



# **Alberta Electric System Operator**

## **2020 Deferral Account Reconciliation**

**August 4, 2021**

**Alberta Utilities Commission**

Decision 26541-D01-2021

Alberta Electric System Operator

2020 Deferral Account Reconciliation

Proceeding 26541

August 4, 2021

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Alberta Utilities Commission  
Eau Claire Tower  
1400, 600 Third Avenue S.W.  
Calgary, Alberta T2P 0G5

Telephone: 310-4AUC (310-4282 in Alberta)  
1-833-511-4AUC (1-833-511-4282 outside Alberta)

Email: [info@auc.ab.ca](mailto:info@auc.ab.ca)

Website: [www.auc.ab.ca](http://www.auc.ab.ca)

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## **1 Decision summary**

1. For the reasons discussed in this decision, the Alberta Utilities Commission approves the Alberta Electric System Operator's (AESO) request to settle its 2020 net deferral account surplus with market participants, in the amount of \$17.3 million, on a final basis. The Commission also communicates the reason for its determination that no further process was required on the application.

## **2 Introduction and background**

2. The AESO is the Independent System Operator (ISO) in Alberta, charged with multiple roles. One of those roles is to provide system access service to the transmission system through the ISO tariff. The AESO may undercollect or overcollect its forecasted revenue requirement through the ISO tariff for three of its rate classes.<sup>1</sup> This can occur because the costs the AESO must include in its ISO tariff may change as a result of Commission decisions regarding transmission facility owner tariffs or parts of the tariff that are linked to the wholesale pool price of electricity that may differ from its forecast. Additionally, the difference between forecasted and actual billing determinants that the rates in the ISO tariff are applied to may alter the AESO's collected revenue. Should the AESO undercollect or overcollect its revenue requirement through the ISO tariff, it has a deferral account in order to make sure, that on an annual basis, no profit or loss results from its operation. The current application is to reconcile the AESO's revenue and costs through the deferral account.

3. On June 30, 2021, the AESO filed an application with the Commission requesting approval of its 2020 deferral account reconciliation (DAR) and for changes to the deferral account balances from 2012 to 2020. These reconciled variances arise between the actual costs the AESO incurred in providing system access service to market participants and the forecasted amounts recovered in rates charged to market participants for those years. The AESO requested approval of the determination and allocation of a \$17.3 million net deferral account surplus.<sup>2</sup>

4. The AESO requested that the Commission approve an interim decision by August 5, 2021, because, in its estimation, the \$17.3 surplus million represented a material amount to its market participants. The AESO stated that if an interim decision was issued by the date requested, it would be able to refund participants in August 2021.

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<sup>1</sup> As described in Exhibit 26541-X0002, application, paragraphs 2 and 38, the three rate classes are Rate Demand Transmission Service (Rate DTS), Rate Fort Nelson Transmission Service (Rate FTS), and as of January 1, 2018, Rate Primary Service Credit (Rate PSC) as well.

<sup>2</sup> Exhibit 26541-X0002, application, paragraph 3.

### 3 Application Details

5. The AESO periodically seeks approval for changes to rates in the ISO tariff in annual tariff updates. The rates are normally set prospectively for a given calendar year, and include a forecasted set of billing determinants as well as the rates applied to the determinants. These billing determinants include the wholesale price of energy in the power pool and how much energy flows out of the transmission system. The AESO provided a list of the decisions in which the prospective rates were approved by the Commission.<sup>3</sup>

6. Over the course of a given year, the AESO uses a deferral account to allow the AESO to address differences between actual costs and revenues incurred in providing system access service to market participants. The AESO uses Rider C to recover or refund accumulated deferral account balances, attempting to restore the deferral account balance to zero over the following calendar quarter. At the end of a given year, the AESO reconciles its deferral account on a retroactive basis through the current DAR application.

7. This occurs both for the 2020 calendar year as well as prior calendar years. The AESO provided a list of the reconciliations performed in past DAR applications,<sup>4</sup> and outlined two Commission decisions that affected prior years by a significant amount.<sup>5</sup> The methodology for performing these reconciliations changes from time to time. The AESO identified how the revised DAR methodology is applied to 2017 and future production years based on recent changes in methodology approved in the last comprehensive AESO tariff application.<sup>6</sup>

8. The Consumers' Coalition of Alberta registered to participate in the proceeding, seeking to review the reasonableness of increases in AESO staff and benefit costs in 2020, as well as to gain an understanding of why deferral account adjustments continue to be incurred several years after the fact.

