

**Written Responses to Public Accounts Committee  
Affordability and Utilities - May 28, 2024, 8:00 am – 10:00 am**

**Regarding the Regulated Rate Option Stability Program (PA-145)**

**1. Mr. Schmidt:** Thank you very much, Mr. Chair. Pages 19 and 20 of the annual report discuss the RRO stability program. It says that the department offered interest-free loans to all RRO providers but that four of those providers declined to take the loans. Can the deputy minister tell us which providers declined to take the loans?

**Mr. James:** Thank you very much for the question. Just one moment. We don't have the exact names. They were rural electrification associations that decided not to do that. Some of them chose to not take that. But we could provide that list back.

**Response:**

- The following four Regulated Rate Option (RRO) providers declined to receive loans offered by the Government of Alberta:
  - Mayerthorpe and District Rural Electrification Association (REA),
  - Peigan Indian REA,
  - Wild Rose REA, and
  - City of Medicine Hat.

**2. Mr. Schmidt:** Okay. I'm curious to know approximately how many customers they served.

**Mr. James:** We'd have to confirm. We'll have to get back to you on how many of the REA customers were served in that. The majority of the customers – there are 700,000 or so customers across the province that are receiving the RRO. The number of customers in the rural electrification associations is quite low, but we'll get back to you on the answer to that.

**Response:**

- Number of customers served by the four identified RRO providers:
  - Mayerthorpe and District REA - 1,341 customers,
  - Peigan Indian REA - 347 customers,
  - Wild Rose REA - 2,499 customers,
  - City of Medicine Hat - 32,200 customers.

**3. Mr. Schmidt:** Now, it says that the report says that these providers were able – help me understand. If they didn't take advantage of the loans, then they were still compelled to offer the RRO stability program. So they lent out the money to their customers, and then the customers have to pay that back, right?

**Response:**

- Yes, these RRO providers were still compelled to offer the RRO stability program.
- All Albertans who are on RRO pay the deferred RRO amounts that are added to the monthly RRO, from April 2023 to December 2024. If not, the RRO providers are not in compliance with the *RRO Stability Act*.

**4. Mr. Schmidt:** Okay. Now, it says that those ones that didn't take advantage of the loans that were offered by the government lent out that money to their customers at prime plus 1.75 per cent. I'm curious: how much in aggregate and per lender was loaned out? Do you know?

**Response:**

- The Ministry of Affordability and Utilities cannot confirm if the first three RRO providers charged their consumers additional costs as they chose to not to file the required documentation with the Market Surveillance Administrator (MSA).
- The City of Medicine Hat's deferred RRO amount is \$6,621,847.06. The City of Medicine Hat has elected to not collect interest on their deferred amount.

**5. Mr. Schmidt:** I'm also interested in understanding what the cost was per customer compared to the cost to a customer who was given the RRO stability program through a company that took advantage of the loan. The estimates are that there are about two and a half cents per kilowatt hour that are added on to every customer's bill from 2023 to the end of 2024. For people who were in the RRO stability program through providers who took advantage of the loans, what was the additional cost from providers who didn't take advantage of the loans on a per kilowatt hour basis? Do you know?

**Response:**

- According to *the RRO Stability Act* (section 4.1.5), the RRO providers who did not take the loan may calculate the interest on their outstanding deferred RRO amount after June 30, 2023, in accordance with section 3(3) of Alberta Utilities Commission's (AUC) Rule 023. Affordability and Utilities is not aware if these RRO providers started charging interest as they chose not to inform or file the required documentation with the MSA.

AUC Rule 023 section 3(3) states:

"Interest will be calculated from the date the balance, adjustment or cost is outstanding using simple interest at the Bank of Canada policy interest rate plus 1¾ per cent, unless otherwise directed. The rate will be calculated on a per annum basis."

- All other REAs and municipalities were able to access zero-interest loans through their designated RRO providers while the City of Medicine Hat has elected to not collect interest on their deferred amount.

**Regarding high electricity prices (PA-149)**

**6. Mr. Schmidt:** Does the ministry have a measure of market concentration that existed in the generator market in 22-23?

**Mr. James:** Just to make sure I understand in terms of market concentration, the Market Surveillance Administrator monitors what's happening in the market. They provide annual reports associated with activities in the market, and they would identify where, in any instance, there would be activities by generators that would be considered to be out-of-market activities. So we could look back towards where the Market Surveillance Administrator has that.

