

NOTICE TO MARKET PARTICIPANTS AND STAKEHOLDERS

December 20, 2024

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

BACKGROUND

In accordance with the *Rate of Last Resort Regulation* (AR 262/2005) (RoLR Regulation) published September 27, 2024, the Regulated Rate Option will transition to the Rate of Last Resort (RoLR), effective January 1, 2025. The RoLR Regulation requires the MSA to monitor and report on the financial performance of RoLR providers following the implementation of energy price setting plans (EPSPs). As part of this role, the MSA is required to notify relevant regulatory authorities if a RoLR provider's financial performance falls outside the parameters set by the MSA in accordance with sections 11.2 and 11.3 of the RoLR Regulation.¹

Section 11.2(3) of the RoLR Regulation requires that the MSA establish parameters for what constitutes acceptable financial performance of a RoLR provider.² Section 11.2(4) requires these parameters be established following consultation with interested participants.³

MSA STAKEHOLDER CONSULTATION

The MSA is undertaking a collaborative consultation (held in accordance with its [Stakeholder Consultation Process](#) regarding the measures of RoLR provider financial performance and the acceptable financial performance parameters (AFPP),⁴ as well as related topics listed below. We want to elicit your feedback to ensure this policy is effectively implemented while minimizing burdens on affected participants.

The MSA recognizes that different RoLR providers have different operational and economic characteristics, and may have a diverse set of opinions, needs, and constraints that could be accounted for in the MSA's establishment of the AFPP. The MSA encourages all interested participants to participate in the MSA's stakeholder consultation.

¹ [Rate of Last Resort Regulation](#) (AR 262/2005), sections 11.2 and 11.3.

² *Ibid.*, section 11.2(3).

³ *Ibid.*, section 11.2(4).

⁴ For clarity, the "parameters for what constitutes an owner's acceptable financial performance" referenced in section 11.2(3) of the RoLR Regulation will henceforth be referred to as the "acceptable financial performance parameters", or AFPP.

The MSA's Stakeholder Consultation Process envisions six consultation process steps that can be reviewed through the link above. The MSA is of the view that the first step ("Filtering") is not necessary given the requirements set out in section 11.2(4) of the RoLR Regulation. The section below constitutes the MSA's "Initial Assessment", the second step in the MSA's Stakeholder Consultation Process.

The MSA is requesting written responses on the MSA's Initial Assessment from interested participants. Please provide written responses to the MSA by 5:00 p.m., January 17, 2025. Written responses can be submitted to MSAStakeholderConsultation@albertamsa.ca. The MSA intends to publish written responses shortly after this deadline. Interested participants can use the Stakeholder Response Form that will be posted on the MSA website to submit their responses. Should you have any questions regarding this process or require clarification on the MSA's Initial Assessment, contact MSAStakeholderConsultation@albertamsa.ca. This constitutes the public comment period in accordance with the MSA's Stakeholder Consultation Process.

Following the receipt and publication of written comments, the MSA will publish a draft outlining its treatment of the AFPP and related matters and will provide interested participants with an opportunity to provide additional written comments.

INITIAL ASSESSMENT

Consultation objectives

Section 11.2 of the RoLR Regulation requires the MSA assess the financial performance of RoLR Providers under their regulated rate tariffs (RRTs) and prepare bi-annual financial performance reports.⁵ The MSA understands the purpose of these reports to be to:

1. Relay historical information: detail the RoLR provider's financial performance under the RRT over the previous six months;⁶
2. Assess: assess whether the RoLR provider's financial performance under the RRT falls within acceptable parameters (i.e., financial performance is within the AFPP), and otherwise notify relevant regulatory authorities;⁷ and
3. Recommend: make any other recommendations or observations relevant to maintaining the integrity of the RoLR provider's RRT.⁸

⁵ RoLR Regulation, section 11.2(1),

⁶ *Ibid.*, section 11.2(2)(a).

⁷ *Ibid.*, sections 11.2(2)(b), 11.2(2)(c), and 11.2(6)

⁸ *Ibid.*, sections 11.2(2)(d).

While the MSA is only required to consult on the parameters for what constitutes acceptable financial performance parameters (AFPP) for a RoLR Provider, the MSA recognizes this measure must be compared against some measure of RoLR provider's financial performance. As the RoLR Regulation does not define financial performance, consultation on the most acceptable AFPP also requires consultation on measure(s) of RoLR provider financial performance.

The objective of this stakeholder consultation is to collect feedback from RoLR providers and other persons that could be affected by the MSA's financial performance monitoring and recommendations based on the following criteria:

1. the most appropriate measure(s) of financial performance under the RRT;
2. the most appropriate acceptable financial performance parameters; and
3. the MSA report on RoLR provider financial performance.

The MSA is therefore requesting comment on these topics and related sub-topics listed in the subsections below. Additionally, the MSA also invites comments on any other related topic not expressly listed. The questions are meant to elicit broad feedback. It is important to note that the final output of this process may not reflect all topics covered below. Please feel free to focus your comments on areas of most relevance to your organization.

Measures of financial performance

Financial performance will be measured using one or more metrics applicable to RoLR providers and compared to the acceptable financial performance parameters. There are eight attributes of the measure of financial performance the MSA is seeking feedback on:

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 RoLR Energy Prices?
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?
3. Nature: What should be measured by financial performance?
4. Consistency: Should measures of identical structure be used to measure financial performance for all RoLR providers?
5. Calculation: Should RoLR providers or the MSA calculate 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?

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

Acceptable financial performance parameters (AFPP)

The acceptable financial performance parameters will be used to assess whether a rate reopener is necessary. There are five attributes of the acceptable financial performance parameters the MSA is seeking feedback on:

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?

Financial performance reports

Per the RoLR Regulation, the MSA is required to generate financial performance reports applicable to each RoLR provider every six months. There are three attributes of these reports the MSA is seeking feedback on:

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

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.