

NOTICE TO MARKET PARTICIPANTS AND STAKEHOLDERS

January 29, 2025

RE: MSA stakeholder consultation on Rate of Last Resort Regulation MSA activities – January 17 stakeholder responses

BACKGROUND

On December 20, 2024, the MSA initiated a stakeholder consultation required by the *Rate of Last Resort Regulation* (AR 262/2005) (RoLR Regulation). The RoLR Regulation requires the following of the MSA:

1. Monitoring and reporting on the financial performance of RoLR providers following the implementation of energy price setting plans (EPSPs).¹
2. Establishment of parameters for what constitutes acceptable financial performance of a RoLR provider.²
3. Notification to relevant regulatory authorities if a RoLR provider's financial performance falls outside the parameters set by the MSA.³
4. Consultation with interested participants regarding the above-noted parameters.⁴

This stakeholder consultation is being held according to the MSA's [Stakeholder Consultation Process](#). The MSA released its [Initial Assessment](#) on December 20, 2024. The questions included in the Initial Assessment were intended to elicit feedback to ensure effective implementation of this policy while minimizing burdens on interested participants. Interested participants were able to submit responses to the MSA by January 17, 2025, and the MSA committed to publishing all responses shortly thereafter.

¹ RoLR Regulation, s. 11.2(1).

² *Ibid.*, s. 11.2(3).

³ *Ibid.*, s. 11.2(6).

⁴ *Ibid.*, s. 11.2(4).

STAKEHOLDER RESPONSES

The MSA received responses from five interested participants. These responses are being made public, in accordance with the MSA's Stakeholder Consultation Process,⁵ and have been attached to this notice. Responses were received from:

- City of Lethbridge Electric Utility
- Direct Energy Regulated Services
- ENMAX Energy
- EPCOR Energy Alberta GP Inc.
- Office of the Utilities Consumer Advocate

PUBLIC STAKEHOLDER CONSULTATION

Some interested participants indicated a preference for confidential phases of the MSA's stakeholder consultation, to ensure confidential attributes of EPSPs could be considered in the development of the parameters and financial performance reporting required by section 11.2 of the RoLR Regulation.

To ensure confidence in the Stakeholder Consultation Process, the MSA believes transparency is pivotal, so that all market participants know what informed the establishment of the MSA's parameters and financial performance reporting. At this stage in the process, the MSA does not believe a confidential stakeholder consultation phase is necessary to inform measures of financial performance, the establishment of acceptable financial performance parameters, and the MSA's reporting on financial performance. If the exact calculation or implementation of parameters and financial reporting requires confidential information be provided by RoLR providers, the MSA will consider the addition of these confidential discussions following the end of the public stakeholder consultation.

NEXT STEP

The next step in the MSA's Stakeholder Consultation Process is to release a draft document which considers stakeholder input received in the public consultation process, indicating how financial performance will be measured, how acceptable financial performance parameters will be established, and how the MSA will report on RoLR provider financial performance. The MSA anticipates the release of this draft document in February 2025.

⁵ MSA's Stakeholder Consultation Process, Stage 2.3.

We thank all interested participants who have provided feedback so far and look forward to the next stage of the process. Should you have any questions regarding this process please do not hesitate to contact MSAStakeholderConsultation@albertamsa.ca.

STAKEHOLDER RESPONSE FORM

December 20, 2024

RE: MSA stakeholder consultation on *Rate of Last Resort Regulation* MSA activities

BACKGROUND

On December 20, 2024, the MSA initiated its stakeholder consultation on the MSA's activities required by the *Rate of Last Resort Regulation* (AR 262/2005) (RoLR Regulation). More information on this stakeholder consultation is available [here](#).

The MSA's Initial Assessment consists of questions intended to solicit feedback on: appropriate measures of financial performance, the acceptable financial performance parameters, and attributes of the MSA's financial performance reports.

The MSA is requesting responses from participants with an interest in the Rate of Last Resort (RoLR) acceptable financial performance parameters.

REQUEST FOR RESPONSES

Instructions

Use the form fields to provide responses to the questions listed in the following subsections. Please submit responses to the MSA's stakeholder consultation inbox (MSAStakeholderConsultation@albertamsa.ca) by 5:00 pm, January 17, 2025. Please only submit one set of responses per organization. The MSA intends to publish written responses shortly after January 17, 2025. Please feel free to focus your comments on areas of most relevance to your organization.

Measures of Financial Performance

1. *Scope: Should the measure capture financial performance across all business functions of the regulated rate tariff (RRT), or only the financial performance applicable to the provision of RoLR Energy Prices?*

The city expects that the only feasible solution will be to limit the review to energy prices and actual realized risk margin. The city provides RoLR service internally and divides the main responsibilities across two departments. The electric utility manages energy price hedging and risk management, which is comparable to the AUC-regulated supplier's energy tariff applications. Cost related to this function is separable and can be reported as such. However, Utility Services manages all billing and customer care; this would be comparable to the functions that are the subject of AUC-regulated supplier's non-energy tariff applications. However, Utility Services is responsible for customer care and billing for all municipal utilities and there is no stand-alone or separate reporting of RoLR cost and revenue.

The city also notes that the regulation could have explicitly stated the MSA was to review non-energy costs, but it did not. Read as a whole, the regulation speaks to the MSA's role in the context of setting an energy rate. The MSA does not play a role in determining non-energy costs, nor does it play a role in setting an appropriate risk margin. Therefore, it is difficult to rationalize there was any intent for the MSA to comment on either for this reopener process.

2. *Time Horizon: Should financial performance be measured on a realized (actual) basis only, or should it be measured as forecast financial performance to the end of some RoLR rate term?*

Measuring a single point in time during the term would not provide an accurate or useful indication of financial performance. If the supplier was currently posting a material surplus, for example, that may be an indication that its price is greater than current market prices. This makes it likely that the RoLR provider would start to lose customers to competitive offerings, which might make any current surplus temporary.

To provide a reasonable indication of financial performance, it would be necessary to forecast performance to the end of the term. This could create additional challenges for evaluating the likelihood and reasonableness of the forecast, but forecasting is not necessarily a practice that could be abused in bad faith. A disingenuous forecast of customer counts and revenue, whose purpose is to hide a surplus, would likely be so extreme as to be obvious in the face of historical statistics.

Also, the MSA should bear in mind that data becomes available on a lag. For instance, the first review at the six-month milestone may only include actual data from the first four to five months. Financial performance at the four-month mark of a 24-month term is of limited value.

3. Nature: *What should be measured by financial performance?*

Please see #1 above.

4. Consistency: *Should measures of identical structure be used to measure financial performance for all RoLR providers?*

Without specific context, the city is unable to comment. In general, the city supports consistently applying principles, which allows some flexibility to arrive at different conclusions, depending on the situation.

