

July 2025 Report Parameters for Acceptable Financial Performance under the Rate of Last Resort Regulation

TABLE OF CONTENTS

1	INTRODUCTION AND OVERVIEW	1
2	REALIZED RETURN DIVERGENCE (RRD) PARAMETER.....	2
3	MEASUREMENT AT THE ROLR PROVIDER LEVEL.....	8
	APPENDIX A: PROCESS, DEADLINES, AND RESPONSIBILITIES	10
	APPENDIX B: TECHNICAL SUBMISSION REQUIREMENTS	12
	APPENDIX C: RRD DATA SUBMISSIONS AND METRICS WORKBOOK	15

1 INTRODUCTION AND OVERVIEW

The MSA has established the Realized Return Divergence (RRD) parameter to assess Rate of Last Resort (RoLR) providers¹ financial performance on July 1, 2025, pursuant to subsection 11.2 of the *Rate of Last Resort Regulation* AR 262/2005 (RoLR Regulation).

The RRD parameter captures the divergence of the realized return from the approved energy price setting plan (EPSP). The RRD is assessed differently for RoLR providers with and without a return margin implied by the calculation of the RoLR energy charge in the approved EPSP (Implied Return Margin, or IRM).

The RRD parameter for a RoLR provider with an IRM is measured using the Divergence from Implied Return (DIR). DIR reflects the percentage divergence of a RoLR provider’s realized return from the IRM expected to be recovered by the RoLR provider over the two-year term of the RoLR energy charge (RoLR term), with adjustments to revenues and costs to reflect the EPSPs and regulated rate tariffs (RoLR tariffs) approved by each RoLR provider’s Regulatory Authority. A DIR more than 150% or less than -150% may result in a finding that a RoLR provider’s financial performance is unacceptable.

The RRD parameter for a RoLR provider without an IRM is measured using the Adjusted Divergence Margin (ADM). ADM reflects the share of adjusted revenues expected to be recovered

¹ For the purposes of the Parameters for Acceptable Financial Performance under the Rate of Last Resort Regulation, a “RoLR provider” is defined as all persons that perform any or all of the duties or functions required of an owner of an electric distribution system under the RoLR Regulation. An owner of an electric distribution system is not considered a “RoLR provider” if they do not perform duties or functions under the RoLR Regulation.

by the RoLR provider as a realized return over the RoLR term, with the same adjustments to revenues and costs used to construct the DIR. An ADM more than 10% or less than -10% may result in a finding that a RoLR provider's financial performance is unacceptable.

The MSA will evaluate RoLR providers' financial performance at the RoLR provider level. Where a RoLR provider offers multiple RoLR energy charges, the MSA will assess the financial performance of the RoLR offered at each energy charge.

2 REALIZED RETURN DIVERGENCE (RRD) PARAMETER

2.1 RRD metrics

The MSA will use different RRD metrics depending on whether a RoLR provider has an IRM.

2.1.1 Divergence from Implied Return (DIR)

The Divergence from Implied Return (DIR) is used as the RRD metric for a RoLR provider with an IRM:

$$\text{Divergence from Implied Return (DIR) (\%)} = \frac{\text{Realized Return Margin} - \text{Implied Return Margin}}{\text{Implied Return Margin}}$$

2.1.2 Adjusted Divergence Margin (ADM)

The Adjusted Divergence Margin (ADM) is used as the RRD metric for a RoLR provider without an IRM:

$$\text{Adjusted Divergence Margin (ADM) (\%)} = \frac{\text{Realized Return Margin}}{(\text{Energy charge} - \text{Non-prevailing term energy charge components})}$$

2.2 Realized Return Margin (RRM)

The Realized Return Margin (RRM) is used in both the DIR and ADM metrics:

$$\text{Realized Return Margin (RRM) (\$/MWh)} = \frac{(\text{Adjusted RoLR Energy Revenue} - \text{Energy Revenue-Recovered Costs})}{\text{Total adjusted wholesale settlement consumption}}$$

Adjusted RoLR Energy Revenue (ARER) is the revenue a RoLR provider receives over a prevailing RoLR term from the components of the energy charge that recover costs which apply to the prevailing RoLR term.

