

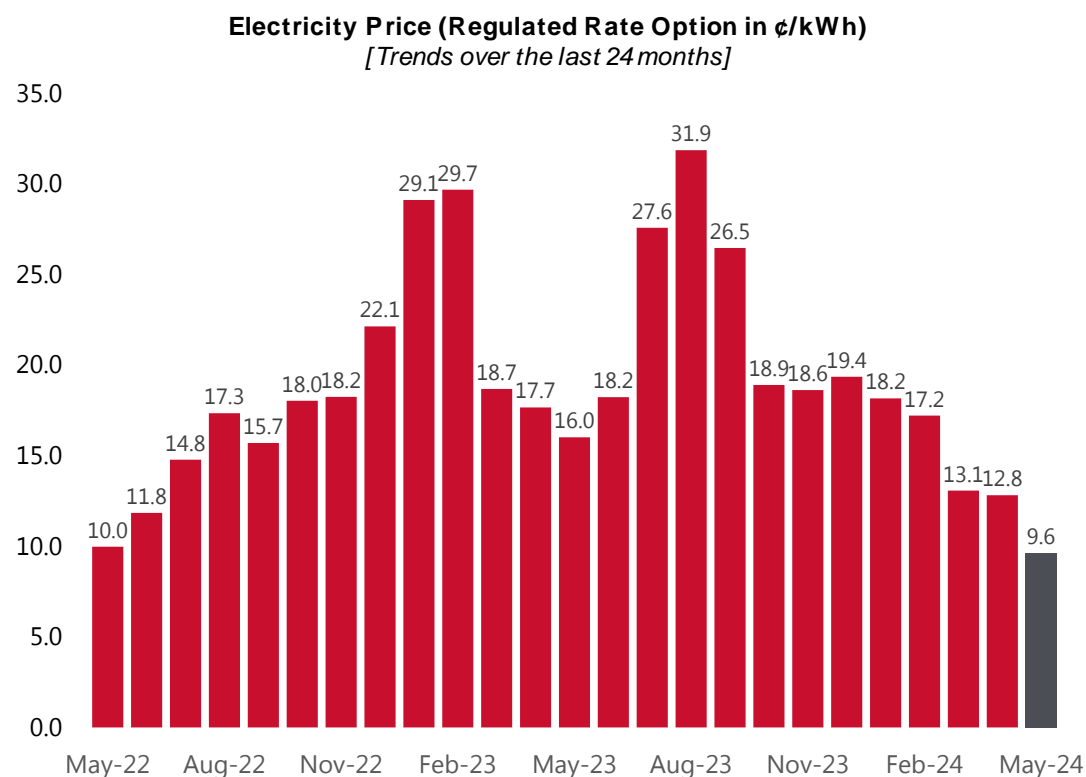
ENERGY PRICES AND MARKETS

Electricity

The provincial government has legislated that there be 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 Currently, the regulated electricity rate is the Regulated Rate Option (RRO). 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 1). This was a new record high for the Regulated Rate Option.

The monthly average wholesale price in 2024 April was 12.8 cents per kilowatt-hour, and the RRO for the same month was also 12.8 cents per kilowatt-hour. Any 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 RRO price for 2024 May is 9.6 cents per kilowatt-hour, which is the lowest priced month since 2021 June (6.8 cents per kilowatt-hour). The generally accepted power industry price forecast for the near term in Alberta is suggesting year-over-year price declines, with an average wholesale price of 7.8 cents per kilowatt-hour in the second half of 2024, and 6.3 cents per kilowatt-hour in 2025.

Figure 1: 24-Month Price Trend for the Regulated Rate Option



¹ The average home in Alberta uses about 7,200 kWh of electricity and 120 GJ of natural gas per year. See <https://gas.atco.com/en-ca/products-services-rates/rates-billing-energy-savings-tips/energy-101.html>

Calgary is forecasting a year-over-year decline of at least 45 per cent in electricity Local Access Fee revenue for 2024.

