

March 3, 2014

Compliance Guideline 2014-03-03

Subject: Reporting of retail energy rate information in the micro-generation retailer summary transaction of AUC Rule 021

1. This document is issued by the Commission's enforcement group and provides guidance in the application of Section 9.6.6.4 of [AUC Rule 021: Settlement System Code Rules](#) regarding the reporting of retailers' retail energy rate in the micro-generation retailer summary transaction.

Background

2. On February 27, 2014, the Commission released [Bulletin 2014-05](#) announcing its compliance and enforcement policy. The bulletin described in a general way a number of enforcement files that the AUC Regulatory Policy Division (enforcement group) had opened including the outcome of enforcement activity. More detail is provided in this compliance guideline about one of the files. In 2013, the Commission's enforcement group received a report from the Alberta Electric System Operator (AESO) regarding a retailer's non-compliance with Section 9.6.6.4 of AUC Rule 021: *Settlement System Code Rules* and related provisions of the *Micro-generation Regulation*, in particular, sections 7(5) and (6). The circumstances related to the retailer's reporting of its retail energy rate for the purpose of recovering its costs of compensating customers for electricity supplied into the distribution network. During the investigation, the retailer advised the enforcement group that it had ceased the reporting practice in question. As a result, no further enforcement proceedings took place, no hearing was held and no Commission decision was issued.
3. It is not the intention of the enforcement group to regularly issue compliance guidelines, however, the enforcement group believes that all retailers and other interested parties should be made aware of the group's interpretation of the relevant provisions of the *Micro-generation Regulation* and the *Settlement System Code Rules* which were the subject of the investigation.

Enforcement group's view

4. Purpose of the *Micro-generation Regulation*:
5. The *Micro-generation Regulation* enables customers to generate electricity from alternative and renewable sources of energy for their own use and receive credit for any electrical energy which is in excess of their needs and which is supplied to the distribution network.

6. The regulation makes the customer's retailer responsible for acting as the market participant in dealings with the Independent System Operator as defined in the regulation (i.e., the Alberta Electric System Operator) on matters related to the generation of electrical energy by the customer. Section 7(5) of the regulation allows the retailer and the customer to come to an arrangement regarding the compensation or credit that the customer receives from the retailer for generating and supplying electrical energy into the distribution network. Section 7(6) specifies how a retailer can recover costs from the Independent System Operator for providing a credit to the customer. Section 7(6) of the regulation allows the Independent System Operator to recover the amount provided as compensation to the retailer in its transmission tariff, a tariff that all electricity customers pay as part of their monthly electricity bills.
7. Acceptable reporting information:
8. Section 9.6.6.4 of AUC Rule 021 was created to operationalize the requirements of the regulation as it related to the retailer's reporting of information to the Independent System Operator. Consistent with the wording of Section 7(6) of the regulation, Section 9.6.6.4 of AUC Rule 021 states the amount that a retailer can recover from the Independent System Operator is limited to its retail energy rate, i.e., the rate that the retailer charges its customer for consuming electrical energy as set out in the retail contract with that customer.
9. While Section 7(5) allows the retailer and customer to negotiate a compensation rate, this negotiated compensation rate does not then become the retail energy rate for the purpose of recovering costs from the Independent System Operator. If a retailer chooses to compensate and credit a customer at a rate higher than its contractual retail energy rate, the retailer is responsible for paying the premium to the customer. The retailer is not allowed to recover the premium from the Independent System Operator.
10. For example, if a retailer agrees to compensate a customer at a rate of 17 cents per kilowatt hour and, at the same time, the retailer's contractual retail energy rate would charge a customer 10 cents per kilowatt hour for consuming electrical energy, the retailer would only be allowed to report the 10 cents per kilowatt hour in the generation retail summary transaction that the retailer submits to the Independent System Operator.
11. Further, it would not be acceptable for a retailer to report a retail energy rate in the generation retail summary transaction that does not represent the actual charge to the customer for consuming electrical energy. For example, a retailer would not be permitted to report a retail energy rate of 75 cents per kilowatt hour if, subsequent to charging this amount, the retailer then provides any form of refund, or otherwise returns any amount of payment to the customer or anyone else. The retailer is responsible for ensuring that the retail energy rate disclosed on the generation retail summary transaction reflects the actual amount charged to a customer by the retailer and paid by the customer to the retailer for consuming electrical energy.

12. The enforcement group's view is that the regulation was not intended to have all electricity customers subsidize the cost of providing higher credits to some micro-generating customers.
13. The enforcement group emphasizes that the views expressed in this compliance guideline are staff views, not the decision of Commission members. Staff views are not binding on Commission members but will inform the enforcement group's recommendation to the Commission on whether to initiate enforcement proceedings.
14. Any enquiries regarding this compliance guideline should be directed to Fino Tiberi, executive director regulatory policy (enforcement group) at 403-592-4410 or fino.tiberi@auc.ab.ca.

(original signed by)

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