

Technical Meeting to Discuss Compliance Filing in Response to Decision 790-D06-2017

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- Findings and directions from Decision 790-D06-2017 in Module C
- Proposed modifications to the Module B methodology and related procedures for the historical period of 2006-2016
- Possibility of filing the proposed payment plan as a separate compliance filing
- Schedule for compliance filings and remaining Module C activities
- Update on 2018 loss factor calculations
- Overview of all loss factor work expected for 2018
- Discussion

Please ask questions during presentation

Decision 790-D06-2017 determined remaining issues in Module C

- Commission issued Decision 790-D06-2017 on December 18, 2017
 - Preliminary issues were determined in Decision 790-D04-2016 issued on September 28, 2016
- Modified Module B methodology is to be used to calculate final loss factors for 2006 to 2016 (the historical period)
- Invoices for loss charges or credits for the historical period are to be issued to original parties that held STS contracts when charges or credits were first incurred
 - Assignments do not apply to adjustments resulting from correction of unlawful interim rates
 - Assignments continue in effect for adjustments to a lawful tariff in the normal course

Decision 790-D06-2017 determined remaining issues in Module C (cont'd)

- Bills for the historical period are to be recalculated and reissued under the ISO tariff
- Single settlement approach to be used for the historical period with simultaneous collection and reimbursement
 - One or more secondary processes may be needed to address any trailing amounts resulting from inability to collect from or reimburse certain market participants
 - Provides opportunity to pursue review or appeal remedies
- Yearly line loss results and updated line loss charges to be released for each year as they become available
 - To include updated line loss charges for specific year and cumulative results for each party
 - Parties should have opportunity to review yearly line loss results

Decision 790-D06-2017 determined remaining issues in Module C (cont'd)

- Interest to be awarded or charged at Bank of Canada rate plus 1½%
 - Consistent with direction in Decision 790-D04-2016
 - To be set out on bills reissued for the historical period
- AESO to assign necessary resources to implement accelerated single settlement approach
 - AESO to track additional costs and recover through energy market trading charge
- Allow 60 days beyond due date that would otherwise apply to a tariff invoice, for both payments and refunds
- AESO to develop structure, terms and eligibility criteria for payment plan and file with compliance filing

Decision 790-D06-2017 determined remaining issues in Module C (cont'd)



- Recover incremental administration costs and interest costs associated with credit facilities to manage shortfall balances through energy market trading charge
- Collect initial payment default shortfalls through adjustment of loss factors using Rider E applied to all market participants receiving charges or credits during the historical period
 - Payment default shortfalls to be recovered as a cost of losses
 - AESO to exhaust all reasonable means to collect outstanding amounts before resorting to recovery through Rider E
- Collect subsequent payment default shortfalls as they become known through Rider E applied on a go-forward basis

AESO is required to submit compliance filing



- New rule is not required to implement rate adjustments for the historical period
- Compliance filing is required to document methodology and procedures that will be implemented to produce final line loss charges for the historical period
 - Compliance filing to specify and describe how AESO will implement modified Module B methodology and related procedures
- Consultations by AESO may be required as compliance filing is being developed and when AESO recalculates line loss charges
 - Necessary level of consultation to be determined by AESO

Implementation to include measures to allow reasonable verification opportunity

- Compliance process will allow market participants to provide feedback to AESO before and after compliance filing
- Staggered year-by-year release of loss factors will afford market participants opportunity to review and assess loss factors on a yearly basis
- Audit process during staggered release of loss factors will allow market participants to verify results using a limited number of hours, with an opportunity to report identified errors to AESO

AESO has identified preliminary list of modifications to Module B methodology

- Convert from rule to stand-alone methodology document
- Accommodate earlier versions of rates (Rate EOS and Rate DOS variations) [§1(b)]
- Remove provision for loss factors for new service requests [§2(3)]
- Remove provisions for adjustments after publication due to changes to a facility during year [§2(4), 3(3)]
- Replace location requirements with requirement to use historical locations [§5(2)]
- Remove exceptions to location requirements [§5(3), 5(4)]
- Remove aggregation and disaggregation provisions [§5(5), 5(6), 5(7)]

