



# 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.

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# Agenda

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  - Energy Price Setting Plan (EPSP)
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- The role of the MSA
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  - RoLR monitoring and rate re-opener
  - Questions
- Next steps and timelines
- Final questions

# 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
<b>Duration (term) of rate</b>	Changes monthly	Fixed for 2-year terms
<b>Rate calculation requirements</b>	Rates must be based on: <ul style="list-style-type: none"> <li>• Monthly forward electricity prices</li> <li>• Load forecasts</li> </ul>	No procurement or rate-setting calculation requirements
<b>Limitations on rate changes between terms</b>	No limit on change in RRO rate between months	RoLR rate between 2-year terms cannot change by more than 10%
<b>Regulatory approvals of rates</b>	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