5. Calculation: *Should RoLR providers or the MSA calculate financial performance?*

The RoLR provider would be in the best position to properly assemble the data, within the guidelines provided by the MSA. The city expects this would be a similar process to preparing a corporate tax return, or in the city's case, PILOT.

6. Granularity: *In the case of a RoLR provider that serves customers in multiple distribution service areas, should financial performance be calculated at a RoLR provider level, or should multiple measures be used to calculate its financial performance in each distribution service area?*

N/A

7. Data: *Should specific data be collected from RoLR providers to calculate the measure of financial performance?*

Without specific context or examples, the city is unable to comment.

8. Exclusions: *Should any revenues and/or costs incurred from the provision of RoLR rates or the RRT be excluded from the measure of financial performance?*

Without specific context or examples, the city is unable to comment.

Acceptable Financial Performance Threshold (AFPP)

1. Magnitude: How should the magnitude of the AFPP be determined?

Ultimately, the MSA's role is to identify unreasonable performance and the city recognizes this is a challenge. Underperformance should be less controversial because the existence of a negative margin should be self-evident. However, evaluating overperformance is difficult because the provincial regulator has not yet provided a public rationale for a reasonable risk margin. Without knowing what was intended to be reasonable, it is very difficult to say what is unreasonable.

To use an example to make our point, suppose the regulator determined that a 30% risk margin was reasonable. If the supplier was forecast to earn 30% to the end of the term after six months, whether the MSA believes 30% is reasonable or not is secondary. The price setting plan appears to be working exactly as intended by the regulator, and so it would be frivolous for the MSA to initiate a review process.

It would be sensible to initiate a reopener process when the realized risk margin is materially greater than what was approved by the regulator. Unfortunately, there is not enough public information (at least until the Commission issues an unredacted public decision) to make that determination.

2. Parallel Application: Should an AFPP of identical magnitude be applied to both positive financial performance and negative financial performance?

In the context of the government's overall policy goal to transition customers away from the RoLR, the city believes negative financial performance needs to be treated differently. If the supplier is earning a margin less than zero, this indicates it is likely selling energy at below current market levels. To continue selling energy at a loss would artificially deter the development of a competitive market. This would only be made worse if the supplier was not able to reopen the energy rate due to some unnecessary constraint in the reopener process.

3. Consistency: Should the same AFPP be used to assess financial performance for all RoLR providers?

Please see #1 above.

4. Number: Are multiple AFPPs necessary for a single RoLR provider?

Please see #1 above.

5. Other Factors: *Should other factors be considered when assessing financial performance?*

Please see #1 above.

Financial Performance Reports

1. Frequency: *Should the MSA produce financial performance reports more frequently than every six months?*

Because of the provision that a RoLR price cannot change by more than 10% between terms, it will be necessary to review forecast performance at the outset of a term, preferably as soon as the next-term's price is known. If the 10% constraint means that the RoLR price from the outset will cause unreasonable financial performance, this should be corrected immediately.

It is also sensible to contemplate a provision where the supplier self-reports. This scenario is reasonable because it would likely only be necessary in an extreme situation. It would be in everyone's best interest to make a correction as soon as possible if the supplier were in financial distress. It would not be in the public interest to wait five months for the next review.

2. Confidentiality: *Should reports be made available to the public?*

The city is unable to comment because this depends upon what the MSA intends to include in the report.

3. Content: *Should information other than the MSA's assessment of RoLR provider financial performance be included in the reports?*

The city is unable to comment because this depends upon what the MSA intends to include in the report.

Other Comments

In addition to the above, the MSA invites comments on any other element relating to the measures of financial performance, the AFPP, or financial performance reports.

N/A

January 17, 2025

Market Surveillance Administrator
Suite 600, 440 2nd Avenue SW
Calgary, AB T2P 5E9

Dear James Conville:

RE: MSA Stakeholder Consultation on Rate of Last Resort (“RoLR”) Acceptable Financial Performance Parameters (“AFPP”) Initial Assessment

Thank you for providing Direct Energy Regulated Services (“DERS”) the opportunity to provide feedback regarding the MSA consultation on Rate of Last Resort Regulation (“Regulation”) MSA activities. DERS has provided responses to the extent possible to the questions put forward by the MSA on December 20, 2024. As DERS considers itself a key stakeholder in the MSA’s consultation process and sees the potential for significant financial impacts from the outcome of the consultation process, DERS submits these important additional comments for consideration as the MSA determines next steps.

Purpose of the Reopener

As clearly set out in the Regulation, the ultimate purpose of the financial performance report set out in s. 11.2 of the Regulation is to assist the AUC in determining whether to trigger a reopener as set out in s. 11.3. A key insight used in the development of the RoLR Rate was the acknowledgement that the lengthy timeframe and complexity associated with any reopener proceeding precludes it from being used regularly to adjust prices. As such, the determination of the AFPP that would trigger a reopener must consider that it should be limited to “break glass” scenarios that materially diverge from the conditions that existed at the time the RoLR Rate was set and that changing the RoLR Rate would address the unanticipated impacts of these material changes. In short, because the AFPP set by the MSA has the potential to result in a reopener it is critical that it not be based on arbitrary or discretionary measures of “reasonability” but should instead be driven by measurable and material changes to market conditions that are required to be addressed by a change to the RoLR Rate.

The AUC proceeding leading to the setting of the RoLR Rate was fair, lengthy and complex and involved significant effort and resources from all parties including RoLR Providers, customer representatives, and the AUC. The RoLR Rate, adjudicated during Proceeding 29204, is designed to compensate the RoLR Providers for the significant risk they are undertaking to provide the RoLR product based on the design dictated through the Regulation. The parameters used to determine whether the RoLR Rate should be reopened should therefore not be made subjectively and without strong evidence supporting that the RoLR Rate requires adjustment. This is even more important given RoLR Providers have operated in good faith and procured energy on behalf of their customers based on knowledge of the rate they will charge customers until the end of 2028.

Conditions Resulting in a Reopener Must First Be Established

DERS’ responses to the MSA’s questions are based on AUC Proceeding 29204 and on the understanding of the legislated requirement of the AFPP. However, DERS notes that it found some of the requests for information to be premature since it believes that before providing input on specific parameters, thresholds or performance, that the conditions that should trigger a reopener must be established. To reiterate an earlier point, the trigger must not be a discretionary assessment of reasonableness but should

instead be based on the principle that the reopener should result only from a material change in the conditions and assumptions made at the time the RoLR Rate was set. Without agreement and clarity on how the AFPP would result in triggering the reopener, DERS can provide limited input on the specifics of the AFPP.

Further Consultation is Necessary and Potentially Confidential

The MSA's request for feedback appears to be part of step 2.2 in the MSA consultation process, included in the December 20, 2024 notice by the MSA. DERS therefore takes comfort in the fact that further consultation will take place before determinations regarding the AFPP are made.