9. The Commission notes that the AESO's staff and benefit costs form part of the AESO's administrative costs. These administrative costs are approved by the AESO board in accordance with the *Transmission Regulation*, and once approved by the AESO board, must be considered to be prudent by the Commission unless an interested person satisfies the Commission otherwise.<sup>7</sup> Further, the Commission acknowledges that where significant adjustments for 2020 costs are included in the DAR, this DAR proceeding has previously been considered the venue to consider the prudence of those adjustments.<sup>8</sup>

10. For this decision, the Commission adopts the AESO's submission regarding significant variance thresholds,<sup>9</sup> and notes that the 9.2 per cent variance<sup>10</sup> (increase) to AESO staff and benefit costs in 2020 falls below the 10 per cent threshold of the general and administrative costs

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<sup>3</sup> Exhibit 26541-X0002, application, paragraph 6, Table 1-3 Summary of ISO Tariff Decisions.

<sup>4</sup> Exhibit 26541-X0002, application, paragraph 10, Table 1-4 Summary of Deferral Account Reconciliation Decisions.

<sup>5</sup> Exhibit 26541-X0002, application, paragraph 4, Table 1-2 Significant Deferral Amounts.

<sup>6</sup> Exhibit 26541-X0002, application, paragraph 12; Decision 22942-D02-2019: Alberta Electric System Operator, 2018 ISO Tariff Application, Proceeding 22942, September 22, 2019, paragraph 279.

<sup>7</sup> *Transmission Regulation*, Section 46(1).

<sup>8</sup> Decision 25768-D02-2020: Alberta Electric System Operator, 2019 Deferral Account Reconciliation, Proceeding 25768, November 2, 2020, paragraph 35.

<sup>9</sup> Exhibit 26541-X0002, application, paragraph 33.

<sup>10</sup> Exhibit 26541-X0038, Appendix K, Schedule 3-1 2020 Costs, Row 71.

component of the AESO's revenue requirement, and is less than 10 per cent of the AESO's approved amount. Given that this variance is not considered to be significant by the Commission, a net surplus is indicated by the application, and that the Commission's review of the application indicated sufficient detail to make its decision, the Commission was not persuaded that it was necessary or regulatorily efficient to hear from additional parties on this matter. Accordingly, the Commission indicated in its July 23, 2021, letter that no additional process steps were required for the proceeding, and that a decision would be issued on or before August 5, 2021.<sup>11</sup>

11. Given the above reasons, the Commission therefore finds the AESO's own costs to be prudent in the current application.

12. For the reasons identified above, the Commission accepts the accuracy of deferral account amounts and the calculation of the net deferral account surplus of \$17.3 million.<sup>12</sup> Accordingly, the Commission approves the deferral account balances and the net deferral account surplus of \$17.3 million. This includes the one-time collection or refund as required for each settlement point and/or market participant as described in the application and its appendixes, on a final basis.

#### 4 Order

13. It is hereby ordered that:

- (1) The Alberta Electric System Operator's 2020 deferral account application is approved as filed, on a final basis.

Dated on August 4, 2021.

#### Alberta Utilities Commission

*(original signed by)*

Douglas A. Larder, QC  
Vice-Chair

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<sup>11</sup> Exhibit 26541-X0046, AUC letter – Close of record and decision release time frame.

<sup>12</sup> The AESO summarizes these amounts by market participant and settlement point in tables 4-2 and 4-3 of Exhibit 26541-X0002, application, paragraph 92, PDF pages 26-27.

**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) Company name of counsel or representative</b>
Alberta Electric System Operator (AESO)
EPCOR Distribution & Transmission Inc.
Consumers' Coalition of Alberta

Alberta Utilities Commission
Commission panel D.A. Larder, QC, Vice-Chair
Commission staff N. Sawkiw (Commission counsel) G. Bourque C. Strasser E. Davis