



Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Affordability and Utilities
Consideration of Main Estimates

Wednesday, March 19, 2025
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Standing Committee on Resource Stewardship

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Sweet, Heather, Edmonton-Manning (NDP), Deputy Chair
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Standing Committee on Resource Stewardship

Participants

Ministry of Affordability and Utilities

Hon. Nathan Neudorf, Minister

Andrew Buffin, Assistant Deputy Minister, Utilities

Brian Doyle, Assistant Deputy Minister, Corporate Services, and Senior Financial Officer

David James, Deputy Minister

Nail Kjelland, Assistant Deputy Minister, Affordability

Alberta Electric System Operator

Aaron Engen, President and Chief Executive Officer

Utilities Consumer Advocate

Chris Hunt, Executive Director and Advocate

7 p.m.

Wednesday, March 19, 2025

[Mr. Rowswell in the chair]

**Ministry of Affordability and Utilities
Consideration of Main Estimates**

The Chair: I'd like to call the meeting to order and welcome everyone in attendance. The committee has under consideration the estimates of the Ministry of Affordability and Utilities for the fiscal year ending March 31, 2026.

I'd ask that we go around the table and have members introduce themselves for the record. Minister, please introduce your officials and yourself when it comes to your turn. My name is Garth Rowswell, MLA for Vermilion-Lloydminster-Wainwright. Carry on.

Mr. Dyck: Nolan Dyck, MLA for Grande Prairie.

Mr. Singh: Good evening, everyone. Peter Singh, MLA, Calgary-East.

Mr. Cyr: Scott Cyr, MLA, Bonnyville-Cold Lake-St. Paul.

Mr. Stephan: Jason Stephan, MLA, Red Deer-South.

Mr. Neudorf: Nathan Neudorf, MLA for Lethbridge-East and Minister of Affordability and Utilities. With me at the table are Andrew Buffin, Brian Doyle, David James, and Neil Kjelland.

Mr. Haji: Sharif Haji, MLA for the incredible Edmonton-Decore.

Ms Al-Guneid: Nagwan Al-Guneid, MLA for Calgary-Glenmore.

Mr. Schmidt: Marlin Schmidt, Edmonton-Gold Bar.

Member Irwin: Janis Irwin, Edmonton-Highlands-Norwood.

Mr. Kasawski: Kyle Kasawski, MLA for Sherwood Park, a territory that is serviced by Fortis, ATCO, and Arrow Utilities.

The Chair: That's why you're here.

Okay. I'd like to note the following substitutions for the record: Mr. Cyr for Mr. Dyck, Member Irwin for Member Calahoo Stonehouse, Mr. Singh for hon. Ms Armstrong-Homeniuk, Mr. Stephen for Mr. Boitchenko, and Mr. Kasawski for Ms Sweet as acting deputy chair.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcript of the meeting can be accessed by the Legislative Assembly website. Please set your cellphones and other devices to silent for the duration of the meeting.

Hon. members, the main estimates for the Ministry of Affordability and Utilities shall be considered for three hours. Standing Order 59.01 sets out the process for consideration of the main estimates in legislative policy committees. Suborder 59.01(6) sets out the speaking rotation for this meeting. The speaking rotation chart is available on the committee's internal website, and hard copies have been provided to the ministry officials at the table. For each segment of the meeting blocks of speaking time will be combined only if both the minister and the member speaking agree. If debate is exhausted prior to three hours, the ministry's estimates are deemed to have been considered for the time allotted in the main estimates schedule, and the committee will adjourn. Should members

have any questions regarding speaking times or the rotation, please e-mail a message to the committee clerk about the process.

With concurrence of the committee I will call a five-minute break near the midpoint of the meeting. However, the three-hour clock will continue to run. Does anyone oppose having a break? Okay.

Ministry officials who are present may, at the discretion of the minister, address the committee. Ministry officials seated in the gallery, if called upon, have access to a microphone in the gallery area and are asked to please introduce themselves for the record prior to commenting.

Pages are available to deliver notes and other materials between the gallery and the table. Attendees in the gallery are not to approach the table. Space permitting, opposition caucus staff may sit at the table to assist their members. However, members have priority to sit at the table at all times.

Points of order will be dealt with as they arise, and individual speaking times will be paused. However, the block of speaking time and the overall three-hour meeting clock will continue to run.

Any written materials provided in response to questions raised during the main estimates should be tabled by the minister in the Assembly for the benefit of all members.

Finally, the committee should have an opportunity to hear both questions and answers without interruption during the estimates debate. Debate flows through the chair at all times, including instances when speaking time is shared between a member and the minister.

I would like to now invite the Minister of Affordability and Utilities to begin with your opening remarks. You have 10 minutes.

Mr. Neudorf: Thank you very much, Chair. Good evening, everyone. I see by the clock that we have 175 minutes left to go. I'm pleased to be here to present to you the highlights from Budget 2025 for the Ministry of Affordability and Utilities. While I have already introduced them, joining me today are David James, my deputy minister; Andrew Buffin, assistant deputy minister of utilities; Brian Doyle, assistant deputy minister of corporate services and senior financial officer; and Neil Kjelland, assistant deputy minister of affordability.

To provide context for these estimates, I will begin with a brief overview of the department and its priorities heading into the '25-26 fiscal year. Affordability and Utilities has three main areas of focus: leading the government's ongoing efforts to keep life affordable for Albertans; managing and developing policy and programming for the province's electricity and natural gas systems, including rural utilities; and overseeing the work of the Utilities Consumer Advocate in educating and supporting electricity and natural gas consumers.

On the affordability side this includes working across ministries to provide support to those who need it most as well as lowering costs for all Albertans on everyday essentials so they can keep more of their hard-earned dollars and use them when and where they are needed most for their family. On the utilities side this includes developing policy and legislative frameworks and administering programs to ensure Albertans have access to affordable, reliable electricity and natural gas. In the fall of 2024 the ministry also assumed responsibility for developing and implementing legislative, regulatory, and policy frameworks for nuclear energy.

The ministry's organizational structure also includes five arm's-length ABCs. Four of these play important roles in the generation and oversight of Alberta's electricity market, electricity and natural gas systems, and retail. These are the Alberta Utilities Commission, or AUC; the Balancing Pool; the Market Surveillance Administrator, or MSA; and the Alberta Electric System Operator, the AESO. The fifth, the Power and Natural Gas Consumers' Panel,

provides guidance and advice on utilities issues affecting farm, residential, and small-business consumers.

The ministry's mandate is incredibly important. Through our work we are helping maintain the Alberta advantage and making sure our province remains the best place to raise a family or start a business. We are addressing the rising cost of living to preserve the high quality of life enjoyed by people in Alberta. This includes driving down electricity prices and protecting consumers from unexpected spikes on their utility bills. Budget 2025 supports this and will continue to build on our successes by keeping more money in Albertans' pockets and advancing a modern utility system that meets the needs of all Albertans as well as attracts investment and support job creation.

The ministry's expense budget for the upcoming fiscal year is \$168.2 million, which represents an 83 per cent increase from last year. This is due almost entirely to the forecast expenses related to the renewable electricity program, or the REP. While the program has not accepted any generation facilities since 2019, a series of 20-year term agreements were signed by the former NDP government under this program. Some of these agreements stretch out to 2042. At \$82.1 million the REP expenses make up nearly 50 per cent of the ministry's budget. In contrast, REP expenses were only \$12.4 million in Budget 2024.

There are eight generation facilities under the REP, and each company has a contract that guarantees them a contracted strike price. The way the program is structured, it only generates revenue when power prices are higher than the contracted strike price. If the wholesale price exceeds a contract strike price, the company pays the government the difference. However, when the wholesale price is below the contract strike price, the government must pay that difference.

Our government has been working hard to bring down electricity prices, and over the last year we have succeeded. While this is a clear win for Albertans on affordability, the decrease in electricity prices means taxpayers will shoulder the cost of this policy for the foreseeable future.

The ministry's remaining expenses for Budget 2025 total \$86.1 million. This includes \$35.1 million for the '25-26 operations of the Alberta Utilities Commission to regulate the province's utility market. This is up \$800,000 from Budget 2024, the amount of which was \$34.3 million.

Next, Budget 2025 includes \$13.6 million of noncash accretion expense arising from the financial obligations of the coal phase-out agreements. This expense is down from the Budget 2024 amount of \$16.6 million.

Budget 2025 also includes \$13.2 million in operating funding for the Utilities Consumer Advocate, the UCA, to provide consumer education and advocacy for Albertan farmers and small businesses. A total of \$5 million of that supports outreach and education for Albertans enrolled on the rate of last resort to encourage them to explore their options to help lower their electricity bills.

In addition, Budget '25 continues to include grant funding to address specific affordability and utilities challenges in remote and rural communities. We are providing \$6.4 million for the rural utilities grant program to bolster rural utility infrastructure and advance local economic development. The grants help provide affordable utilities in rural communities, ensuring critical services are accessible and reasonably priced when and where they're needed. Next, \$500,000 is allocated to the rural water program to provide rural Albertans with safe, reliable, and modern water treatment and distribution systems. Finally, \$1.6 million is for the remote area heating allowance program, which helps with the high cost of heating fuel when Albertans are unable to access our natural gas system.