In terms of the reports themselves, I don't have those at hand.

**Response:**

Under the *Fair, Efficient and Open Competition Regulation*, Alberta's Market Surveillance Administrator (MSA) is required to report on market concentration (also known as market share offer control). Specifically, the MSA is required to include the names of firms with offer control within the market of 5 percent or greater. This data is usually reported in the MSA's first quarter market report. The market share offer control for the last three years is shown below.

	2022	2023	2024
TransAlta	18.5%	17%	14.7%
Capital Power	14.3%	13.1%	13.3%
Heartland	14.3%	12.6%	10.9%
Suncor	7.4%	9.0%	7.8%
Enmax	9.1%	8.0%	7.0%
Others	34.5%	38.5%	44.7%

**7. Mr. Schmidt:** Okay. I mean, we know now that TransAlta and Heartland Generation are gobbling each other's assets up. What happens when a generator comes close to exceeding that 30 per cent? Like, does it just say that – do you block the acquisition of those assets, or what happens to those?

**Response:**

- The Market Surveillance Administrator (MSA) monitors the offer control of generators on an ongoing basis to ensure compliance with the 30 per cent limit set out in the *Fair, Efficient and Open Competition Regulation*.
- If a generator exceeds this limit, they would be required to give up offer control on the capacity above 30 per cent of total generating capacity and could be subject to enforcement action by the MSA if the contravention continues. Possible ways to give up offer control could be the creation of a power purchase agreement that transfers offer control to other entities or physical divestiture of assets.
- Under the *Fair, Efficient and Open Competition Regulation*:
  - “offer control” means the ultimate control and determination by an electricity market participant of the price and quantity offers made to the power pool of all or a portion of the maximum capability of one or more generating units or energy storage resources, which
    - (i) includes the maximum capability associated with each generating unit or energy storage resource where an electricity market participant is required by the ISO to make a price and quantity offer to the power pool, including minimum stable generation and must run volumes, and
    - (ii) excludes the maximum capability associated with a generating unit or energy storage resource where an electricity market participant is not required by the ISO to make a price and quantity offer to the power pool.

**Regarding Performance measure 2.c (PA-150)**

**8. Mr. Schmidt:** I want to talk about the performance indicator 2(c) on page 35. It says in the report that those were preliminary results. Can the ministry provide the committee with the updated results for the '22 year?

**Response:**

- According to Statistics Canada, the updated number for performance indicator 2(c), Alberta investment in electricity, generation, transmission, and distribution is \$5.09 billion. The table below provides an overview of capital investment over the past five years.

Year	Capital Investment (\$CAD billions)
2018	2.45
2019	2.61
2020	2.83

2021	4.73
2022	5.09

\*Source: Statistics Canada

**9. Mr. Schmidt:** Can the department provide us a breakdown of capital investment in electricity generation and transmission and distribution? Can you break out the \$5.47 billion into those three categories?

**Response:**

Unfortunately, Affordability and Utilities is unable to provide a breakdown of performance of the \$5.09 billion in investments in generation, transmission, and distribution. Following consultation with Statistics Canada, which provides the data to the ministry, they were unable to provide a further breakdown of this data into the three categories (generation, transmission, distribution) citing that they do not produce estimates by North American Industry Classification System (NAICS) beyond the 4-digit level for the specific sector (2211).

**Regarding proactive planning of the distribution system (PA-150)**

**10. Mr. Schmidt:** Now, the ministry says that proactive planning of the distribution system infrastructure in the future is needed. Can the department take 20 seconds and tell us a little bit more of the planning that was undertaken in '22-23?

**Response:**

- Bill 22 (*Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act*) amends the *Electric Utilities Act* to require owners of an electric distribution system (distributors) to make distribution system plans in accordance with regulations made by the Minister. Bill 22 was not proclaimed until 2024.
- The amendments enable the Minister to make regulations respecting electric distribution system plans, including, without limitation, the objectives and purpose of the plans, the information that must be included in the plans, and the timing, frequency and sharing of the plans.
- The Ministry has not yet begun developing a distribution system planning regulation or undertaken any formal stakeholder engagement about a potential regulation. However, the Ministry is preparing for stakeholder engagement on distribution system planning. Tentatively, engagement may begin in the 2024-25 fiscal year.
- Government expects that distribution system plans can serve as a guiding framework for distributors to consider how the demands placed on their distribution system may evolve and the best approach to efficiently meet those demands, including approaches that provide customers greater opportunities to manage their electricity use and save cost.