Natural Gas

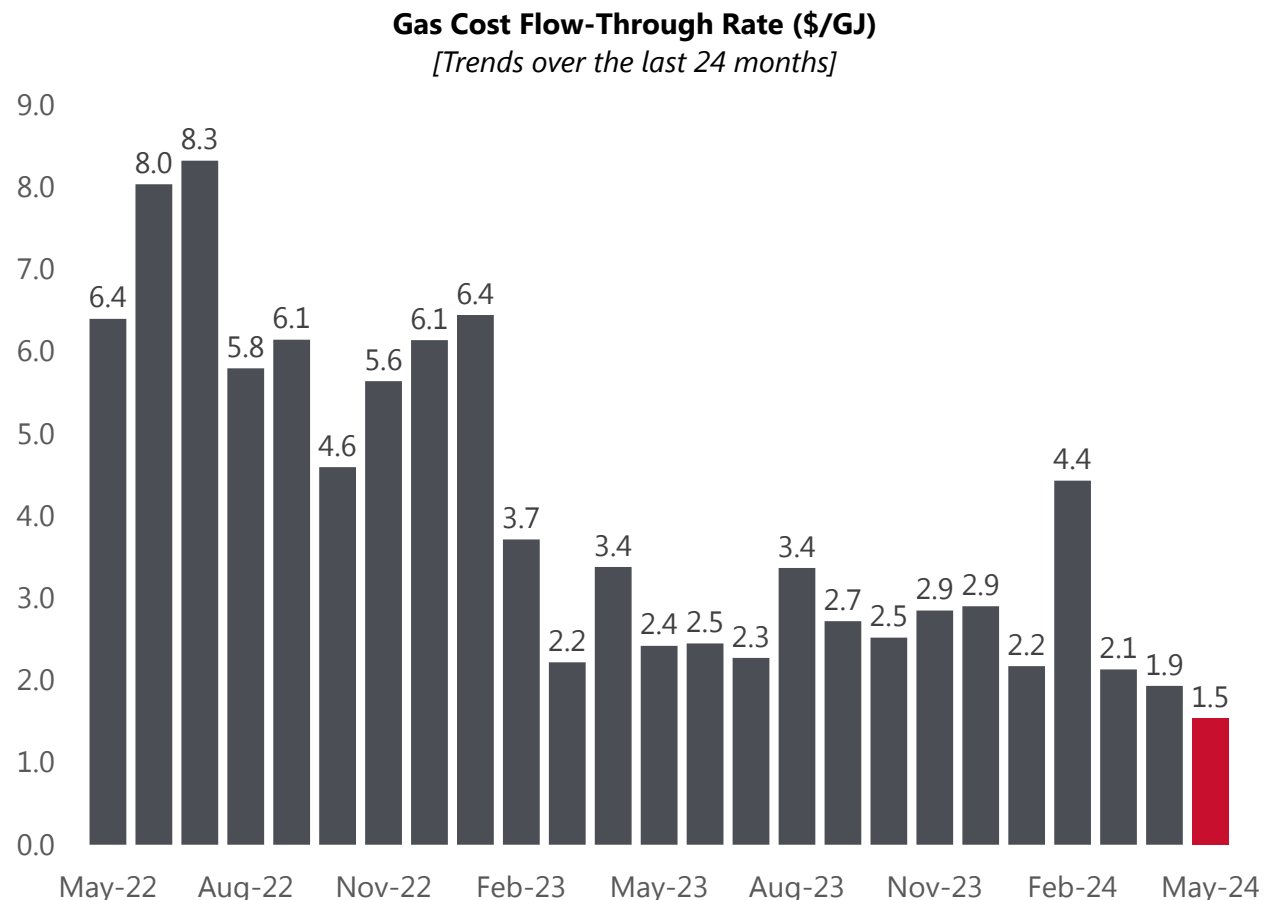
In Alberta, the regulated rate for natural gas is called the Gas Cost Flow-Through Rate. It fluctuates each month due to several factors. Notable ones include supply and demand and weather changes.

Prices have been on a downward trajectory (Figure 2). The 2024 May Gas Cost Flow-Through Rate was \$2.2 per gigajoule, the lowest priced month since 2020 August (\$1.4 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 continued natural gas price weakness in the near term until the end of 2024.

Figure 2: 24-Month Price Trend for the Monthly Gas Cost Flow-Through Rate



OTHER INDUSTRY DEVELOPMENTS

Alberta Introduces Bill 19, the *Utilities Statutes Amendment Act, 2024*.

On 2024 April 22, the Provincial Government introduced [Bill 19](#), the *Utilities Affordability Statutes Amendment Act, 2024*. In a [press release](#), the Province stated that Bill 19 “would help make utility costs more affordable and predictable across the province by ending the use of variable rates when setting local access fees for electricity and natural gas distribution.”

The Province [further stated that](#) “[i]f passed, Bill 19 will prohibit the use of variable market rates when setting local access fees, creating a standard framework across the province for how they are calculated by municipalities and regional service commissions.” Greater oversight powers would also be given to the Alberta Utilities Commission, as the proposed changes here would allow the AUC to have oversight over all municipalities on how their fees are calculated and applied.

The Provincial Government also [announced](#) its intention to replace the “Regulated Rate Option” with the “Rate of Last Resort.” The Province has submitted that the Rate of Last Resort (RoLR) “will significantly reduce spikes in prices for Albertans unable to sign a competitive contract, including rural Albertans who may not have other options available, and those who have poor credit or other financial difficulties such as seniors and other vulnerable populations.”

If passed, the Province has announced that these changes would be effective 2025 January 1.

The Province has also stated that the name change to RoLR is to encourage existing Regulated Rate Option (RRO) customers to switch to competitive contracts. According to the Market Surveillance Administrator, as of 2023 December, approximately 26 per cent of residential customers in Alberta are on the RRO.² It remains unclear at this time how the RoLR will be set and how the Province intends to incent ratepayers to switch to retail contracts.

A side-by-side comparison of some of the particulars of the RRO and RoLR are provided in the table below:

Regulated Rate Option	Rate of Last Resort
<ul style="list-style-type: none"> • Set monthly • 3 month procurement period for RRO providers • Introduced in 2001 	<ul style="list-style-type: none"> • Set biannually (once every two years) • 2 year procurement period for RoLR providers • Planned introduction in 2025 January

With the commodity price being fixed for two years (instead of being set monthly under the RRO), the RoLR is expected to bring greater stability to ratepayers on the default rate.

Bill 19 will have a significant impact on the direction Council gave on 2024 March 18 ([C2024-0251](#)) for Administration to design and implement a “quantity only” method for calculating Local Access Fees. An update on this topic was provided in report [Standing Budget Item: City-Wide Growth & Local Access Fee Developments \(Verbal\)](#) to the 2024 May 14 Executive Committee.

² [MSA Retail Statistics \(2024-04-04\)](#), released 2024 April 4. As of 2023 December there are 1,629,939 residential electricity sites in the province, and 429,621 of these customers are on the default RRO rate (429,621 ÷ 1,629,939 = 0.26358).

Work is ongoing to understand the impacts to approach, timelines and risks and updates will be provided as further details become available.