Energy Revenue-Recovered Costs (ERRC) is the RoLR provider's costs to serve RoLR customers over the prevailing RoLR term that are recovered using energy revenue. ERRC

includes: AESO settlement costs, consumer awareness surcharge costs, and taxes incurred by the RoLR provider. ERRC also includes costs associated with financial hedge contracts and physical forward contracts that are: used to hedge RoLR load, are transacted in a market, and are used to calculate RoLR energy charges or are otherwise reflected in the approved EPSP risk margin. ERRC only includes non-energy costs or bad debt expenses if those costs are approved by the Regulatory Authority for recovery using RoLR energy charges.

Total adjusted wholesale settlement consumption approximates consumption billed to RoLR customers over all months of the RoLR term and is adjusted to account for costs not recovered using the RoLR energy charge.

The Realized Return Margin (RRM) is calculated using the ARER and ERRC reflective of the actual and forecast revenue and costs (respectively) and actual and forecast adjusted consumption billed to customers over all months of the two-year RoLR term. The MSA will calculate actual monthly values using information submitted by the RoLR provider by May 15, 2025. The MSA will forecast monthly values for revenues, costs, and consumption. The MSA will use all calculated actual monthly values and forecast monthly values to the end of the RoLR term to calculate ARER, ERRC, total adjusted consumption billed to customers, and RRM. For example, the reports prepared for July 1, 2025, may calculate these values using 4 months of calculated actuals and 20 months of forecast revenues, costs, and consumption.

2.3 Implied Return Margin (IRM)

The Implied Return Margin (IRM) is the return margin implied by the calculation of the RoLR energy charge in the approved EPSP. The IRM is only used in the DIR metric.

If the calculation of the RoLR energy charge specifies a return margin in \$/MWh, the IRM is that return margin.

If the calculation of the RoLR energy charge does not specify a return margin in \$/MWh and the Regulatory Authority has acknowledged the return margin is included in one or more component(s) of the energy charge calculation, the IRM must be estimated in accordance with requirements set out in Appendix A.6.

If the RoLR energy charge does not include a return margin for the RoLR provider, the RoLR provider does not have an IRM. The ADM is used as the RRD metric for a RoLR provider without an IRM.

Each RoLR provider must calculate the IRM and submit it to the MSA by May 15, 2025. These submission requirements are detailed in Appendix B.1.

2.4 Adjusted RoLR Energy Revenue (ARER)

The Adjusted RoLR Energy Revenue for the RoLR term is calculated using the following formula:

$$\text{Adjusted RoLR Energy Revenue (ARER) (\$)} = \frac{(\text{Energy charge} - \text{Non-prevailing term energy charge components})}{\text{x Total adjusted wholesale settlement consumption}}$$

RoLR providers that offer more than one energy charge must submit sufficient data and records to enable the calculation of the ARER for each energy charge.

2.4.1 Energy charge

RoLR providers are required to submit all calculations of the energy charge in the approved EPSP. The MSA will use this information to determine the energy charge in \$/MWh approved by the Regulatory Authority and charged to RoLR customers.

2.4.2 Non-prevailing term energy charge components

Non-prevailing term energy charge components are those \$/MWh components of the energy charge that recover costs a RoLR provider incurs in a term other than the prevailing RoLR term. This includes components that recover costs resulting from risks arising from the 10% limit on changes to energy charges between RoLR terms, and other similar risks.

The MSA will calculate the total of all non-prevailing term RoLR energy charge components and subtract them from the energy charge, as indicated in the ARER formula.

2.4.3 Total adjusted wholesale settlement consumption

Total adjusted wholesale settlement consumption is calculated as the sum of adjusted wholesale settlement consumption over all months of the RoLR term.

The MSA will calculate monthly wholesale settlement usage data in MWh to be included in the adjusted wholesale settlement consumption calculation.

The MSA will determine whether the RoLR energy charge recovers costs of distribution line losses (line losses) or unaccounted-for-energy (UFE) on a \$/MWh basis.

If the RoLR energy charge does not recover costs of line losses and/or UFE, the MSA will calculate wholesale settlement line losses and/or UFE data to enable consumption to be adjusted to include line losses and/or UFE. Wholesale settlement line losses or UFE data will not be included in total adjusted wholesale settlement consumption if the RoLR energy charge recovers costs of line losses and UFE.

