

This procedure document is not authoritative. This document is provided for information purposes only and is intended to provide guidance. In the event of any discrepancy between this document and any requirement of a decision of the Alberta Utilities Commission, the requirement of the decision prevails.

Purpose

1 In Proceeding 790, Complaints by Milner Power Inc. and ATCO Power Ltd. regarding the ISO Transmission Loss Factor Rule and Loss Factor Methodology – Module C, the Alberta Utilities Commission (“Commission”) directed the AESO to recalculate loss factors for the historical years from January 1, 2006 to December 31, 2016 using a new loss factor methodology similar to the methodology implemented for 2017 and later years. In accordance with decisions issued in Proceeding 790 – Module C, the AESO posts recalculated loss factors as they become available, provides an opportunity for stakeholders to review the recalculated loss factors, and financially settles the resulting adjustments with market participants.

2 This Module C Settlement Procedure document relates to the financial settlement of adjustments resulting from recalculated loss factors for system access service provided in the historical years under the following rates of the ISO tariff:

- Rate STS, *Supply Transmission Service*;
- Rate XOS, *Export Opportunity Service*;
- Rate IOS, *Import Opportunity Service*; and
- Rate DOS, *Demand Opportunity Service*.

3 The purpose of this Module C Settlement Procedure document is to explain the process that will be followed to financially settle the Module C adjustments and to provide the currently expected schedule for that process.

Background

4 In 2005, the AESO proposed to implement a new methodology for calculating loss factors in what became known as the Loss Factor Rule, which is now section 501.10 of the ISO rules, *Transmission Loss Factors*. Milner Power Inc. (“Milner”) filed a complaint about the Loss Factor Rule on the basis that it did not comply with certain sections of the *Transmission Regulation*. The Alberta Energy and Utilities Board (the predecessor of the Alberta Utilities Commission) dismissed Milner’s complaint, but that decision was successfully appealed to the Alberta Court of Appeal (“Court”). In 2010, the Court directed the Commission to reconsider whether the Loss Factor Rule contravened Section 19 (now Section 31) of the *Transmission Regulation*, as alleged by Milner.

5 In response to the Court direction, through a series of phases and modules in Proceeding 790, the Commission found that:

- the Loss Factor Rule contravened Section 19 of the *Transmission Regulation* and Milner’s initial complaint was upheld as valid;
- the Commission had the jurisdiction to order a remedy to address unlawful payments made pursuant to the Loss Factor Rule and the unlawful rates were interim;
- a new methodology should be used to determine loss factors on a go forward basis starting on January 1, 2017;
- a similar but modified methodology should be used to recalculate loss factors during the historical period from January 1, 2006, to December 31, 2016;

- adjustments resulting from the recalculated loss factors during the historical period, whether charges or credits, should be invoiced to the same parties that received the original (currently interim) invoices for loss charges; and
- adjustments from the recalculated loss factors should be invoiced as cumulative amounts in three settlement periods: first, for 2016 back to 2014; second, for 2013 back to 2010; and third, for 2009 back to 2006.

6 The decisions related to the findings summarized above are listed at the end of this document.

Module C Adjustments

7 The Commission's decisions in Proceeding 790 – Module C result in the recalculation of loss factors that were initially applied under Rates STS, XOS, IOS, and DOS during the historical years from January 1, 2006 to December 31, 2016. The AESO is currently completing the recalculation of loss factors for the historical years.

8 As the loss factors for each of the historical years are recalculated and finalized, the AESO publishes the loss factors and related information on its website. The recalculated loss factors are used to determine loss charges and credits for each of the services listed above in each historical year.

9 Differences between the recalculated loss charges and credits for a historical year and the loss charges and credits (including charges and credits under Rider E, *Losses Calibration Factor*) originally determined for a service will be charged or refunded to the party that received the original invoice for the service. The differences will include interest from the original production month to the month of cash settlement as directed by the Commission, calculated using an interest rate equal to the Bank of Canada's Bank Rate plus 1½% without compounding.

10 The differences in loss charges and credits, including interest, comprise the Module C adjustments that will be charged or refunded. The AESO publishes a Microsoft Excel workbook with estimated Module C adjustments for the recalculated loss factors for each historical year. The Module C adjustments workbooks include original and recalculated loss charges and credits and Rider E amounts for each service by month, and include GST amounts and interest amounts calculated separately on the differences in loss charges and credits and Rider E amounts for each service by month.