7:10

Now turning to revenue, we estimate that it will be \$105.9 million for Budget 2025. This includes \$57 million net income from the Balancing Pool, \$34 million from industry levies and licences, \$600,000 in fines collected by the Market Surveillance Administrator, and \$400,000 from investment income; \$13.2 million will also be collected from the Balancing Pool, funding the entire operating budget for the Utilities Consumer Advocate. The UCA operates on a credit recovery basis. Its funding is collected from the Balancing Pool and two natural gas distributors. This includes the ministry's major Budget '24 items.

We have laid out our business plan, and the next three years will be critical for the ministry and our mandate. Going into 2025-26, affordability remains top of mind for many Albertans. World events once again have brought the risk of inflation and disruption to our doorstep. Our government is looking to meet these challenges through Budget '25 to empower Albertans to make the best financial decisions for them and their families during a time of uncertainty.

Our government is moving forward with cuts to personal income taxes. Albertans and Alberta businesses pay the lowest taxes overall in the country, with no sales tax, and this will help them keep even more of their hard-earned dollars. My ministry is also continuing to work across government to build on supports already in place, including housing, insurance, and utilities, to address cost-of-living challenges.

In the coming year the ministry will also be taking next steps in modernizing our electricity system, putting Albertans first and ensuring the affordability, reliability, and sustainability of our power grid now and for generations to come. This includes long-term reforms to Alberta's power market and updated transmission policies to protect ratepayers from rising fees. We will also continue to explore the potential of nuclear, geothermal, and other technologies that can benefit the electricity system. Additionally, we are listening to Albertans and are looking at ways to lower costs on every aspect of their power bill, including distribution costs.

In closing, I want to emphasize that Affordability and Utilities is a small but mighty ministry. We have achieved a great deal in our two and half years as a stand-alone ministry with one of the smallest budgets in all of government. We've rolled up our sleeves to tackle key issues, and we will continue to do so. Our Budget 2025 estimates strike a balance between funding what is required to deliver on key objectives and mandate items and the need for fiscal restraint during these uncertain times.

Thank you very much, Chair. I look forward to the discussion to follow.

The Chair: Thank you very much, Minister.

We will now begin the question-and-answer portion of the meeting. For the first 60 minutes members of the Official Opposition and the minister may speak. Hon. members, you will be able to see a timer for the speaking block both in the committee room and on Microsoft Teams.

Who is going to ask the questions first? Member Haji. Would you like to share time?

Mr. Haji: Share time?

Mr. Neudorf: I'd like to share time, yes. Thank you, Chair.

The Chair: Given that, there'll be 20-minute blocks, and no one gets to speak for more than 10 minutes at a stretch.

Carry on.

Mr. Haji: Thank you, Mr. Chair, and thanks to the minister and the department team for the work that you have put in not only in preparation for the estimates but the overall contribution to the budget development processes.

I'll start with the ministry's mandate on page 13 of the business plan, which articulates the ministry's mandates: responsible for leading and co-ordinating the government of Alberta's efforts to address affordability and the rising cost of living. This includes collaborating with partner ministries to provide guidance and information on essential expenses such as utilities, housing, insurance, food, and other household costs. Based on this mandate, my understanding is that the ministry plays a key role in the co-ordination efforts of affordability initiatives across the various sectors of the government.

However, in Alberta rent remains to be increasing at the fastest rate in the country, auto insurance remains the highest nation-wide, and according to a recent report Albertans pay the most for utilities, forcing many families into difficult financial situations. With nearly 60 per cent of Albertans reporting that their standard of living has fallen in the past two years, the ministry's responsibility is to lead co-ordinated efforts to tackle affordability. Working class Albertans are particularly concerned, with 93 per cent worried they will never achieve a middle-class standard of living due to the rising cost of living. In alignment with objective 1.1 of the business plan, through the chair, can the minister clarify and elaborate the ministry's strategy to address the affordability crisis that Albertans are currently facing?

Mr. Neudorf: Thank you very much for the questions.

Yes. I do collaborate with other ministries on that. In other ministries' mandate letters you will have heard that other ministries often lead certain portions of those conversations. Rental and housing issues is led by the Minister of Seniors, Community and Social Services, and we provide a supporting role with that ministry, our ministry department working very closely with theirs. We're very proud of the efforts that they put forward for affordable housing as well as what they've done to help stimulate the economy. We see the greatest number of housing starts, where supply will outstrip demand or at least help alleviate some of that demand, seeing rental prices decrease.

With insurance I work with the Ministry of Finance and Treasury Board. He takes the lead on insurance, though we provide a supporting role to that ministry as well. We look forward to the transition to the new care-first model of insurance that will help put up to \$400 back in each family's insurance. We look forward to seeing the implementation. It does take some time to see these things come into fully being implemented and being made available to Albertans, but we took the time to do the work and I look forward to that becoming a reality.

In terms of utilities what we've been doing and undertaking in our ministry thus far is we have looked at every single aspect of our energy-only market. There are, for the benefit of the committee, four sections to our market. There's generation. There's transmission. There's distribution, and then there's retail costs. To date we've addressed three of those fulsomely.

On the retail we've switched from the regulated rate option, which was a misleading name, and all industry participants agreed that it was misleading because people thought the "regulated" word actually provided a measure of stability, which it didn't. So changing the name was to create attention so that people would become more informed and educated on the type of rate they're on. Beyond that, we stabilized the rate of last resort into one that has now a two-year time frame instead of a three-month purchasing

time frame, making it more stable. It was never intended to be the lowest price option. It was intended to be a less volatile, stable price option with price protection now up to two years for those with no other thing.

Mr. Haji: Yeah. I'll come back to those specifics in terms of affordability, but my first question is from a mandate perspective. I do understand that line ministries do their part, but how is the ministry co-ordinating these affordability measures in a co-ordinated manner where Albertans can see what the government is doing? And what benchmarks are you using to measure if your ministry is meeting its mandate in terms of co-ordinating the efforts that the government is making on affordability?

Mr. Neudorf: Certainly, I appreciate that. I was trying to provide some context. In addition to meeting with the individual ministries and the work that they're doing, especially when they lead it, the Premier has also put in my mandate that I am vice-chair of Treasury Board, where we see the culmination of those financial decisions coming to bear. Those costs and line items aren't in our budget finances; they would reside in those other ministries who are lead. But in a co-ordinated effort with the Minister of Finance and all the other ministers as they come to Treasury Board to present their objectives and reach their mandates, we are fulfilling our mandate by supporting them and their priorities. That's how we balance the priorities that they bring forward in an ordered and measured way and the Treasury Board's requirement to work on a financial stable budget.

I'll also ask if my deputy minister would like to make some additional comments on how he, through the department, would engage other ministries. Some of the benchmarks and how we achieve our mandates are that we track inflation values of different consumer baskets, and I think we have somewhere here our affordability dashboard.

After my DM speaks a little bit, I will ask my ADM Neil Kjelland to talk a little bit about the affordability dashboard that we provide for Albertans on the government of Alberta websites.

7:20

Mr. James: Thanks very much, Minister. A few things that we've been working on, supporting what the minister was saying. A large one this year was actually working with Treasury Board and Finance, where they were actually looking at car insurance and all the costs associated with that, the work that was going on. We have an affordability advice for life web page that went up in April of last year, and we've been continuing to support that.

Also working with the Ministry of Seniors, Community and Social Services, watching what they're doing with respect to housing. Obviously, they have the primary responsibility, but as part of the broader affordability housing strategy, we're working with them.

We're also working with our colleagues in Service Alberta and Red Tape Reduction, Intergovernmental Relations, and Executive Council around what's happening essentially across government. They have responsibility as essential agencies for that work. We sit on various groups with them around what's happening more broadly.

Mr. Haji: Yeah. Having worked in different departments, I get in terms of – working with different departments is one of the key competencies all across public servants, but my question is that, specifically, if you say that the minister is leading the co-ordination on affordability across government departments, that is absolutely a different role. I want to understand how Albertans will see and it will be reported in terms of seeing the efforts that the minister is

doing from a mandate perspective on the co-ordination on affordability.

Mr. Neudorf: Certainly. Again, I will provide a short comment, and then I will go to my ADM. In terms of leading that, at every cabinet decision and Treasury Board it is our objective on items brought forward to consider the lens on how this would potentially impact affordability and what affordability means to Albertans. There's plentiful discussion around those tables about how this would impact different Albertans in different ways, what demographic they might be from, what region of the province they might be from.

One of the reasons we chose to address electricity first and foremost is because it's such a primary input cost for virtually everything we purchase nowadays. A hundred years ago, if you didn't have water, you didn't have a business or a community. Today, if you don't have electricity, you don't have a business or a community. Electricity is a primary need and essential to the way of life that we currently enjoy, and making sure that we stabilize that market so that grocery stores can provide a more stabilized pricing mechanism to individuals everywhere is a major and primary need within life.

How we represent that is what I'd like my ADM to talk about. The affordability dashboard is a function representing the work all ministries of government do, and as a tool for Albertans, should they choose to look at it, help them make life decisions and see the impacts of those decisions on their daily life.

