Quarterly Stakeholder Report
Fourth Quarter (October - December 2025)

The Alberta Electric System Operator's (AESO) 2025 operating results are provided in comparison to 2025 forecasted Operating Costs and budgeted Own Costs[1], as identified in its *2025 Business Plan and Budget*.

Financial Update – As of December 31

Operating Costs ($ million)				
	2025 Actual	**2025 Forecast**	**Variance ($)**	**Variance (%)**
Wires costs	2,027.9	2,021.7	6.3	0.3
Operating reserves	216.0	191.6	24.4	12.7
Transmission line losses	158.1	136.9	21.2	15.5
Other ancillary services	61.0	60.7	0.3	0.4
Unit commitment costs	2.0	-	2.0	-
Total Operating Costs	**2,465.0**	**2,410.9**	**54.1**	**2.2**

Numbers may not add due to rounding

Wires costs are $6.3 million or 0.3 per cent higher than forecast primarily due to Alberta Utilities Commission (AUC) decisions on tariff applications.

Operating reserves costs are impacted by actual volumes, hourly pool prices and operating reserve prices. Operating reserve costs are $24.4 million or 12.7 per cent higher than forecast primarily due to the impact of higher volumes and increased equilibrium prices in the day-ahead reserve market more than offsetting the impact of a lower pool price than forecasted. Operating reserve volumes financially settled are 6,728 gigawatt hours (GWh) compared to the forecast of 6,601 GWh, representing a 1.9 per cent increase. The average hourly pool price of $44 per megawatt hour (MWh) is 18.5 per cent lower than the forecast of $54 per MWh.

Transmission line losses costs are $21.2 million or 15.5 per cent higher than forecast primarily due to the impact of an increase of 7.8 per cent in actual line loss volumes (2,723 GWh compared to the forecast of 2,526 GWh), more than offsetting the impact of the lower than forecast pool price.

Unit commitment (UC) costs relate to directives issued in accordance with the Supply Cushion Regulation, which were difficult to predict at the time the budget was prepared due to limited historical data.

[1] Includes Other Industry, General and Administrative, Amortization and Depreciation, Borrowing and Project Costs.

Other Ancillary Services Costs ($ million)	2025 Actual	2025 Forecast	Variance ($)	Variance (%)
Frequency response, black start and balancing services*	22.4	37.5	(15.1)	(40.3)
Transmission must-run – contracted and conscripted	21.3	4.4	16.9	384.1
Transmission constraint rebalancing	14.4	16.0	(1.6)	(10.0)
Reliability services	2.9	2.9	-	-
Total Other Ancillary Services	**61.0**	**60.7**	**0.3**	**0.4**

Numbers may not add due to rounding

**Includes fast frequency response, black start and transferred frequency response.*

Frequency response, black start and balancing services costs are $15.1 million or 40.3 per cent lower than forecast primarily due to lower availability and arming requirements for fast frequency response.

Transmission must run (TMR) costs are $16.9 million or 384.1 per cent higher than forecast primarily due to an increase in events requiring TMR services in the northwest area and higher emission costs associated with the conscription of TMR services.

Transmission constraint rebalancing costs are $1.6 million or 10.0 per cent lower than forecast primarily due to lower than forecasted pool prices.

The remaining costs are comparable to forecast.

Other Industry Costs ($ million)	2025 Actual	2025 Budget	Variance ($)	Variance (%)
AUC fees – Transmission	12.0	11.7	0.2	1.9
AUC fees – Energy Market	8.9	9.4	(0.5)	(5.3)
WECC/WPP/NERC costs	3.2	3.7	(0.6)	(14.8)
Regulatory process costs	3.5	2.7	0.7	27.4
Total Other Industry Costs	**27.6**	**27.6**	**-**	**-**

Numbers may not add due to rounding

Other industry costs overall are comparable to budget. The variance in AUC fees and WECC/WPP/NERC costs is primarily due to lower than anticipated administration fees. The variance in regulatory process costs is primarily due to more complex regulatory proceedings and litigation matters being heard before the AUC than anticipated.

