

Annual Report

For the Year Ended December 31, 2022

April 26, 2023

Taking action to promote effective competition and a culture of compliance and accountability in Alberta's electricity and retail natural gas markets

April 26, 2022

Honourable Matt Jones
Minister of Affordability and Utilities
204 Legislature Building
10800 – 97 Avenue
Edmonton, AB
T5K 2B6

Re: Annual Report for the year ended December 31, 2022

Dear Minister,

I am pleased to submit the Annual Report of the Market Surveillance Administrator (MSA) for the year ended December 31, 2022. This report is provided to you pursuant to section 38(1) of the *Alberta Utilities Commission Act*.

If you have any questions about this report or the activities of the MSA, please do not hesitate to contact me.

Yours truly,

Derek Olmstead
Market Surveillance Administrator

Cc: Stephanie Clarke, Deputy Minister, Ministry of Affordability and Utilities

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1 INTRODUCTION

The MSA is an independent agency created under the *Alberta Utilities Commission Act* (AUCA) to promote the fair, efficient, and openly competitive operation of the electricity and retail natural gas markets. The MSA's roles in these markets are to conduct surveillance and report publicly on the competitiveness of market outcomes, investigate market participant conduct, bring enforcement actions before the Alberta Utilities Commission (AUC), and publish guidelines to support the fair, efficient, and openly competitive operation of these markets. The MSA may investigate and seek administrative penalties or other remedies before the AUC for contraventions of the *Electric Utilities Act* (EUA), the *Fair, Efficient and Open Competition Regulation* (FEOC Regulation), the ISO rules, and the Alberta Reliability Standards (ARS).

This Annual Report for 2022 is provided pursuant to section 38(1) of the AUCA, which requires that the MSA provide the Minister with an annual report that reports on the MSA's activities in the fiscal year and contains its audited financial statements for the fiscal year.

Section 2 of this report summarizes the MSA's activities in 2022. Section 3 provides the MSA's audited financial statements for 2022.

2 REVIEW OF 2022 ACTIVITIES

2.1 Surveillance

2.1.1 *Publication of Quarterly Reports*

For many years the MSA has made public a quarterly report that provided an overview of:

- recent outcomes with respect to Alberta's electricity and retail natural gas markets;
- analysis of these market outcomes;
- a summary of the MSA's recently completed investigations and issue assessments; and
- an update on the MSA's compliance activities in the quarter.

It is through these reports, pursuant to sections 38(3) and (4) of the AUCA, that the MSA makes available to the Minister and the public its views on market events or conditions related to the MSA's mandate. The MSA has publicly stated that it will aim to publish its Quarterly Report within six weeks (30 business days) of the end of each quarter. For the year 2022, the MSA published four Quarterly Reports:

- Quarterly Report for Q4 2021 on February 11, 2022;¹

¹ [Quarterly Report for Q4 2021](#) (February 11, 2022)

- Quarterly Report for Q1 2022 on May 13, 2022;²
- Quarterly Report for Q2 2022 on August 12, 2022;³ and
- Quarterly Report for Q3 2022 on November 15, 2022.⁴

In addition to these quarterly reports, the MSA also published two supplemental reports related to the retail electricity and natural gas markets:

- Supplemental Retail Market Report for Q1 2022 on May 13, 2022;⁵ and
- Supplemental Retail Market Report for Q2 2022 on August 12, 2022.⁶

The highlights of these six reports are not reproduced here. However, each report begins with a summary section called “Quarter at a Glance” that summarizes the highlights of the quarter. Each Quarterly Report was published within six weeks of the end of the relevant quarter, thereby meeting the timing objective set out above.

The Quarterly Report for Q4 2022 was published on February 10, 2023.⁷

2.1.2 Market Share Offer Control report

Section 5(3) of the FEOC Regulation requires the MSA to at least annually make available to the public an offer control report that:

- includes the names and the percentage of offer control held by electricity market participants, where the percentage of offer control is greater than 5%, and
- may include the names and the percentage of offer control held by electricity market participants, where the percentage of offer control is 5% or less.

The MSA’s standard practice is to publish one offer control report per year. To reduce the number of documents on the MSA’s website, beginning in 2021 the MSA has incorporated this publication into its Quarterly Reports. For 2022, the MSA’s offer control report was published in its Quarterly Report for Q1 2022.

