference between revenues collected and costs paid that is receivable from, or payable to, energy market participants.

Energy Market Deferral Summary

(\$ Millions) Years ended December 31,

	2024	2023
Revenue collections	56.4	42.0
Costs	56.9	39.0
Energy market revenue (deferred revenue)	0.5	(2.9)
Other accounts payable, beginning of year	(11.4)	(8.5)
Remeasurement of post-employment benefit obligations	0.4	-
Other accounts payable, end of year	(10.6)	(11.4)

Numbers may not add due to rounding

The energy market deferral account at December 31, 2024, is a \$10.6 million payable compared to an \$11.4 million payable at the end of 2023. The change of \$0.8 million is the result of costs exceeding collections. The collections are based on a forecast of volumes and costs allocated to the energy market.

Renewable Electricity Program

The AESO is responsible for administering the REP on behalf of the Government of Alberta, and recovering the costs through fees charged in accordance with Renewable Electricity Support Agreements with generators. AESO costs associated with the REP include general and administrative costs, borrowing costs, amortization of intangible assets and depreciation of right-of-use assets and PP&E.

The fee structure for the REP includes separate fees associated with the recovery of development, implementation, and administration costs. Implementation and administration costs are recovered from REP generators following their facility energization dates.

The REP deferral account is the accumulated difference between revenues collected and costs that will be settled with the Government of Alberta at the conclusion of the REP.

Renewable Electricity Program Deferral Summary

(\$ Millions) Years ended December 31,

	2024	2023
Revenue collections	2.5	1.7
Costs	1.3	1.5
Renewable Electricity Program deferred revenue	(1.2)	(0.2)
Other accounts payable, beginning of year	(6.1)	(5.9)
Remeasurement of post-employment benefit obligations	-	-
Other accounts payable, end of year	(7.3)	(6.1)

Numbers may not add due to rounding

The REP deferral account at December 31, 2024, is a \$7.3 million payable compared to a \$6.1 million payable at the end of 2023. The change of \$1.2 million is the result of collections exceeding costs for the year.

Load Settlement

Under the ISO rules, costs that are incurred to provide services related to administering provincial load settlement are charged to the owners of electric distribution systems and wires service providers conducting load settlement. The costs associated with load settlement include general and administrative costs, borrowing costs, amortization of intangible assets and depreciation of right-of-use assets and PP&E.

The load settlement deferral account is the accumulated difference between revenues collected and costs paid that is receivable from, or payable to, owners of electric distribution systems and wires service providers.

Load Settlement Deferral Summary

(\$ Millions) Years ended December 31,

	2024	2023
Revenue collections	1.0	1.5
Costs	1.1	1.1
Load settlement revenue (deferred revenue)	0.1	(0.4)
Other accounts payable, beginning of year	(0.4)	-
Remeasurement of post-employment benefit obligations	-	-
Other accounts payable, end of year	(0.3)	(0.4)

Numbers may not add due to rounding

The load settlement deferral account at December 31, 2024, is a \$0.3 million payable compared to a \$0.4 million payable at the end of 2023. The change of \$0.1 million is the result of costs exceeding collections.

Market Surveillance Administrator Charge

A portion of the energy market trading charge collected by the AESO is remitted to the MSA for its revenue requirement in accordance with the AUC Act. The AESO facilitates the cash collection process for the funding of the MSA through a per-MWh addition to the AESO's energy market trading charge. In 2024, the MSA's portion of the total energy market trading charge is 4.3 cents per MWh compared to 3.2 cents in 2023.

The MSA's revenue and costs are separate and independent of the AESO's financial records. The AESO records the difference between the payments made to the MSA and the collection on behalf of the MSA in a separate deferral account. At the end of 2024, the MSA collections exceeded the MSA payments, resulting in a deferral accounts payable balance of \$1.0 million, compared to a \$0.5 million payable balance at the end of 2023.

Financial Position and Liquidity

At December 31, 2024, the cash position is \$233.1 million, a decrease of \$35.7 million compared to 2023.

Notable changes are:

<i>(\$ Millions) Years ended December 31,</i>	2024	2023
Funds provided by operations	27.2	23.9
Prepayments used for future services	1.2	3.0
Change in long-term payables	51.6	32.2
Cash (used in) provided by settlements	(47.1)	87.2
Cash used for capital expenditures	(45.1)	(22.7)
Other	(23.5)	20.4
Increase in cash	(35.7)	144.0

Numbers may not add due to rounding

Cash Provided by Settlements

At December 31, 2023, the net balance of the settlement-related accounts receivable, accounts payable and accrued liabilities, and other accounts receivable and payable, was a payable of \$77.9 million. The balances in these accounts are associated with cash collections for the transmission, energy market, REP, load settlement and MSA settlements offset by the cash payments made by the AESO.

During 2024, cash flows for these accounts and the 2024 transactions resulted in a December 31, 2024, net payable balance of \$30.8 million. The \$(47.1) million change from 2023 to 2024 is primarily due to early payments for the November 2023 production month settlement that were received on or before December 31, 2023, but that were not due until January 2, 2024. Typically, November production is settled in December; however, occasionally the 20th business day falls into the beginning of January, as was the case that year.

Debt Financing and Credit Facilities

At December 31, 2024, the AESO had the following credit facilities available to fund general operating, intangible asset and PP&E purchasing activities:

<i>(\$ Millions) Year ended December 31, 2024</i>	Total	Available	Used
Committed revolving facility	10.2	-	10.2

The committed facility includes a \$10.0 million letter of credit at December 31, 2024 and 2023, which is issued as financial security for the AESO's procurement of operating reserves. The committed facility also includes a \$0.2 million Mastercard ancillary carve-out to support the AESO's corporate credit card portfolio.

Throughout 2024 and 2023, the AESO's credit rating has been AA-/Stable from Standard and Poor's (S&P) Ratings Services. S&P is a leading global provider of independent credit risk research and benchmarks.

Future Outlook

Providing Leadership to Power Alberta Today and Into the Future

Over the next few years, the AESO will undertake the most significant restructuring of the Alberta electricity market in its history and implement major changes to Alberta's transmission policies.

The AESO is committed to providing a leadership role in enabling the transformation while maintaining system reliability, acting in the public's interest, and providing guidance to policymakers and industry. It is clear the work ahead is critical and timing is crucial. As the pace of change continues to accelerate, the AESO must be adequately prepared with the required expertise and resources to effectively deliver on its priorities. The timely and effective implementation of new market systems rules, policies and tariffs is essential to a smooth transformation.

In 2025, the AESO will focus on three key strategic areas of work:

- Urgently stabilizing and enhancing grid reliability by engaging in dynamic studies to address congestion and restoration challenges, performing identification and impact analysis of load electrification and continuing to evaluate reliability attribute products.
- Successfully implementing market and transmission policy reform by continuing to progress the design for the REM, involving ongoing stakeholder engagement and government and agency consultation. Internal resources will be supplemented with external consultants to support facilitation, quantitative modelling and design activities.
- Proactively preparing for the continually evolving future of electricity by investing in systems and tools to support the final market design details and implementation of transmission policy changes. The REM is a significant change in complexity, which will require change management efforts to ensure coordination and preparedness across Alberta.

The AESO is uniquely positioned to guide the future of electricity in Alberta. Market and policy changes made today must consider the future to provide flexibility for an electrified tomorrow.

In addition, the AESO will continue to focus on other external and internal business initiatives to advance its strategic plan and to maintain safe and reliable operations. The AESO will continue to efficiently and effectively deliver on its activities to create value for stakeholders and the province as a whole.

By performing the work described, the AESO will continue to demonstrate that Albertans can look to this organization for electricity industry leadership, and that they can be confident the transmission system and electricity framework are managed efficiently and reliably, every day.

Forecast

In accordance with the EUA, the AESO Board approves an annual budget to support ongoing operations and to procure transmission services. To recover the costs that are incurred while adhering to the EUA requirement for the AESO to operate with no profit or loss on an annual basis, cost-recovery mechanisms are established and approved by the AESO Board, and for transmission-related wires costs through TFO tariffs approved by the AUC under Section 37 of the EUA.