**Regarding measurement contribution of affordability programs (PA-154)**

**11. Mr. Haji:** Through the chair, how did the department measure the contributions of Alberta's various affordability programs in relation to the inflation relief that Albertans experienced?

**Response:**

- Treasury Board and Finance conducted an analysis and provides estimates of the impact of the four Alberta affordability action plan measures, and those are

specifically the children's benefit payments, seniors benefit payments, the fuel tax relief, and electricity rebates.

- The analysis was conducted based upon the data in Statistics Canada's Survey of Household Spending (SHS). This is a national survey that collects data about the spending habits of Canadians. The SHS was used to estimate how much Albertans' household spending increased because of inflation.
- For this analysis, data on average household expenditures was taken from the 2019 SHS for various family and household types, including single persons, couples without children, couples with children, lone-parent families, single seniors, and senior couples. For each family type, in addition to data on average expenditures for all income levels (i.e., an 'overall' average), households in three specific ranges of household income were selected for analysis: \$0–\$50,000, \$50,000–\$100,000, and over \$100,000. To enhance the accuracy of the estimates, inflation and household expenditures were measured for each of the various sub-categories within the CPI 'basket' of goods and services (i.e., food, shelter, etc.), and then aggregated.
- For each family type and income category, average household expenditures from the 2019 SHS were adjusted to estimate the effects of inflation through March 2022; i.e., to end of the 2021–22 fiscal year. This was done by applying the relevant CPI inflation rate to each sub-category of expenses (i.e., food, shelter, etc.) over the intervening period.
- From the resulting 'adjusted' mean household expenditure base at the end of 2021–22, the subsequent increase in household expenditure in 2022–23 was estimated for each family type, income category, and sub-category of goods and services using CPI inflation data for 2022–23.
- To estimate the inflation-induced increase in Alberta household expenditures in 2022–23, monthly CPI inflation (on a year-over-year basis) for each expenditure sub-category was calculated for the months of April 2022 to March 2023. The 12-month (fiscal year) averages of these inflation rates were then applied to the adjusted March 2022 base expenditures for each expenditure sub-category, for each family type, and for income range.
- Results for the various household expenditure sub-categories were then aggregated to estimate the total effect of inflation on Albertans' household spending in 2022–23 for each family type and income category.
- Finally, for each family type, the 'inflation offset' from Alberta's affordability measures was estimated by comparing the total benefits from the four Alberta programs in 2022–23 to the estimated total effect of inflation on household spending in 2022–23.

### **Regarding the Affordability Action Plan (PA-156)**

**12. Ms. Renaud:** Through the chair, could you tell me if there was polling specifically done to decide which affordability measures to include in the plan?

#### **Response:**

- The affordability relief measures were proposed by departments and presented to Cabinet with the primary objective of providing inflation relief for seniors, households, permanently disabled individuals, and those affected by inflation.
- Cabinet provided approval for the suite of measures for the affordability action plan.

### **Regarding Affordability (PA-157)**

**13. Mr. Haji:** Did the department undertake analysis to determine whether the increased food insecurity was a result of inflation, and has the department been co-ordinating with other relevant ministries to address this food insecurity situation?

**Response:**

- In 2022-23, grocery prices were a subject of concern for all jurisdictions in Canada as a result, Federal, Provincial, and Territorial meetings were held. The department of Affordability and Utilities coordinated with the Ministries of Service Alberta and Red Tape Reduction, and Agriculture and Irrigation to advocate for the concerns of Albertans.
- In addition, the Affordability Action Plan provided short-term relief from inflationary pressures and insecurities on food and groceries. The department coordinated with the Ministry of Seniors, Community and Social Services and Treasury Board and Finance to provide funding to food banks.
  - The funding was distributed through the Family and Community Support Services Association of Alberta, a trusted partner with connections to community agencies and an understanding of local needs.
- This funding helped food banks and civil society organizations increase their efforts to help Albertans access quality and nutritious food.

**14. Mr. Haji:** Did the department undertake any analysis, co-ordination, or any plans to support Albertans experiencing affordability difficulties on groceries?