General and Administrative Costs ($ million)	2025 Actual	2025 Budget	Variance ($)	Variance (%)
Staff costs	104.9	116.0	(11.1)	(9.6)
Contract services and consultants	13.3	15.6	(2.3)	(14.9)
Administration	5.7	7.5	(1.8)	(24.6)
Facilities	4.5	5.6	(1.1)	(19.9)
Computer services and maintenance	15.8	15.6	0.2	1.3
Telecommunications	1.6	1.6	-	-
Total	**145.7**	**162.0**	**(16.3)**	**(10.0)**
Project Implementation Costs*	13.6	26.8	(13.2)	(49.4)
Total General and Administrative Costs	**159.3**	**188.8**	**(29.5)**	**(15.6)**

Numbers may not add due to rounding

**Cloud computing projects costs now included in G&A as per IFRS*

Staff costs are $11.1 million or 9.6 per cent lower than budget primarily due to delays in planned hires and unanticipated vacancies.

Contract services and consultants costs are $2.3 million or 14.9 per cent lower than budget primarily due to the timing and reprioritization of initiatives requiring external legal and consulting services.

Administration costs are $1.8 million or 24.6 per cent lower than budget primarily due to delays in the renewable electricity program land security registration fees as well as travel, training, recruiting and sponsorships spend trending lower than expected.

Facilities costs are $1.1 million or 19.9 per cent lower than budget primarily due to lower operating and utilities costs than anticipated.

The remaining costs are comparable to budget.

Amortization and Depreciation and Borrowing Costs ($ million)	2025 Actual	2025 Budget	Variance ($)	Variance (%)
Amortization of right-of-use assets, intangible assets and depreciation of property, plant and equipment	**26.8**	**26.0**	**0.8**	**3.1**
Borrowing costs	**1.3**	**1.6**	**(0.3)**	**(18.8)**

Numbers may not add due to rounding

Amortization and depreciation and borrowing costs are comparable to budget.

Project Costs[2] ($ million) – Multi-year Spend Summary	Total Project Approved	Prior Years Actual	2025 Actuals	ETC[3] Future Years	Total Cost Estimate	Variance Approved to Total Cost Estimate
Strategic-Related Initiatives						
Enabling Transformation	11.7	2.8	5.2	1.9	9.9	(1.7)
Energy Management System (EMS) Sustainment	2.9	-	2.1	0.6	2.7	(0.2)
REM IT	61.7	0.5	38.9	22.3	61.7	-
Critical Initiatives						
Business System Modernization	3.4	0.5	1.3	1.0	2.8	(0.6)
Productivity & Critical Systems Modernization	12.5	2.9	7.2	1.5	11.5	(1.0)
Other Capital Initiatives & Lifecycle Funding	24.8	4.4	12.2	4.4	21.0	(3.9)
Special*	35.2	24.0	10.3	-	34.3	(0.9)
Total Capital	**152.2**	**35.1**	**77.2**	**31.7**	**143.9**	**(8.3)**

Numbers may not add due to rounding

**AESO Downtown Office Relocation*

General Project Costs ($ million) – 2025 Spend Summary	
2025 Actuals	**77.2**
Total Project Budget for 2025	**109.3**
Variance to Budget	**(32.1)**

The majority of the underspend in 2025 relates to the REM IT projects due to scope development and schedule changes.

REM IT is a significant initiative that encompasses the design and implementation of information technology required to support the Restructured Energy Market (REM). The base build is intended to provide the minimal requirements to operate the new market, with subsequent spend anticipated to build out additional capability and improvements. The initial stage is estimated at $247.7 for launch in 2028. Total approved budget does not yet reflect all of this anticipated spend because approvals for additional budget are being submitted in tranches as the project progresses.

[2] Project Costs have historically been presented as the Capital Program; however, changes in accounting policy interpretation, combined with an increase in software as a service procurement, have led to uncertainty in the classification as Capital or General and Administrative until such time as the contract is entered into.
[3] ETC – Estimate to complete