11 Module C adjustments may affect the amount of financial security a market participant is required to provide to the AESO under section 103.3 of the ISO rules, *Financial Security Requirements*. The AESO will advise market participants of any change in the financial security they are required to provide.

Module C Settlement

12 In accordance with Decision 25150-D02-2020, Module C adjustment charges or refunds will be settled with market participants in cumulative amounts covering three settlement periods:

- first, from 2016 back to 2014;
- second, from 2013 back to 2010; and
- third, from 2009 back to 2006.

13 The currently expected schedule for settlement is set out in Table 1.

14 Dates in Table 1 may change if delays occur in the expected completion of loss factor recalculations, in the preparation of Module C adjustments workbooks, or due to other reasons.

Table 1 – Settlement Schedule for Module C Adjustments, Expected as of December 22, 2020

Description	First Settlement Period – 2016-2014	Second Settlement Period – 2013-2010	Third Settlement Period – 2009-2006
Completion of publishing of loss factors	May 2020	Early Nov 2020	Jan 2021
Completion of publishing of Module C adjustments workbooks	Sep 2020	Early Dec 2020	Jan 2021
Stakeholder technical meeting	Jul 2020	Nov 2020	Feb 2021
Settlement statements issued	Oct 2020 Preliminary: Oct 7 Final: Oct 22	Dec 2020 Preliminary: Dec 7 Final: Dec 21	Mar 2021 Preliminary: Mar 5 Final: Mar 19
Cash settlement	Dec 30, 2020	Mar 1, 2021	May 31, 2021

15 All loss factors for a settlement period will be published at least 30 days before the preliminary settlement statement is issued for the settlement period. The AESO expects to hold a stakeholder technical meeting shortly after completing the publication of all loss factors for a settlement period. Stakeholders may ask questions regarding the loss factors and Module C adjustments at the technical meeting. Alternatively, stakeholders may contact the AESO directly to ask questions at any time prior to the issuance of preliminary settlement statements.

16 Preliminary and final settlement statements will be issued on the same days of the month that energy market and transmission tariff statements are issued. That is, preliminary settlement statements for a settlement period will be issued on the fifth business day of a month, and final settlement statements will be issued on the 15th business day of the same month. Although issued on the same days, preliminary and final settlement statements for Module C adjustments will be separate documents from energy market and transmission tariff settlement statements.

17 Preliminary settlement statements for a Module C settlement period will include charges and credits for each point of supply, point of delivery, and point of interconnection to which loss charges or credits apply, and will be provided in a bill details file (in comma separated values (CSV) format) similar to the bill details files provided for preliminary settlement statements for the transmission tariff. Preliminary settlement statements for a Module C settlement period will include only losses adjustment charges and credits. The GST and interest amounts applicable to preliminary settlement statements are included in the Module C adjustments workbooks published on the AESO website.

18 Final settlement statements for a settlement period will also summarize Module C adjustments in PDF statements of account to market participants. Final settlement statements will include GST and interest amounts on the PDF statements of account.

19 The amounts included in preliminary and final settlement statements may differ from the amounts included in the Module C adjustments workbooks. Differences may occur for several reasons, including the following.

- (a) Settlement statement amounts are determined using hourly data, which may result in amounts that differ slightly from the monthly values presented in the Module C adjustments workbooks due to rounding.
- (b) Small metered volume and pool price adjustments may not have been previously settled with market participants, if the resulting charge or refund would have been less than \$1,000 as permitted by the ISO tariff. Where an adjustment was not previously settled, it will not be included in the Module C adjustments workbooks nor in the calculation of Module C interest amounts. However, the adjustment will be included in preliminary and final statement amounts, although no Module C interest will accrue to those adjustments.
- (c) Metered volume and pool price adjustments occurring after the preparation of the Module C adjustments workbooks are also treated as adjustments not previously settled. They will be excluded from the Module C adjustments workbooks and will be included in preliminary and final statements amounts, without Module C interest.

20 In the event of any difference between a value in the Module C adjustments workbooks and a value in a final settlement statement, the final settlement statement will be considered the actual amount.