Mr. Kjelland: Yeah, certainly there's a few things that I can mention there. As the minister mentions, we provide information regularly to our peers as well as to the minister and others regarding what inflationary measures we're seeing in different baskets of goods, whether that's headline inflation, food inflation, those sorts of things. It's providing that information.

More specifically to your question, I believe, we are invited into various questions, conversations where ministries are contemplating policy discussions, whatever it happens to be; I'll use auto insurance as an example. The Ministry of Treasury Board and Finance, as an example, may have a focus, a specific focus that they're dealing with because they're dealing with auto insurance on a regular basis. Members of our team, when we're in those meetings, are speaking on behalf of the affordability consequences of different activities.

If your question is how could we show that broadly to Albertans, it's less of an overt outward-looking activity . . .

Mr. Haji: Basically, my simple question is that: is there an affordability framework or strategy that exists within the ministry? Like, I get it. Once you are asked, you're like an expert ministry around the area that you provide feedback on, but does your ministry have any proactive framework that helps other departments co-ordinate in terms of addressing affordability?

Mr. Neudorf: Other than making sure that's a decision item and it's a perspective, which it is all encompassing within the mandate and our business plan. It's to make sure that, in every decision that we make, we have considered affordability. One of the other ministries that would have a similar mandate would be Service Alberta and Red Tape Reduction, where they would look at every piece of legislation or regulation that comes forward from a lens of: does this add or decrease red tape within those processes? It's a lens of conversation rather than a stipulated checklist, because it can vary from ministry to ministry. In a likewise manner, for affordability, we want to make sure that it's a part of every

discussion and a part of every decision without being able to spell it out on exactly what that would look like for every ministry, because it would vary from ministry to ministry.

I don't know. DM, did you want to add a comment to that? Hopefully that's helpful.

Mr. Haji: Okay. Well, thank you. One of the key issues that is impacting Albertans is shrinking purchasing power. The average growth of weekly earnings since May 2023 is 3.9 in Alberta, while nationally the growth is 6.7. Twenty-five per cent of those who are showing up at food banks are working Albertans, which demonstrates the challenge that they have in terms of the amount they make and how it's not sufficient for living.

Ten years ago wages in Alberta were 17 per cent higher than the Canadian average. According to economist Jim Sanford's study, real wages in the province have since fallen by 10 per cent. The minimum wage has been frozen at \$15 an hour since 2018, while the average minimum wage across Canada has grown by 27 per cent. Through the chair, what co-ordinated strategy does the ministry lead to address this shrinking purchasing power and the fact that Alberta now has some of the lowest paid workers in the country?

Mr. Neudorf: Well, I will say most of this is not part of our mandate and resides in other ministries like Jobs, Economy and Trade. We would make the comment that it is expected that if you have the highest wages in the country, which we do in Alberta, that of course it would be the lowest wage increasing, because everybody would be trying to catch Alberta, where Alberta would be trying to stabilize and maintain its position but not get so far ahead that we compound other problems within Alberta.

Inflation has been a challenge for every province within Canada, and we would link that directly to federal government spending through the pandemic as well as their continued increases to the carbon tax, which is a tax on a tax on a tax. We see hundreds of millions of dollars recycled through the carbon tax through our school divisions, through our postsecondaries, and all of our public services paying that carbon tax, which is tax dollars being taxed again and then sent to Ottawa. While they may be rebated in other places, they're not coming back to those institutions, just driving further up that cost and purchasing power.

Some of that, in terms of minimum wage and wage growth, would reside in another ministry. It's not anywhere in our business case or plan to partake in that. We've not been asked to do that, so that's not been our primary focus.

Mr. Haji: Yeah, so the struggle that I would have, Mr. Chair, is around, like, how would you be able to deliver the ministry mandate if the Albertans are struggling, the purchasing power is going down, minimum wage has been frozen? Benchmarks show that we are behind the other provinces, or if you compare us with the national numbers, we are falling behind. From a co-ordination perspective on affordability, how does the minister tackle that?

Mr. Neudorf: I would say that, while it is related to affordability, that is not affordability. Affordability is the cost of goods, where you're talking about earning power and productivity, which, again, resides in other ministries, and we leave them to do their work. We have endeavoured to lower the cost of everything that people purchase by addressing their utilities, because it is, like I said earlier, a primary input cost, whether you're buying groceries or food or gas or basically any commodity that uses electricity in any of their business activities. That's where we are impacting affordability.

Beyond that, where we have really supported the Minister of Finance particularly is the income tax cut, which is putting money back in the pockets of every single Albertan, \$750 per person, \$1,500 for the average couple. Keeping those taxes low is allowing those dollars to stay with individuals in the first place. That's been a constant effort. I'm very happy that that also resides in Budget 2025 though that's not in this ministry's budget; it is in the Ministry of Treasury Board and Finance.

7:30

Mr. Haji: Yeah. I'll come back to the tax strategy as a way of addressing affordability under some questions.

But I will remain a little bit on the minimum wage. While minimum wage falls under the purview of the ministry of jobs and economy, as you've just mentioned, considering the ministry's co-ordination role in affordability – it's objective 1.1 of the business plan – what is the government's plan regarding minimum wage policies? Has there been any conversation during the budget process?

Mr. Neudorf: There has been conversation about it, but again you'd have to talk to the Minister of Jobs, Economy and Trade. That's his purview. He's leading that conversation. And while I've contributed to it, that's the responsibility that we share in this ministry at this time.

Mr. Haji: Okay. Thank you.

Given that the department is called Affordability and Utilities, can the minister explain why there are no initiatives in the budget to address wage stagnation, when Albertans are earning less in real terms while paying more on housing and utilities, and why there is nothing in the business plan or the fiscal plan under the ministry?

Mr. Neudorf: Again, as I said before, I think that wage growth would be in a productivity, in an earnings topic, not in affordability. Affordability is the cost of goods. I believe that was the intent of the Premier – she developed mandates and letters to different ministries – and that's been my understanding as well. It's not that our government isn't taking that responsibility very seriously. It just doesn't reside in this ministry. So you'd have to ask either the Premier or Minister of Jobs, Economy and Trade.

Mr. Haji: Does the department consider that purchasing power has an impact on affordability and that policywise it will have an implication on people's ability to make ends meet?

Mr. Neudorf: Yes, we would.

Mr. Haji: Yeah. That's why I'm asking. Even if it sits on a different ministry, it has an implication on affordability.

Mr. Neudorf: Certainly, it does, but we're not the lead, and it's not in any of our business cases. Like I said, our government does take that as a very serious item, and it takes the responsibility and has placed it with JET. So as much as I may feel passionate about it one way or the other, it is not in my business plan. It's not in my mandate. And while it's a very important element, again, I would say that it's on productivity and wage growth, which is earning income. Affordability is in the price of utilities, which we have been mandated to take care of. It's on the cost of goods. That's been our focus.

Mr. Haji: Okay. Let's talk about the tax savings versus cost of living. The government promoted its new personal income tax bracket of 8 per cent on income up to \$60,000 as a solution to affordability challenges. However, when examining the real

impact, many Albertans will see minimal benefit. For example, let's use a woman that lives in Lethbridge-East. A single mom who lives in Lethbridge-East earning an average income of \$36,000, which is the average income of a woman in Lethbridge-East according to the data, will save \$283 per year. When I calculated that, on a daily basis it will come to 78 cents. Meanwhile, the government has introduced increased fees to off-set these modest savings. Through the chair . . .

Mr. Dyck: Mr. Chair, point of order.

The Chair: Excuse me. A point of order has been called.

Mr. Dyck: Point of order, order 23(b). The member opposite is asking a line of questioning that is well outside the scope of this committee. We are on the business plan, fiscal plan as well as estimates for Affordability and Utilities. The member opposite is talking about Finance, which is what we talked about this afternoon in a different committee. So I would encourage maybe a different line of questioning. But I do believe this is a point of order based upon that these are not in any of the documents here to discuss today.

Member Irwin: Yeah. It's not a point of order. I appreciate the member attempting. The Member for Edmonton-Decore is asking probing questions about the ministry, which is exactly the point of budget estimates. I think he's doing a really good job of connecting issues around affordability, so I'd like the member to continue.

Thank you.

The Chair: What I will say is that I think the minister has answered the questions a number of times, that the line of your questions aren't really in his ministry. So, you know, I'd like you to attach it to the business plan but relative to the – when he says that it's not in his ministry, I'd ask you to accept that and then move to another question.

Mr. Haji: Thank you, Mr. Chair. What makes it a bit different with the minister is that the minister's role and mandate is to co-ordinate, meaning that it touches all the ministries. So while it's not the ministry's direct delivery and it has a line ministry that delivers such programs, the ministry has a mandate around co-ordinating on affordability with other departments. My questions are all around the co-ordination aspect of it.

The question that I'm referring to is: the minister talks about the tax saving. So I'm using an example of: the average income of a woman in Lethbridge-East that makes \$36,000 will save basically 78 cents per day. Through the chair, can the minister explain how this plan, which saves cents for Albertans, will meaningfully help on the affordability challenges?

