

Intelligence MEMOS



From: Charles DeLand

To: The Hon. Nathan Neudorf, Alberta Minister of Affordability and Utilities

Date: December 19, 2023

Re: **ALBERTA NEEDS A STABLE POLICY APPROACH TO POWER**

It's all electricity all the time in Canada these days as we come to grips with the green transition and its electric vehicles, its electric heat pumps and its electric everything. And it's up to provincial governments, their agencies, and regulators to plan and deliver our expanded electricity future, affordably and reliably.

All provinces face this challenge, with two big things now in front of them. First, they must respond to the federal government's proposed [Clean Electricity Regulations \(CER\)](#), designed to require electricity systems to transition to "net-zero" by 2035. Second, and related, they need to refine their grids to integrate increasing volumes of inherently intermittent renewable power, especially wind and solar, while delivering reliability virtually 100 percent of the time.

Alberta faces an extra tough task. Its good intermittent solar and wind resources are not supported by the nuclear generation enjoyed by Ontario or the hydropower resources in Quebec, British Columbia and Manitoba. Instead, Alberta relies on its vast quantities of coal and natural gas. Reliable and affordable sources of baseload power, they emit more GHGs than hydropower or nuclear. The province also relies on the private sector to fund its fossil-fuel generation fleet. Decisions on the type, size, location, and timing of new projects are driven entirely by the economic returns private investors anticipate from the wholesale market. Financial risks created by the CER will doubtless deter investors in new natural gas baseload generation projects.

Alberta's government has noticed its electricity issues, but its response so far appears haphazard and its decisions abrupt. A more measured approach would help.

In August, the government paused approvals for new renewable generation projects, ostensibly to address concerns about their reliability and land use, but with potential investment-damaging [effects](#). And, in late November, the province invoked the *Alberta Sovereignty within a United Canada Act*, which purports to give it the power to reject federal laws or regulations that hurt the province. It also launches consideration of the "feasibility and effectiveness" of establishing a Crown corporation to be used as a defence from Ottawa's limits on new natural gas generation projects.

Instead of quick responses to each issue as it arises Alberta should proceed by gathering thoughtful and measured analysis from expert sources, and integrating it to assess choices. If not, it risks imposing high power costs on Albertans.

One silver lining is that much analysis is already underway in a variety of separate, yet related, [consultations](#). In mid-2023, the Alberta Energy System Operator (AESO) launched the [Market Pathways](#) initiative to explore changes to the market framework to support the energy transition. In October, the government launched a [transmission policy review](#) just as the Alberta Utilities Commission opened a separate two-pronged [inquiry](#) into electricity generation. On top of these, the AESO and the Market Surveillance Administrator have been asked for advice on further necessary reforms.

These initiatives should draw out expert opinion from these agencies. If they don't have the required expertise, it should be sought elsewhere, and the agency should expand its capacity to provide that expertise itself.

The government should then publish the results from all these inquiries and any policy changes should be clearly and publicly linked to their results.

In the meantime, the government should say and do as little as possible. Even the suggestion of introducing a government-backed Crown corporation into a private market may have already cast a chill on investment. (As an aside, Premier Danielle Smith mentioned the Alberta Treasury Branch, a Crown-owned bank, as an example of a Crown-owned entity in a competitive environment, which was worrisome; there remain few compelling [reasons](#) the government should remain involved in a well-developed financial services market, and the same holds true for the electricity market.)

Electricity ought to be boring. It needs to be there when and where people and businesses need it, at a cost that is as low as possible. Power systems and electricity markets are complicated and dynamic, and any changes must be thoughtful and well-designed to minimize the risk of disruption and unintended consequences. Politicians need to listen carefully to advice from technical and regulatory agencies, and outside experts, to understand the full range of outcomes of various courses of policy action.

Alberta should not roll out any new electricity system changes until it has received and digested all the incoming reports so it can avoid compromising reliability, affordability, and supply security as the system evolves towards net zero.

Charles DeLand is the Calgary-based Associate Director, Research at the C.D. Howe Institute.

To send a comment or leave feedback, email us at blog@cdhowe.org.

The views expressed here are those of the author. The C.D. Howe Institute does not take corporate positions on policy matters.