In advance of further, more detailed consultation, DERS believes that the AFPP could be designed using components of the RoLR pricing model included as a part of the Energy Price Setting Plan ("EPSP") used as the basis for the RoLR Rate calculation. As the MSA understands, certain portions of the EPSP are confidential but should be considered when determining the AFPP.

DERS strongly believes that more detailed comments and feedback should be sought from the RoLR Providers under step 2.3 of the MSA consultation process and that, additionally, the consultation or a part thereof must be confidential as a result of the AUC's confidentiality ruling. With appropriate confidential treatment of the information, DERS will be prepared to share detailed feedback and recommendations as part of the next step in the consultation.

Sincerely,

Nicole Black
Director, Regulatory Affairs

Isabelle Michaud
Sr. Director, Alberta Regulated Business & Inter-affiliate Governance

MSA Stakeholder Consultation on Rate of Last Resort (“RoLR”) Acceptable Financial Performance Parameters (“AFPP”)

Initial Assessment Comments from Direct Energy Regulated Services

A. Measures of Financial Performance

1. Scope: Should the measure capture financial performance across all business functions of the RRT, or only the financial performance applicable to the provision of the RoLR Energy Prices?

The scope should be limited to only the financial performance applicable to the provision of the RoLR energy product because the other business functions of the RRT fall outside of the RoLR Regulation. For example, the non-energy component is under AUC oversight is fully adjudicated through the AUC’s application process. Further, the financial results related to other business functions of the RRT outside of the provision of the RoLR should have no impact on the reopener.

2. Time horizon: Should financial performance be measured on a realized (actual) basis only, or should it be measured as forecast financial performance to the end of a RoLR rate term.

As discussed in DERS’ cover letter, given the uncertainty related to the parameters that will be used by the MSA to evaluate performance and that may trigger a reopener, DERS cannot definitively provide direction on the time horizon until further certainty is provided. However, DERS would tentatively agree that reporting on actual performance (depending on how defined) and a form of forecast will be required as part of the financial performance report. A potential approach could be to:

- Report on margin calculated as commodity revenue less cost of goods for the previous reporting period (Notes: (1) see response to question 3 for a discussion of the lack of clarity on the reporting period, (2) DERS has further feedback regarding the specific rate components that should be identified in the reporting, however, these details require confidential treatment according to the AUC ruling on confidentiality).
- Provide a forecast of potential outcomes based on similar analysis contained in the ROLR Pricing Model included in the EPSP, including separating out certain components of the ROLR Rate, to be discussed on a confidential basis.
- Calculate a rolling assessment to test whether the risk compensation included in the ROLR Rate is offsetting any cumulative risk as designed including actualized and potential future risk.

DERS suggests that it is important for the report to consider the intended design of the ROLR Rate to front-load risk compensation. This concept is thoroughly discussed in the EPSP application and should be a primary consideration in the determination of any financial reporting and associated evaluation parameters. See the response to question 3 for a discussion of what should be considered as cause for a reopener.

DERS notes that the reporting periods that will be required are not clearly defined in the Regulation and will require clarification during the consultation process. To elaborate, the Regulation says the following:

- The requirement for financial reporting begins January 1, 2025. (s. 11.2(1))
- Financial reports will be prepared every 6 months (s. 11.2(1)(b))

- The first report is due by July 1, 2025 (s. 11.2(1)(b))
- Each report must report on the performance over the preceding 6 months (s. 11.2(2)(a))
- The information requested by the MSA must be submitted to the MSA at least one month prior to the preparation of the financial performance report

As is evident in the bullets, above, these timelines result in several timing conflicts since:

- The MSA would be required to submit its first report to the AUC on July 1, 2025, and is required to include information from January 1 to June 30, 2025.
- However, information from the Providers must be submitted to the MSA at least one month prior to the report being development, which would be June 1, 2025, at the latest; and
- The Providers would need to finalize financial results to the end of the reporting period and reasonable time to gather the required information, which would mean the information available on June 1, 2025 would reasonably be for the period of January 1 to April 30, 2025, at the latest, which is not 6 months of information.

To address this issue, DERS proposes the following:

- The first financial performance report dated July 1, 2025, will be considered an “interim” report and will include information related to the period of January 1 to March 30, 2025; and
- Subsequent reports will cover the following reporting periods: April 1, 2025 to September 30, 2025, October 1, 2025 to March 31, 2026, etc. with the last reporting period being October 1, 2028 to December 31, 2028.

An additional benefit of this proposed cadence and considering the first report as an interim report is that this will provide appropriate time for consultation and development of the final AFPP reporting format.

3. Nature: What should be measured by financial performance?

DERS believes that before it can fully answer this question, there must be an agreement by stakeholders on what should trigger a reopener. As noted in DERS’ cover letter, a reopener would involve a lengthy and complex proceeding and should not be triggered easily or inadvertently. Further, the AFPP set by the MSA should not be based on arbitrary and discretionary measures of “reasonability” but instead on measurable and material changes to market conditions that affect the appropriateness of the ROLR Rate in effect. The reopener should be tied to events that are outside of the ROLR Providers’ control such as material changes to the market conditions that existed at the time the ROLR Rate was set. Measurements of these material changes could, as an example, be based on significant and long-term changes to forward curves that also result in forecast changes to ROLR provider site counts and/or usage.

4. Consistency: Should measures of identical structure be used to measure financial performance for all RoLR providers.

Measures of identical structures should be used to the extent possible.

5. Calculation: Should RoLR providers or the MSA calculate financial performance?

RoLR providers should calculate their own financial performance as they will have the data required to perform this task. DERS considers that this will save considerable time for the MSA.

6. Granularity: In the case of a RoLR provider that serves customers in multiple distribution areas, should financial performance be calculated at the RoLR provider level, or should multiple measures be used to calculate its financial performance in each distribution service area?

For RoLR providers that serve customers in multiple distribution areas, financial performance should be calculated at the RoLR provider level as a lower level of granularity is not required by any market participant. DERS, for example, serves ten Rural Electrification Associations (“REAs”) and the granularity of the REA data would not be useful to any market participant. DERS’ proposal is therefore that the REA information would be incorporated into the reporting for DERS as a whole.

7. Data: Should specific data be collected from RoLR providers to calculate the measure of financial performance?

No. Please see the response to question 5. DERS proposes that the financial performance as defined through the consultation process should be calculated by the RoLR providers in a predetermined format so no “data collection” is required. Further, this will limit the misinterpretation of data by the MSA.

8. Exclusions: Should any revenues and/or costs incurred from the provision of RoLR or the RRT be excluded from the measure of financial performance?

As previously stated, only the financial performance related to the RoLR Rate should be included as required by the RoLR Regulation. DERS notes that annual AUC Rule 005 reporting will continue to exist to address overall performance of the ROLR provider.