Mr. Neudorf: Well, I understand what you're trying to get at and how you're trying to frame things, but you didn't talk about the basic personal exemption, of which also Alberta income tax has the highest in all of Canada. They're saving a huge amount before they have to start paying taxes, so they're still paying the least amount of taxes of anybody earning that wage in all of Canada, and I'm very proud of that. If you want more details, you'll have to ask the Minister of Finance and Treasury Board, in whose ministry that resides.

As I read my key objective 1.1, it's been related to utilities, which we're talking about; housing, which some of it I have spoken to but mostly resides in the Ministry of Seniors, Community and Social Services; insurance, which resides in Treasury Board and Finance; food, which doesn't fall in any one ministry because that's typically

a federal item. But I talked about how utilities relate to food and other household expenses, which is basically the cost of goods sold, which is why I've kept it there. It doesn't say anything about labour and wages. While I co-ordinate and lead on these items, that one is not one of the ones listed in there.

But I do appreciate the question, and I think, again, a reduction in taxes, particularly for those with the lowest income, has got to be seen as beneficial. Whether it's termed as \$280 a year or 78 cents a day, it's still a reduction in what they cost, and every little bit counts. Particularly if you have lower income, those small, small items really, really matter. That's what we're working on.

Mr. Haji: Yeah. Well, I understand, but we're talking about affordability. We're asking questions on behalf of Albertans. The question is how less than a dollar a day will address the affordability crisis when we are seeing a number of reports showing that Albertans are struggling. That is basically what I'm asking. Okay; let's use the \$2 a day. How will savings that amount to \$2 a day for some Albertans help address cost of living, then?

Mr. Neudorf: I think every little bit counts. That's what we've heard from Albertans, and they're very excited, the ones I talked to, about getting the income tax cut because every single one, while it's in place, is going to manage to save them dollars. Now, \$750 can mean a whole lot, depending on who you talk to. Yes, it might be over time, but it's year after year after year after year. It's a lasting tax saving, and I think that's something to be celebrated, not derided. It's also why we are very proud of having the lowest provincial sales tax, and it is one piece of many for affordability throughout all the ministries that we're working on.

Back to the average cost of electricity, the AESO has recent documentation that says that in January 2025 the average cost of wholesale power is just over \$30, where in 2024 it was \$152. We've really seen that stabilize, and on average it's down by 53 per cent. All of these things together definitely help affordability. If we could wave a magic wand and fix everybody's costs, if money grew on trees, that would be wonderful. I think it was our Minister of Finance that said: if ifs and buts were candy and nuts, we'd all have a merry Christmas. But that's not the case, and sometimes we have to work at it one step at a time.

Mr. Haji: Well, thank you. Since we were made aware of the threat of tariffs from President Trump prior to this budget, through the chair, how has the minister planned ahead to accommodate how tariffs will impact on cost of living, and what is the plan to help Albertans, primarily low-income Albertans, who will be disproportionately impacted?

7:40

Mr. Neudorf: Yeah. That's a very good question and one that we are very concerned with. Trying to find out exactly what the intent of the federal U.S. government is, where tariffs will land, what rate they will be at, and how that will impact through our ministry has been, as you know, a very challenging and moving target.

Alberta doesn't export or import a lot of electricity when compared to neighbouring provinces like British Columbia, Manitoba, Ontario, or Quebec. It's a very small number. What it does relate to is that the entire emphasis of our ministry on our electricity system is to develop reliability. It is why we did what we did with the rate of last resort coming off the regulated rate option, to provide stability, because what we found during the volatile pricing of 2023, especially for those who are lowest income: a rapid change in their utility bills makes it very, very difficult for them to keep up with their bills.

If your household average bill for utilities was one month \$150 and the next month went up to over \$600, or four times that amount, it makes it very difficult for them to sustain a stabilized budget, and something is not getting paid. Going to the rate of last resort provides them a two-year stability rather than a three-month purchasing, where every month they could literally see that price change dramatically. This has had a very stabilizing effect.

Throughout the market-reform work that we are continuing to do is also meant to be stabilizing and a focus on reliability. One of the contentions I know has been on our focus on renewables, but the fact of the matter is that renewables, both wind and solar, are intermittent, and in the growth of our private energy-only market, we did not see a balanced generation mix coming to Alberta at the same time. We saw a massive influx of renewables seeking huge amounts of price volatility and generation intermittency.

The work that we're doing is to put reliability back into our system and through the market allow the response to be more balanced in generation mix. With that, we will also see a stabilization of pricing. That's the focus of that, and that's how we believe we can help all Albertans, whether they be large business, small business, personal, or low income. A stabilization of their utility bills, how that relates to their purchasing power for food or clothing or any other commodity, is hugely significant, as it has a major knock-on effect. That's where the emphasis of our work and our ministry has been.

Mr. Haji: Okay. Well, thanks, Minister.

Through the chair, again, it's not a question directly to a different ministry, but I'm asking a question from a co-ordination perspective. Through the chair, can the minister explain how the department is playing a role of co-ordination in terms of addressing the 15 per cent increase in rent prices that's putting intense pressure on Alberta's families?

Mr. Neudorf: Again, in co-ordination with the Minister of Seniors, Community and Social Services, who is lead on this file, their objective has been to increase the housing supply, which will have the most natural market impact on decreasing rent. If you have 100 houses and 200 families, there will be an increase of rent prices as they have a huge market to pick from, and there will be many people without finding a place. If you have 250 houses for 200 families, then there's an abundance to choose from, and those rental prices will come down. I believe that's where our ministry has worked closely with Seniors, Community and Social Services.

Our government's policy has been consistent. We have chosen to set the conditions and allow the market to respond so that houses get built. At the end of the day, that is the only long-term solution, that new houses continue to get built for those who are moving to Alberta in large numbers to be able to find the accommodations they and their families need.

Mr. Haji: Thank you. Earlier, you mentioned and you talked about the inflation. We do recognize that inflation has been up in Alberta, and a couple of months from Stats Canada reports that Alberta has been leading in terms of inflation in the rest of the country. Given that inflation continues to impact Albertans more severely than other provinces, through the chair, can the minister explain why there are no new emergency support programs in the budget for low-income Albertans who simply cannot make ends meet?

Mr. Neudorf: I don't actually have all the details on other ministries and what they may have done to address that. I will note that inflation prices for electricity have come significantly down

from where they were, and of all the inflationary factors across Alberta, electricity and utilities continue to be amongst the lowest. We do still have our natural gas rebate program in place should the price of natural gas go up. We have some rural utility grant programs to support those who live in northern and rural Alberta. Those are still in place. The average cost for electricity is down 53 per cent year over year from last year. Generation is down.

Now we're tackling the much more difficult aspects of our electricity market, which are transmission and distribution. As those are capital infrastructure, they're billions of dollars of projects that have been built and financed over 30 to 60 years and much more difficult to remove from people's bills because they were built into our energy-only and zero-congestion policies, which we have since changed so that we can actually manage those costs into the future and build on a more strategic plan to support both generation and load – load is individuals or businesses taking electricity off the grid – and those need to be balanced. If you don't do that, then you have industry building and putting forth projects that suit them and their return-on-investment objectives, and you don't get a comprehensive, well-built, balanced system.

That's why we felt that – the focus of our ministry has really been around two words: reliability, in terms of the generation and electricity market; and responsibility, so that developers and participants in our market share the cost of responsibility so that Albertans actually get what they pay for. That's how we've been trying to work on those fronts.

Mr. Haji: Yeah. I really want to come back for the utility aspect of the department.

I wanted to focus more on the affordability side. Through the chair, what specific programs or interventions is the minister implementing, of course, in co-ordination with other ministers to help seniors on a fixed income to manage the essential expenses, specifically when inflation is high?

Mr. Neudorf: Again, that would be for the Minister of Seniors, Community and Social Services in his budget items. I know we've talked about a number of programs, but he knows his programs. I know ours, and ours are rural utilities and gas and natural gas rebate programs. Those are the programs that fall within our ministry, and that's why they're included in our budget.

Mr. Haji: Okay. Given that women are experiencing higher levels of financial anxiety than men according to recent polls, again through the chair: what gender-specific approaches is the ministry considering to address disparities when it comes on affordability and its implications?

Mr. Neudorf: Again, I would direct you to the minister of the status of women and culture. I think she would have some of those supports within her ministry. If not, again, it would be in Seniors, Community and Social Services. You'd have to ask them for specific programs. That's where they reside.

In terms of our work, again, utilities are a basic and essential need for Albertans no matter who they are, where they live, what ethnicity, gender, or demographic they are. That's why we continue to work on the utilities basis to support Albertans in every way, from food and clothing and other purchases, by helping make sure that their utility prices are (a) affordable and (b) stable. That's where our objectives lie.

Mr. Haji: Yeah. I will assume, as the lead department around affordability, that you'll be working with the ministry that is responsible

around issues of women. Have there been any conversations throughout the budget process around that?

Mr. Stephan: Point of order.

The Chair: Point of order. Go ahead.

Mr. Stephan: Yeah. I'm just wondering: where is that in the budget plan for this ministry? I see no relevance, 23(b) and (c).

