

ENERGY PRICES AND MARKETS

Natural Gas

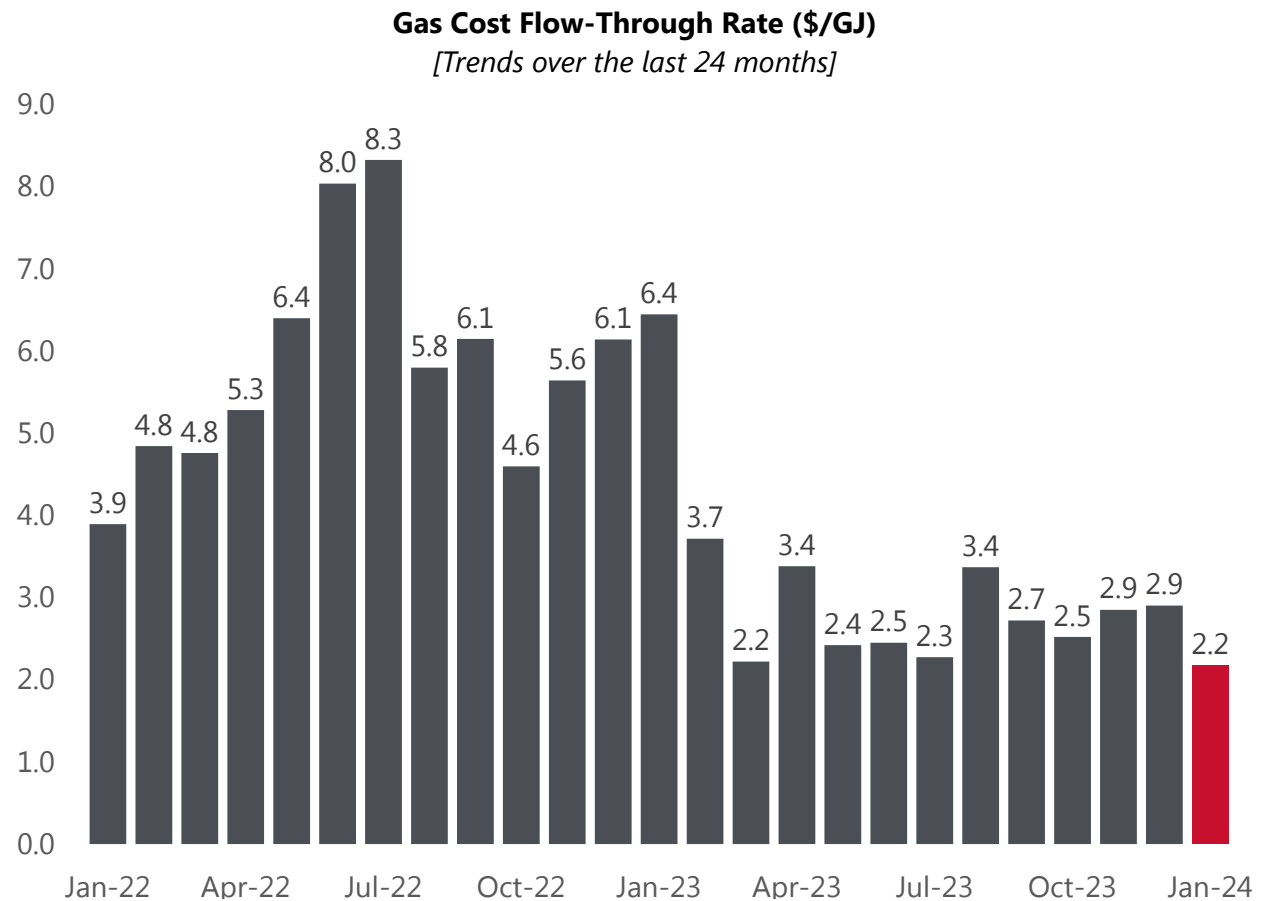
In Alberta, the regulated rate for natural gas is called the Gas Cost Flow-Through Rate. It fluctuates each month due to several factors. Notable ones include supply and demand and weather changes.

