

### Overview

- On July 31, 2020, the Alberta Electric System Operator (AESO) filed a comprehensive deferral account reconciliation application for 2019 with the Alberta Utilities Commission (Commission), to reconcile and allocate to transmission-connected market participants an overall deferral account surplus of \$41.6 million.
- The application included a first reconciliation of deferral accounts for 2019 as well as re-reconciliations of deferral accounts for 2018, 2017, 2016, 2015, 2014, 2013 and 2012 to address transactions during 2019 that affected prior years.
- The application will be reviewed and approved through a regulatory proceeding in accordance with a schedule set by the Commission.

### AESO Deferral Accounts

- Section 14 of the *Electric Utilities Act* requires that “on an annual basis, no profit or loss results from its [the AESO’s] operation.”
- Variances arise between the costs the AESO incurs in providing system access service and the actual revenue recovered through rates charged to market participants for that service.
- These variances are charged or refunded to market participants through a deferral account adjustment rider and through deferral account reconciliations.

### Rider C, *Deferral Account Adjustment Rider*

- Rider C is set quarterly to charge or refund forecast deferral account balances to system access services provided under Rate DTS, *Demand Transmission Service*, and Rate FTS, *Fort Nelson Demand Transmission Service*.
- Rider C is calculated by five Rate DTS and Rate FTS components: connection charge, operating reserve charge, transmission constraint rebalancing charge, voltage control charge, and other system support services charge.

### Deferral Account Reconciliations

- Deferral accounts are subject to detailed review and reconciliation through regulatory applications to the Commission to ensure that appropriate amounts are allocated to each market participant.
- A deferral account reconciliation application reviews all costs incurred and revenue received by the AESO in the years being applied for, and provides explanations for significant variances from forecast.

### 2019 Deferral Account Reconciliation Balances (\$ 000 000)

Year	2019	2018	2017	2016	2015	2014	2013	2012	Total
(Shortfall) Surplus	(\$15.9)	(\$1.6)	(\$32.0)	(\$8.0)	\$22.8	(\$3.7)	\$2.6	(\$4.9)	(\$41.6)

- The primary reasons for the deferral account balances over these years are:

- higher than forecast recorded costs in 2019 reflecting AltaLink’s 2019-2021 general tariff filing on July 10, 2019
- higher than forecast recorded costs in 2017 reflecting Commission Decision 24694-D01-2019 issued on September 26, 2019, regarding AltaLink’s 2017-2018 projects deferral account reconciliation application, AltaLink’s 2016-2018 projects deferral account reconciliation application filed on July 7, 2019 and ATCO Electric’s 2015-2017 projects deferral account reconciliation application filed on March 25, 2019;
- lower than forecast recorded costs in 2015, higher than forecast recorded costs in 2014 and lower than forecast recorded costs in 2012 reflecting Commission Decision 24919-D01-2019 issued on November 4, 2019; regarding AltaLink’s 2014-2015 Deferral Accounts Reconciliation Second Compliance Filing; and
- lower than forecast recorded costs in 2015 regarding 2015 ATCO Electric’s 2015-2017 projects deferral account reconciliation application filed on March 25, 2019.

### Allocation to Market Participants

- The application allocates deferral account balances to individual transmission-connected market participants by rate, by rate component, and by month using the methodology approved in Commission decisions on prior deferral account reconciliations.
- After the allocation of deferral account balances to market participants, Rider C amounts already charged or refunded to market participants are applied on an individual market participant basis to determine the net amount proposed to be refunded to or collected from the market participant.
- Amounts proposed to be charged or refunded to individual market participants vary:

	Owners of Electric Distribution Systems	Direct Connected Market Participants
Maximum Allocation – Refund (Charge)	-	\$0.01 million
	(\$16.1 million)	(\$3.7 million)
Total Refunds and (Charges)	(\$37.6 million)	(\$4.1 million)

- The Commission will review and approve the deferral account balances and market participant allocation methodology through a regulatory process in which stakeholders can participate.
- Charges and refunds are made through one-time charges or payments, although a three-month option for charges is offered to market participants if a one-time payment would be a financial burden.

### 2019 Deferral Account Reconciliation Application Process

- For the AESO’s 2019 deferral account reconciliation application (including the re-reconciliations for prior years), the Commission is expected to establish a regulatory review process in August 2020 which would lead to a final Commission decision in late 2020.
- The AESO has asked for approval to charge or refund amounts to market participants on an interim, refundable basis by September 3, 2020, subject to later review and final approval. Interim approval after September 3, 2020, but before October 2, 2020, would result in settlement on invoices in October 2020.
- If necessary, the AESO would adjust any amounts settled with market participants on an interim basis after the Commission issues its final decision.

## Confidential Market Participant Information

- The application includes details on the allocation of deferral account balances to individual market participants.
- The amounts allocated to owners of distribution systems are identified in the application, while for other market participants names are replaced with random participant numbers for each year included in the application to protect confidentiality of market participant data.
- After submitting the application to the Commission, the AESO will be sending information to each market participant on the participant numbers and net deferral account amounts allocated to the market participant.
- As well, the AESO will provide, on request by a market participant with more than one settlement point, reports that detail the market participant's deferral account allocation at a settlement point level.

## Additional Information Included with Application

- Reconciliation of deferral account balances to income statements and balance sheets.
- Reconciliation of inter-year adjustments for 2019 to 2012.
- Market participant-level allocation of annual deferral account balances.

## For More Information

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