AESO has identified preliminary list of modifications to Module B methodology (cont'd)



- Remove incorporation of new source assets [§6(1)(c)]
- Remove incorporation of new sink assets [§6(2)(c-d)]
- Limit system topologies to transmission facilities in service during month of the historical period [§7]
- If no raw loss factors are able to be calculated for a generator, use the loss factor for the following year rather than for the prior year [§9(2)]
- Modify compression limits to accommodate pre-2009 requirements [§11(1), 11(2)]
- Update verb tenses and grammatical conventions throughout methodology

Modifications to procedure document will be reflected in annual documents



- AESO expects few modifications will be required to procedure document
- Required modifications will be identified as calculations are completed and incorporated in annual procedure documents
- For example, provisions for adjusting flows on western Alberta and eastern Alberta high-voltage direct current transmission lines will be removed for years before those lines were in service [Steps 9(b), 13(c-d)]

AESO proposes two-part compliance filing

- Commission directed compliance filing to:
 - document methodology and procedures; and
 - include structure, terms and eligibility criteria for payment plan
- AESO expects to be able to file methodology and procedures in February
 - Methodology approval needed before loss factors can be calculated
- AESO estimates four months will be needed to develop payment plan
 - Payment plan approval not needed until late in 2018
- AESO proposes two-part compliance filing to accommodate different timing requirements

AESO proposes two-part compliance filing

(cont'd)



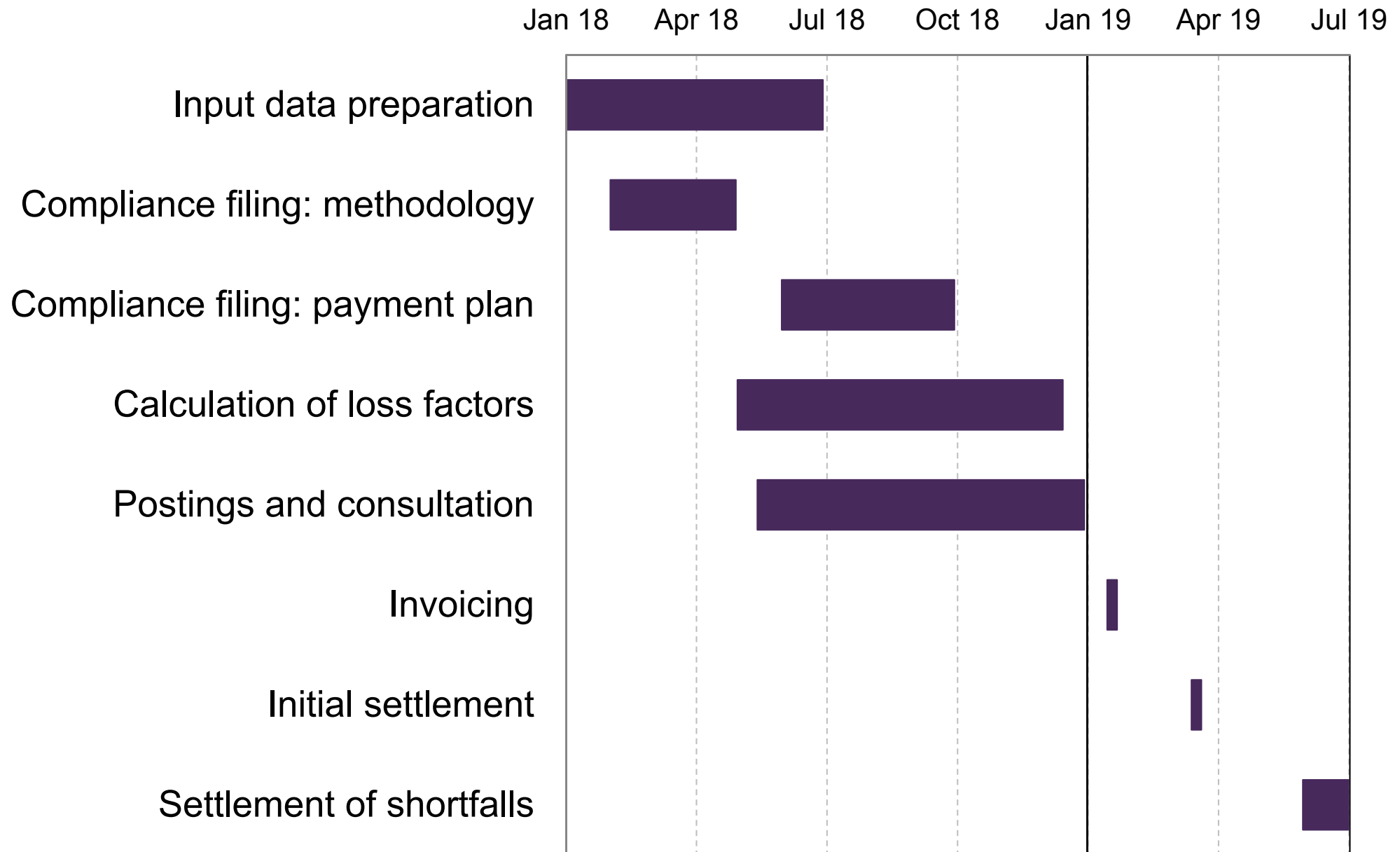
- Initial compliance filing would document methodology and procedures that will be implemented to produce final line loss charges for the historical period
 - Expect to file in February 2018
 - Will also include expected implementation schedule for information purposes only
 - Calculation of loss factors expected to launch in May 2018
- Subsequent compliance filing would include structure, terms and eligibility criteria for payment plan
 - Target filing in June 2018
 - Initial invoicing of loss charges and credits targeted for January 2019