For transmission-related costs in 2025, the AESO established a cost estimate of \$2,560.0 million, which is \$12.5 million or 0.5 per cent lower than the 2024 actual costs of \$2,572.5 million. The slight decrease is primarily due to lower ancillary services and transmission line losses costs associated with lower forecasted pool prices in 2025, partially offset by higher forecasted wires costs, general and administrative, other industry and amortization and depreciation costs.

For energy market-related activities, the annual costs are forecast to increase to \$73.3 million from the 2024 actual costs of \$56.9 million, a \$16.4 million or 28.8 per cent increase. This increase is associated with higher forecasted general and administrative and other industry costs in 2025.

For REP-related initiatives, the annual costs are forecast to be \$1.2 million in 2025, which is comparable to the actual costs of \$1.3 million in 2024.

For load settlement-related initiatives, the annual costs are forecast to increase to \$1.3 million from the 2024 actual costs of \$1.1 million, a \$0.2 million or 18.1 per cent increase. This increase is associated with higher forecasted general and administrative costs in 2025.

Increased general and administrative and other industry costs are due to the incremental efforts required to effectively deliver on the AESO's strategic initiatives in 2025.

Risk Management

The AESO is exposed to various risks in the normal course of business. Many of these are similar to risks faced by other companies including independent electric system operators and wholesale market operators.

The Board is responsible for understanding and providing oversight for principal risks associated with the AESO's duties and responsibilities. AESO management is responsible for the ongoing operations of the organization including integrating risk management into operations.

The risk management processes that the AESO has developed are designed to proactively identify the risks confronting the AESO, to assess the impact and likelihood of those risks occurring, and to determine mitigation strategies to acceptable levels of residual risk.

Risk management is a key element of organizational governance and is characterized by a philosophy of continuous improvement. The key features of the AESO's governance and internal control environment, which facilitate the AESO's risk management processes, are as follows:

- The AESO is established by the *Electric Utilities Act* (EUA). The AESO's business and affairs are governed by Members of the AESO (Members). Members are individuals who are independent from any person having a material interest in the Alberta electricity industry and are appointed by the Government of Alberta. The Members function as a board of directors (AESO Board) and act in the public interest. The *Alberta Public Agencies Governance Act* is the legislation applicable to the AESO that addresses certain duties of the AESO as a "public agency" under that Act.
- AESO policies are developed and approved by the Board or the President and Chief Executive Officer as delegated by the Board. AESO policies are communicated to employees and, as appropriate, to contractors. AESO policies are reviewed on a regular basis and are accessible by employees at all times.
- The AESO is committed to maintaining a high level of ethics and integrity. The Board and AESO management foster these values throughout the organization, including through the Complaints Procedures, which provide an avenue for employees and/or other third parties to submit their concerns. In addition, the AESO maintains a code of conduct applicable to its members, officers, employees and contractors, which serves as a framework for these individuals when they are faced with difficult situations where laws and regulations may not provide sufficient direction and assistance. The *AESO Code of Conduct* is a policy by which all employees must abide. All employees must acknowledge their agreement with that policy when hired and review it at least annually to confirm compliance/non-compliance. AESO contractors have similar requirements, as appropriate, given the

nature of their work for the AESO. Each Member of the Board is bound by the *AESO Code of Conduct* and similarly provides an annual confirmation of their compliance/non-compliance.

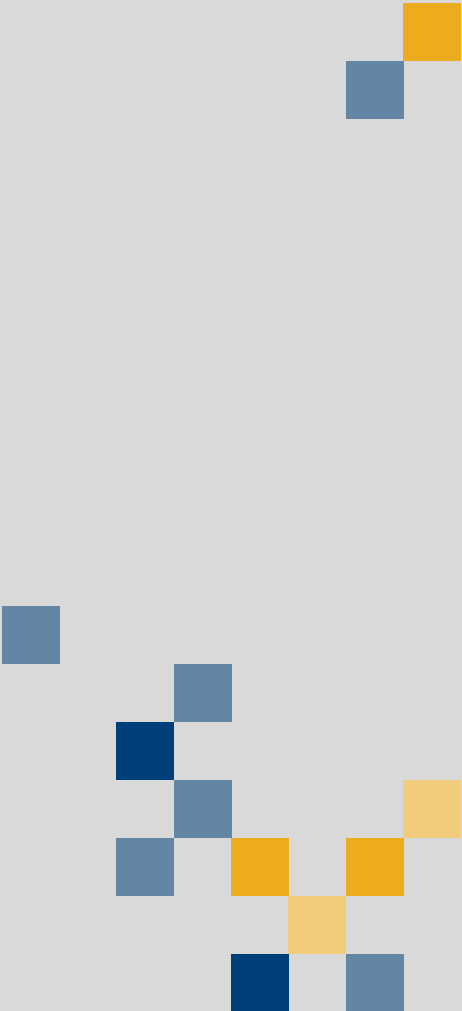
- AESO management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Internal controls over financial reporting, no matter how well designed, have inherent limitations and provide only reasonable assurance with respect to financial statement preparation. Accordingly, they may not prevent or detect all misstatements or fraud and error.
- The AESO conducts an annual assessment of the design and effectiveness of its internal controls over financial reporting based on an accepted industry framework. The framework adopted by the AESO for this assessment is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, AESO management has concluded that, as of December 31, the AESO maintains, in all material respects, effective internal controls over financial reporting.
- The Audit Committee provides oversight, in accordance with the Audit Committee Charter, on the system of internal controls, the processes for managing risk, the external audit process and the AESO's process for monitoring compliance with laws and regulations, with a view to adopt best practices, as appropriate.
- The AESO's Audit Services function provides the AESO with an objective and independent assessment of internal controls and coordinates and identifies opportunities for improvement. The Audit Services function reports directly to the Audit Committee and meets regularly with the Audit Committee independent of AESO management.
- Ongoing communication and reporting related to identified risk events and opportunities and the activities to mitigate or capitalize on them are provided to AESO Management and the AESO Board through various risk reports. Risk reporting is updated on a quarterly basis, and the AESO's overall listing of risk events (Risk Event Register) is refreshed annually; however, it is updated with new and emerging risk events as they arise.
- The AESO, its members, officers, employees, and contractors are extended a degree of statutory liability protection consistent with the execution of the AESO's public interest mandate.
- The AESO carries insurance coverage that is reviewed and approved as appropriate by the Board through the Audit Committee. The insurance coverage may not be adequate to cover all risks, and the proceeds of any insurance claim may not be adequate to cover all potential losses.

Forward-Looking Statements

This MD&A contains forward-looking statements that are subject to certain assumptions and risks that create uncertainties. These assumptions and risks could cause actual results to differ materially from results anticipated by the forward-looking statements.

Additional Information

Additional information relating to the AESO can be found on the corporate website at www.aeso.ca.

A decorative graphic in the top left corner consisting of several small squares in shades of blue and yellow, arranged in a scattered, abstract pattern.

Financial Statements & Notes

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Alberta Electric System Operator (AESO) are the responsibility of management and have been approved by the AESO Board (Board). These financial statements have been prepared by management in accordance with International Financial Reporting Standards, appropriate in the circumstances, and include the use of estimates and assumptions that have been made using management's best judgment. Financial information contained in the management's discussion and analysis of financial condition and results of operations (MD&A) is consistent with that in the financial statements.

To discharge its responsibility for financial reporting, management maintains a system of internal controls designed to provide reasonable assurance that the AESO's assets are safeguarded, that transactions are properly authorized, and that financial information is relevant, accurate and available on a timely basis. Internal controls are reinforced through the *AESO Code of Conduct*, which sets forth the AESO's commitment to conduct business with integrity and to comply with the law.