B. Acceptable Financial Performance Parameters

1. Magnitude: How should the magnitude of the AFPP be determined?

Please see the responses to questions 2 and 3 for DERS proposal regarding the AFPP. As noted, the reopener should be tied to material changes to the market conditions that existed at the time the ROLR Rate was set and result in significant financial impacts that can be rectified only through a reopener.

2. Parallel application: Should an AFPP of identical magnitude be applied to both positive financial performance and negative financial performance?

DERS agrees that both positive and negative financial performance should be measured, however, risk accounted for in the ROLR Rate is not symmetric (i.e., market prices, which drive most of the risk inherent in the ROLR structure, can increase much more than decrease). As noted in its cover letter, DERS has further feedback related to the components of the ROLR Rate that is relevant to the measurement of financial performance, but the information requires discussion of confidential information according to the AUC’s confidentiality ruling. DERS also recommends that explanations of results should be part of the report in a similar fashion to AUC Rule 005 reporting.

3. Consistency: Should the same AFPP be used to assess financial performance for all providers.

The same methodology should be used for all providers to the greatest extent possible. DERS understands, however, that providers (municipalities, REAs, etc.) other than the RoLR providers may not have the same information available.

4. Number: Are multiple AFPPs necessary for a single RoLR provider.

Please see the responses to questions 2 and 3 for a proposed reporting structure.

5. Other Factors: Should other factors be considered when assessing financial performance?

Explanation of results should be provided similar to what is provided in Rule 005 reporting.

C. Financial Performance Reports

1. Frequency: Should the MSA produce financial performance reports more frequently than even six months.

No, the MSA should follow the six-month requirement from the regulation. Anything more frequent would create unnecessary regulatory burden.

2. Confidentiality: Should reports be made available to the public?

No, as this is not a requirement under the Regulation.

3. Content: Should information other than the MSA's assessment of the RoLR provider financial performance be included in the reports?

As noted in previous responses, explanation of results should be provided as it is provided in Rule 005 reporting. DERS recommends that information in the reports be limited to what is necessary in order not to create unnecessary regulatory burden.

D. Other comments

The reporting and AUC assessments should be kept confidential and only shared with the applicable RoLR provider and when required, the AUC.



ENMAX Energy
141 – 50 Avenue SE
Calgary, AB T2G 4S7
Tel 403-514-3000
enmax.com

January 17, 2025

Market Surveillance Administrator
440 2 Ave SW
Calgary, Alberta, T2P 5E9

Attention: James Conville
Manager, Retail and Rate of Last Resort

Dear James Conville,

RE: Market Surveillance Administrator (“MSA”) stakeholder consultation on Rate of Last Resort (“RoLR”) Regulation Financial Reporting

On December 20, 2024, the MSA notified stakeholders it was beginning consultation regarding the measures of RoLR provider financial performance and the acceptable financial performance parameters (AFPP). Please find attached ENMAX Energy’s (“ENMAX’s”) responses.

In the ‘other comments’ section of its responses ENMAX has noted some concerns or requests. These are reproduced below due to their importance:

- ENMAX requests the MSA review submissions from parties in response to this consultation to ensure that confidential information relating to Energy Price Setting Plans (“EPSPs”) is not accidentally put on the public record.
- The creation of confidential module(s) may be required to have an appropriate level of discussion, depending on the direction the MSA pursues in the consultation process. ENMAX has ensured its submission does not include any confidential information. The public nature of this initial submission has limited ENMAX’s ability to make any specific suggestions relating to its EPSP.
- ENMAX requests an additional round of consultation as part of this process. In its December 20, 2024 letter the MSA indicated the consultations would be held in accordance with its six-step consultation process.¹ The MSA considered steps one (filtering to establish whether consultation is required) and two (provide an initial MSA view on the issue) to be complete. Given the initial assessment contained only

¹ <https://www.albertamsa.ca/assets/Documents/2016-08-10-MSA-Stakeholder-Consultation-Process-2016.pdf>

questions and not directional suggestions or a 'strawman' suggestion, ENMAX requests an additional round of consultation.

- ENMAX suggests consideration of the first report being based on interim requirements as there may not be sufficient time to finalize the requirements. The first report from the MSA is due July 1, 2025, with RoLR Providers being required to submit information a month ahead (i.e. June 1, 2025). ENMAX will also require time to gather and compile the information ahead of the June 1, 2025 submission date. This will not allow the first report to have six months of actual information available. To have six months of information, forecasting will be required for two to three months of information in the first report. ENMAX recommends that for subsequent reports the six most recently available actual results be used as the basis for historical reporting (i.e. Report one includes January through March 2025 actuals, Report two would then include April through September 2025, Report three would contain October 2025 through March 2026, and Report four would contain April through September 2026).

Should you have any questions or concerns please call the undersigned at 403-689-1509.

Sincerely,

[submitted electronically]

Trevor Wilde
Director, Regulatory
ENMAX Corporation

STAKEHOLDER RESPONSE FORM

December 20, 2024

RE: MSA stakeholder consultation on *Rate of Last Resort Regulation* MSA activities

BACKGROUND

On December 20, 2024, the MSA initiated its stakeholder consultation on the MSA's activities required by the *Rate of Last Resort Regulation* (AR 262/2005) (RoLR Regulation). More information on this stakeholder consultation is available [here](#).

The MSA's Initial Assessment consists of questions intended to solicit feedback on: appropriate measures of financial performance, the acceptable financial performance parameters, and attributes of the MSA's financial performance reports.

The MSA is requesting responses from participants with an interest in the Rate of Last Resort (RoLR) acceptable financial performance parameters.

REQUEST FOR RESPONSES

Instructions

Use the form fields to provide responses to the questions listed in the following subsections. Please submit responses to the MSA's stakeholder consultation inbox (MSAStakeholderConsultation@albertamsa.ca) by 5:00 pm, January 17, 2025. Please only submit one set of responses per organization. The MSA intends to publish written responses shortly after January 17, 2025. Please feel free to focus your comments on areas of most relevance to your organization.

Measures of Financial Performance

1. **Scope: Should the measure capture financial performance across all business functions of the regulated rate tariff (RRT), or only the financial performance applicable to the provision of RoLR Energy Prices?**

ENMAX Energy recommends that the MSA reporting only focus on the energy portion of the RRT. The non-energy portions are addressed in each Provider's non-energy application which are recovered through a separate administration charge and are calculated on a cost-recovery basis.

2. **Time Horizon: Should financial performance be measured on a realized (actual) basis only, or should it be measured as forecast financial performance to the end of some RoLR rate term?**

To align with Section 11.2(2)(a) of the ROLR Regulation, actual financial performance from the most recent 6 months of available data will be required. However, it is understood that the RoLR rates were developed with consideration of the risks faced by the Providers throughout the 4-year term. Consequently, both actual and forecast results should be considered when assessing the financial performance of RoLR Providers.