21 Charges on the final settlement statements will be due and payable on the 20th business day of the month that is at least 60 days after the date on which final settlement statements are issued, and refunds will be issued on the same date. Cash settlement for a settlement period will be on the same day in a month when energy market and transmission tariff cash settlement occurs.

22 The amount on a final settlement statement for a Module C settlement period must be settled in a financial transaction separate from a market participant's other transmission or energy market financial transactions. That is, a Module C statement must be settled without netting to offset other transmission or energy market statements.

23 If a party fails to pay a Module C adjustment charge on or before the settlement due date and has not executed an agreement to participate in the Module C payment plan described below, the AESO will apply interest, a late payment charge, and any other applicable costs or charges in accordance with section 103.7 of the ISO rules, *Financial Default and Remedies*. Module C adjustments will be financially settled in accordance with all applicable provisions of the ISO rules regarding financial settlement.

24 Questions or requests for additional information on the Module C settlement process may be sent to settlement@aeso.ca.

Module C Payment Plan

25 In accordance with decisions of the Commission in Proceeding 790 – Module C, the AESO developed and received approval of a payment plan to mitigate the risk that a Module C settlement invoice would compromise an eligible party's financial stability. Eligible parties who are approved to participate in the payment plan will repay a Module C settlement invoice over a 24-month term, including interest and fees.

26 An eligible party may apply to participate in the payment plan by completing an *Application for Loss Factor Payment Plan Participation* and submitting it to the AESO within five business days of

preliminary settlement statements being issued for a settlement period. The payment plan application instructions and forms are available on the AESO website. Supporting documents must be submitted with the payment plan application to demonstrate that financial hardship would result from a requirement to pay the Module C settlement invoice in full.

27 The AESO will evaluate each application and respond to the eligible party with approval, a request for additional information, or declination within 15 business days of receipt of the application. Any additional information requested by the AESO must be submitted by the eligible party within five business days of the AESO's request. The AESO will evaluate the additional information submitted and respond with approval or declination within ten business days of receipt of the additional information.

28 If the AESO approves a payment plan application, the AESO will provide the eligible party with a form of credit agreement at least ten business days prior to the cash settlement date for the settlement period. The eligible party must fully execute and return the credit agreement to the AESO at least three business days prior to the cash settlement date for the settlement period.

29 The currently expected schedule for the Module C payment plan is set out in Table 2.

30 Dates in Table 2 may change if delays occur in the expected completion of loss factor recalculations, in the preparation of Module C adjustments workbooks, or due to other reasons.

31 Questions or requests for additional information on the Module C payment plan may be submitted to Nicole Kinch, AESO Accounting department, email Nicole.Kinch@aeso.ca or phone 403-539-2532.

Table 2 – Schedule for Module C Payment Plan, Expected as of December 22, 2020

Description	First Settlement Period – 2016-2014	Second Settlement Period – 2013-2010	Third Settlement Period – 2009-2006
Preliminary settlement statements issued	Oct 7, 2020	Dec 7, 2020	Mar 5, 2021
Payment plan applications submitted by eligible parties	Oct 15, 2020	Dec 14, 2020	Mar 12, 2021
Payment plan application responses from AESO	Nov 5, 2020	Jan 7, 2021	Apr 5, 2021
Form of credit agreement provided by AESO	Dec 14, 2020	Feb 12, 2021	May 14, 2021
Executed credit agreement returned by payment plan participants	Dec 23, 2020	Feb 24, 2021	May 26, 2021
Monthly payments by payment plan participants	Dec 2020 to Nov 2022	Feb 2021 to Jan 2023	May 2021 to Apr 2023

Module C True-Up Process

32 As discussed in Decision 790-D06-2017, a secondary “true-up” settlement process may be required to address any trailing amounts resulting from the AESO’s inability to collect a Module C charge from or issue a Module C refund to one or more market participants. The AESO will exhaust all reasonable means to collect or refund outstanding amounts prior to determining that a secondary true-up settlement process may be required.

33 In the event that Module C adjustments cannot be recovered or refunded, the Commission has directed the AESO to address the resulting trailing amounts through an adjustment of loss factors using Rider E, where the trailing amounts are recovered or refunded as a cost of losses. The Rider E adjustment for trailing amounts will be applied to all market participants receiving either charges or refunds for the historical years through the Module C settlement process.