Prices have been stable as of late (Figure 1). The 2024 January Gas Cost Flow-Through Rate was \$2.2 per gigajoule.

Natural gas prices in Alberta have declined this year due to a lack of available firm transport capacity out of Alberta into other more lucrative markets. In addition, periods of pipeline maintenance have even caused intra-day gas prices to go negative, forcing producers to choose between operating at a loss or shutting in wells.

The generally accepted natural gas industry price forecast has stable to slightly increasing natural gas prices throughout the rest of the winter heating season.

Figure 1: 24-Month Price Trend for the Monthly Gas Cost Flow-Through Rate

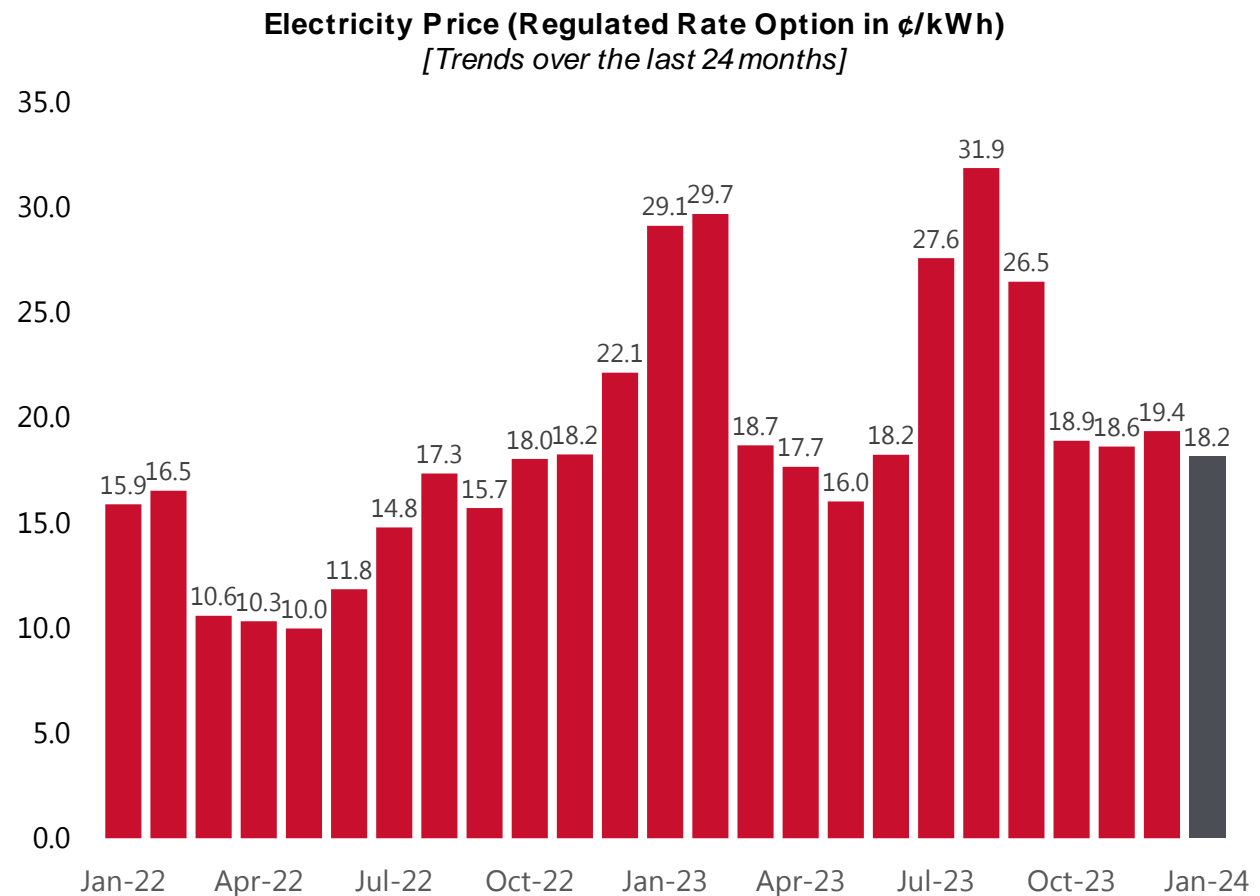


Electricity

A safety net ensures a baseline price for businesses and residents to fall back on in the case of high retail electricity rates or other unanticipated problems. Any business or residence using less than 250,000 kilowatt-hours per year can choose to pay the regulated rate.