The Board, through the Audit Committee, is responsible for ensuring management fulfils its responsibility for financial reporting and internal controls. The Audit Committee meets regularly with management, internal auditors, and external auditors to discuss any significant accounting, internal control and auditing matters to determine that management is carrying out its responsibilities and to review and recommend the approval of the financial statements by the Board.

The financial statements have been examined by Ernst & Young LLP, the external independent auditors engaged by the Board. The responsibility of this external auditor is to examine the financial statements and express their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The external auditor's report outlines the scope of its examination and states its opinion. Internal and external auditors have access to the Audit Committee, with and without the presence of management.



Aaron Engen
President and Chief Executive Officer



Nicole Kinch, CPA, CA, CPA (WA, US)
Vice-President, Finance

Independent auditor's report

To the Members of the Board of the Independent System Operator, operating as
Alberta Electric System Operator

Opinion

We have audited the financial statements of the **Alberta Electric System Operator** ["AESO"], which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income and comprehensive income and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the AESO as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the AESO in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis of Financial Condition and Results of Operations

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis of Financial Condition and Results of Operations prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the AESO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the AESO or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the AESO's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AESO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AESO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the AESO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Canada
March 6, 2025

Ernst & Young LLP

Chartered Professional Accountants



STATEMENTS OF FINANCIAL POSITION

(in millions of Canadian dollars)

As at December 31

Assets

Current assets

	2024	2023
Cash	\$ 233.1	\$ 268.8
Accounts receivable (note 3)	147.3	267.2
Other accounts receivable (note 4)	-	41.4
Prepays and deposits	14.9	12.3
	395.3	589.7

Non-current assets

Long-term prepaids (note 5)	14.4	15.6
Right-of-use assets, net (note 6)	15.6	10.2
Intangible assets, net (note 7)	55.6	53.8
Property, plant and equipment, net (note 8)	65.5	43.0
	\$ 546.4	\$ 712.3

Liabilities

Current liabilities

Accounts payable and other liabilities (note 9)	\$ 206.4	\$ 441.6
Other accounts payable (note 10)	21.2	12.3
Current portion of lease liabilities (note 11)	0.9	2.5
Current portion of post-employment benefit obligations (note 13)	0.1	-
	228.6	456.4

Non-current liabilities

Long-term other accounts payable (note 10)	7.3	6.1
Long-term portion of lease liabilities (note 11)	13.1	6.0
Long-term portion of post-employment benefit obligations (note 13)	5.5	3.7
Generating unit owner's contribution (note 14)	291.4	239.6
Asset retirement obligation (note 15)	0.5	0.5

Equity (note 1)

	-	-
	\$ 546.4	\$ 712.3

See accompanying notes to the financial statements.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in millions of Canadian dollars)

For the year ended December 31

Revenue

Revenue from contracts with market participants

	2024	2023
Transmission tariff	\$ 2,560.3	\$ 2,678.7
Energy market charge	55.9	38.1
Renewable electricity program charges	1.0	1.2
Load settlement charge	1.0	1.1
	2,618.2	2,719.1
Interest and other	13.5	10.0
	2,631.7	2,729.1

Operating costs and expenses

Wires costs	1,975.3	1,885.7
Ancillary services costs	308.8	409.4
Transmission line losses	165.3	285.4
General and administrative (notes 13, 19 and 23)	131.8	102.8
Other industry costs	24.9	22.2
Amortization and depreciation (notes 6, 7 and 8)	25.0	23.0
Borrowing costs (note 24)	0.6	0.6
	2,631.7	2,729.1

Net income and comprehensive income

\$ -	\$ -
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See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)

For the year ended December 31

Operating activities

	2024	2023
Net income	\$ -	\$ -
Items not affecting cash		
Amortization and depreciation	25.0	23.0
Accretion of asset retirement provision	0.1	(0.1)
Accretion of lease liabilities	0.2	0.3
Change in post-employment benefit obligations	1.9	0.7
Change in long-term prepaids	1.2	3.0
Change in long-term payables	51.6	32.2
Change in long-term other accounts payable	1.2	0.2
Change in non-cash operating working capital balances		
Accounts receivable	119.9	17.1
Other accounts receivable	41.4	(25.4)
Prepaids and deposits	(2.6)	(2.6)
Accounts payable and other liabilities	(236.8)	117.7
Other accounts payable	8.9	3.6
Net cash provided by operating activities	12.0	169.7

Investing activities

Additions to intangible assets	(18.3)	(19.8)
Additions to property, plant and equipment	(28.5)	(4.9)
Change in non-cash investing working capital balances		
Accounts payable and other liabilities	1.7	2.0
Net cash used in investing activities	(45.1)	(22.7)

Financing activities

Payment of lease liabilities	(2.6)	(3.0)
Net cash used in financing activities	(2.6)	(3.0)

(Decrease) Increase in cash position	(35.7)	144.0
Beginning of year	268.8	124.8
End of year	\$ 233.1	\$ 268.8

Cash interest paid	\$ 0.1	\$ 0.4
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See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in millions of Canadian dollars unless otherwise indicated)

1. Nature of Operations

The Independent System Operator (ISO), operating as the Alberta Electric System Operator (AESO), is a statutory corporation established on June 1, 2003, under the *Electric Utilities Act* (EUA) of the Province of Alberta.

The AESO is responsible for operating Alberta's fair, efficient and openly competitive energy market for electricity; determining the order of dispatch of electric energy and ancillary services; providing system access service on the transmission system; directing the safe, reliable and economic operation of the Alberta Interconnected Electric System (AIES); planning the capability of the transmission system to meet future needs; administering the Renewable Electricity Program (REP); and administering load settlement.

The AESO's business is governed by Members of the AESO (Members). Members are individuals who are independent from any person or entity having a material interest in the Alberta electricity industry and are appointed by the Alberta Minister of Affordability and Utilities. The Members function as a board of directors (Board) and act in the public interest. As at December 31, 2024, the Board has four committees: Audit Committee; Human Resources Committee; Governance and Nominations Committee; and Power System Committee.

The EUA requires that charges to industry, including the transmission tariff, energy market charge, REP charges, and load settlement charge, be set to recover the costs required to operate the AESO, and that the AESO be operated so no profit or loss results on an annual basis from its operations. The AESO has no equity, and accordingly, these statements contain no Statement of Changes in Equity.

2. Accounting Policies

2.1 Basis of presentation and statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on the historical cost basis except for financial instruments that have been measured at fair value. The financial statements are presented in millions of Canadian dollars, which is the AESO's functional currency.

The AESO Board authorized these financial statements for issue on March 6, 2025.

2.2 Summary of accounting policies

a) *Revenue recognition*

The AESO's revenue is derived through four separate charges: the (i) transmission tariff; (ii) energy market charge; (iii) REP charges; and (iv) load settlement charge. Each of these charges is set to recover the costs directly attributable to a specific service, as well as a portion of the shared corporate services costs. Consistent with the requirements of the EUA, which requires the AESO to operate with no annual profit or loss, revenue is recognized equivalent to the aggregate of annual operating costs on a service-area basis.

Transmission tariff revenue is recognized monthly, consistent with the billing cycle in which the AESO invoices market participants for transmission system access services. Revenues are based on the metered demand and energy for system access service, as specified in the Alberta Utilities Commission-approved tariff rates.

When a market participant reduces or terminates contract capacity for system access service, a lump sum payment may be required in lieu of notice under the terms of the transmission tariff. A payment received by the AESO in advance of the effective date of a change to a system access service agreement is recognized as deferred revenue and subsequently recognized as transmission tariff revenue on the effective date of the change.

Energy market charge revenue is recognized monthly, consistent with the billing cycle in which the AESO invoices market participants to recover the costs of operating the real-time energy market. Revenues are based on the per-megawatt-hour energy market charge and the volume of energy traded through the power pool.

