



**Rate of Last Resort
Implementation by Rural Electrification
Associations and municipalities**

August 16, 2024

Disclaimer

This presentation reflects preliminary information available as of the publication date regarding the implementation of the Rate of Last Resort. The contents are provided for information only.

The Market Surveillance Administrator offers no guarantee of the accuracy of the content.

Agenda

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 - Energy Price Setting Plan (EPSP)
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 - RoLR monitoring and rate re-opener
 - Questions
- Next steps and timelines
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Introductions

- Market Surveillance Administrator
- Observers
 - Ministry of Affordability and Utilities
 - Alberta Utilities Commission
 - Utilities Consumer Advocate

Purpose of the meeting

- To develop a common baseline understanding of the process for implementing the Rate of Last Resort (RoLR) by Rural Electrification Associations and municipalities
 - The process for AUC-regulated RoLR providers is distinct
- To promote common awareness of forthcoming changes based on the MSA's current understanding, pertaining to:
 - RoLR (transitioning from the Regulated Rate Option)
 - Energy Price Setting Plans (EPSPs)
 - The role of the MSA in EPSPs and RoLR moving forward
- To streamline the transition to RoLR over the next few months

Overview of forthcoming changes – RoLR

- Beginning January 1, 2025, the Regulated Rate Option (RRO) will transition into the Rate of Last Resort (RoLR)
- Key changes to RoLR rates:

	RRO rates	RoLR rates
Duration (term) of rate	Changes monthly	Fixed for 2-year terms
Rate calculation requirements	Rates must be based on: <ul style="list-style-type: none"> • Monthly forward electricity prices • Load forecasts 	No procurement or rate-setting calculation requirements
Limitations on rate changes between terms	No limit on change in RRO rate between months	RoLR rate between 2-year terms cannot change by more than 10%
Regulatory approvals of rates	Monthly rate approvals by regulatory authority (AUC, REA Board of Directors, Council of the Municipality)	Rate approvals by the same regulatory authority every 2 years

Overview of forthcoming changes – EPSP

- EPSPs will need to be redeveloped to reflect change to the RoLR
- RoLR providers will need to ensure:
 - EPSPs use a fair, efficient, and openly competitive (FEOC) rate setting process
 - EPSPs produce just and reasonable RoLR rates
- RoLR providers will not have prescriptive procurement requirements or risk margin requirements
 - RoLR providers can determine the most appropriate calculation for RoLR rates, provided it is FEOC and produces just and reasonable rates
- RoLR providers are permitted to jointly develop energy price setting plans

Overview of forthcoming changes – EPSP

- MSA will assess whether EPSPs are FEOC
- RoLR providers will continue to have their EPSPs approved by their regulatory authority
 - Alberta Utilities Commission
 - RoLR providers for ENMAX, EPCOR, FortisAlberta, ATCO Electric service areas
 - REA Board of Directors
 - RoLR providers for rural electrification associations
 - Council of the Municipality
 - RoLR providers for wire-owning municipalities
- A regulatory authority must consider the MSA's FEOC determination before approving an EPSP

Overview of forthcoming changes – Rate re-opener

- A RoLR rate re-opener is envisaged if RoLR providers experience unreasonable profits or losses
 - Reduces risk of RoLR rates being well above or well below market
- Rate re-opener will operate independently from the EPSP process
- MSA will evaluate RoLR providers' profitability on a regular basis
- More detail on this process to come

Overview of forthcoming changes – Other changes

- Billing
 - RoLR energy rate line item must be displayed as the “Rate of Last Resort” on bills
 - An additional approved statement must be listed on customers’ bills and in Terms & Conditions
- UCA rate confirmation activities
 - UCA will contact RoLR consumers every 90 days to confirm RoLR customers wish to stay on the RoLR
 - RoLR providers must share RoLR customers’ contact information with the UCA every two months to support this activity
- Consumer awareness surcharge
 - RoLR rates must contain a 0.1 cent/kWh consumer awareness surcharge
 - Will fund the UCA’s rate confirmation activities