Member Irwin: Yeah. You need to reference the standing orders.

It's definitely not a point of order under 23(b). The member has been actually quite diligent in referring to budget ministry documents, and I would prefer that folks don't waste his time with frivolous points of order.

Thank you, Chair

The Chair: You know, I noticed you're talking in general terms. I'd like you to get more specific on the item relative to what this ministry can answer. So if you could focus on that, that would be good.

Mr. Haji: Thank you, Chair. I'll be referencing straight to the first paragraph of the mandate, which is under objective 1.1. If you read that, the minister's mandate stipulates the co-ordination of departments or government's efforts to address affordability. So when it comes to women, my assumption will be, based on reading from the mandate, that the minister's responsibility is to work with the ministry of status of women and look into issues that are impacting affordability when it comes to women.

7:50

The Chair: Yeah. Like, correct me if I'm wrong, Minister. What you're saying is that you don't dictate those policies relative to women, right?

Mr. Neudorf: That is correct, Chair.

The Chair: So what he's looking for, as best as I can understand it, is: what role in co-ordination do you play? They have something that's relative to women; what do you do specifically? And if you don't, then just say that, and then we'd move on.

Mr. Neudorf: Again, thank you very much, Chair, and thank you, Member. The lead in co-ordination, but it is quantified further down to utilities, housing, insurance, food, and other essential household expenses, not every item. We do not have a ministry-to-ministry conversation on women and gender issues. That's not part of the mandate. It's not included.

However, I will say that we have held quite a number of affordability round-tables around the province and have invited individuals and stakeholders from every walk of life, including women's shelters, and have had conversations with them in that way, and we would forward those conversations at cabinet, where those ministries like status of women and culture would be there. But, again, we don't lead on that. That is a ministry line item that would either reside in that ministry or Seniors, Community and Social Services. Again, while it's an important issue, it is being led by other ministries at this time.

Mr. Haji: Thank you, Minister.

Many Albertans living in older homes face particularly high heating costs. What energy efficiency programs or subsidies is the ministry offering to help these homeowners reduce their utility burdens?

Mr. Neudorf: Great question. At this time we don't have additional other than the rural utilities grant and some of the supporting natural gas rebate programs. However, we are endeavoring and beginning the work on demand-side management, or DSM, as you would well know, which would empower individuals, no matter where they live or what type of home they would have, to take back more control of their utility bills.

As we endeavour – and we've asked several independent, not-government agencies related to do additional work. Some of your other members might know the Energy Futures Lab. We've asked them specifically to look at this item and provide recommendations to the government in a nonpartisan way to help establish programs that we could further implement, particularly related to distribution and demand-side management. As our entire market structure currently doesn't incentivize that for business entities in terms of distribution companies, they would make less money by being more efficient. Obviously, that's a disincentive to become efficient, so we've asked them to consider the breakdown of how we could integrate higher levels of efficiency, better levels of personal autonomy from a rate-based perspective, and allow those who make good energy choices, which many seniors often do, actually – they choose to wash their clothes or their dishes after peak hours. But there's very little to no benefit on that because it's one price 24 hours a day.

If we can get some of this technology and some of these recommendations implemented, there may be at some point in the future an increased cost either to the taxpayer through our ministry for a funding item for a capital expense like AMI technology or smart meters – there are a number of technological infrastructure advancements we think we could make to significantly benefit Albertans no matter where they live and reward them with time-of-use rates that they could then utilize to empower themselves to make choices that actually show up in cost savings on their bills – or it could be in terms of different rate structures to allow further competition through our private retail base, where these programs are paid for through participation from the community but in such a way that rewards good energy choices and allows for virtual power plants. While we don't have those programs yet, we have begun the work to do the research to be able to incorporate them coming in later this year, likely into the following years.

Mr. Haji: Thank you, Minister.

I will cede the remainder of the time to my colleague.

Ms Al-Guneid: Thank you. Well, thank you, Mr. Chair. Before I start, thank you to the public service for all the hard work, for creating the budget for us, for Albertans, and for your advice to the minister. Thank you.

I'd like to start with objective 2.3 on page 15 of the business plan, on streamlining the legislative requirements and regulatory processes to better attract investment and encourage more affordable utilities for Albertans. The government has started a complicated and endless restructured energy market redesign. It is mentioned in the business plan on page 15. Mr. Chair, when I talk to anybody, literally anyone in the electricity sector right now, there's an immense sense of uncertainty and confusion in our market. It is too much, and it's too fast as changed. The analysts cannot even model all the market features and the bells and the whistles that the government and the AESO keep adding into the market design as they go. It's clear that this REM process has undermined investors' confidence in the electricity market. Through you, Mr. Chair: how is the minister maintaining competitiveness in the market when he keeps adding so many

distortions and so many bespoke features in the market? Sometimes I wonder if we're in the fashion industry.

Mr. Neudorf: Thank you for the interesting question. I do appreciate that. It is ironic, the selective and short-term memories that many of us have at different times in our life.

In regard to the restructured electricity market, when we commenced with this, virtually every participant in the market recognized and agreed that we needed to do change. We have begun that change predominantly to find a way for the market to respond in a free market economy, to add reliability to that. Now, while we have led that charge and we've enabled legislation to allow our regulator, the AESO, to do that work, we aren't doing that work directly. Now, including up to the last IPPSA conference, the independent power producers conference, that we attended, we heard the two conflicting concerns: you're going too fast, and you're going too slow.

We have commenced what in Ontario has taken over nine years to accomplish, and they still aren't finished. We have talked with Texas, who is also in about year 5 of restructuring their market, and they're still not completely satisfied with how that's working. We've talked to California, who's done a number of iterations, and they're in multiyears of theirs. We are on track to have our final decisions made this summer on a restructured electricity market.

While many of the topics of conversation – I will ask my representative from the AESO here to add to this in terms of investment and other comments. The work that we have done and the work we've asked them to do is inherent in them asking all the questions. Whether we actually land on a certain decision or a certain policy, it is still due diligence to inquire and work through all the possibilities. While many of the items would be bespoke or novel and new to Alberta, many of these have been implemented in other jurisdictions that most similarly align with Alberta. One of the greatest challenges is that no other market in all of North America is exactly like Alberta. That's been a great challenge because we are the only non publicly owned utility in all of Canada, and there's only one other jurisdiction in the United States, that being Texas, that has a nonpublic utility.

I'll let you ask another question, but I am prepared to have my AESO come and speak to this as well.

Ms Al-Guneid: Thank you, Minister. No. I mean, I do agree. We needed reform. There's no question. The question is on the so many things that keep adding every month. Mr. Chair, the minister has oscillated with the introduction of market features like negative pricing and the congestion avoidance market, like CAM. The reality is that companies have invested billions in our market without these new proposed features. They invested with a price floor of zero dollars per megawatt hour. They invested in a market that allows only minimal temporary congestion.

But now, the government signalling that they will add new rules on current investments, they won't have market access for all that energy, so they will be spilling energy and paying for the privilege of supplying low-cost power to consumers. This will change the economic models, the risks and profit margins they had invested in. Mr. Chair, it's impossible to invest in a market that's constantly moving. It's been a year of this movement.

8:00

Through the chair to the minister: how is the minister protecting existing investments, and what is the government prepared to do to compensate these investors for suddenly changing these rules? I guess, is the government prepared to compensate companies or pay for financial transmission rights? What is the ministry prepared to

do to restore the respect and confidence of investors in our jurisdictions right now?

Mr. Neudorf: Again, I'll have the AESO director come up and speak to some of that. But the irony is that we have surplus generation now, and we don't have the new market structure. We have had tons of investment coming into Alberta now with no access to markets, so it's being managed anyway. All we're seeking to do is find a new and better way to manage it because it's not working. They made those investment decisions under the current circumstances, and they are facing the same consequences as you've just outlined. What we are trying to do is make sure that going forward we have a better investment signal so that we get a more balanced market and we manage congestion.

I'll ask the executive director of the AESO to come and supplement that answer, if you'd be so kind as to introduce yourself at the mic.

Mr. Engen: Thank you, Mr. Minister. I appreciate the opportunity to be here. I was a legislative intern here . . .

The Chair: Could you introduce yourself?

Mr. Engen: Oh, I'm sorry. Aaron Engen. I'm the president and CEO of the Alberta Electric System Operator.

I was going to say that it's a great honour to be here, to be able to help enlighten the committee on some of these important issues. I used to be a legislative intern here in 1986 and 1987. I used to be involved in writing the questions and writing the answers, and it's fun to see how this dialogue plays out here.

With respect to investor interest, I continue to meet with investors all across the country, as recently as just a few weeks ago. Yes, investors are waiting to see how the market design plays out. None of the concepts that we're dealing with today are foreign to investors. They are keen to hear where we land, and they're very troubled by what they see in other jurisdictions. As the minister has talked about, ERCOT in Texas is taking many years to redesign their market. I had conversations with the leadership team in PJM, which is a big market in the northeast U.S., and they're still struggling through issues with respect to their market design, to be able to make things work well.