¹ This regulated electricity rate is the Regulated Rate Option. The Alberta Utilities Commission determines the Regulated Rate Option rate, which is highly influenced by the spot price for electricity and its volatility. The ENMAX Regulated Rate Option price peaked at 31.9 cents per kilowatt-hour in for 2023 August (Figure 2). This was a new record high for the Regulated Rate Option.

The monthly average wholesale price in 2024 January was 18.2 cents per kilowatt-hour. The difference between what customers pay and the wholesale price is due to the specific monthly approvals from the Alberta Utilities Commission. Each retailer submits detailed Regulated Rate Option monthly price applications, which are reviewed for their correlation to the wholesale market. The generally accepted power industry price forecast for 2024 is suggesting a significant year-over-year price decline, averaging 9.4 cents per kilowatt-hour.

Figure 2: 24-Month Price Trend for the Regulated Rate Option



¹ The average home in Alberta uses about 7,200 kWh per year. See <https://gas.atco.com/en-ca/products-services-rates/rates-billing-energy-savings-tips/energy-101.html>

OTHER INDUSTRY DEVELOPMENTS

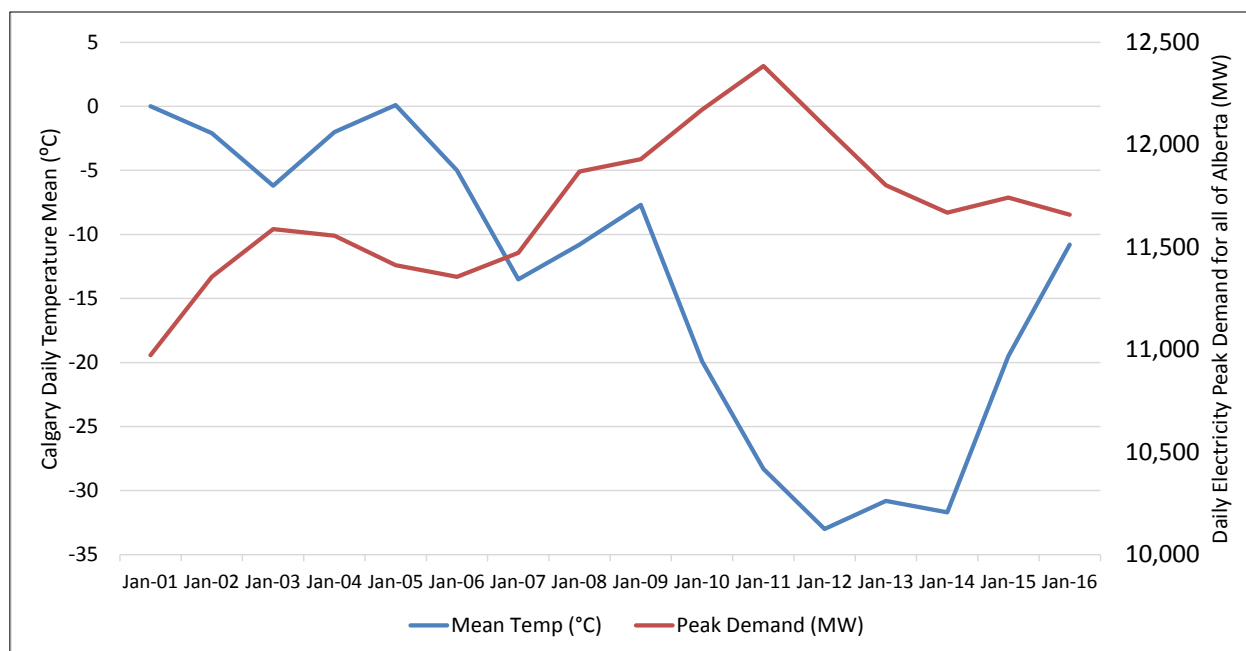
Alberta Sets New Record for Electricity Demand amid Historic Cold Snap