3. **Nature: What should be measured by financial performance?**

The answer to this question may be dictated by the answer to question 4 on consistency below. If all RoLR Providers in Alberta are to have the same measures and reporting then what is measured will likely have to be very high level. If this level of consistency between providers is not required, then specific measures for each RoLR provider (or by EPSP) could be used. ENMAX is unable to list measures specific to its EPSP in a public consultation process, since the related elements of the EPSP are confidential.

4. **Consistency: Should measures of identical structure be used to measure financial performance for all RoLR providers?**

ENMAX would support using consistent structures to measure financial performance to the greatest extent possible. This promotes fair and equitable treatment of all RoLR Providers in the province.

5. **Calculation: Should RoLR providers or the MSA calculate financial performance?**

Providers should be responsible for calculating their financial performance and provide relevant supporting data because they are closest to the information and therefore best placed to provide and calculate the requested information.

However, if the MSA ultimately decides to do the financial performance calculations itself, the Providers will require full access to the MSA's calculations.

6. Granularity: In the case of a RoLR provider that serves customers in multiple distribution service areas, should financial performance be calculated at a RoLR provider level, or should multiple measures be used to calculate its financial performance in each distribution service area?

ENMAX recommends that financial performance be calculated at the Provider level (i.e. ENMAX's financial performance would be calculated to include Calgary, Red Deer, Ponoka and Cardston).

7. Data: Should specific data be collected from RoLR providers to calculate the measure of financial performance?

ENMAX would support the collection of specific data to be collected from each Provider to calculate the measure of financial performance. The data requirements selected will need to be clear and transparent to the Providers. Notwithstanding, ENMAX notes that it does not have visibility of all EPSPs used in the province so is unclear as to which metrics will be viable and would appreciate a list of potential options.

Consideration should include:

- the amount of effort (and cost) required to produce the data;
- the nature of the data being requested (e.g., is it commercial sensitive or could disclosure harm the market?); and
- the timing of the data being requested (e.g., which months of data will be required to be submit by the Providers?).

8. Exclusions: Should any revenues and/or costs incurred from the provision of RoLR rates or the RRT be excluded from the measure of financial performance?

To ensure there is no double-counting, both costs and revenues related to the non-energy portion of the RoLR should be excluded. ENMAX addresses this in response to Question 1, scope, above.

Acceptable Financial Performance Threshold (AFPP)

1. **Magnitude**: *How should the magnitude of the AFPP be determined?*

It is hard to answer this question without knowing how financial performance will be measured. What constitutes acceptable financial performance must be taken in context of the new and novel Rate of Last Resort Regulation. The determination of Acceptable Financial Performance Parameters should factor in that EPSPs were developed over a short period of time using the best assumptions and information available at the time they were prepared, and were negotiated and approved on that basis.

The intent of the Rate of Last Resort Regulation was to have a steady predictable energy rate. An AFPP that results in frequent reopeners to reset the rate would go against the intent of the regulation. Therefore, the acceptable gains or losses should be material changes from when the EPSPs were developed to prevent frequent and unnecessarily reactionary rate changes.

2. **Parallel Application**: *Should an AFPP of identical magnitude be applied to both positive financial performance and negative financial performance?*

Treatment should not be applied equally to both positive and negative financial performance. Providers are exposed to incremental risks over and above those faced by competitive retailers and this asymmetry must be considered.

3. **Consistency**: *Should the same AFPP be used to assess financial performance for all RoLR providers?*

As a concept, it would be fair to have all providers held to the same standard. However, it is not known if this is possible or practicable. ENMAX does not have visibility into all EPSPs used in the province so is unclear as to which common metrics might be viable and it would appreciate a list of potential options regarding acceptable financial performance thresholds.

4. **Number**: *Are multiple AFPPs necessary for a single RoLR provider?*

For simplicity and to not create additional regulatory burden, each Provider should be subject to a single AFPP.

5. **Other Factors**: *Should other factors be considered when assessing financial performance?*

Factors that will have a material impact on RoLR providers should be considered including, but not limited to, legislation or regulation changes, force majeure events and significant changes in market share by regulated and unregulated retailers.

Financial Performance Reports

1. **Frequency: *Should the MSA produce financial performance reports more frequently than every six months?***

Reporting should be provided at six-month intervals. However, if a material impact to RoLR providers becomes known, as identified in “Other Factors” above, Providers should have the ability to file additional ad hoc reporting with the MSA for consideration.

2. **Confidentiality: *Should reports be made available to the public?***

Reports should be provided to the respective EPSP owner only, unless reporting to the regulatory authority is also required as per the regulation. Reporting should be confidential and only issued to the relevant provider as it may include sensitive information or information that could harm the market if disclosed publicly. Any public reporting should only include non-confidential information, including whether the provider’s financial performance falls outside the parameters.

3. **Content: *Should information other than the MSA’s assessment of RoLR provider financial performance be included in the reports?***

The reports should include the most recent 6-months of actual data and a forecast for the remainder of the RoLR 4-year term to assess a Provider’s financial performance.

Other Comments

In addition to the above, the MSA invites comments on any other element relating to the measures of financial performance, the AFPP, or financial performance reports.

ENMAX has the following additional comments, concerns or suggestions not addressed elsewhere:

- ENMAX requests the MSA review submissions from parties in response to this consultation to ensure that confidential information relating to Energy Price Setting Plans (“EPSPs”) is not accidentally put on the public record.
- The creation of confidential module(s) may be required to have an appropriate level of discussion, depending on the direction the MSA pursues in the consultation process. ENMAX has ensured its submission does not include any confidential information. The public nature of this initial submission has limited ENMAX’s ability to make any specific suggestions relating to its EPSP.
- ENMAX requests an additional round of consultation as part of this process. In its December 20, 2024 letter the MSA indicated the consultations would be held in accordance with its six-step consultation process.¹ The MSA considered steps one (filtering to establish whether consultation is required) and two (provide an initial MSA view on the issue) to be complete. Given the initial assessment contained only questions and not directional suggestions or a ‘strawman’ suggestion, ENMAX requests an additional round of consultation.
- ENMAX suggests consideration of the first report being based on interim requirements as there may not be sufficient time to finalize the requirements. The first report from the MSA is due July 1, 2025, with RoLR Providers being required to submit information a month ahead (i.e. June 1, 2025). ENMAX will also require time to gather and compile the information ahead of the June 1, 2025 submission date. This will not allow the first report to have six months of actual information available. To have six months of information, forecasting will be required for two to three months of information in the first report. ENMAX recommends that for subsequent reports the latest available six months of actual results be used as the basis for historical reporting (i.e. Report one includes January through March 2025 actuals, Report two would then include April through September 2025, Report three would contain October 2025 through March 2026, and Report four would contain April through September 2026).