The AESO's connection process requires generation and storage projects injecting 5 megawatts (MW) or more into the AIES to participate in a cluster assessment process whereby connection projects are batched and assessed together simultaneously. Connection study fees are charged based on the various stages of the cluster assessment process. Some of these fees are recognized as energy market charge revenue upon receipt, while others are recognized as deferred revenue and subsequently recognized as energy market charge revenue upon satisfaction of the respective performance obligations.

REP revenue is recognized as the AESO invoices market participants in accordance with Renewable Electricity Support Agreements (RESAs). Revenues are based on the costs directly attributable to REP services.

Load settlement revenue is recognized as the AESO invoices load settlement agents. Revenues are based on the costs directly attributable to the load settlement services.

Payment of transmission tariff, energy market and REP revenue is generally due on the twentieth (20th) business day following the month in which the revenue is recognized. Amounts receivable represent the AESO's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Payment terms for all other revenue are typically within 30 days of receipt of an invoice.

The AESO utilizes deferral accounts to record the differences between revenues and costs, including remeasurement gains or losses on post-employment benefit obligations, with the amounts recognized as other accounts receivable or other accounts payable. On an individual basis for the transmission,

energy market, REP and load settlement services, in circumstances where collections are greater than costs, the surplus is recorded as a reduction in revenue, recognized as other accounts payable and subsequently refunded. In circumstances where collections are less than costs, the shortfall is recorded as revenue, recognized as other accounts receivable and subsequently collected. The refunds or collections are settled with market participants for the transmission, energy market, and REP services and with the owners of electric distribution systems and wires service providers for load settlement services.

Interest and other revenue represent revenue received from third parties and includes, but is not limited to, bank interest and interest on past due accounts; cancellation and performance forfeitures by market participants; sublease rent and services; and market participant fees. Interest and other revenue are recognized on the accrual basis as the revenue is earned.

As directed in the *Alberta Utilities Commission Act* (AUC Act), the AESO is required to provide funding for the Market Surveillance Administrator (MSA), a separate statutory corporation. The amounts paid by the AESO are recovered through the energy market charge as directed in the EUA. The energy market charge included in the AESO's statement of income and comprehensive income does not include amounts recovered related to the MSA's funding requirements, and the AESO's costs do not include amounts related to the operations of the MSA.

Revenues are measured at the fair value of the consideration received or receivable.

b) Other accounts receivable/payable

As the EUA requires the AESO to be managed with no profit or loss on an annual basis from its operations, differences in revenues and costs are: recorded as adjustments to revenue along with remeasurement gains or losses on post-employment benefit obligations; recognized as other accounts receivable or other accounts payable; and subsequently collected or refunded. The collection of deferral account shortfalls and payment of deferral account surpluses is embodied in the legislative rights granted in the EUA and *Renewable Electricity Act* (REA) to the Board or AUC. Settlement of the surplus or shortfall occurs through deferral account adjustment riders as part of the transmission tariff, deferral account applications submitted to the AUC, adjustments to the energy market trading charge, settlement with the Minister of Energy for the REP, or settlement with the owners of electric distribution systems and wires service providers conducting load settlement.

The AESO recognizes amounts as long-term other assets or other liabilities when the collection or refund is expected to occur beyond one year from the date of the Statement of Financial Position.

c) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position if there is a legally enforceable right to offset the recognized amounts, and if the AESO intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

d) Cash

Cash consists of cash at bank.

e) *Intangible assets*

Intangible assets are recorded at cost less accumulated amortization. Cost includes the purchase price, plus any additional costs directly attributable to the development of the asset and preparing the asset for its intended use. Such costs include staff, consulting resources and borrowing costs incurred during the development of qualifying assets.

Maintenance and repair costs that do not enhance or extend the useful life of the asset are expensed as incurred.

Costs related to cloud computing software are expensed as incurred.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. No amortization is provided on intangible assets under development. The expected useful lives, amortization method and residual values of the assets are reviewed annually, with any changes accounted for on a prospective basis. Amortization periods for intangible assets are shown in the following table.

Computer software	5 years
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Intangible assets are retired when they are fully amortized and derecognized when no future benefits are expected to arise from their use.

f) *Property, plant and equipment*

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes the purchase price, plus any additional costs directly attributable to the construction of the asset and preparing the asset for its intended use. Such costs include materials, staff, consulting resources, borrowing costs incurred during construction for qualifying assets and asset retirement costs.

Maintenance and repair costs which do not enhance or extend the useful life of the asset are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. No depreciation is provided on assets under construction. The expected useful lives, depreciation method and residual values of the assets are reviewed annually, with any changes accounted for on a prospective basis. Depreciation periods for property, plant and equipment are shown in the following table.

System Coordination Centre & Operations Support Centre	20 years; or Over the land-lease term ending in 2060
Computer hardware	4 years
Backup Coordination Centre	Over the lease term ending in 2033
Leasehold improvements	Over the lease term ending in 2035
Furniture and office equipment	10 years

Property, plant and equipment are retired when they are fully depreciated and derecognized when no future benefits are expected to arise from their use.

g) Capitalized borrowing costs

Borrowing costs directly attributable to the development or construction of an asset over a period of substantial duration, typically in excess of 12 months, are added to the cost of the asset. Borrowing cost capitalization commences when expenditures and borrowing costs are incurred and ceases when the qualifying asset is substantially complete and ready for its intended use.

h) Impairment of right-of-use assets, intangible assets and property, plant and equipment

Impairment indicators for right-of-use assets, intangible assets with finite useful lives and property, plant and equipment are reviewed annually or whenever events or changes in circumstance may indicate possible impairment. Impairment is assessed at the cash-generating unit level to which the asset belongs. Impairment charges, when identified, are included in amortization and depreciation on the Statement of Income and Comprehensive Income. Under the legislative requirements associated with the AESO's financial operations, any asset impairment charges that might occur would be fully recoverable.

i) Asset retirement obligations

Decommissioning liabilities are legal and constructive obligations for decommissioning assets. The fair value approximates the cost a third party would charge to perform the tasks necessary to retire the asset and is recognized at the present value of expected future cash flows. Decommissioning liabilities are added to the carrying amount of the associated asset and depreciated over its estimated useful life. The corresponding liability is accreted over time through charges to earnings and is reduced by actual costs of decommissioning. Decommissioning liabilities may change as a result of a new decommissioning cost estimate or the timing of the obligation.

j) Provisions and contingencies

Provisions are recognized when a present obligation (legal or constructive) is a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

If the effect is material, provisions are determined by discounting the expected future cash flows at a risk-adjusted, market-based discount rate. If discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Neither contingent liabilities nor assets are recognized in the financial statements. However, a contingent liability is disclosed unless the possibility of an outflow of resources is remote. A contingent asset is only disclosed where an inflow of economic benefits is probable.

k) Employee benefits and post-employment benefits

A liability is recognized for a present legal or constructive obligation to pay an amount as a result of past service provided by employees. The liability can be estimated reliably, and recognizes the amount expected to be paid for short-term employee benefits such as the variable pay program; paid annual leave; paid sick leave; post-employment benefits; and termination benefits.

The AESO provides a registered defined contribution pension plan for all of its employees. The cost of pension benefits earned by employees is expensed as incurred.

The AESO offers additional post-employment healthcare benefits to qualifying retired employees and their dependents. The cost of providing benefits under this defined benefit plan is actuarially determined using the projected unit credit method, which considers various assumptions and inputs related to the plan. Under this method, the defined benefit liability is the present value of projected defined benefits earned as of the date of the Statement of Financial Position. If experience differs from assumptions, remeasurements comprising of actuarial gains or losses are recorded as other accounts receivable or other accounts payable, as it is ultimately receivable from or refundable to market participants for the transmission, energy market, REP and load settlement services.