Recent frigid weather in Alberta has contributed to record electricity demand, a surge in electricity prices, and multiple energy emergency alerts from the Alberta Electric System Operator (AESO).

According to Environment Canada, dozens of cold weather records were broken across Alberta over the 2024 January 12-14 (Friday through Sunday) weekend. Some records include a new record low for Edmonton for January 13 (-45.3 °C), and a daily high of only -30.4 °C in Calgary on 2024 January 12 – the first time since 2004 January 27 that Calgary has recorded a daily high temperature of -30.0 °C or less.

Alberta internal load set a new record in Alberta during the evening of 2024 January 11, when demand peaked at 12,384 megawatts. Demand for Alberta electricity typically peaks in December/January with seasonal heating demand. The chart below illustrates the mean daily temperature in Calgary from 2024 January 1-16 (inclusive) on the left axis, along with corresponding daily peak electricity demand in Alberta (right axis) over the same timeframe.

Figure 3: Mean Calgary Temperature and Peak Daily Demand (Alberta) – January 1-16, 2024



Demand for electricity remained robust throughout Alberta during the cold snap and resulted in three separate emergency alerts being issued by the AESO over a three-day period (2024 January 13-15). The most severe occurred on the evening of 2024 January 13, when extreme cold resulted in high power demand placed the Alberta electricity grid at a high risk of rotating power outages. This resulted in the Alberta Emergency Management Agency issuing an Alberta Emergency Alert, which did result in a decline in power consumption, narrowly avoiding blackouts. Rotating power outages last occurred in Alberta on 2013 July 2, when record-setting heat combined with power plant (i.e., supply) shortages resulted in temporary involuntary power outages in Red Deer, Edmonton, and Lethbridge.

These recent emergency alerts have raised questions over the viability and sustainability of the existing Alberta power grid, particularly amid the backdrop of existing decarbonization efforts. In the shorter term, it also remains to be seen how these price spikes will affect the RRO rate, which had been on a downward trajectory since late last year.

Trans Mountain Expansion Variance Approved by Canada Energy Regulator

On 2023 December 14, Trans Mountain filed an application with the Canada Energy Regulator (CER) to request a variance to the approved Trans Mountain pipeline expansion project. As a result of hard rock conditions along a 2.3 kilometre stretch of construction in British Columbia's Fraser Valley, Trans Mountain made a request with the CER to amend the diameter, wall thickness, and coating for the pipe used on this portion of the twinning of the existing Trans Mountain pipeline. In its request, Trans Mountain reassured that this variance would not impede the oil flow capacity of the pipeline expansion. Trans Mountain had warned that if the variance was not approved, the project could face up to two additional years of delays and billions of dollars of cost overruns. This was the second variance applied for, as the first was denied over environmental concerns.

On 2024 January 12, the CER approved the variance requested, subject to conditions relating to materials and in-line inspections. The Trans Mountain pipeline expansion is more than 98 per cent complete and had been scheduled to come into service by the end of 2024 March. Once operational, the Trans Mountain Expansion project is expected to add an additional 590,000 barrels per day of oil export capacity for Canadian producers.