² [Quarterly Report for Q1 2022](#) (May 13, 2022)

³ [Quarterly Report for Q2 2022](#) (August 12, 2022)

⁴ [Quarterly Report for Q3 2022](#) (November 15, 2022)

⁵ [Supplemental Retail Report for Q1 2022](#) (May 13, 2022)

⁶ [Supplemental Retail Report for Q2 2022](#) (August 12, 2022)

⁷ [Quarterly Report for Q4 2022](#) (February 10, 2023)

2.1.3 Carbon emission intensity

Starting with its Quarterly Report for Q4 2021, the MSA began routinely publishing analysis of the carbon emission intensity of the Alberta electricity grid. These data indicate that there have been substantial reductions of both the average and marginal carbon emission intensity of electricity production in Alberta in recent years.

2.1.4 Development of new ISO rules

The ISO rules are developed by the Alberta Electric System Operator (AESO) in consultation with market participants and the MSA and are submitted to the AUC for approval. The MSA provides input into the development of ISO rules and actively monitors and may participate in ISO rule consultations relevant to its mandate. As well, the MSA may participate in proceedings before the AUC with regard to ISO rules approval.

In 2022, the MSA submitted comments in two ISO rule consultations related to operating reserves and mothball outage reporting. These consultations are ongoing.

2.1.5 Retail statistics

For more than a decade the MSA has collected data and reported publicly on the state of competition in the retail electricity and natural gas markets. The MSA carries out this function by, among other things, publishing information in its Quarterly Reports related to the share of different groups of consumers on competitive retail contracts for electricity and natural gas and the rate at which customers on competitive contracts change suppliers. The MSA also maintains an up-to-date database of competitor retailer market shares on its website.

2.2 Enforcement

2.2.1 Summary of enforcement matters and meetings of the Enforcement Committee

The MSA's Enforcement Committee is comprised of senior staff of the MSA, including the Administrator. It serves as an oversight body within the MSA regarding compliance and enforcement matters, including issue assessments and investigations.

In 2022, the Enforcement Committee made decisions on nine matters at ten Enforcement Committee meetings. These matters, categorized by the main applicable authority, are set out in Table 2. Brief descriptions of a selection of notable matters decided by the Enforcement Committee are provided below.

Table 1: Resolved matters overseen by the MSA's Enforcement Committee in 2022

Statute / Regulation	Resolved
<i>Electric Utilities Act</i> , section 85	1
FEOC Regulation, section 3	20
FEOC Regulation, section 4	1
FEOC Regulation, section 6	1
<i>Micro-generation Regulation</i>	1
ISO rules	2
Total	26

2.2.2 Forbearance regarding certain small municipally owned solar generators

The MSA undertook an assessment of whether municipalities (Generating Municipalities) that own generating units funded through the Alberta Municipal Solar Program (AMSP) are exempt from the prohibition on municipal ownership of generating units under section 95 of the EUA. The MSA concluded that several Generating Municipalities likely do not meet the requirements for an exemption to the prohibition on municipal ownership under either section 95 of the EUA or the *Municipal Own Use Generation Regulation*.

Section 57 of the AUCA allows the MSA to forbear from the exercise of a part of its mandate if the MSA finds as a fact that a person, product, class of products, service or class of services is or will be subject to competition sufficient to protect the public interest.

Due to the unique circumstances surrounding this issue, the MSA decided to conditionally forbear from taking enforcement steps with respect to municipally owned generating units constructed with funds from the AMSP.⁸

2.2.3 Trading on non-public outage records and publication timing of AESO outage reports

The MSA identified and assessed an electricity forward market trade that may have transacted seconds before relevant outage records were made public. While enforcement action was not pursued in this instance, the MSA published a summary of the issue in its Quarterly Report⁹ and provided notice to market participants regarding potential trading compliance issues with automated tools that rely on a fixed time lag before releasing submitted outage records to traders.

⁸ [MSA issues forbearance regarding municipal ownership of small solar generators](#) (May 13, 2022)

⁹ [Quarterly Report for Q2 2022](#), section 5.1 (August 12, 2022)

2.2.4 Preferential sharing of records

Section 3 of the FEOC Regulation allows electricity market participants to preferentially share electricity market records relating to price-quantity offers not available to the public, after approval by the AUC. In the interest of regulatory efficiency, the MSA typically engages with electricity market participants to refine the application prior to submission to the AUC. This engagement helps ensure that any issues with the application are resolved efficiently. The MSA's experience and perspective is especially valuable to section 3 applicants because prior applications are not publicly available, due to the confidential nature of the proceedings. The MSA's review also ensures that /appropriate safeguards are in place to ensure that the shared information is not used for purposes that do not support fair, efficient, and open competition.