In terms of how things are playing out in the marketplace here today, frankly, we're running at lightspeed. To be able to get through a market redesign in about a year and then implement the rules with the speed and pace we're working on here is truly record breaking in terms of market redesign. The organization, stakeholders, investors, everybody who has an interest in what's going on in the marketplace have the opportunity to be able to speak in front of the AESO in sprint sessions. We had big sessions just last week on congestion. We wanted to call it shark week because it was a very challenging time to be able to hear input from everybody, but we're increasingly able to reach consensus with people on how the market design is going forward.

I'm also mindful that as we walk through these various alternatives, you talk about everybody in the market. Every stakeholder, whether you're a generator or a consumer, has the opportunity to go through the list of objectives, give comments on them, and then what we do is we work to try and find consensus. Sometimes it's a challenge, but ultimately we'll get there.

Also, I want to say – I've often heard people talk about bespoke elements of the Alberta marketplace – that there isn't anything that we're doing here in Alberta at this point in time that hasn't been done in some fashion somewhere else in North America. The only way we've been able to do this is that we have people working with

us that have experience across North America and are able to take principles and put them to work here in the province.

Ms Al-Guneid: Again, through you, Mr. Chair, I think we are in agreement that none of these features are new. Like, the whole world is redesigning their markets. Electrification is happening. I think we're in agreement here. The challenge is that it's too many features all at the same time, and when economists cannot model what that actually means for investors, to convince their shareholders, that's a problem. That's the point here.

Mr. Chair, the minister and the government have signalled that they are introducing legislation to enact REM design. The minister has signalled that the government is okay if the market design is at 75 to 80 per cent of getting it right, so to speak. Through the chair, how does the minister think the markets will respond to this 75 to 80 per cent success rate?

Mr. Neudorf: Yeah. Great. Again, to the too many items: just because we're talking about an item, it doesn't mean that we've decided to use that. In fact, just today we sat down with the AESO. There are six. We're talking about six items and deciding on them. Depending on how we end up working with them on that, it might be less than that. All six of those have been introduced and talked about. There are some that we may not proceed with or we may not proceed with at this time.

I think, and I absolutely believe, with many indicators, including a visit to Toronto where we spoke with many global investors, North American investors, some of the largest that we have – we gave them our time frame, which they thought was reasonable. We gave them the assurance that we would be making these decisions in that time and then modelling a phantom market in parallel with our current market to allow industry to learn how the new market would operate for a period of time before full implementation. Again, the market has responded very strongly to that. Investors have responded very strongly to that. Given the number of investments that we currently see already in our market and continuing to come to Alberta, we think that once these decisions are finalized and we show the practice map to implementation, that will only increase the number of investments.

Right now there are two items that are slowing the amount of investment in Alberta. One is the relative low cost of generation right now. We already have surplus, and without load or additional access to other markets, just natural economics is slowing some of that investment. The other is the clean electricity regulations, which have really put a detriment and a dead cliff for natural gas generation of 2035. We see those things as well as all of the instability at a federal level both in Canada and the U.S. Those, actually, are much larger investment insecurity items than the work that we're doing in our markets, as our AESO executive director just shared.

Ms Al-Guneid: So there is uncertainty everywhere.

Mr. Chair, I would respectfully disagree, and I would add that no respected, credible, and publicly traded company will be putting or be willing to put billions of dollars in any market with a 75 per cent success rate. My question is: why wouldn't the minister, through you, Mr. Chair, put the legislation when he's at least 90 per cent confident with the success rate?

Mr. Neudorf: Fair enough. For my speech I did use a 75 to 80 per cent rate, which was based on the decisions, not the functioning of the market. To the legislation we're putting forward, it's enabling legislation so we can continue the work on restructuring the energy market and get to those decisions so we can finalize this time where

we have some level of uncertainty because we are making changes. But we are making changes that bring reliability to the market. We're bringing changes that stabilize costs for consumers.

Actually, despite what the former NDP government thought when they brought in renewable growth to Alberta at a great rate, which has many positive attributes, the negative attributes are that we saw a tremendous increase in transmission and distribution costs. That was the negative flip side that was never talked about. Most Albertans' bills are 60 per cent transmission, distribution, and a large portion of that is because we went from a small number of defined coal or natural gas generation sites to well over 200 unique new renewable sites. With our zero congestion policy every single one of those transmission costs and upgrading lines, sometimes year after year after year on a 30-year contract or a 50-year contract, Albertans are paying.

If I could get the AESO director to come back once more. If you could talk about cluster 1 and cluster 2 investment and the numbers of megawatts that are in those, I think we can show that investment interest in Alberta is still very strong.

Mr. Engen: Thank you, Mr. Minister.

The Chair: I'll just get you to introduce yourself again.

Mr. Engen: Oh, each time. Sorry. Aaron Engen, president and CEO of the Alberta Electric System Operator.

As it stands today, we have two what are called cluster studies. Those are two big groups of generators who want to connect to the grid. The AESO breaks them into two large groups to be able to analyze, "How can they connect? What's the impact on the grid?" and move them through a process. Currently in our cluster 1, where projects are well defined, well through the approval process, we have roughly 5.6 gigawatts. That's 5,600 megawatts of generation. Of that, 1.3 gigawatts is gas-fired generation and 4.3 gigawatts is wind, solar, and wind and solar backstop by batteries. There is, as I say, about 5.6 well advanced.

8:10

On cluster 2, which we're just getting under way with, we have 17.5 gigawatts of generation in our connection queue. We have about 4.2 of gas. We have for the first time 3.7 gigawatts of battery storage on a stand-alone basis, and the remainder is wind, solar, and some battery along with that as well.

If you roll that up in full context, that's about 23,000 megawatts of generation in our connection queue looking to join and connect to the grid in the context of currently 23,000 megawatts of generation, of capacity that's in operation in Alberta today, and that's against a market where our average load, average consumption is about 10 gigawatts of load.

Ms Al-Guneid: Okay. Thank you.

My biggest indicator is the FID. That's the financial investment determination of a company. That's the biggest indicator. Last year Alberta saw just one PPA; that's 52 megawatts as well. That shows that many in the private sector are also waiting to see when the market design will end in order to actually sign PPAs. So there are many indicators. I'm happy to see companies in the queue, but there are also the FIDs and the PPAs as another performance indicator.

One last question. I'm looking at the time here; two minutes. Through the chair to the minister: what is the one thing that this government could do today to incrementally reduce the investors' uncertainty and to restore some confidence in our market? Just to reduce the confusion, I know you're trying to push the legislation, but what is that incremental change that could restore some

confidence and show people that there is light at the end of this design tunnel?

Mr. Neudorf: Fair question. I think we've done that. We did that at IPPSA. When many people asked, "Hey, could this be slowed down? Could it be delayed?" I said, "No. We are prepared, and our government has given full support, both at cabinet and caucus, that we will have these final decisions in place by the summer of this year." Again, the legislation that we're bringing forward this spring is not defining legislation; it is enabling legislation so that the decisions made by the AESO can be put in place. I think the very fact that we are continuing to move forward, we are continuing with unprecedented market and stakeholder response and engagement, we've narrowed our decision points down to six or less: they see a very reasonable path towards conclusion, that this summer we will have the structure and decisions made for the beginning and development of modelling and additional implementation for a restructured electricity market.

Many of the bespoke natures will be reduced, and the AESO will have an incredible amount of time to fully explain what each of the decision points are, how they work together, how that helps incumbency. There are decision points that will definitely benefit those who are currently capital in the ground and define how they are treated differently than new market entrants. But both will have certainty, and we think that the final decisions made by our government on this market as well as transmission policy will allow for that certainty to return.

The Chair: Thank you very much, Minister. That concludes the first portion of the questions from the Official Opposition.

Just before we move to the next block from the government side: we will take a break after this 20-minute section.

We will now move to 20 minutes from the government caucus. Member Dyck, you're asking a question. Did you want to share time?

Mr. Dyck: I would love to share time with the minister.

The Chair: Okay. Well, I guess we're good. Again, go ahead. Same rules apply.

Mr. Dyck: Excellent. Well, thank you, Minister, for being here on this beautiful Wednesday night, sharing it with us, and thank you to all your staff, your ADMs, your DM, and everybody else in the back as well for being here. It's a great night to talk about electricity, affordability, and utilities, so thank you for being here.

I want to start off with my very favourite conversation from being in northern Alberta: distribution. One of the challenges of living in northern Alberta is that our distribution rates can be significantly higher, three to five times other locations across the province. There are significant blocks then as well for people living in rural Alberta, in northern Alberta. So it's no longer just a concept of: oh, it's going to cost you a little bit more. It costs you significantly more in northern Alberta, and when people are moving, that's one of the considerations for people. So we actually have a challenge in northern Alberta for drawing people in and wanting them to stay.

It's key objective 1.4 to keep utilities affordable, so can you just talk about what you're doing on distribution? Maybe how we can make some changes if there are changes – maybe there are changes – but just that discrepancy there. Then I've got a couple of other questions just on it, too, as well.

