

Addressing Rising Electricity Costs for Alberta SMEs and Citizens (2023)

Issue

An increasing number of Alberta SMEs and citizens have been struggling to pay rising electricity costs. Utility bills have increased significantly in 2022 and 2023 and saw unprecedented price peaks, the highest ever charged, in December of 2022. Higher prices are having dramatic impacts on SME and residential customers throughout the province.

Background

The rising electricity costs in Alberta have become a significant challenge for small and medium-sized enterprises (SMEs) and residential customers throughout the province. The transition to cleaner energy sources has led to an increase in generation capital investments, resulting in volatile Power Pool prices and higher retail prices for electricity.⁸⁰ Additionally, the closure of coal plants, gas supply constraints, and low wind generation have all contributed to the increasing cost of generation, leading to unprecedented price peaks in December 2022.

Currently, 37% of consumers in Alberta are enrolled in the Regulated Rate Option (RRO), with many remaining on it due to barriers to accessing other options. The RRO rates have seen steady increases since May 2022, doubling from 10.07¢ / kWh in May to 22.043¢ / kWh in December 2022. Although the Government of Alberta introduced a three-month price cap in January 2023,⁸¹ rates have already increased to between 17¢ and 20¢ / kWh in April, with further spikes projected in the summer months.

Temporary price "caps" have proven ineffective in addressing the root causes of rising electricity costs, and the RRO price deferral has come at a cost of \$200 million to be repaid by SME and residential customers on the RRO.

This increase will be spread across all RRO users, to the tune of an estimated 2.5¢ / kWh increase to their bills.⁸² This increase does not take into account base level increases that the initial deferral attempted to address. However, the number of RRO customers in the province is declining, leaving a smaller pool of customers to shoulder repayment and increasing the load on each remaining customer.

Adding to the burden faced by SMEs and residential customers are municipal Local Access, or "Franchise", Fees.⁸³ Franchise artificially and needlessly increase monthly invoices and are not consistent throughout the province. A customer in Calgary may pay as much as four times the amount

⁸⁰ AESO Net-Zero Emissions Pathways Report (<https://www.aeso.ca/assets/AESO-Net-Zero-Emissions-Pathways-Report-July7.pdf>)

⁸¹ Historic Rates (<https://ucahelps.alberta.ca/historic-rates.aspx>)

⁸² Cash-strapped Albertans stuck repaying \$200M cap on regulated rates, says report (<https://www.cbc.ca/news/canada/calgary/uofc-report-electricity-consequences-alberta-1.6795650#:~:text=According%20to%20the%20report%2C%20the,their%20bills%2C%20the%20report%20says.>)

⁸³ Frequently Asked Questions (What is a franchise fee/local access fee? <https://www.auc.ab.ca/frequently-asked-questions/>)

of Municipal Franchise Fees on their bill as their counterpart in Edmonton. Cochrane,⁸⁴ St. Albert,⁸⁵ and Athabasca⁸⁶ were among Alberta communities to see Franchise Fee increases in 2023. These fees allow municipalities to generate revenue from utility customers through a charge that is often ignored.

The Alberta Chambers of Commerce recommends that the Government of Alberta take the following actions to address rising electricity costs for SMEs and citizens:

1. Cover some or all of the \$200 million cost of the January-March deferral to prevent customers from having to pay rates even higher than before the deferral program. The government could consider using some of the forecast \$2.4 billion surplus to prevent the unintended consequence of runaway cost increases to SME and residential customers.

⁸⁴ Council to move forward in Fortis Alberta franchise fee increase (<https://www.cochraneagle.ca/local-news/council-to-move-forward-in-fortis-alberta-franchise-fee-increase-1776473#:~:text=At%20last%20Monday's%20meeting%20council,cent%20to%2017%20per%20cent.>)

⁸⁵ City Approves Five Per Cent Increase in Electrical Franchise Fee (<https://stalbert.ca/cosa/news/releases/electrical-franchise-fee-increase/>)

⁸⁶ Franchise fees to rise again in 2023 (<https://www.townandcountrytoday.com/athabasca-news/franchise-fees-to-rise-again-in-2023-5943117>)