2.4.4 ARER data submission

RoLR providers must submit the EPSP data and records set out in Appendix B.1, and any supporting records by May 15, 2025.

2.5 Energy Revenue-Recovered Costs (ERRC)

Energy Revenue-Recovered Costs (ERRC) are RoLR providers' costs recovered through energy revenue in the prevailing RoLR term. ERRC is calculated as the sum of the costs set out below:

	AESO charges [see 2.5.1 below]
+	Physical forward contract costs, if applicable [see 2.5.2 below]
+	Financial contract costs, if applicable [see 2.5.2 below]
+	Bad debt expense, if applicable [see 2.5.3 below]
+	Income tax / Payment in lieu of tax
+	Consumer Awareness Surcharge costs [see 2.5.4 below]
+	Approved non-energy costs, if applicable [see 2.5.5 below]
Total:	Energy Revenue-Recovered Costs (ERRC) (\$)

If any cost is recovered partially through energy revenue and partially through other means, only the estimated portion of the cost expected to be recovered through energy revenue when the RoLR provider's EPSP was approved will be included in the ERRC calculation.

If any cost was not expected to be recovered through energy revenue when the RoLR provider's EPSP was approved, and is not recovered through other means, the cost will be excluded from the ERRC calculation.

2.5.1 AESO charges

The MSA will calculate AESO charges for energy, retail adjustment to market (RAM), trading, uplift, and other charges.

RoLR providers must submit AESO pool statement data as set out in Appendix B.2.

2.5.2 Physical forward contract and financial contract costs

Physical forward contract and financial contract costs include costs for: physical forward market costs (revenue) outside the power pool, net hedging costs (revenue), contract trading charges and auction fees, other electricity procurement costs, and credit costs.

The MSA will calculate costs associated with any physical forward contracts (e.g. net settlement instructions, or NSIs) or financial contracts (e.g. financial hedges) and include them in the ERRC provided:

1. the contracts are transacted between the RoLR provider and an unaffiliated entity;
2. the contracts hedge RoLR load in the prevailing RoLR term; and
3. expected costs associated with physical forward or financial contracts are recovered using the RoLR provider's energy charge in accordance with the approved EPSP. This is the case if:
 - a. the price(s) of the contract(s) were used to set the energy charge; or

- b. the approved risk margin was calculated in a manner conditional on similar contracts being transacted following the establishment of the energy charge; or
- c. the approved risk margin provides compensation for risks associated with such contracts expected to be transacted following the establishment of the energy charge.

The actual (historical) cost of contracts will be calculated using historical cost accounting methods, not mark-to-market accounting methods. The mark-to-market change in value of contracts will only be used to forecast the costs of contracts realized in future months. For example, if the actual cost of contracts is calculated on June 1, 2025, actual contract costs calculated for the period between January 2025 and May 2025 will only reflect the costs of contracts delivered between January 2025 and May 2025 and will not include the expected cost of any contracts delivered between June 2025 and December 2026.

RoLR providers must produce the additional information and records described below if physical forward contract or financial contract costs are included in the ERRC calculation.

Physical forward market costs (revenue) outside the power pool

The MSA will calculate physical forward market costs (revenue) outside the power pool.

A RoLR provider must provide data for all physical forward contracts used to hedge RoLR load in the prevailing RoLR term, as set out in Appendix B.3.

Where a RoLR provider procured physical forward contracts to hedge RoLR load in the prevailing RoLR term, the RoLR provider must also submit records demonstrating expected costs associated with physical forward contracts are recovered using the RoLR provider's energy charge in accordance with the approved EPSP.

Net hedging costs (revenue)

The MSA will calculate net hedging costs (revenue).

A RoLR provider must provide data for all financial contracts used to hedge RoLR load in the prevailing RoLR term, as set out in Appendix B.3.

Where a RoLR provider procured financial contracts to hedge RoLR load in the prevailing RoLR term, the RoLR provider must also submit records demonstrating expected costs associated with financial contracts are recovered using the RoLR provider's energy charge in accordance with the approved EPSP.

Contract trading charges/auction fees, Other electricity procurement costs, Credit costs

The MSA will calculate costs associated with contract trading charges/auction fees, other electricity procurement costs, and credit costs.