¹ <https://www.albertamsa.ca/assets/Documents/2016-08-10-MSA-Stakeholder-Consultation-Process-2016.pdf>



2000 – 10423 101 St NW, Edmonton, AB
T5H 0E8 Canada
epcor.com

January 17, 2025

By email
Market Surveillance Administrator
Suite 600, 440 2nd Avenue SW
Calgary, AB T2P 5E9

RE: MSA stakeholder consultation on Rate of Last Resort Regulation MSA activities

This letter is in response to the Market Surveillance Administrator's ("MSA's") December 20, 2024 request for stakeholder participation regarding the measures of financial performance of RoLR providers.

EPCOR Energy Alberta GP Inc., in its role as a general partner of EPCOR Energy Alberta Limited Partnership, ("EEA"), appreciates the opportunity to provide input into the MSA process and has appended to this letter comments on a copy of the Stakeholder Response Form as provided by the MSA. Additionally, some comments have been provided below for further consideration by the MSA in the development of these requirements.

The regulatory process to approve EEA's EPSP was lengthy, complex and fair. This process determined a RoLR rate that was designed to provide stability for a 2-year period with a cap of +/-10% for the following 2-year period, while allowing for compensation for the risk the RoLR providers face in delivering this commodity to customers over this time. It is prudent that the approved RoLR Pricing Model be considered in the MSA's assessment of financial performance.

With that, it is critical for the MSA to consider that EEA's RoLR Pricing Model and its variables are treated as confidential for EEA by the Alberta Utilities Commission, and should be extended to the MSA process. EEA respectfully requests that the MSA provide RoLR providers an opportunity for further confidential consultation in this process to allow for more specific thoughts on the development of measures of financial performance with relation to the buildup and calculation of each provider's rates that EEA was not comfortable including in the Stakeholder Response Form, which EEA understands will be on the public record.

As for the timing and contents of the RoLR providers' initial report, EEA would suggest that an interim template structure be developed in conjunction with this process and timing be determined to ensure that the MSA is able to achieve the timelines set out by the regulation. With the deadline of July 1, 2025 in the

regulation, there is not an opportunity to have a full six months of data in the initial report. A truncated period of three months of information would in EEA's submission be more appropriate for this initial report. Once the initial condensed period information has been provided to the MSA and reported on, further refinements to the reporting structure can be considered to ensure it is appropriate in the longer-term timeframe.

EEA looks forward to providing further inputs through additional rounds of comments once the MSA has produced a draft, per the MSA Stakeholder Consultation Process. I welcome any further discussion on the above and am looking forward to continuing to provide input into the development of this process.

Please contact me further if you have any questions.

Sincerely,

[Electronically Submitted]

Nadia Bayda
Senior Manager, Regulatory and Business Analytics
EPCOR Energy Alberta GP Inc.

Attachment

STAKEHOLDER RESPONSE FORM

December 20, 2024

RE: MSA stakeholder consultation on *Rate of Last Resort Regulation* MSA activities

BACKGROUND

On December 20, 2024, the MSA initiated its stakeholder consultation on the MSA's activities required by the *Rate of Last Resort Regulation* (AR 262/2005) (RoLR Regulation). More information on this stakeholder consultation is available [here](#).

The MSA's Initial Assessment consists of questions intended to solicit feedback on: appropriate measures of financial performance, the acceptable financial performance parameters, and attributes of the MSA's financial performance reports.

The MSA is requesting responses from participants with an interest in the Rate of Last Resort (RoLR) acceptable financial performance parameters.

REQUEST FOR RESPONSES

Instructions

Use the form fields to provide responses to the questions listed in the following subsections. Please submit responses to the MSA's stakeholder consultation inbox (MSAStakeholderConsultation@albertamsa.ca) by 5:00 pm, January 17, 2025. Please only submit one set of responses per organization. The MSA intends to publish written responses shortly after January 17, 2025. Please feel free to focus your comments on areas of most relevance to your organization.

Measures of Financial Performance

1. Scope: *Should the measure capture financial performance across all business functions of the regulated rate tariff (RRT), or only the financial performance applicable to the provision of RoLR Energy Prices?*

This measure should only capture the performance of the Energy Price Setting Plans (EPSPs) as the Non-Energy administration fees are applied for and assessed for prudence by the Alberta Utilities Commission, and approved on a full cost recovery basis.

2. Time Horizon: *Should financial performance be measured on a realized (actual) basis only, or should it be measured as forecast financial performance to the end of some RoLR rate term?*

RoLR providers should provide the most recent 6 months of actual data consistent with section 11.2(2)(a) of the RoLR Regulation. To be consistent with the buildup of the RoLR rate, there should also be some consideration for a forecast of financial performance with the view that income will not be earned evenly throughout the term and therefore the analysis should be based on a consideration for a combination of both. It is unrealistic for the MSA to determine that financial performance is excessive in the early term of the RoLR implementation as the rate has been designed to ensure it is in compliance with the regulation over the 4-year time horizon.

Through further consultation, consideration should be made to understand and determine appropriate components of the RoLR Rate that should be considered in this process.

3. Nature: *What should be measured by financial performance?*

Financial performance should measure whether the EPSP is performing as intended in the pricing model.

4. Consistency: *Should measures of identical structure be used to measure financial performance for all RoLR providers?*

Some aspect of consistency should be maintained for all RoLR providers to the extent possible. This will be easier to comment on further along in the consultation process.

5. Calculation: *Should RoLR providers or the MSA calculate financial performance?*

RoLR providers should provide the required financial information to the MSA with the understanding of what is required and what the MSA is trying to achieve through the source and analysis of financial performance.

6. Granularity: *In the case of a RoLR provider that serves customers in multiple distribution service areas, should financial performance be calculated at a RoLR provider level, or should multiple measures be used to calculate its financial performance in each distribution service area?*

In such circumstances, the financial performance can be measured at the RoLR provider level as the rates are the same for all customers of the RoLR provider and do not differ by distribution service area.

7. Data: *Should specific data be collected from RoLR providers to calculate the measure of financial performance?*

A standard form should be required and developed that is consistent between all providers. EEA expects this to be discussed further through progressive stage in the stakeholder consultation process.

8. Exclusions: *Should any revenues and/or costs incurred from the provision of RoLR rates or the RRT be excluded from the measure of financial performance?*

Operational costs associated with the provision of RRT service are typically included in the Non-Energy administration fee, which as noted above, should be excluded from the measure of financial performance.