Overview of forthcoming changes – Other changes

- Implementation costs
 - Costs of implementing the new RoLR rates can be recovered through a transitional provision that will be included in the regulation
 - Implementation costs recovered through this provision must be just and reasonable

The role of the MSA – EPSP development

- RoLR providers will be required to engage with the MSA during the development of their EPSPs
- MSA has two roles in EPSP development:
 - Provide advice: MSA may provide advice to RoLR providers on how to ensure EPSPs are FEOC
 - Provide determinations: MSA must provide a FEOC determination to RoLR providers that assesses whether EPSPs are FEOC
- MSA's FEOC determinations must be submitted to a RoLR provider's regulatory authority by the RoLR provider when requesting approval of their EPSP
- Regulatory authorities must consider the MSA's FEOC determination before approving an EPSP

The role of the MSA – EPSP development

- RoLR providers may approach the MSA for advice on their EPSPs at any time
- RoLR providers must submit their EPSP to the MSA to receive a FEOC determination prior to submitting it to its regulatory authority
 - Submission of EPSPs to the MSA for a FEOC determination is not optional
- When submitting their proposed EPSP to the MSA, RoLR providers must also submit evidence justifying why their proposed EPSP is FEOC
- The MSA may make further information requests from RoLR providers in order to make its FEOC determination

The role of the MSA – EPSP development

- The MSA's FEOC determination pertains to the version of the EPSP submitted to the MSA
 - If EPSPs are subsequently amended by the RoLR provider these must be submitted to the MSA for a new FEOC determination
- Regulatory authorities must consider the MSA's FEOC determinations
- EPSP submissions will be made via email to the MSA
- More detail to come about this process

The role of the MSA – RoLR monitoring and rate re-opener

- To assess whether a RoLR rate should be reopened, the MSA will monitor RoLR providers' level of profitability on a routine basis
- The MSA will routinely require information from RoLR providers to inform its monitoring
- The MSA expects to hold a consultation on its rate re-opener activities to establish the following:
 - The appropriate measure(s) of RoLR provider profitability to be used by the MSA
 - The nature of data submissions to the MSA
 - The frequency of data submissions to the MSA
 - Other elements to be determined

Next steps and timelines – Fall activities

- MSA expects a regulation will be available by early September
- RoLR rates to be in place by January 1, 2025
- Meeting this timeline means RoLR providers for REAs and municipalities will:
 - Complete revisions to EPSPs
 - *Recommend by end of September*
 - Submit EPSPs and supporting FEOC evidence to MSA
 - *MSA will provide determinations within one month of receipt of EPSPs and supporting evidence, as early as end of October*
 - Submit EPSPs and MSA determination to their regulatory authority/authorities
- Independent of its FEOC determination role, the MSA expects to initiate a consultation on its rate re-opener monitoring in Fall 2024

Next steps and timelines – Future meetings

- With forthcoming changes to regulation, MSA suggests a meeting with this group in early September
 - Tuesday, September 3, 8:00 AM
 - Meetings every two weeks following
 - For Rural Electrification Associations and municipalities
- Purpose of meetings will be to address common questions and provide updates on regulation

Questions

- **Will RoLR provider have to notify customers of the change to the RoLR?**
 - Aside from billing requirements, the MSA is not aware of such requirements
- **Will all RoLR providers need to have the same EPSP or RoLR rates?**
 - No; RoLR providers may jointly develop EPSPs if they choose to but there is no requirement that EPSPs be similar between providers
- **Will RRO providers' regulatory authorities change when transitioning to the RoLR?**
 - No; a RoLR provider will have the same regulatory authority(ies) as they had when they were an RRO provider
- **Will obligations under the *Code of Conduct Regulation* change?**
 - The MSA is not aware of any changes to the *Code of Conduct Regulation*

Final questions