AESO seeking stakeholder comments on two-part compliance filing approach



- Comments on both approach and proposed modifications to methodology
- No formal comment process
 - Comments during stakeholder meeting or by email or phone following the meeting
- Comments requested no later than Wednesday, February 14
- AESO will consider comments when preparing compliance filing but will not provide written replies to comments

AESO expects loss factors calculations to be complete by December 2018



AESO expects additional Module C consultation during rest of 2018

- Stakeholder session on payment plan (April)
- Posting of merit order data and system topologies as they become available (March through June)
- Posting of annual loss factors and annual and cumulative charges for the historical period as loss factor calculations are completed (approximately twice a month from June through December)
- Stakeholder sessions on annual loss factors once a month in June, July, and August
- Stakeholder sessions as needed after August

Calculations are underway for 2018 loss factors



- AESO decided in fall of 2017 to use 2016 merit order data being prepared for Module C as starting point for 2018 loss factor calculations
- Unanticipated complexity was encountered in process, such that 2016 merit order data was delayed until end of December 2017
 - AESO submitted request in mid-December for forbearance from MSA to publish 2018 loss factors by end of March 2018
- 2016 merit order data has now been supplemented with additions, changes, and retirements since 2016
 - Load input data and system topologies have also been prepared
- Initial preparation of calculations is underway with expected completion in early March

Calculations are underway for 2018 loss factors (cont'd)