Costs incurred prior to the beginning of the RoLR term must be allocated to the first month of the RoLR term.

2.5.3 *Bad debt expense*

The MSA will calculate bad debt expense. The MSA will not include bad debt expense in the ERRC calculation for any RoLR provider whose Regulatory Authority has not approved recovery of bad debt expenses through the energy charge.

If a RoLR provider's Regulatory Authority has approved recovery of the cost of bad debt through the energy charge, bad debt expense will be included in the calculation of the ERRC. Bad debt expense consists of the bad debt expense for all RRT billings and the share of bad debt expense recovered through energy charges.

If only a portion of bad debt expenses are recovered through the energy charge, the bad debt expense included in ERRC will be prorated according to the share approved for recovery through the energy charge.

2.5.4 *Consumer awareness surcharge costs*

The MSA will calculate consumer awareness surcharge costs using adjusted wholesale settlement consumption and the value of the consumer awareness surcharge (CAS) pursuant to subsection 11.1(1) of the RoLR Regulation (\$1/MWh) and adjusted wholesale settlement consumption.

RoLR providers must submit the total value of the consumer awareness surcharge remitted to the Minister in each month as set out in Appendix B.3. The MSA may set consumer awareness surcharge costs to \$0 if remittances have not been made to the Minister.

2.5.5 *Approved non-energy costs*

A non-energy cost is a cost incurred by a RoLR provider that is not affected by the consumption of RoLR customers.

The MSA will calculate approved non-energy costs. The MSA will not include non-energy costs in the ERRC calculation if a RoLR provider's Regulatory Authority has not approved recovery of non-energy costs through the energy charge.

If a RoLR provider's Regulatory Authority has approved the recovery of any other non-energy costs using energy charges, the MSA will calculate its ERRC including the approved non-energy costs. The approved portion of each non-energy cost recovered through the energy charge will be reported separately and tied to the component of the energy charge used to recover that cost.

2.5.6 *ERRC data submission*

RoLR providers must submit the EPSP data and records, AESO pool statements, and other data set out in Appendix B.1, Appendix B.2, and Appendix B.3, and any supporting records by May 15, 2025.

2.6 Forecast RRD metric

The MSA will calculate a single RRD metric over the full 24-month (“forecast RRD metric”) RoLR term for each RoLR provider using all actual monthly values calculated by the MSA and forecast monthly values to the end of the RoLR term.

To produce the forecast RRD metric, the MSA will forecast monthly revenue and costs for each RoLR provider for months in the RoLR term in which realized revenue and cost data is not yet available. The MSA will develop models to produce monthly forecasts of revenue and costs. The MSA’s models may use electricity futures prices, site and load data, and calculated revenue and cost data to produce the forecast revenues and costs. These models may be refined by the MSA over time as new information becomes available.

2.7 Indicative RRD Threshold

The RRD metric is compared to an Indicative RRD Threshold to assess whether the realized return has sufficiently diverged from the approved EPSP to warrant a rate reopener proceeding. Different Indicative RRD Thresholds are used for RoLR providers with and without an IRM.

2.7.1 *Indicative RRD Threshold for RoLR providers with an IRM*

The DIR is the RRD metric for RoLR providers with an IRM. The Indicative RRD Threshold for RoLR providers with an IRM is $\pm 150\%$.

If a RoLR provider’s DIR is more than 150% (1.5) or less than -150% (-1.5), the MSA may find the RoLR provider’s financial performance is unacceptable.

2.7.2 *Indicative RRD Threshold for RoLR providers without an IRM*

The ADM is the RRD metric for RoLR providers without an IRM. The Indicative RRD Threshold for RoLR providers without an IRM is $\pm 10\%$.

If a RoLR provider’s ADM is more than 10% (0.1) or less than -10% (-0.1), the MSA may find the RoLR provider’s financial performance is unacceptable.

3 MEASUREMENT AT THE ROLR PROVIDER LEVEL

RoLR providers who provide RoLR service under a single approved energy charge will have their financial performance assessed against a single RRD. Where a RoLR provider provides RoLR service under more than one energy charge, the MSA will assess RRD for each energy charge

provided. A RoLR provider that provides more than one energy charge will be required to make separate data submissions pertaining to each energy charge provided.