**Response:**

- In addition to the funding to food banks, affordability measures in the Affordability Action Plan also helped alleviate the cost pressures on groceries.
  - For example, the affordability payment program put \$300 in the pockets of more than one million Albertans, helping them with purchasing daily essentials.
  - The electricity rebates and fuel tax relief alleviated the input cost pressure that many food producers and processors faced.
- Consumers eventually benefited from this cost saving that occurred throughout the value chain.

**15. Mr. Haji:** On page 16, as part of the affordability action plan, the report notes that measures taken included “providing funding to food banks.” Has the department been co-ordinating with other ministries to see if the number of people turning to food banks has increased as a result of affordability challenges?

**Response:**

- Yes, the department coordinates with ministry of Seniors, Community and Social Services who was leading this funding initiative during 2022-23. Any questions or information required should be directed to that Ministry.

**16. Mr. Haji:** While page 17 of the annual report illustrated the affordability measures on seniors, according to Food Banks Canada, the provincial report card shows that “seniors living alone in Alberta face an [18] per cent poverty rate, higher than the national rate of lone seniors, which is 13 per cent.” Did the department undertake other analyses to understand struggling seniors’ unaffordability?



**Response:**

- The struggles that seniors experience from inflation pressures are known predominantly due to the nature of their fixed income and other factors. No additional analysis, outside of regular work of government, was required to verify this information during 2022-23.
- The available knowledge was sufficient to support the financial assistance to senior citizens such as the re-indexation of Alberta seniors benefit and including seniors in the eligibility requirements for \$300 in direct payments.
- Other affordability measures, such as fuel tax relief and electricity rebate also helped seniors with off-setting daily expenses.

**17. Mr. Haji:** Many of the interventions or support systems that were put in place to address the affordability crisis seem to be downstream interventions. From a policy perspective, did the department consider other measures to tackle affordability in the province?

**Response:**

- Broad-based measures in the Affordability Action Plan, such as electricity rebate, natural gas rebate and fuel tax relief, provided cost relief to not only consumers, but also to farms and businesses in the upstream and midstream.
  - During 2022-23, the electricity rebate provided direct relief to thousands of homes, businesses, and farms in Alberta to help them manage high electricity costs.
  - The natural gas rebate program provided price protection to shield businesses from natural gas price spikes and the associated higher heating costs.
  - The fuel tax relief helped businesses save 13-cents-per-litre every time they filled up their vehicle.
- These measures helped upstream and midstream farms and businesses operate at an affordable level during 2022-23.

**Regarding the Alberta Utilities Commission (AUC) (PA-158)**

**18. Mr. van Dijken:** The question would be that by reducing regulatory requirements, “the AUC has simplified the approach existing and new utility companies must take to operate and invest in Alberta’s utility sector,” as mentioned on page 31. Does the department have an estimate of the impact this had in attracting increased private investment in Alberta’s utility sector?

**Response:**

- The AUC has recorded material improvements in its regulatory performance and continues to mark further improvements. These improvements are based on a November 2020 third-party benchmarking report that compared the AUC’s application and process timelines against similar North American regulators, and they include:
  - Application streamlining, which includes the use of checklist applications, delegated authorities, and other expedited processes for low-risk applications, had reduced timelines by 48.2 per cent as of March 31, 2023.
  - Mediated settlements reduced application times by 50.1 per cent as of March 31, 2023.

- Cases started after November 2020 have been reduced to an average of 5.4 months, putting the AUC in the first quartile of performance among peer North American regulators. As of March 31, 2022.
- The AUC reported it had accomplished a 48.2 per cent reduction in the regulatory requirements set out in its rules, well ahead of the government's target of a one-third reduction of mandatory requirements by 2023.
- The AUC ensured that efficiency gains did not come at the expense of stakeholder and investor confidence in a fair process, market integrity, or reliably independent and consistent regulation.

### **Regarding the Utilities Consumer Advocate (UCA) (PA-158)**

**19. Mr. van Dijken:** Also, page 21 states – this is with regard to the winter awareness campaign – “in 2022-23 \$1.1 million was budgeted for a UCA winter utilities awareness campaign, which launched on December 26, 2022.” The advertising campaign consisted of radio, Internet, and billboard ads. Does the department have any figures that can be shared with the committee regarding how successful this campaign was and how many Albertans it reached?