I) Leases

At contract inception, the AESO assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

AESO as a lessee

The AESO applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The AESO recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i) Right-of-use assets

The AESO recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office Space	10–40 years
Land	55 years

Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the AESO recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the AESO and payments of penalties for terminating the lease, if the lease term reflects the AESO exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the AESO uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily

determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The AESO has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of less than 12 months and leases of low-value assets. Lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

m) Long-term prepaids

The AESO recognizes advance cash payments associated with information technology licenses and ancillary services agreements with terms longer than one year from the Statement of Financial Position date as long-term assets.

n) Generating unit owner's contribution

A generating unit connected to the AES is required to pay the AESO a generating unit owner's contribution, which is refundable over a period of not more than 10 years, subject to satisfactory annual performance. The carrying amount of the contributions is measured as the amount required to settle the obligations at the end of the reporting period. The AESO recognizes refundable amounts as long-term liabilities when the refund term is longer than one year from the Statement of Financial Position date.

o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 *Revenue from Contracts with Customers*, all financial assets are initially measured at fair value and adjusted for transaction costs (where applicable). Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The classification is determined by both the AESO's model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

ii) Financial liabilities

All financial liabilities are recognized initially at fair value and adjusted for transaction costs (where applicable). Financial liabilities are classified at initial recognition and subsequently measured at amortized cost, except for financial liabilities which are measured at fair value through profit or loss.

p) Comprehensive income

As the AESO does not have any other comprehensive income, net income equals comprehensive income.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

In January 2020 and October 2022, the International Accounting Standards Board (IASB) issued amendments to paragraphs 69 through 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within 12 months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and had no material impact on the AESO's financial statements.

There are no other new or amended IFRS or IFRS Interpretations Committee (IFRIC) interpretations that would be expected to have a material impact on the AESO.

2.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the AESO's financial statements and could have an impact on the AESO are disclosed below. The AESO intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the Statement of Income and Comprehensive Income, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified "roles" of the primary financial statements and the notes.

Narrow scope amendments have been made to IAS 7 Statement of Cash Flows, and some requirements previously included within IAS 1 have been moved to IAS 8, which has been renamed IAS 8 Basis of Preparation of Financial Statements.

These new requirements are expected to impact all reporting entities. IFRS 18 and all consequential amendments are effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required. The AESO is assessing the impact of the amendments to its financial statements.

There are no other IFRS or IFRIC interpretations that are issued but not yet effective that would be expected to have an impact on the AESO.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of these financial statements requires management to select appropriate accounting policies and to make judgments, estimates, and assumptions that could affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities during the period. Most often these estimates and judgments concern matters that are inherently complex and uncertain. Judgments and estimates are reviewed on an ongoing basis; changes to accounting estimates are recognized prospectively.

The key judgments, assumptions and sources of estimation uncertainty are described below:

a) Useful lives of right-of-use assets, intangible assets and property, plant and equipment

Useful lives are determined based on past experience and current facts, taking into account future expected usage and potential for technological obsolescence.

b) Asset retirement obligation

Measurement of the AESO's asset retirement obligation requires the use of estimates with respect to the amount and timing of the asset retirement; the extent of site remediation required; and related future cash flows, inflation rates and discount rates. The estimated obligation is present valued using a risk-adjusted, market-based discount rate. A change in estimated cash flows, market interest rates, or timing could have a material impact on the carrying amount of the obligation.

c) Impairment of assets

The AESO reviews impairment indicators on long-lived assets and right-of-use assets annually or whenever events or changes in circumstances may indicate a possible impairment.

d) Leases

i) Estimating the incremental borrowing rate

The AESO cannot readily determine the interest rate implicit in its leases and therefore uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the AESO would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. As such, the IBR requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the leases concerned.

ii) Determining the lease term of contracts with renewal and termination options

The AESO determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any

periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The AESO applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

e) *Defined benefit plan*

The cost of post-employment healthcare benefits and the present value of the defined benefit obligation are estimated based on actuarial valuation methods which involve making assumptions that may differ from actual developments in the future.

The significant assumptions include: discount rate, rates of employee turnover and employee opt-in to the plan, future medical costs, healthcare cost trend rates and mortality rates. The defined benefit obligation is highly sensitive to changes in assumptions due to the complexities involved in the valuation and its long-term nature. A change in these assumptions could have a material impact on the measurement of the related expense. The AESO consults with actuarial specialists when setting the key assumptions and all assumptions are reviewed at least annually.

3. Accounts Receivable

The transmission settlement receivables are subject to offsetting (*note 22*).

<i>As at December 31,</i>	2024	2023
Transmission settlement, net	140.1	256.9
Energy market settlement	5.5	8.4
Renewable Electricity Program	0.2	0.5
Trade	1.5	1.4
	147.3	267.2

4. Other Accounts Receivable

<i>As at December 31,</i>	2024	2023
Transmission receivable	-	41.4
	-	41.4

5. Long-term Prepaids

<i>As at December 31,</i>	2024	2023
Licenses and maintenance	2.3	0.6
Prepaid reliability services agreement (<i>note 16</i>)	12.1	15.0
	14.4	15.6

6. Right-of-Use Assets

The right-of-use assets recognized and the movements during the year are as follows:

	Office Space	Land	Total
<i>As at January 1, 2023</i>	11.4	3.0	14.4
Depreciation expense	(2.8)	(0.1)	(2.9)
Adjustment	(1.3)	-	(1.3)
As at December 31, 2023	7.3	2.9	10.2
Depreciation expense	(2.4)	(0.1)	(2.5)
Addition	7.9	-	7.9
As at December 31, 2024	12.8	2.8	15.6

The AESO is a lessee under various lease contracts for office space with lease terms between 10 and 40 years. The AESO has a lease contract for land with a term of 55 years, commensurate with the expected life of the building owned by the AESO and located on the land.

In 2024, the AESO executed a Lease Amending Agreement to secure office space for a term of 10 years commencing on April 1, 2025, which resulted in the addition to the related right-of-use assets in 2024 due to the early occupancy of the newly leased space.

7. Intangible Assets

	Computer Software	Intangible Assets Under Development	Total
Cost:			
January 1, 2023	68.2	10.0	78.2
Additions	11.3	8.5	19.8
Transfers	3.1	(3.1)	-
Write-off	(0.2)	-	(0.2)
Retirements	(9.4)	-	(9.4)
December 31, 2023	73.0	15.4	88.4
Additions	13.9	4.4	18.3
Transfers	13.6	(13.6)	-
Retirements	(12.6)	-	(12.6)
December 31, 2024	87.9	6.2	94.1
Accumulated amortization:			
January 1, 2023	30.3	-	30.3
Amortization	13.7	-	13.7
Retirements	(9.4)	-	(9.4)
December 31, 2023	34.6	-	34.6
Amortization	16.4	-	16.4
Retirements	(12.5)	-	(12.5)
December 31, 2024	38.5	-	38.5
Net Book Value:			
December 31, 2023	38.4	15.4	53.8
December 31, 2024	49.4	6.2	55.6

Intangible assets under development relate to intangible assets associated with various computer software development projects that were not commissioned or operational by the end of the year.

For the year ended December 31, 2024, \$7.3 million of payroll costs associated with employees directly involved in preparing intangible assets for their intended use have been capitalized (2023 – \$8.1 million).

There was no addition of capitalized borrowing costs to intangible assets (2023 – nil).