Acceptable Financial Performance Parameters **Threshold** (AFPP)

1. Magnitude: *How should the magnitude of the AFPP be determined?*

Based on the fact that each RoLR provider is of a different size, the assessment of AFPP should be based on metrics and ratios, or a comparison to the calculation methodology that has been approved through the appropriate regulatory authority rather than being based on a magnitude of dollar values. It is critical to also understand that income will not be earned evenly throughout the EPSP periods as there were strict requirements for any changes to the rate over each 4-year RoLR term

2. Parallel Application: *Should an AFPP of identical magnitude be applied to both positive financial performance and negative financial performance?*

Yes.

3. Consistency: *Should the same AFPP be used to assess financial performance for all RoLR providers?*

Yes. There should be consistent parameters and metrics used for all RoLR providers.

4. Number: *Are multiple AFPPs necessary for a single RoLR provider?*

Yes, potentially. Financial performance may not be just a point in time but a forward view of a forecast to the end of the forecast period used to develop the RoLR rate and other factors listed below may also be of consideration – see #1 above.

5. Other Factors: *Should other factors be considered when assessing financial performance?*

In addition to financial metrics, there should be consideration for relevant factors including, significant changes in the forward market curve, significant swings in load growth or decline, or force majeure events. RoLR providers should be allowed to make submissions on relevant factors to be considered when assessing their financial performance metrics.

Financial Performance Reports

1. Frequency: *Should the MSA produce financial performance reports more frequently than every six months?*

No. It would be unrealistically burdensome for the RoLR providers to regularly provide additional financial reporting on a more frequent basis than required. The requirement already increases the scope and frequency of RoLR providers' financial reporting in addition to the requirements of AUC Rule 005.

That said, RoLR providers must have the ability to request that the MSA evaluate and report on their financial performance, and consider whether to recommend a reopener, outside of the set six-monthly schedule. This is necessary to ensure that the mechanism is responsive to sudden events or drastic changes in the markets, including the “relevant factors” noted above, that have the potential to distort the energy markets or cause significant harm to RoLR providers or customers if not addressed immediately.

2. Confidentiality: *Should reports be made available to the public?*

No. The MSA's reports will necessarily be based on proprietary and commercially sensitive information, including interim unaudited bi-annual financial information. It is therefore imperative that neither the MSA's reports nor the information used to create them be made available to the public.

3. *Content: Should information other than the MSA's assessment of RoLR provider financial performance be included in the reports?*

In the interests of minimizing regulatory burden, the MSA's reports should focus on the RoLR providers' financial performance. As noted above, RoLR providers are already providing regulatory results for Rule 005 filing. However, in order to properly assess that performance, the MSA's reports should include the MSA's assessment of any relevant factors that RoLR providers have identified as informing the interpretation of their financial performance metrics.

Other Comments

In addition to the above, the MSA invites comments on any other element relating to the measures of financial performance, the AFPP, or financial performance reports.

EEA would appreciate the opportunity to have additional confidential discussions and rounds of stakeholder consultation in the development of this process as it is imperative that it is well thought out and considered in conjunction with the approved RoLR pricing calculations which were developed and implemented after significant regulatory effort in such a limited timeframe.

As the regulation requires the first report to be completed by July 1, 2025, it is imperative that the MSA determine the temporal scope of the information it will require for this initial period and a reasonable timeline for RoLR providers to submit this information. EEA looks forward to working with the MSA to develop a reasonable reporting schedule for future periods.

MSA Stakeholder Consultation on Rate of Last Resort Regulation

Preliminary Comments

Effective January 1, 2025, the *Rate of Last Resort Regulation (RoLR Regulation)* requires the Regulated Rate Option to transition to the Rate of Last Resort (RoLR). The *RoLR Regulation* requires the Market Surveillance Administrator (MSA) to monitor and report on the financial performance of RoLR providers. The *RoLR Regulation* requires the MSA to establish parameters for what constitutes acceptable financial performance parameters (AFPP). The MSA is further required to notify relevant regulatory authorities if a RoLR provider's financial performance falls outside the parameters set by the MSA.

The Utilities Consumer Advocate (UCA) has a legislated mandate to represent the interests of Alberta residential, farm and small business consumers of electricity and natural gas before proceedings of the Alberta Utilities Commission and other bodies whose decisions may affect the interests of those consumers.

Prior to responding to the specific questions in the MSA's stakeholder response form, the UCA makes the following preliminary comments.

MSA Consultation Process- The MSA's December 20, 2024 notice to market participants and stakeholders includes the MSA's Initial Assessment, which is the second step in the MSA's Stakeholder Consultation Process. Following the receipt of comments on the Initial Assessment from interested parties, the UCA understands there will be another opportunity for interested parties to comment on the draft AFPP prepared by the MSA.

Unprecedented Nature of RoLR

The RoLR is a novel approach to rate setting that is largely without precedent.

Section 6 (1) (b) of the *RoLR Regulation* requires that when considering an application for approval of a regulated rate tariff a regulatory authority must have regard for the principles that:

- (i) A regulated rate tariff must allow for a reasonable return for the obligation on the owner to provide electricity services, and
- (ii) The risk margin (described in section 5 as including risks associated with energy related costs and non-energy related costs that an owner's regulatory authority considers reasonable and prudent) must not be considered as a part of that reasonable return.

The RoLR providers to date have not provided public information on their proposed accounting treatment or financial reporting mechanisms to track RoLR revenues and expenses, particularly as it relates to the RoLR risk margin. This lack of clarity therefore constrains the UCA's ability to respond to some of the MSA questions at this time.

MSA Initial Questions

Measures of Financial Performance

1. *Scope: Should the measure capture financial performance across all business functions of the regulated rate tariff (RRT), or only the financial performance applicable to the provision of RoLR Energy Prices?*

Response

In the UCA's view, the measures of financial performance should focus on the financial performance applicable to the provision of RoLR Energy Prices. The UCA understands there will continue to be a separate AUC process for setting non-energy rates for those RoLR providers that are regulated by the AUC.

2. *Time Horizon: Should financial performance be measured on a realized (actual) basis only, or should it be measured as forecast financial performance to the end of some RoLR rate term?*

Response

Section 11.2(2) of the *RoLR Regulation* specifies that the financial performance report must include a detailed evaluation of the owner's financial performance over the preceding 6-month period, a recommendation on whether a rate reopener proceeding should be initiated and any additional observations or recommendations the MSA considers relevant to maintaining the integrity of the regulated rate tariff.

However, there appears to be nothing in the *RoLR Regulation* that would restrict the MSA from examining forecast information as well.

In the UCA's view, there would be good value in including updated forecast information to the end of term of the RoLR Providers respective energy price setting plans (EPSPs). This could assist the MSA in developing additional observations or recommendations in a situation where actual performance over the preceding six-month period is within the AFPP, but updated forecasts suggest the AFPP may be breached before the end of the EPSPs or where the preceding six-month performance is outside the AFPP but forecasts suggest that performance will improve. Such recommendations might include more frequent reporting to limit the delay between the AFPP being exceeded and a recommendation to commence a reopener proceeding.