In 2022, the MSA reviewed and provided feedback on 17 information sharing applications to the AUC. Changes were suggested and accepted for three applications. No further changes were required by the MSA or AUC when the applications were heard by the AUC. The MSA believes that it can continue to help reduce regulatory burden by engaging with electricity market participants in similar instances.

2.2.5 Regulated Rate Option Stability Act

In December 2022, the Alberta legislature enacted the *Regulated Rate Option Stability Act* (RROSA). The RROSA places a ceiling on regulated electricity rates at a maximum of 13.5 cents/kWh for the months of January, February, and March 2023. Deferred revenue that results from this rate ceiling will be recovered through regulated rate customer bills over the period of April 2023 to December 2024. The RROSA designates the MSA to be the reviewing agency for 38 municipalities, Rural Electrification Associations, and the City of Medicine Hat's Electric Utility.

On December 14, 2022, the MSA provided correspondence to owners informing them of their obligations under the RROSA.¹⁰

2.3 Compliance

2.3.1 Compliance Review 2022

Pursuant to section 23(2) of the *Transmission Regulation*, the MSA is required to make available to the public an annual report related to its compliance activities. In fulfillment of this requirement for 2022, the MSA published its Compliance Review 2022 on February 17, 2023.¹¹

2.3.2 ISO rules compliance activities

The purpose of the ISO rules is to promote orderly and predictable actions by electricity market participants and to facilitate the operation of the Alberta interconnected electric system (AIES).

¹⁰ [Establishment of a deferral account pursuant to the *Regulated Rate Option Stability Act*](#) (December 14, 2022)

¹¹ [Compliance Review 2022](#) (February 17, 2023)

The MSA is responsible for the enforcement of the ISO rules and endeavours to promote a culture of compliance and accountability among electricity market participants, thereby contributing to the reliability and competitiveness of the AIES. If the MSA is satisfied that a contravention has occurred and has determined that a notice of specified penalty is appropriate, then AUC Rule 019 guides the MSA on how to issue a notice of specified penalty (NSP).

In 2022, the MSA addressed 372 ISO rules compliance matters.¹² Of these, 91 matters were addressed with a NSP, totalling \$143,500 in financial penalties. For additional information regarding the MSA's ISO rules compliance activities in 2022, see section 3 of the MSA's Compliance Review 2022.

2.3.3 ARS compliance activities

The purpose of ARS is to ensure the various entities involved in grid operation (generation operators/owners, transmission operators/owners, distribution system operators/owners, and the independent system operator) are doing their part by way of procedures, communications, coordination, training, and maintenance, among other practices, to support the reliability of the AIES. ARS apply to both electricity market participants and the AESO. ARS are divided into two categories: Operations and Planning (O&P) and Critical Infrastructure Protection (CIP). The MSA's approach with respect to compliance with ARS is focused on promoting awareness of obligations and a proactive compliance stance. The MSA has established a process that, in conjunction with AUC rules, provides incentives for robust internal compliance programs, and self-reporting.

In 2022, the MSA addressed 80 O&P ARS compliance matters. Of these, seven matters were addressed with a NSP, totalling \$33,375 in financial penalties. In 2022, the MSA addressed 243 CIP ARS compliance matters. Of these, 35 matters were addressed with a NSP, totalling \$91,625. For additional information regarding the MSA's ARS compliance activities in 2022, see section 4 of the MSA's Compliance Review 2022.

3 FINANCIAL STATEMENTS

Section 36(3) of the AUCA provides that the MSA must be managed so that on an annual basis no profit or loss results. To that end, the MSA's fiscal operations are managed in accordance with an annual budget approved by the Chair of the AUC and its revenue is obtained from electricity market participants through a levy based on the approved budget and collected by the AESO and remitted monthly to the MSA. The MSA's audited financial statements for the year ended December 31, 2022, prepared by an independent auditor appointed by the MSA follow. The format of the audited financial statements reflects accounting standards for not-for-profit organizations.

¹² A compliance matter is considered to be addressed once a disposition has been issued.