8. Property, Plant and Equipment

	System Coordination Facility	Computer Hardware	Backup Coordination Centre	Leasehold Improvement s	Furniture and Office Equipment	Assets Under Construction	Total
Cost:							
January 1, 2023	44.7	20.8	2.0	1.5	4.7	0.3	74.0
Additions	0.1	2.4	-	-	0.1	2.3	4.9
Transfers	-	0.2	-	-	-	(0.2)	-
Retirements	-	(5.1)	-	-	(0.4)	-	(5.5)
December 31, 2023	44.8	18.3	2.0	1.5	4.4	2.4	73.4
Additions	0.2	5.0	-	16.7	3.9	2.7	28.5
Transfers	-	1.4	-	0.5	-	(1.9)	-
Retirements	-	(6.9)	-	(0.2)	(0.1)	-	(7.2)
December 31, 2024	45.0	17.8	2.0	18.5	8.2	3.2	94.7
Accumulated depreciation:							
January 1, 2023	15.3	10.2	0.9	1.3	1.9	-	29.6
Depreciation	0.9	4.7	0.1	0.1	0.5	-	6.3
Retirements	-	(5.1)	-	-	(0.4)	-	(5.5)
December 31, 2023	16.2	9.8	1.0	1.4	2.0	-	30.4
Depreciation	0.9	4.3	0.1	0.2	0.5	-	6.0
Retirements	-	(6.9)	-	(0.2)	(0.1)	-	(7.2)
December 31, 2024	17.1	7.2	1.1	1.4	2.4	-	29.2
Net Book Value:							
December 31, 2023	28.6	8.5	1.0	0.1	2.4	2.4	43.0
December 31, 2024	27.9	10.6	0.9	17.1	5.8	3.2	65.5

Assets under construction relate to property, plant and equipment in development that were not commissioned or operational by the end of the year.

For the year ended December 31, 2024, \$0.7 million of payroll costs associated with employees directly involved in preparing property, plant and equipment for their intended use have been capitalized (2023 – \$0.5 million).

There was no addition of capitalized borrowing costs to property, plant and equipment (2023 – nil).

9. Accounts Payable and Other Liabilities

The transmission settlement payables are subject to offsetting (*note 22*).

<i>As at December 31,</i>	2024	2023
Transmission settlement, net	148.1	292.8
Energy market settlement	0.1	80.5
Trade payables	6.9	6.7
Generating unit owner's contribution (<i>note 14</i>)	10.7	8.6
Accrued liabilities	17.2	20.1
Deferred revenue	3.4	2.2
Security deposits (<i>note 18</i>)	20.0	30.7
	206.4	441.6

10. Other Accounts Payable

<i>As at December 31,</i>	2024	2023
Current		
Transmission payable	9.3	-
Energy market payable	10.6	11.4
Load settlement payable	0.3	0.4
MSA payable	1.0	0.5
	21.2	12.3
Non-current		
Long-term Renewable Electricity Program payable	7.3	6.1
	7.3	6.1

11. Lease Liabilities

The carrying amounts of lease liabilities and the movements during the period are as follows:

	2024	2023
<i>As at January 1,</i>	8.5	12.5
Accretion of interest	0.2	0.3
Payments	(2.6)	(3.0)
Adjustment	-	(1.3)
Addition	7.9	-
As at December 31,	14.0	8.5
Current	0.9	2.5
Non-current	13.1	6.0

The estimated future lease payments associated with these leases are as follows:

<i>As at December 31,</i>	2024
No later than 1 year	4.0
Later than 1 year and no later than 5 years	22.5
Later than 5 years	35.7
	62.2

Differences between the lease liability at December 31, 2024, and the estimated future lease payments are due to the discounting of future payments to net present value.

Differences between the year-end reported amounts of right-of-use assets and corresponding lease liabilities are due to prepayments recognized in the measurement of right-of-use assets, which are not recognized as part of the lease liabilities.

The following are the amounts recognized in the Statement of Income and Comprehensive Income:

	2024	2023
Depreciation expense of right-of-use assets	2.5	2.9
Interest expense on lease liabilities (<i>note 24</i>)	0.2	0.3
Total amount recognized in net income	2.7	3.2

The AESO had cash outflows for leases of \$2.6 million in 2024 (2023 – \$3.0 million).

There are no potential future rental payments relating to the exercise of extension options included in the lease term.

12. Credit Facility

In December 2024, the AESO amended its credit agreement to include a committed facility of \$10.2 million comprising of \$10.0 million letter of credit and \$0.2 million Mastercard ancillary carve-out. The maturity date of the credit agreement is December 2025. The facility provides that borrowings may be made by way of fixed-rate advances, which bear interest at the bank's Prime Rate. There is an option to request letters of credit under the credit facility.

At December 31, 2024, no funds were drawn on the available credit facility (2023 – nil) and a \$10.0 million (2023 – \$10.0 million) letter of credit was issued as security for operating reserve procurement.

The interest paid related to the credit facility during 2024 was \$0.1 million (2023 – \$0.4 million).

13. Pension and post-employment benefit obligation

The AESO has a registered defined contribution pension plan for all employees, in addition to a supplemental retirement plan (SRP) for members whose benefits are limited by maximum pension rules under the Canadian Income Tax Act. The SRP plan is unfunded. The expense recognized is \$9.5 million in 2024 (2023 – \$8.3 million) for the pension plan and \$0.2 million (2023 – \$0.2 million) for the SRP plan.

The AESO also provides other post-employment benefits, comprising health care benefits for qualifying retired employees and eligible dependents under a defined benefit plan. This plan is unfunded.

The following tables summarize the net benefit expense recognized in the Statements of Income and Comprehensive Income and the post-employment benefit obligations in the Statements of Financial Position.

Net benefit expense:

	2024	2023
Current service cost	0.3	0.3
Interest cost	0.2	0.1
Past service cost	-	-
Net benefit expense	0.5	0.4

Changes in the present value of the post-employment benefit obligations:

	2024	2023
Post-employment benefit obligations		
Beginning of year	3.5	3.0
Current service cost	0.3	0.3
Interest cost	0.2	0.1
Actuarial losses (gains)	1.2	0.1
Past service cost	-	-
End of year	5.2	3.5

Post-employment benefit obligations related to the SRP plan total \$0.5 million in 2024 (2023 – \$0.2 million).

Remeasurement of post-employment benefit obligations

The remeasurement loss arising from changes in demographic assumptions during the year is \$1.2 million (2023 – \$0.1 million loss). The amount is recorded within other accounts receivable or other accounts payable and subsequently recovered from or refunded to market participants.

Actuarial assumptions

The significant actuarial assumptions used to measure the post-employment benefit obligations are as follows:

	2024	2023
Discount rate at Jan 1, 2024	4.65%	5.05%
Discount rate at December 31	4.60%	4.65%
Health care annual trend rate ⁽¹⁾	7.0%	7.0%
Dental care annual trend rate	4.0%	4.0%
Health care spending account annual increase rate	-	-
Percentage of retirees that opt in	80.0%	80.0%
Expected long term rate of return on assets during period	-	-
Average expected remaining service lifetime for retirees	23.39 years	24.59 years

(1) The AESO uses health care annual trend rates, which assumes 7.0 per cent rate per annum, reducing to 4.5 per cent by 2033, then reducing to 4.0 per cent by 2043.

Mortality rate assumptions are sourced from the 2014 Canadian Pensioner Mortality Table (CPM2014) Generational using Scale MI-17.

Sensitivities

The 2024 sensitivities of significant assumptions are as follows:

Assumption	Per cent Change	Post-employment benefit obligations		Service Cost	
		Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(0.5)	0.6	(0.1)	0.1
Trend rate	1%	1.0	(0.8)	0.1	(0.1)
Mortality rate	10%	-	-		

The sensitivity analyses above are based on changing one assumption while holding all other assumptions constant. This is unlikely to occur as changes in some of the assumptions may be correlated and therefore, the sensitivity analyses may not be representative of an actual change in the defined benefit obligation.

Contributions

The expected contributions to the post-employment benefit obligation for 2025 are \$0.1 million (2024 – less than \$0.1 million).

14. Generating Unit Owner's Contribution

Under the terms of the transmission tariff, a market participant is required to pay a generating unit owner's contribution. The contribution amount is determined based on variable terms in accordance with the transmission tariff. A market participant is entitled to a refund of the generating unit owner's contribution in annual amounts during the refund period, which is not more than 10 years. The eligibility for the annual refund amount is dependent on the generation facility meeting specified performance criteria.