APPENDIX A: PROCESS, DEADLINES, AND RESPONSIBILITIES

A.1 Frequency of reporting

The MSA will provide finalized financial performance reports to each RoLR provider on July 1, 2025. If a RoLR provider offers more than one energy charge, separate reports will be produced pertaining to each energy charge.

The MSA will provide the finalized financial performance report to a RoLR provider's Regulatory Authority if the report shows the RoLR provider's financial performance falls outside the parameters for acceptable financial performance.

The MSA will not publish financial performance reports.

A.2 Deadline

RoLR providers are required to submit the records and data listed by the following deadlines:

1. EPSP data (Appendix B.1) by May 15, 2025;
2. AESO pool statements (Appendix B.2) by May 15, 2025; and
3. other data (Appendix B.3) by May 15, 2025.

A.3 Submission of records

The MSA will establish secure Sharepoint websites for each RoLR provider that are only accessible by RoLR providers and the MSA. A RoLR provider will not have access to secure Sharepoint websites established for other RoLR providers. RoLR providers must provide contact information to the MSA to facilitate the establishment of its secure Sharepoint website. All submissions listed in Appendices B.1 through B.3 must be made to these secure Sharepoint websites.

A.4 Validation of data

The MSA will validate all data submitted by RoLR providers. The MSA may deem data to be deficient if it does not appear reasonable. If the MSA identifies a deficiency in any data submitted by a RoLR provider, the MSA may request supporting records from the RoLR provider, replace the data with its own calculated value in any relevant calculation, or may exclude the data from consideration.

A.5 Submission requirements apply regardless of arrangements

If a RoLR provider has arrangements with entities that impede its ability to produce specific data or records required by the MSA, the RoLR provider is responsible for acquiring those data or records from those entities.

A.6 Allowance for data estimations

A RoLR provider may provide estimates of EPSP data (the IRM) where actual data is not directly available. If a RoLR provider provides estimates of any actual (historical) data, the RoLR provider must include in its data submission, by May 15, 2025:

1. the specific data estimated by the RoLR provider using the 'Data Estimations' worksheet in the July 2025 Report Appendix C RRD Data Submissions and Metrics Workbook ;
2. the reason the actual data is not directly available ("reason");
3. the value of the estimate(s) ("value");
4. the estimation methodology(ies) ("methodology"); and
5. any assumptions used in the estimation methodology(ies) ("assumptions").

When estimating values, the MSA expects RoLR providers will produce estimates using reasonable estimation methodologies and reasonable assumptions.

If a RoLR provider has questions about their estimation methodology for particular values, the MSA is willing to meet with the RoLR provider to discuss their methodology prior to the relevant deadline. The RoLR provider must provide the specific data being estimated, reason, value, methodology, and assumptions to the MSA when requesting a meeting to discuss the estimation methodology.

A.7 MSA data calculations

The MSA will calculate RoLR provider-specific actual revenue, cost, and consumption values using pool prices, electricity futures prices, RoLR provider load settlement data, publicly available information, and the information requested from RoLR providers set out in Appendix B.

RoLR providers can optionally provide actual revenue, cost, or consumption data to the MSA. RoLR providers wanting to provide actual revenue, cost, or consumption data must contact the MSA by Wednesday, May 7, 2025 to discuss data formats acceptable to the MSA.

APPENDIX B: TECHNICAL SUBMISSION REQUIREMENTS

The totality of technical submissions required by the MSA is listed in Appendix B.

Some submission requirements described in Appendix B are varied for RoLR providers that have already submitted data or records meeting the MSA's submission requirements. Accordingly, information requests specific to each RoLR provider will be sent to RoLR providers on May 1, 2025.

B.1 EPSP data and records submission requirements

RoLR providers must provide the following data and records to the MSA by May 15, 2025:

1. Implied Return Margin (IRM) (\$/MWh)²
2. Records provided to the Regulatory Authority for approval of the regulated rate tariff applicable to the RoLR term beginning January 1 in accordance with section 3(2) of the RoLR Regulation:³
 - a. any written application;
 - b. the approved EPSP; and
 - c. all calculations of the energy charge in the approved EPSP; and
 - d. all calculations of each \$/MWh component of the energy charge.