Mr. Neudorf: Certainly, and I will point this out. This may be a unique time. This is an issue that's long standing, and I'm not going to blame the opposition or former NDP government. This is not

something that – they inherited it, just like we did. Our electricity system in Alberta has developed over the last 70 years or more. It came, particularly in our rural areas, out of a time where electricity was a new luxury, and individuals, farmers, families couldn't get it unless they worked together. In fact, at the time farmers and ranchers and people who lived in rural and remote Alberta asked the government of Alberta if they could help get electricity to their farms, and the government said: no, it's too expensive; we're not going to do it.

What the Alberta spirit and ingenuity did was farmers got together, created the rural electrification associations, the REAs, and they built the lines and wires themselves, and they got that out there. It's just a tremendous history. I think every Albertan should be proud of that. One of the elements of conquering the frontier of Alberta was through electrification and the revolution that it actually helped for families to have lights. I don't think many in this generation can actually fathom what it would be like growing up on a farm in the middle of nowhere, often without running water and with no electricity, no lights, no refrigerators, no television, and certainly no cell phones.

This is the development over many years. In the '90s, again, long before the NDP came or our government came, they deregulated the market, and we began the journey of the current structure that we have now, which broke our electricity market into the four elements that I described earlier: generation; transmission, which is your large, large towers and wires, the spinal cord of our electricity system in Alberta, if you will, taking power north-south and east-west; distribution lines are your smaller lines and wires on the side of the road, the poles put in there, distributing electricity to small communities and cities, internal to their cities, to ranches and farms, and different industry wherever they might be; and then of course the last element is retail. We have a very robust, competitive retail market here in Alberta.

Over time that has continued to evolve and change, but one of the elements that has remained constant in the distribution section of that is that the residents of a certain region will pay for the distribution of their region. And if you have a small population and a very large geography, which we do in much of rural Alberta, you pay for hundreds of thousands of kilometres of lines and wires with very few residents, which is why there is a disparity in the distribution costs for those depending where you live. Transmission is a shared cost because all in Alberta, industry and cities and rural, share in that system, so they share an equal rate on that.

Generation is also shared. It doesn't matter where the generator is within the province. We blend those costs, and we all benefit from the industry and development that we've seen in the province.

But distribution is still unshared, and that's why, relatively speaking, cities like Calgary and Edmonton, our two major cities with very high populations and relatively small geography, pay very low distribution costs whereas in the southern region and the northern region for our four major distributors we have much smaller populations and much larger geographies, realizing that the southern region pays significantly higher than Calgary and Edmonton, but the north region pays, to your point, three to five times as much in distribution. That's where we find ourselves.

8:20

The solution to that is a challenging one. There are federal Supreme Court rulings that no consumer of a product should have to pay for someone else's benefit of that. We need to make sure that we have carefully considered arguments saying that all Albertans benefit from different regions in different ways and sharing costs can benefit all of us in appropriate ways. It's also a factor where, in earlier conversation with the members opposite, managing the

demand side or the consumer side of the equation affords us, actually, a tremendous opportunity to benefit all Albertans no matter where they live and potentially have the greatest amount of impact on those in rural and remote areas, where they can benefit most from that new technology.

Not all solutions, as in the olden days, are lines and wires. We now have battery storage. We have hydro pump storage. We have geothermal. We have biomass. We have many other new technologies that are constantly evolving, and we have much smarter technology in the management and programming with AI, artificial intelligence, capabilities to help consumers really zoom in on their usage and control their own costs. Empowering Albertans to save on electricity is something I am very excited about the future of in Alberta because I think it is in tune with that innovative spirit, to allow them to do a lot with a little, and I look forward to developing that program later this year.

Mr. Dyck: Thank you for that, Minister. I think it's super, super incredibly important for all of northern Alberta, for many of the MLAs sitting at this table. This is a key aspect of affordability, and thank you for looking at it and seeing if and how you can make changes there.

Now just pushing a little bit more here, Minister. Some of the challenges on transmission and distribution have also been – it seems that the charges have increased in recent years. What is your ministry doing to provide relief on these increases? Can you just explain that, maybe explain the increases and also what you're going to hopefully do, maybe corrections, or what your ministry is doing about that?

Mr. Neudorf: Certainly. Over the last 20 years or so there are two major factors in the increase in transmission costs. One was a large transmission build-out in the early 2000s that anticipated a huge amount of growth in Alberta, and those costs were extremely large, building for the future. It was a large infrastructure investment on the province, and then we had several recessions. We had some natural disasters, the floods and some hailstorms and different things, and the economy took a turn. So we bore costs that we weren't fully utilizing. We paid the full – with the policies that were in place, transmission rates go fully to the ratepayer, so they were paying for all of that while not realizing the benefit of that at the time.

The second is the rapid growth of renewables in the mid 20-teens, where they came online and with what I described earlier, going from about 15 constant sites of coal mine or natural gas generation to well over 200 individual unique sites, and attaching all of those to existing transmission utilized any megawatt space on those wires to fully utilize them and then some and added huge, huge amounts of additional transmission and substation step-up and step-down costs for those unique sites.

That's where, in that time frame, we saw the inversion. It used to be 60 per cent of the bill was your generation costs and 40 per cent was transmission, distribution, and rates and riders and fees and taxes. Maybe I should also mention carbon tax in there. That was added significantly, and that was a major increase in taxation at that time. So into the mid and late 20-teens we saw transmission and distribution rate riders, fees, and taxes become 60 to 65 per cent of the bill and generation down to 30, 35 per cent. Once we got through the pandemic and the minister assigned me this portfolio, she asked me – and with support all across industry, all across Alberta, all across stakeholders. They said: There are a lot of problems in our electricity system, and these costs are out of control. Who's actually defending the consumer, who just has to continue to pay these transmission, distribution costs with no one

to stand up for them and no one to defend them because 100 per cent of that cost was borne by the ratepayers no matter who decided which projects went ahead or not?

That's when we began the journey to address our transmission regulations, which we've done. We've done two significant changes, probably a couple more, but two significant ones that I'll mention here. One is that we've moved away from zero congestion. Zero congestion means that once a line is full of electricity, if there's more generation put on at one end or more load on the other, those lines automatically have to be increased in size to carry that. Congestion can cause a lot of challenges in the electricity system. It creates heat on the lines. It has to do with their slack, different temperatures, and if they break, then it can cause fires. A live wire hitting grasslands or forestry areas can cause fires. So that zero congestion rule, while a very good rule, was having an unintended consequence of constantly increasing the transmission infrastructure and adding costs to the ratepayer. So that was one. That's why we backed away from that to more optimized transmission planning, to say: where can we put generation and load to utilize the space that's already on the system and not always have to build more, build more, build more?

The second one is cost causation, which, rather than just a black and white ratepayers pay this and load pays nothing or load pays it all and ratepayers pay nothing or a 50-50 split, which is very arbitrary, we went to what's called a cost causation principle, that says: What's driving this cost? Is it population growth? If it's population growth and a community that's growing, it would be right for those ratepayers to pay that cost so that they can get electricity to their houses and their businesses. Is it industry that's growing? Are they building a new factory or plant? Dow Chemical is a large one, that our government has had the excitement of introducing, that's going to need a lot of power. That's great. They're willing to pay for that. They should pay for their cost of transmission to get the power that they need to operate.

But if it's not being driven by those things, what else could it be driven by? Well, it has in recent years been driven by developers wanting to build a generation plant somewhere that suits their needs, with large transmission costs, knowing that they can build there because it's really good for them, but Albertans have to pay for that. Well, we don't think that's fair. We think that standing up for Albertans and saying: Who caused that cost? Did we need that cost? If we didn't quote, unquote, need it – and that's not to be decided by government; that's to be decided by the arm's-length regulator – that's fine because we have a free market economy. You want to build there, you can build there, but you're causing this cost, so you can pay for that cost. If you can have someone else agree that they're willing to share that cost with you – great – then it can be split. But if you don't and you can't and a municipality or an industry partnership or someone else doesn't want to pay that cost, you can still build there, but you're going to pay the transmission costs as a cost causation principle. We think that's fair and balanced for Albertans.

These transmission regulations were always meant to be what were deemed locational signals. Where do you build? They weren't working. People were building wherever they chose to anyway. So we worked with industry on this. These are reasonable and fair and we think will protect consumers on transmission costs to a great degree while still allowing our province to grow and thrive, with a more fair distribution of costs for that development and growth.

Mr. Dyck: Thank you for the wholesome answer. I greatly appreciate that.

I'm going to switch – it's still about electricity, but I want to talk about data centres. This is an incredible development potential, I

think, for Alberta. We've seen a lot of interest in this. I believe on page 11 you are supporting the Ministry of Technology and Innovation to implement the AI data centre strategy. One of the key things is making sure we have enough power and have a reliable power grid, incredibly important as data centres suck a lot of power, suck a lot of juice, and that would demand extra electricity, too, as well. How are we going to protect the reliability and affordability of our electrical system from being impacted by the growth of AI data centres and that sector?

8:30

Mr. Neudorf: Yeah. Great question. Appreciate that. One of the objectives that drives our ministry and, I believe, our government is putting Albertans first. We think that there's a tremendous opportunity here for Albertans if we do it right. That's why you'll have heard our Premier and minister of tech and innovations talk about: if you want to come and bring a data centre industry to Alberta, be prepared to bring your own power. We don't want you to just plunk down somewhere onto our grid and increase costs to Albertans by increased competition for the generation megawatts that are available.