	Total
January 1, 2023	207.1
Contributions received	42.6
Contributions forfeited	(1.5)
Contributions reclassified to current (<i>note 9</i>)	(8.6)
December 31, 2023	239.6
Contributions received	66.3
Contributions forfeited	(3.8)
Contributions reclassified to current (<i>note 9</i>)	(10.7)
December 31, 2024	291.4

15. Asset Retirement Obligation

The land on which the AESO's System Coordination Centre (SCC) and Operations Support Centre (OSC) reside must be returned to its original state at the conclusion of the land lease in 2060 on request by the landlord, the Government of Alberta. The asset retirement obligation recognizes the approximate third-party costs for the decommissioning based on the timing of expected cash flows.

The AESO has estimated the net present value of the decommissioning liability related to dismantling the SCC and OSC and restoring the land based on an independent third-party valuation of estimated costs.

The present value of the decommissioning liability is \$0.5 million (2023 – \$0.5 million). The total undiscounted future liability is estimated to be \$5.1 million (2023 – \$5.1 million). The AESO has calculated the present value of the obligation using a discount rate of 6.5 per cent (2023 – 6.6 per cent) to reflect the market assessment of the time value of money and an inflation rate of 2.0 per cent (2023 – 2.0 per cent).

16. Commitments

- a) To fulfil the duties of the AESO in accordance with the EUA, the AESO manages the procurement of ancillary services through contracts with third-party suppliers. These ancillary services include operating reserves, reliability services, fast frequency response, load shed, system restoration and transmission must-run. The contracts are for future generation capacity and load reduction capabilities with expiry dates ranging from 2025 to 2030, in addition to short-term contracts for operating reserves. The amount to be paid under each contract is dependent on fixed and variable terms.

Variable terms include items such as commodity prices, dispatch volumes and frequency of events and are determined when the services are provided. The fixed payments associated with the service contracts are as follows:

<i>As at December 31,</i>	2024
No later than 1 year	1.6
Later than 1 year and no later than 5 years	1.7
Later than 5 years	0.4
	3.7

- b) In 2015, the AESO entered into a 15-year reliability services agreement with Powerex Corp. for the provision of certain emergency energy services from British Columbia, including grid restoration balancing support in the event of an Alberta blackout and energy emergency in the event of supply shortfall. The total cost of the agreement is \$42.9 million and was paid in equal amounts in the three-year period from 2015 to 2017. As the payments were made, they were recognized as long-term prepaids on the Statement of Financial Position and amortized on a straight-line basis over the 15-year term of the agreement.

	Total
January 1, 2023	17.9
Payment reclassified to current	(2.9)
December 31, 2023	15.0
Payment reclassified to current	(2.9)
December 31, 2024	12.1

- c) Under the direction of the EUA, the AESO established and executed an AUC-approved competitive procurement process for transmission infrastructure and in December 2014, selected the party to develop, design, build, finance, own, operate and maintain the Fort McMurray West 500 kV Transmission Project. In February 2017, the AUC granted the permit and license for this transmission project. In January 2018, the AUC approved the transmission facility owner's tariff rates, which are based on the monthly amounts in the project agreement between the AESO and the transmission facility owner.

The AESO is obligated to pay monthly amounts for the use of the transmission facilities over the operating period set out in the project agreement, which commenced on the energization date for the transmission facilities (March 2019) and continues until the expiry of the agreement in approximately 35 years.

The monthly amounts are applicable for the entire term of the agreement, subject to allowable adjustments (e.g., inflation). The amounts payable will be confirmed in future periods by the occurrence or non-occurrence of certain events (e.g., a termination of the project agreement would affect monthly amounts). The AESO will recover the monthly amounts paid to the transmission facility owner through the ISO tariff in the same manner that AUC-approved amounts paid to other transmission facility owners are recovered.

<i>As at December 31,</i>	2024
No later than 1 year	107.9
Later than 1 year and no later than 5 years	431.4
Later than 5 years	2,640.8
	3,180.1

Pursuant to Section 37 of the *Electric Utilities Act*, each owner of an electric transmission facility must submit to the AUC for approval of a tariff setting out the rates to be paid by the AESO to the owner for the use of the owner's transmission facility. The AESO pays eight other transmission facility owners in the province for the use of their facilities in accordance with AUC approvals. Each transmission facility owner operates in an AUC-approved service area and typically applies to the AUC for approval of its costs one to three years in advance, in contrast to the forementioned long-term contractual agreement with the AESO. For these transmission facility owners, uncertainties relating to the AUC-approved amounts and timing of future cash flows limit the reliability of quantifying similar financial obligations.

- d) The REA requires that the AESO is a party to RESAs under the REP with selected counterparties.

The RESAs require the AESO to make variable payments or collections over a period of up to 20 years based on the difference between the counterparty-specific contract price and the hourly pool prices for the actual volumes of electricity delivered to the AIES. The REA stipulates that the funding or settlement for RESA financial obligations—excluding fees for the development, implementation, and administration of the REP—is funded by or provided to the Minister of Energy.

- e) In 2024 the AESO executed a Lease Amending Agreement to secure downtown office space for a term of 10 years commencing on April 1, 2025. The agreement allows for early occupancy prior to the termination of the AESO's current downtown leases ending in March 2025. The agreement includes a leasehold improvement allowance, additional optional storage space for a fee, underground parking stalls, and up to two additional 5-year extension terms at the then-prevailing standard market rates for basic rent. As part of the arrangement with the lessor, the AESO has access to additional space rent-free for storage ahead of lease commencement.

<i>As at December 31,</i>	2024
No later than 1 year	3.5
Later than 1 year and no later than 5 years	20.3
Later than 5 years	29.2
	53.0

17. Contingencies

In accordance with Section 5 of the *Small Scale Generation Regulation*, the AESO must compensate distribution owners for the purchase of meter costs related to certain community generating units.

The AUC approves the compensation amounts and may state specific criteria which must be met prior to settlement of such costs. Where such criteria have been met, the AESO has recognized \$0.1 million (2023 – \$0.1 million) in accrued liabilities (*note 9*) for unsettled meter costs. As of December 31, 2024, there were nil additional liabilities (2023– nil) for unsettled estimated meter costs for which the stated AUC criteria for compensation had not been met; therefore, these contingent liabilities have not been recognized in the financial statements.

As a result of events that have occurred, the AESO may become party to a claim or legal action arising in the normal course of business. While the outcome of these matters is uncertain, the AESO does not currently believe that the outcome related to these matters or any amount that the AESO may be required to pay would have a materially adverse effect on the AESO as a whole.

18. Security Deposits

Security requirements for market participant financial obligations in excess of their unsecured credit limits are met with cash deposits and letters of credit. All market participants who have financial obligations to the AESO must adhere to the ISO Rules and transmission tariff terms and conditions regarding security requirements. Unsecured credit limits are granted by the AESO to organizations (or guarantors) with an acceptable credit rating from an AESO-recognized bond rating agency; to organizations that do not have a credit rating if they qualified for an AESO-determined proxy credit rating prior to March 31, 2023; and to organizations that have an exempt status as determined through government legislation or AUC rulings. The unsecured credit granted by the AESO to an organization is limited based on the AESO's assessment of the organization's creditworthiness.

19. Key Management Compensation

Key management personnel include members of executive management and the AESO Board, a total of 18 individuals (2023 – 19 individuals). The compensation paid or payable to key management for services is as follows:

As at December 31,

Salaries and other short-term employee benefits
Post-employment pension and benefits
Termination benefits

2024	2023
4.3	3.9
0.4	0.3
0.7	-
5.4	4.2

20. Government-Related Entities

The members of the Board are appointed by the Minister of Affordability and Utilities of the Government of Alberta. Based on this relationship, the AESO's transactions and outstanding balances with the Government of Alberta and other entities in a similar related party relationship with the Government of Alberta are reported.

The AESO considers the following entities as government-related:

- **Balancing Pool:** established under the EUA to manage the transition to competition in Alberta's electric industry;
- **AUC:** established under the AUC Act to ensure that the delivery of Alberta's utility service takes place in a manner that is fair, responsible and in the public interest; and
- **MSA:** established under the AUC Act to monitor Alberta's electricity and retail natural gas markets to ensure that they operate in a fair, efficient and openly competitive manner.