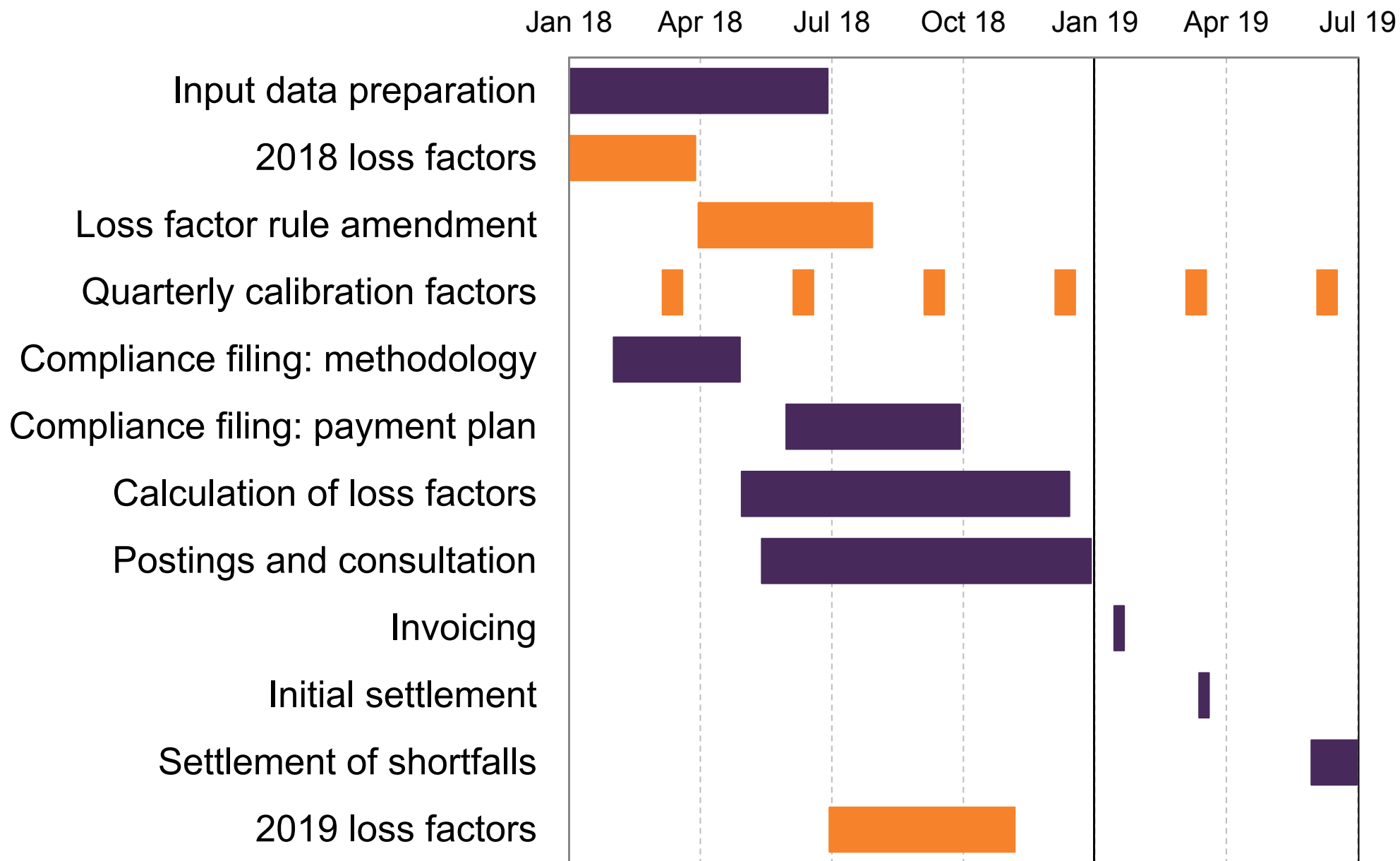
- Stakeholder session expected for mid-March
- Input data will be posted within a few days

AESO will propose permanent amendment to loss factor rule project inclusion criteria



- Project inclusion criteria in loss factor rule were amended in late 2017 on an interim basis
- Amendment included requirement to replace subsection 7 during 2018
- Project inclusion criteria will be reviewed based on experience gained during 2018 loss factor development
- Consultation on project inclusion criteria will be included in amendment process
- AESO expects to also include revisions to subsections 8(7) and 8(8) to address exclusion of all locations for an hour in which calculations cannot be completed for a single location
 - Similar to amendment that was proposed in mid-2017 and later withdrawn

Other loss factor activities are integrated with Module C schedule



- Module C compliance filings, implementation, and settlement
- Stakeholder consultation
- 2018 loss factors
- Loss factor rule amendment
- 2019 loss factors

For more information

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 - [Grid](#) ▶ [Loss factors](#) ▶ [Loss factors recalculation for 2006-2016](#)
 - [Grid](#) ▶ [Loss factors](#) ▶ [2017-2018 loss factor development](#)
 - [Grid](#) ▶ [Loss factors](#) ▶ [2018 loss factors](#)