Market Surveillance Administrator

**Financial Statements
December 31, 2022**



Independent auditor's report

To the Management of Market Surveillance Administrator

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Market Surveillance Administrator (the Administrator) as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Administrator's financial statements comprise:

- the balance sheet as at December 31, 2022;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Administrator in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Administrator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Administrator or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Administrator's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administrator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Administrator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Administrator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 25, 2023

Market Surveillance Administrator

Balance Sheet

As at December 31, 2022

	2022 \$	2021 \$
Assets		
Current assets		
Cash	1,336,511	1,720,161
Accounts receivable	888	74,042
Prepaid expenses and deposits	44,712	32,268
	<u>1,382,111</u>	<u>1,826,471</u>
Capital assets (note 3)	<u>529,778</u>	<u>676,602</u>
	<u>1,911,889</u>	<u>2,503,073</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	273,746	425,493
Current portion of deferred lease inducement	49,171	49,171
Deferred contributions (note 4)	1,163,565	1,553,830
	<u>1,486,482</u>	<u>2,028,494</u>
Deferred lease inducement	425,407	474,579
Net Assets (note 1)	<u>-</u>	<u>-</u>
	<u>1,911,889</u>	<u>2,503,073</u>
Commitments (note 5)		
Contingencies (note 7)		

On Behalf of the Corporation

Derek Olmstead

Derek Olmstead, Chief Executive Officer
Market Surveillance Administrator

Larry Kram

Larry Kram, General Counsel and Corporate Secretary
Market Surveillance Administrator

The accompanying notes are an integral part of these financial statements.

Market Surveillance Administrator
Statement of Operations and Changes in Net Assets
For the year ended December 31, 2022

	2022	2021
	\$	\$
Revenue		
Contributions from the Alberta Electric System Operator (note 4)	3,884,349	3,599,023
Interest and other income	14,893	-
	<u>3,899,242</u>	<u>3,599,023</u>
Expenses		
Salaries and benefits	2,846,404	2,476,155
Consultants and audit	153,454	454,348
Operating, office and administrative	722,637	453,279
Amortization	173,907	140,031
Legal fees	2,840	75,210
	<u>3,899,242</u>	<u>3,599,023</u>
Excess of revenue over expenses for the year	-	-
Net assets – Beginning of year	<u>-</u>	<u>-</u>
Net assets – End of year	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Market Surveillance Administrator
Statement of Cash Flows
For the year ended December 31, 2022

	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	-	-
Item not involving cash		
Amortization	173,907	140,031
Changes in non-cash working capital		
Decrease (Increase) in accounts receivable	73,153	(74,042)
(Increase) in prepaid expenses and deposits	(12,444)	(9,509)
(Decrease) increase in accounts payable and accrued liabilities	(151,748)	189,281
(Decrease) in deferred lease inducement	(49,171)	(68,378)
(Decrease) increase in deferred contributions	(390,265)	152,172
	<u>(356,568)</u>	<u>329,555</u>
Investing activities		
Expenditures on capital assets	<u>(27,082)</u>	<u>(115,591)</u>
(Decrease) Increase in cash during the year	<u>(383,650)</u>	<u>213,964</u>
Cash – Beginning of year	<u>1,720,161</u>	<u>1,506,197</u>
Cash – End of year	<u>1,336,511</u>	<u>1,720,161</u>

The accompanying notes are an integral part of these financial statements.

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2022

1 Nature of business

Market Surveillance Administrator (the MSA) was incorporated on June 1, 2003 under the *Electric Utilities Act* of the Province of Alberta and continued as of January 1, 2008 under the *Alberta Utilities Commission Act* (AUCA).

The operations of the MSA corporation are managed by an individual appointed as Market Surveillance Administrator by the Minister of Energy for the Province of Alberta.

The MSA has a broad mandate including surveillance, investigation and enforcement to help ensure fair, efficient and openly competitive electricity and retail natural gas markets in Alberta. The MSA monitors the behaviour of market participants, the Alberta Electric System Operator (AESO), and the overall performance of the market to ensure there are no anti-competitive activities and that rules are appropriate and are working as intended.

The MSA also issues guidance to the markets and makes recommendations to the Department of Energy and other parties, where appropriate, toward the development and operation of fair, efficient and openly competitive markets.

The MSA has no share capital. The AUCA requires that the MSA prepare a budget for each fiscal year, for approval by the chair of the Alberta Utilities Commission. Once approved, the AESO is required to pay the MSA the budgeted costs net of any other revenues. The MSA is to be managed so that no profit or loss results on an annual basis from its operations.

2 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Cash

Cash consists of cash held with chartered financial institutions.

Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practical and when estimates can be made of the estimated useful lives of the separate components.

Amortization is provided using the following methods and estimated lives:

Computer hardware	3 years	straight-line
Computer software	3 years	straight-line
Leasehold improvement	lease term	straight-line
Furniture and equipment	5 years	straight-line

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2022

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to the MSA's ability to provide services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The impairment of capital assets is recognized as expenses in the statement of operations and changes in net assets. Impairments are not subsequently reversed.