IRM data must be submitted using the July 2025 Report Appendix C RRD Data Submissions and Metrics Workbook.

B.2 AESO pool statement records submission requirements

RoLR providers must provide the following data and records to the MSA by May 15, 2025:

1. "Final" AESO pool statements containing charges pertaining to the following months:
 - a. January 2025;
 - b. February 2025; and

² RoLR providers are required to submit all calculations of the Implied Return Margin. RoLR providers without an IRM must submit an IRM of \$0/MWh.

³ If any records were adjusted during regulatory proceedings, or the Regulatory Authority approved versions of any records different from those originally provided to the Regulatory Authority, those records should be submitted in place of the records submitted to the Regulatory Authority as an application.

- c. March 2025.
2. "Preliminary" AESO pool statements containing charges pertaining to April 2025.

B.3 Other data submission requirements

RoLR providers must provide the following data and records to the MSA by May 15, 2025:

1. For each month during the prevailing RoLR term:
 - a. Consumer awareness surcharge remittance (\$)
2. For each financial contract (hedge) transacted to hedge RoLR load in the prevailing RoLR term in accordance with requirements set out in Section 2.5.2:
 - a. Trade ID (Alphanumeric)
 - b. Exchange deal ID (Alphanumeric)
 - c. RoLR provider company name (Text)
 - d. Counterparty company name (Text)
 - e. Trade datetime (Datetime MT, YYYY-MM-DD HH24:MI:SS)
 - f. Contract shape (Text)
 - g. Contract term type (Text)
 - h. Contract begin date (Date, YYYY-MM-DD)
 - i. Contract end date, inclusive (Date, YYYY-MM-DD)
 - j. Buy or Sell (Text)
 - k. Trade volume type (MW or %) (Text)
 - l. Trade volume (MW or %)
 - m. Total volume (MWh or %)
 - n. Price (\$/MWh)
 - o. Exchange company (Text)
 - p. Broker company (Text)
 - q. Settlement company (Text)

- r. Contract description (Text)
 - s. Share of contract allocated to RoLR hedging (%)
3. For each physical forward contract (NSI) transacted to hedge RoLR load in the prevailing RoLR term in accordance with requirements set out in Section 2.5.2:
- a. NSI contract number (#)
 - b. Sink asset ID (Text)
 - c. Sink company name (Text)
 - d. Source asset ID (Text)
 - e. Source company name (Text)
 - f. Contract datetime (Datetime MT, YYYY-MM-DD HH24:MI:SS)
 - g. Profile type (Flat or Daily or Weekly) (Text)
 - h. NSI begin datetime (Datetime UTC, YYYY-MM-DD HH24:MI:SS)
 - i. NSI end datetime, exclusive (Datetime UTC, YYYY-MM-DD HH24:MI:SS)
 - j. NSI type (MW or %) (Text)
 - k. Contract quantity (MW or %)
 - l. Price (\$/MWh)
 - m. NSI cancellation datetime (Datetime UTC, YYYY-MM-DD HH24:MI:SS)
 - n. Contract description (Text)
 - o. Share of NSI allocated to RoLR hedging (%)
4. For each NSI contract transacted to hedge RoLR load in the prevailing RoLR term in accordance with requirements set out in Section 2.5.2 with volumes or prices that vary hourly, for each hour the NSI contract is in effect:
- a. NSI contract number (#)
 - b. NSI type (MW or %) (Text)
 - c. Hour beginning datetime (Datetime UTC, YYYY-MM-DD HH24:MI:SS)
 - d. Hourly volume (MW or %)

e. Hourly price (\$/MWh)

This data must be submitted using the July 2025 Report Appendix C RRD Data Submissions and Metrics Workbook. RoLR providers must submit data for all periods where data is available.

Additional supporting records may be required as part of these submissions; see Section 2.5.2.

APPENDIX C: RRD DATA SUBMISSIONS AND METRICS WORKBOOK

The July 2025 Report Appendix C RRD Data Submissions and Metrics Workbook (July 2025 RRD Workbook) can be found [here](#). The July 2025 RRD Workbook must be used to submit the EPSP (IRM) data and other data, and is used to report any EPSP (IRM) data estimated by the RoLR provider.