Pursuant to the EUA, on an annual basis the Balancing Pool determines an annualized amount to pay distributions from its revenues to eligible consumers or collect shortfalls in its revenues from eligible consumers. The Government of Alberta guarantees the obligations of the Balancing Pool. Through the transmission tariff, the AESO facilitates the allocation of the annualized amount as directed in the EUA. In 2024, the annualized amount was a shortfall of \$78.9 million, of which \$7.2 was payable as at December 31, 2024 (2023 – \$129.4 million due, of which \$22.6 million was payable as at December 31). The shortfall was collected or receivable from eligible consumers and due to the Balancing Pool.

The Balancing Pool is a market participant; there was no related electricity sales in 2024 (2023 – nil)

As directed in the AUC Act, the AESO is required to pay an administration fee to the AUC. The amounts paid by the AESO are recovered through the transmission tariff and the energy market charge as directed in the EUA. In 2024, \$20.4 million was paid to the AUC (2023 – \$17.7 million).

As directed in the AUC Act, the AESO is required to provide funding for the MSA. The amounts paid by the AESO are recovered through the energy market charge as directed in the EUA. In 2024, \$6.2 million in payments were made to the MSA (2023 – \$3.7 million).

The AESO leases 12 acres of land in the Calgary area from the Minister of Infrastructure of the Government of Alberta. The land lease is for a 55-year term ending in 2060, which is comprised of an initial 20-year term that began in 2005, followed by several renewal options at the discretion of the AESO. In 2024, \$0.1 million of costs were incurred (2023 – \$0.1 million).

21. Financial Instruments

Financial Instrument	Classification	Measurement Basis	Associated Risks	Fair Value at December 31
Cash and cash equivalents	Financial assets at amortized cost	Initially at fair value, adjusted for transaction costs (where applicable) and subsequently at amortized cost	Liquidity risk	Carrying value approximates fair value due to short-term nature and variable interest rates
Accounts receivable Other accounts receivable	Financial assets at amortized cost	Initially at transaction price and subsequently at amortized cost	Credit risk	Carrying value approximates fair value due to short-term nature
Long-term receivables	Financial assets at amortized cost	Initially at transaction price and subsequently at amortized cost	Credit risk	Carrying value approximates fair value due to short-term nature
Accounts payable and accrued liabilities Other accounts payable Deferred revenue	Financial liability at amortized cost	Initially at fair value, adjusted for transaction costs (where applicable) and subsequently at amortized cost	Liquidity risk Market risk	Carrying value approximates fair value due to short-term nature
Security deposits	Financial liability at amortized cost	Initially at fair value, adjusted for transaction costs (where applicable) and subsequently at amortized cost	Liquidity risk	Carrying value approximates fair value due to short-term nature
Credit facility	Financial liability at amortized cost	Initially at fair value, adjusted for transaction costs (where applicable) and subsequently at amortized cost	Liquidity risk Market risk	Carrying value approximates fair value due to short-term nature and variable interest rates
Long-term payables Lease liabilities Post-employment benefit obligations	Financial liability at amortized cost	Initially at fair value, adjusted for transaction costs (where applicable) and subsequently at amortized cost	Liquidity risk Market risk	Carrying value approximates fair value due to the nature of the liability

Nature and Extent of Risks Arising from Financial Instruments

The AESO is exposed to the following types of risks in relation to its financial instruments:

a) Credit Risk

Credit risk is the risk that counterparties may default on their financial obligations to the AESO. Due to the EUA requirement that the AESO be operated with no profit or loss from its operations, credit risk is ultimately borne by market participants, though managed by the AESO.

Counterparties are granted certain levels of unsecured credit based on their long-term unsecured credit rating provided by a major reputable corporate rating service satisfactory to the AESO or, in the absence of the availability of such ratings, an AESO-determined proxy credit rating to those counterparties approved prior to March 31, 2023. Letters of credit, cash on deposit and legally enforceable right to set-off are used to mitigate risk where appropriate. As at December 31, 2024, and 2023, the amount of financial assets that were past due was not material, and there were no material uncollectible receivable balances.

b) Market Risk

Market risk is the risk of a potential negative impact on the Statement of Financial Position and/or Statement of Income and Comprehensive Income resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. This includes interest rate price and foreign exchange risks.

Bank debt is comprised of short-term prime rate advances that bear interest at market rates. Accordingly, the exposure to interest rate price risk in relation to the bank debt at the Statement of Financial Position date is not material.

The AESO conducts less than one per cent of its business in US dollars and accordingly is subject to currency risk associated with changes in foreign exchange rates in relation to payables. The AESO monitors its exposure to currency risk and reviews whether the use of derivative financial instruments is appropriate to manage potential fluctuations in foreign exchange rates. The AESO has not entered into any derivative instruments with respect to currency risk.

c) Liquidity Risk

Liquidity risk is the risk that the AESO will not be able to meet its obligations associated with financial liabilities. The AESO does not consider this to be a significant risk as the available credit facilities provide financial flexibility to allow the AESO to meet its obligations as they come due. The AESO does not consider there to be a present risk in relation to funds available to the AESO under the existing credit facility.

In managing capital, the AESO reviews its cash flows from operations, including the transmission tariff, energy market charge, REP charges and load settlement charge, to determine whether there are sufficient funds to cover its operating costs and pay for intangible asset and property, plant and equipment purchases. To the extent that the cash flows are not sufficient to cover these expenditures, the AESO utilizes debt financing.

Summarized Quantitative Data Associated with the Above Risks

a) Credit Risk

At December 31, 2024, the AESO's maximum exposure to receivable credit risk was \$147.3 million (December 31, 2023 – \$267.2 million), which is the aggregate of accounts receivable.

The AESO's receivables are due from counterparties that have provided security to the AESO or have been granted unsecured credit based on satisfactory credit ratings. As at December 31, 2024, the amount of financial assets that were past due was nil (December 31, 2023 – nil).

b) Market Risk

The AESO is exposed to currency risk of \$0.1 million (December 31, 2023 – less than \$0.1 million) of US dollar-denominated financial liabilities at December 31, 2024.

If the Canadian dollar decreases (increases) against the US dollar by five per cent prior to the payment by the AESO, operating costs would increase (decrease) by less than \$0.1 million (December 31, 2023 – less than \$0.1 million) and intangible asset costs would increase (decrease) by nil (December 31, 2023 – nil).

c) Liquidity Risk

The AESO's bank debt and accounts payable and accrued liabilities generally have contractual maturities of six months or less. The estimated future undiscounted annual refund amounts associated with long-term payables are as follows:

<i>As at December 31,</i>	2024
2025	16.5
2026	20.7
2027	26.3
2028	33.2
2029	41.1
2030 and thereafter	153.6
	291.4

22. Offsetting Financial Assets and Liabilities

The following transmission settlement receivables and payables are subject to offsetting as presented in the Statement of Financial Position (*notes 3 and 9*).

<i>As at December 31,</i>	2024	2023
Transmission settlement receivables, gross	200.6	305.7
Transmission settlement, offsets	(60.5)	(48.8)
Transmission settlement receivables, net	140.1	256.9

<i>As at December 31,</i>	2024	2023
Transmission settlement payables, gross	208.6	341.6
Transmission settlement, offsets	(60.5)	(48.8)
Transmission settlement payables, net	148.1	292.8

23. General and Administrative Expenses

General and administrative expenses classified by nature are as follows:

<i>As at December 31,</i>	2024	2023
Salaries and benefits	97.7	78.1
Other	34.1	24.7
	131.8	102.8

24. Borrowing Costs

<i>As at December 31,</i>	2024	2023
Borrowing costs	0.1	0.3
Interest on lease liabilities (<i>note 11</i>)	0.2	0.3
Interest on defined benefit liabilities (<i>note 13</i>)	0.2	0.1
Accretion of asset retirement obligation (<i>note 15</i>)	0.1	(0.1)
	0.6	0.6