Leases

Leases in which the MSA obtains substantially all the risks and rewards of ownership are classified as capital leases. The MSA records its capital leases as an acquisition of an asset and an assumption of an obligation. The asset value and the amount of the obligation, recorded at the inception of the lease, are the present value of the minimum lease payments. Each lease payment is allocated between the liability and interest expense so as to achieve a constant rate of interest on the recorded capital lease obligations. Equipment acquired under a capital lease is amortized over the term of the lease, or the expected useful life of the asset when the lease contains a purchase option. All other leases are accounted for as operating leases wherein rental payments are recognized in the statement of operations and changes in net assets on a straight-line basis over the terms of the leases. Deferred lease inducements represent amounts received for leasehold improvements and the value of rent free periods. Lease inducements are deferred and amortized on a straight-line basis over the term of the lease and the amortization is recorded as a reduction of rent expense for the year.

The MSA does not have any leases that are classified as capital leases as at December 31, 2022.

Income taxes

No provision has been made for income taxes as the MSA is a not-for-profit organization as set out in the AUCA of the Province of Alberta.

Financial instruments

The MSA's financial instruments consist of cash, accounts receivable, deferred lease inducement, accounts payable and accrued liabilities. Due to the current nature of the MSA financial instruments, fair value approximates the carrying value. It is management's opinion that the MSA is not exposed to significant interest rate, currency or credit risks associated with these financial statements.

Revenue recognition

The MSA follows the deferral method of accounting for contributions.

Consistent with the requirements of the AUCA that the MSA operate with no annual profit or loss, contributions from the AESO are recognized as revenue to the extent of annual operating costs including amortization of capital costs. In circumstances where annual contributions are in excess of annual costs, the excess is deferred and recognized in future periods. In the event of a shortfall between contributions and costs, the shortfall in revenue will be accrued and be collected in a subsequent period from the AESO.

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2022

Measurement uncertainty

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations, which have been made using management's best judgment. Actual results could differ from those estimates.

3 Capital assets

	2022		2021	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware	315,113	231,447	83,666	105,689
Computer software	99,156	85,915	13,241	20,702
Leasehold improvement	568,224	234,751	333,473	407,032
Furniture and equipment	398,896	299,498	99,398	143,179
	<u>1,381,389</u>	<u>851,611</u>	<u>529,778</u>	<u>676,602</u>

4 Deferred contributions

Contributions from the AESO are set to recover the operating and capital costs of the MSA. Any excess or shortfall in collections is deferred to or accrued for future years.

	2022 \$	2021 \$
AESO		
Opening balance – January 1	1,553,830	1,401,659
Add: Contributions from February to December	3,158,531	3,484,055
Less: Revenue recognized in the year from AESO	<u>(3,884,349)</u>	<u>(3,599,023)</u>
	828,012	1,286,691
Contribution for January	<u>335,553</u>	<u>287,139</u>
	1,163,565	1,573,830
Closing balance – December 31	<u>1,163,565</u>	<u>1,553,830</u>

5 Commitments

The MSA is committed under a lease agreement for its current premises until July 2030.

This lease provides the MSA with landlord funded capital improvements and rent free periods as part of this lease. These benefits will be amortized on a straight-line basis over the lease term.

Market Surveillance Administrator

Notes to Financial Statements

December 31, 2022

Total lease costs are approximately as follows:

	\$
2023	150,319
2024	150,319
2025	159,955
2026	173,445
2027	173,445
Thereafter	448,066

The MSA has entered into a service agreement with the AESO, under which the MSA receives certain information technology and office services. These services are provided for a monthly fee of \$3,860, plus an hourly fee for special projects.

6 Credit facility

The MSA has a demand operating facility. Under the terms and conditions of this facility, the MSA can borrow up to \$300,000 at the prime rate plus 0.75% of interest. No pledges of security are required from the MSA for the facility and no amount was drawn on this facility at year-end.

7 Contingencies

The MSA is involved in claims arising in the normal course of business. In 2022, there were no such contingencies arising.

8 Related party

Effective September 11, 2020, Mr. Olmstead was appointed Administrator for a five-year term. Mr. Olmstead's compensation associated with his position as Administrator, including his employment contract, will be disclosed in the normal course with other MSA employees on the MSA's website in accordance with the requirements of the *Public Sector Compensation Transparency Act*. The next scheduled disclosure date is June 30, 2023.