34 The Commission also recognized that the magnitude of any shortfall or surplus resulting from the settlement process will not be known until the final invoices for charges and refunds have been issued and financially settled. The AESO will implement a Rider E adjustment following cash settlement of the third settlement period, if required to address any shortfalls or surpluses.

35 Should further payment default shortfalls arise during the settlement process for Module C trailing amounts, the Commission has directed that such subsequent payment default shortfalls be recovered, as they become known, from market participants by way of Rider E on a going forward basis.

Decisions Related to Module C

36 The following decisions related to Module C may be accessed on the Commission’s website at www.auc.ab.ca by searching for the decision number:

- Alberta Energy and Utilities Board Decision 2005-096 denied Milner’s application to have its complaint dealt with in the proceeding called to consider the AESO’s 2005-2006 general tariff application.
- Alberta Energy and Utilities Board Decision 2005-150 dismissed Milner’s complaint. Milner successfully appealed this decision and the Court of Appeal directed the Energy and Utilities Board to further investigate Milner’s complaint.
- Commission Decision 2012-104 found that Milner’s complaint was valid.
- Commission Decision 2013-159 granted a second stage review and variance consideration of Decision 2012-104.
- Commission Decision 2014-110 denied variance of Decision 2012-104 and found that the rule used to calculate line losses was not compliant with Alberta legislation.
- Commission Decision 790-D02-2015 (Phase 2, Module A) found that rates resulting from the impugned line loss rule were interim and that the Commission has jurisdiction to order a remedy effective as of January 1, 2006, to correct the injustice resulting from those unlawful rates. On December 20, 2018, the Alberta Court of Appeal denied permission to appeal this decision.
- Commission Decision 790-D03-2015 (Phase 2, Module B) approved a methodology for determining loss factors on a go-forward basis effective January 1, 2017.
- Commission Decision 790-D04-2016 determined several preliminary issues related to the calculation of line losses during the historical period between January 1, 2006 and December 31, 2016.
- Commission Decision 790-D05-2016 found that the line loss rule proposed by the AESO for use from January 1, 2017, onwards was compliant with the Commission directions in Decision 790-D03-2015, and approved that rule as section 501.10 of the ISO rules, *Transmission Loss Factors*.

- Commission Decision 790-D06-2017 (Phase 2, Module C) approved a methodology for the calculation of loss factors for the historical period and directed the AESO to submit a compliance filing implementing the methodology for that period.
- Commission Decision 790-D07-2019 (Phase 2, Module C, Compliance Filing 1) approved the AESO's proposed Modified Module B methodology for calculating loss factors from January 1, 2006, to December 31, 2016.
- Commission Decision 25150-D02-2020 varied the settlement findings in Decision 790-D06-2017 from a single settlement process to a settlement process that is completed in three settlement periods.
- Commission Decision 790-D08-2020 (Phase 2, Module C, Compliance Filing 2) approved the AESO's Module C payment plan for the collection of loss charges calculated for the period from January 1, 2006, to December 31, 2016.
- Commission Decision 26084-D01-2021 ordered the AESO to use simple interest when calculating the interest attributed to monthly Module C amounts from January 1, 2006, to December 31, 2016.

Additional Information

37 Information posted by the AESO related to Module C may be accessed on the AESO website at www.aeso.ca by following the path Grid ► Loss factors, in the section "Loss factors recalculation for 2006-2016". That section includes information on Module C adjustment charges and refunds, recalculated loss factors, and the Module C payment plan. Additional information, including technical meeting presentations, is available in the section "Stakeholder engagement" on the same page on the AESO website.

Revision History

Posting Date	Description
2021-02-16	Revisions to explain differences between settlement statement amounts and amounts in Module C adjustments workbooks (paragraphs 19-20) and addition of Decision 26084-D01-2021 to list of decisions related to Module C (paragraph 36).
2021-01-08	Correction of dates for Third Settlement Period in Table 2, for preliminary settlement statements issued and payment plan applications submitted by eligible parties.
2020-12-22	Revisions to Table 1 and Table 2 to reflect a one-month delay in the financial settlement of Module C adjustments for the third settlement period of 2009 to 2006.
2020-10-15	Revisions to explain that interest will be calculated without compounding (paragraph 9) and only on differences in loss charges and credits and Rider E amounts (paragraph 10).
2020-10-06	Initial release.