Incorporation of forecast information will ensure that the AFPP are not based solely on a backward looking assessment, and are able to appropriately consider future events and mitigate catastrophic issues or unreasonable gains to either the RoLR providers or their customers.

3. *Nature: What should be measured by financial performance?*

Response

The *RoLR Regulation* indicates the RoLR rate calculation is to include:

1. Electricity market prices prevailing during the relevant price-setting period (section 11(1) (b)).
2. An allowance for a reasonable return for the obligation on the owner to provide electricity services (section 6 (1) (b) (i)).
3. A risk margin (described in section 5 as including risks associated with energy related costs and non-energy related costs that an owner's regulatory authority considers reasonable and prudent) that is not to be considered as a part of the reasonable return (section 6 (1)).
4. The consumer awareness surcharge (section 11.1) which is to be remitted directly to the Minister.

In the UCA's view, it would be preferable to be able to track actual results for each of these components, to the extent feasible.

At a minimum, the financial performance measures should compare the actual commodity procurement costs of the RoLR providers with the commodity costs included in the RoLR Energy Rates. The MSA should know the actual hedged cost of the product to the RoLR provider including trading fees, discounts, prudential requirements, commodity gains and losses, that is actually sold by the RoLR provider, to properly track their financial performance under the RoLR rate.

4. *Consistency: Should measures of identical structure be used to measure financial performance for all RoLR providers?*

Response

In the UCA's view, similar frameworks and measures should be adopted for all RoLR providers, however the quantum/thresholds for the AFPPs may vary for each RoLR Provider.

5. *Calculation: Should RoLR providers or the MSA calculate financial performance?*

Response

In the UCA's view, the RoLR providers should initially calculate financial performance using the performance measures, methods and AFPPs set by the MSA, perhaps verified by affidavit or statutory declaration. The RoLR providers should include sufficient detail for the MSA to review, understand and verify the calculations and the ability to request for clarification and further disclosure where necessary.

6. *Granularity: In the case of a RoLR provider that serves customers in multiple distribution service areas, should financial performance be calculated at a RoLR provider level, or should*

multiple measures be used to calculate its financial performance in each distribution service area?

Response

In the UCA's view, it is not necessary to calculate separate financial performance assessments between multiple distribution service areas to avoid introduction of complexities into the review process.

7. Data: *Should specific data be collected from RoLR providers to calculate the measure of financial performance?*

Response

Currently, there is a lack of clarity on the financial reporting mechanisms that will be adopted by the RoLR providers. At a minimum, in the UCA's view it would be necessary to provide:

- Monthly breakdown of operating surplus/deficits showing:
 - Total RoLR revenues
 - Less: Commodity costs
 - Less: Consumer awareness surcharge

- To the extent possible, a breakdown of any operating surplus between:
 - What the RoLR providers consider to be the reasonable return for providing service.
 - What the RoLR providers consider to be the risk margin, including information on how the RoLR providers are accounting for the risk margin.

Further, some additional reporting metrics may help in assessing whether a reopener provision should be triggered. For example, in Decision 28300-D01-2024, the AUC assessed factors contributing to the achieved returns in determining whether a reopener is warranted. Collecting this information as part of the financial performance reporting could help understand the factors contributing to the AFPP results and reduce regulatory lag. These metrics could include:

- Customer switching/churn rate by month
- Customer counts and sales information by month

Collection of additional variables that could assist with verifying assumptions used in developing the RoLR rate would be useful, but the UCA understands there may be confidentiality limitations on reporting such information.

8. Exclusions: *Should any revenues and/or costs incurred from the provision of RoLR rates or the RRT be excluded from the measure of financial performance?*

Response

Section 11.1(3) of the RoLR regulation specifies that RoLR providers on a monthly basis remit total customer awareness surcharge collected directly to the Minister. In the UCA's view, given that the customer awareness surcharge (CAS) is essentially a flow through revenue per section 11.1(3) of the RoLR regulation, this should be excluded from the financial performance assessment for RoLR providers. However, the total amount of CAS collected by each RoLR provider on a monthly basis should still be included in the reporting to permit a transparent reconciliation of total revenues and expenses.

Acceptable Financial Performance Threshold (AFPP)

1. Magnitude: How should the magnitude of the AFPP be determined?
2. Parallel Application: Should an AFPP of identical magnitude be applied to both positive financial performance and negative financial performance?
3. Consistency: Should the same AFPP be used to assess financial performance for all RoLR providers?
4. Number: Are multiple AFPPs necessary for a single RoLR provider?
5. Other Factors: Should other factors be considered when assessing financial performance?

Draft Response

In the UCA's view, similar frameworks and measures should be adopted for all RoLR providers, however the specific quantum/threshold of the AFPP may vary for each RoLR provider.

The magnitude of the AFPP could be informed in part by the volumes of sales, energy revenues, and number of customers of each RoLR provider.

With respect to other factors, in the UCA's view a peer or cohort assessment would also be instructive. Given that all the RoLR providers would be operating in the same provincial energy market, if different RoLR providers are reporting drastically different results, it would be useful to understand why, and whether those differences arise as a result of decisions within the RoLR provider's control (e.g. procurement strategies), or differences that arise because of factors outside of the RoLR provider's ability to control.

In addition, given the expectation that market energy prices will continue to remain low (as reported in the CIBC Capital Markets 2025 Power and Utilities outlook) for the initial term of the RoLR rate, there may be a greater likelihood the RoLR providers will financially benefit from the RoLR rate, so a closer review of financial performance is warranted.

Financial Performance Reports

1. *Frequency: Should the MSA produce financial performance reports more frequently than every six months?*

Response

In the UCA's view the financial performance report should include an analysis of forward-looking information, with the option to recommend more frequent reporting if forecast information indicates such a need.

2. *Confidentiality: Should reports be made available to the public?*

Response

In the UCA's view, as much of the reports as possible should be made publicly available to support transparency without redaction. The UCA is required to contact the customers of the RoLR providers on a regular basis to provide them with market options, so the more information that is available publicly, the better they can be served. Of course, the UCA understands some information such as detailed forecasts may be commercially sensitive and could be provided to the MSA on a confidential basis.

Content: Should information other than the MSA's assessment of RoLR provider financial performance be included in the reports?

Response

In the UCA's view, it would be of value for the MSA's to provide its opinion on the past periods market energy prices to ensure the purchase prices for energy paid by the RoLR providers based on forward market prices are reasonable and not excessive, thus impacting the AFPP. The MSA's assessment of forward prices for the remainder of the 4 years EPSP term can also be reported as well.

Other Comments

In addition to the above, the MSA invites comments on any other element relating to the measures of financial performance, the AFPP, or financial performance reports.

Response

The UCA does not have further comments at this time but looks forward to the opportunity to provide further comments at future stages of the MSA's engagement process.