#### **Response:**

- The Utilities Consumer Advocate (UCA) ramped up its consumer education program through a Winter Utility Awareness campaign to inform consumers of their retail energy options to help save money. This campaign complemented the Regulated Rate Option Stabilization Program.
- The UCA Mediation centre received 21,927 calls and conducted 623 mediations between April 1, 2022, and March 31, 2023.
- Consumers visited the UCA website 815,745 times between April 1, 2022, and March 31, 2023, a 16 per cent increase from 2021-22, the previous reporting period. The UCA's Winter Utility Awareness Advertising campaign likely drove this increase in visits.

**20. Mr. van Dijken:** I was able to see that on page 33 and 34: “Energy storage resources are increasing in Alberta. The province currently has 90 megawatts . . . of energy storage capacity available on its grid.” Capacity increased steadily since 2020, and I see that there are hundreds of megawatts of storage capacity either proposed or with regulatory approval. The question would be: can you expand on the benefits of energy storage resources for Albertans?

#### **Response:**

- The *Electricity Statutes (Modernizing Alberta's Electricity Grid Amendment Act)* establishes regulatory framework for advanced energy storage resources.
- Energy storage resources bring many benefits:
  - Help reduce long-term cost of electricity in Alberta,
  - Enable integration of intermittent renewable-energy resources, and to
  - Help optimize future investments in transmission infrastructure.
- Energy storage technologies offer proponents and generators a significant degree of flexibility in how they can meet their electricity needs.
- With the flexibility of both location and scale, energy storage has the potential to enhance the efficiency and resilience of the electricity system from both the planning and operational perspectives.



- These assets can provide efficient and effective transmission and distribution services that can, in some circumstances, be more cost-effective and easier to implement than a wires solution requiring new infrastructure – the costs of which are often passed on to ratepayers.
- In the energy-only market storage resources can reduce the pool price by promoting the integration of the renewable energy resources through offers in the ancillary market.
- Energy storage resources can also reduce cost by storing renewable energy output during periods of low demand and discharging during periods of high demand, creating more competitiveness in the market during peak or tight hours, which will help manage pool prices.

**Regarding the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act (PA-158)***

**21. Mr. van Dijken:** How was the input received from stakeholders reflected in the amendments passed in 2022?

**Response:**

- To develop the act, the government held extensive stakeholder engagement beginning in 2020.
- The Act builds on recommendations from the February 19, 2021, Alberta Utilities Commission (AUC) final report on its Distribution System Inquiry which examined the need to modernize Alberta's distribution system to realize benefits from advancing technologies.
- The Government of Alberta initially introduced the act in the fall of 2021. After requests for additional input were received, the Government of Alberta undertook further engagement, amended the act, and introduced it as Bill 22 in the spring of 2022.
- The Act will address certain issues important to stakeholders:
  - Self-supply with export amendments will broadly enable previously restricted self-supply and export activities, opening new investment opportunities for on-site generation.
  - Energy storage amendments will clarify energy storage regulatory treatment, streamlining approvals and promoting regulatory certainty for energy storage investors.

**22. Mr. van Dijken:** How do the amendments help maintain system reliability and attract investment to the electricity sector?

**Response:**

- The Act enables energy storage by:
  - Incorporating a legal definition of energy storage,
  - Allowing distribution and transmission utilities to own and operate energy storage assets as part of their regulated functions within clearly prescribed limits, and
  - Allowing the use of competitive processes to procure energy storage assets for distribution and transmission services.
- The Act supports consumers and investment in low-carbon electricity by:
  - Modernizing the electricity sector by helping integrate renewables into the electricity system.
  - Allowing the adoption of modern technology in the electricity system and encourages market-driven progress without the use of public funds.

- The Act enables energy storage resources by providing clarity on its use within the province.
  - Energy storage resources are expected to minimize the growth of transmission and distribution costs and facilitate the integration of lower cost intermittent sources of generation.
  - This maximizes the use of Alberta's existing grid infrastructure while minimizing the need for costly upgrades, saving Alberta ratepayers money.
- The Act enables unlimited self-supply with export.
  - This will promote investment by industrial facilities in resources to generate their own electricity and allow the export of excess capacity to the electricity market to earn additional revenues.
- The Act includes provisions for integrated planning for the future of Alberta's electricity distribution infrastructure to help keep long-term system costs affordable. The proactive planning of distribution system modernization will provide for better cost management. Government is planning to engage with stakeholders about the potential development of an electric distribution system planning regulation.
  - Development of long-term system plans can help ensure that distribution utilities have a plan for accommodating electric vehicle charging in a cost-effective manner, to make sure Albertans are not burdened with any unnecessary costs.