

June 28, 2021

To Market Participants and Other Interested Parties

Dear Stakeholder:

Re: **Update on Loss Factor Activities Under Module C of Alberta Utilities Commission (“Commission”) Proceeding 790, Complaints Regarding the ISO Transmission Loss Factor Rule and Loss Factor Methodology**

In an update on April 1, 2021 on loss factor activities under Module C, the AESO explained that it would correct three errors in the system topologies in southeastern Alberta used for the second Module C settlement period for the years 2014 to 2010. The AESO has since completed a detailed review of all system topologies used for Module C to assess whether similar errors may exist in other areas of the province and in other years.

As a result of its review, the AESO has identified a small number of additional errors in Module C system topologies. These additional errors are comparable to the system topology errors in southeastern Alberta that were described in the April 1 update, which arose from inclusion of facilities not in service and from incorrect line characteristics. The Module C system topologies were based on historical operational base cases, and the operational base cases sometimes included facility changes being examined for system study purposes as well as inadvertent errors in line characteristics that were later updated. The AESO is in the process of correcting the identified errors in Module C system topologies for affected months.

Most of the identified errors occur for a small number of months and affect a small number of transmission elements. Corrections of the errors are expected to have a small overall impact on the Module C loss factors for most market participants. For the years assessed to date, the change to Module C adjustments is less than \$1 million per year, compared to the \$29 million to \$69 million of adjustments initially settled in each Module C year other than 2016 (which had \$7 million of adjustments). However, for a small number of individual locations, the impact of the corrections may be material although still smaller than the initial Module C adjustments for each location.

The AESO has accordingly begun to recalculate the Module C loss factors for all years from 2006 to 2016 to reflect the correction of errors in system topologies. The AESO has determined that it is most effective to implement the corrections from 2006 forward to 2016, as the forward chronological sequence enables the topologies to be checked in a manner which aids the identification of potential errors.

As in the initial Module C loss factor calculations, the AESO will publish the recalculated Module C loss factors as they are completed and validated, and will include information on the errors corrected in the system topologies for each year. The AESO expects to complete the recalculation of Module C loss factors for all years in August 2021. As the recalculations can be completed reasonably quickly, the AESO considers it efficient to financially settle the resulting adjustments for all 11 Module C years in a single settlement process. The adjustment amounts will be posted for each year as they become available and will include interest in accordance with decisions issued by the Commission in Proceeding 790.

The *Module C Settlement Procedure* document* posted on the AESO website currently describes a Module C “true-up” settlement process to address any trailing amounts that will result if the AESO is unable to collect a Module C charge from or issue a Module C refund to one or more market participants. The AESO plans to financially settle Module C adjustments resulting from the recalculated loss factors described above in conjunction with the “true-up” settlement process.

The AESO currently expects the “true-up” settlement process, including adjustments resulting from the recalculated loss factors, to include:

- Publication of recalculated loss factors and resulting Module C adjustments: July and August 2021
- Issuance of preliminary settlement statements: October 7, 2021
- Issuance of final settlement statements: October 22, 2021
- Cash settlement: December 30, 2021

The AESO anticipates that adjustments for all 11 Module C years can be implemented in a single settlement process. However, single settlement of all 11 years may conflict with the AESO’s on-going monthly settlement process. The AESO will advise stakeholders if it determines that the Module C settlement process needs to be spread over more than one settlement period.

The schedule summarized above will allow stakeholders more than 30 days to review the recalculated Module C loss factors and resulting Module C adjustments for each year before settlement statements are issued in October 2021.

Any Module C charges that cannot be collected from a market participant will be addressed in the “true-up” settlement process by adjusting loss charges using Rider E, where uncollectible amounts are recovered as a cost of losses over all market participants. The AESO has fully collected all charges from the first and second Module C settlement periods. The AESO has been unable to collect approximately \$6.4 million of charges from the third Module C settlement period owed by corporations that have since been dissolved. Any amounts that remain uncollected after the AESO has exhausted all reasonable means of collection will be recovered through Rider E in the “true-up” settlement process discussed above.

The AESO has fully paid all refunds from the first Module C settlement period. The AESO has been unable to pay approximately \$11.5 million of refunds from the second and third Module C settlement periods owing to corporations that have since been dissolved. Any amounts that remain unpaid after the AESO has exhausted all reasonable means of refunding the amounts are expected to be transferred to Alberta Treasury Board and Finance in accordance with the *Unclaimed Personal Property and Vested Property Act* (Alberta). Accordingly, the inability to refund Module C amounts to dissolved corporations will not result in those amounts being addressed through Rider E.

Stakeholders can access Module C data, results, and related information on the AESO website at www.aeso.ca ► Grid ► Grid-Related Initiatives ► Loss factors ► Loss factors recalculation for 2006-2016. Module C stakeholder updates and related information, including technical meeting presentations, are available at www.aeso.ca ► Grid ► Grid-Related Initiatives ► Loss factors ► Stakeholder engagement.

* *Module C Settlement Procedure* available at www.aeso.ca ► Grid ► Grid-Related Initiatives ► Loss factors ► Loss factors recalculation for 2006-2016, <https://www.aeso.ca/grid/grid-related-initiatives/loss-factors/>

The AESO will provide further stakeholder updates when additional information becomes available. The AESO will also update the *Settlement Procedure Document* before the “true-up” settlement process invoices are issued, to incorporate the information discussed above. In the meantime, stakeholders may contact Milton Castro-Núñez at milton.castro-nunez@aeso.ca or John Martin at john.martin@aeso.ca with any concerns or questions.

Yours truly,

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