We think that obviously there's a lot more nuance, there's a lot more behind those statements, which is what our ministry is working very closely with our regulators, the AESO, the AUC, and the MSA to name a few as well as the Utilities Consumer Advocate to make sure that we get this planning right. We believe that if we locate these data centres and generation that they bring with them in the right place, they can grow and thrive, and Albertans can benefit. They can help pay for some of the transmission bill that's already existing in our province, thereby lowering the transmission costs for everyone. If they bring their own power in the right way, they can increase reliability if they don't use it all, and they can put some of the extra generation into the grid to provide, again, additional lower cost generation for everyone else while increasing our industry and potentially spinoff industry from the data centre and computation skills that they've got.

This does require a certain amount of foresight and thought because location matters. There are five critical elements – and hopefully I remember them all, otherwise I'm looking to my team to help me out – that are required for each one of these sites. One is access to water. Water is a significant requirement and in limited supply in different regions of our province, so location really matters in terms of that.

Connection to transmission. Again, it's somewhat self defeating if we put it too far away from anywhere and have to build huge amounts of transmission to cover the cost of the generation. That doesn't help, so transmission matters.

Fuel source for their generation. Many of these data centres have a desire to see a good, balanced mix of wind, solar, storage, and natural gas for reliability. We think that's great, but they'll still need fuel sources. Not everywhere in the province has equal access to sun or wind or even natural gas, so that's a consideration.

Roadways, just for construction and accessibility, are a significant consideration. Probably one of the minor ones, but building roads still is expensive.

And the last one, which is a key consideration which I should have thought of first given that we're talking about data centres, is access to fibre optics. That's how you transmit and move around the commodity that they're building with the data centre, which is computational skills, computer skills. Not everything is on the cloud; you still need fibre to move some of that around.

So those are five pretty significant areas. Along with the ministries of Technology and Innovation and Jobs, Economy and Trade, we've developed a map of Alberta that highlights the nodes

that have greater availability to all five of those, or three, or four, or two, or one, or whatever the case may be, to help inform the locational decision-making for data centres and generators that would work in conjunction for the maximum benefit to their business and to all Albertans.

Mr. Dyck: Excellent, excellent. Well, I really appreciate those five points, Minister. That's excellent. Just a quick pitch for all those people watching: Grande Prairie and area has all five of those things. I think it's a great location. But I do appreciate your work on this. I know it's significant work. It's new work, so it is exciting, and I think you have a big role to diversify our economy through this potentially, too. Thank you for your work on that.

I think that's our time.

The Chair: That concludes the government members' first block.

We'll now take a five-minute break. That gets us back here at 8:39. Thank you.

[The committee adjourned from 8:34 p.m. to 8:39 p.m.]

The Chair: If I can get everyone to grab their seat, we'll get started here. Okay. Good.

We now move to the second round of questions and responses. The speaking rotation going forward will be the same as the first round, starting with the Official Opposition followed by members of the government caucus. However, speaking times will now be reduced to five minutes for the duration of the meeting. We will begin this rotation with a member of the Official Opposition, who will have up to five minutes for questions and comments, followed by a response from the minister, who may speak for up to five minutes. After both individuals have had an opportunity to speak once, we will then move to the next caucus.

If the members want to share time – and I'm going to assume that for the purposes of what we're doing here that's what we're going to do – the total time is 10 minutes, and no one can speak for longer than five minutes straight. Please remember the discussions flow through the chair at all times, and you can't cede your time in this area. So if you run out of questions or things to say, then we just move on, and you lose that amount of time.

Our first questioner on this is Member Haji. Go ahead.

Mr. Haji: Thank you, Mr. Chair. Well, we're still going shared, I guess.

Mr. Neudorf: Yes.

Mr. Haji: The rate of last resort that the minister spoke about replaced the regulated rate option on January 1. However, according to page 39 of the estimates, the ministry is now spending \$4 million this year and \$5 million in future years to discourage enrolment of the ROLR program. My question, through the chair, is: why did the minister set the dollar rate so high, almost double the market rate on some occasions, and can the minister confirm whether most of these ratepayers who are now paying the highest electricity price are low-income Albertans?

Mr. Neudorf: Thank you for that. I'll first point out that the government or my ministry did not set the price. It was a negotiated price between the Utilities Consumer Advocate and industry stakeholders, governed by the Alberta Utilities Commission with the Market Surveillance Administrator monitoring the negotiations to make sure that they are fair and comprehensive.

Again, as I said earlier, the ultimate objective was to get a fair and reasonable rate but not necessarily the lowest rate. It was meant

to be a rate that was stable and sustainable for a two-year period. Prior to this when it was a regulated rate option, the providers who had to provide the default electricity rate, which this is – this is a default rate, which by definition means that there's no other rate available. The regulated rate option: one, the name gave the false impression that it was regulated and governed by some body to make sure that it was within a reasonable rate at all times. It was not. It was a volatile rate that, given the way the market has grown over the last few years, was becoming more and more volatile, as evidenced by the increased, absolute rate shock that most consumers who are on it felt in August of 2023, where it went up from 20, I think, 21, 22 cents a kilowatt hour in July to 33.1 or 33.2 cents in August. That's an over 35 per cent increase in one month. Given the way that different bills and fees, particularly in Calgary, were enabled, many members who are on it, many consumers who are on it have seen their bill triple or quadruple.

The goal of the rate of last resort was, one, to create awareness through the name, and this came from industry. It was an industry-suggested name, not one that we developed within our ministry, although we had to make the decision on it, but this was one provided. And two, that it was stable. Now we've authorized the purchasers of power to buy up to two years of power, thereby stabilizing that rate commitment for two years, and they can only see a 10 per cent adjustment except for extreme times in the market where we've created release valves.

Mr. Haji: Has the ministry made any assessment to see if the 400,000 estimated number is predominantly low-income Albertans?

Mr. Neudorf: It's constantly changing. Initially, when we began this work and made the change, there were very near 700,000 Albertans on the ROLR that transitioned to the rate of last resort. That number is down now to, I think, less than 400,000. Many of those individuals are not low income. They are, in fact, people new to Alberta. Again, as the default rate when you move somewhere, when you move to Alberta, particularly from any other province in Canada, you would be used to a public utility.

8:45

Mr. Haji: Have we done any analysis, though?

Mr. Neudorf: I'm getting to that. Sorry; I am not meaning to belabour the point.

They need a default rate because when you move in, you don't have time to get a credit-rating review. You don't get a chance to establish that. You're a newcomer, but you need electricity because you've got to keep your food from rotting in the fridge and freezer and you need lights and water and pumps and all of those kinds of things. So you just get power for one, and you're set on the default rate.

Ironically, the rate of last resort's current rate is almost the same as the rate of last resort was before; 12 cents and change. Very, very similar. The analysis now shows that while newcomers are quite a number on that, there are some who are low income although many individuals in Alberta who are low income have many other programs available to them, including that we're aware of at least three private retailers who have specific competitive market rates meant for low-income Albertans that are better than the ROLR. The ROLR also has some in rural communities where they have no other competitive rates available to them.

So there is a good mix. Some are low income, some are newcomers, and some have no other rate available to them.

Mr. Haji: Thank you.

Through the chair, in geographic areas, especially rural Alberta, where there are no competitive providers, what is the strategy in terms of helping on the affordability side of that?

Mr. Neudorf: Again, they were on a fluctuating market rate anyways. Some of those individuals in rural Alberta are on farms, and their electricity usage is significantly higher than those in urban settings, so the volatility – I've talked to some farmers where their standard monthly rate was \$50,000 for a monthly bill. If they're on a volatile rate, like the RRO was, and they saw that price shock in August, their rate went from \$50,000 to \$250,000 in one month. So they appreciate the stability that we've offered, that that cannot happen. They have certainty for two years now, and they appreciate that.

The average rate of the RRO, which was just over 12 cents, is virtually the same as the new ROLR rate. If they have no other options, this is still a better option than what it was before.

I will go back to your previous question. Just one thing. Reporting to the Utilities Consumer Advocate happens – whenever somebody is on the ROLR, after 90 days the Utilities Consumer Advocate is contacting them and testing with each customer if that is their only option or if they have a better option or if they can qualify for some other program, a more competitive rate, or something else. Seniors, Community and Social Services has supports for vulnerable Albertans that the UCA can help direct these individuals to. So they have services provided to them from many areas, helping them out, particularly if they're low income.

Mr. Haji: Combined this year, the 2025 budget, and the subsequent year, the ministry allocated \$9 million to discourage people from ROLR. Do we have some sort of benchmark in terms of how much – like, from a return of investment perspective, how many Albertans will be removed from ROLR to the competitive market?

Mr. Neudorf: Yeah. On your first point, there is a rate rider for the Utilities Consumer Advocate in the ROLR price. It is one-tenth of 1 cent. So if the rate is 12 cents a kilowatt hour, it's 12.01 cents a kilowatt hour. That's what is self-funding, and that money does not come to government, doesn't go to general revenues. It goes to the Utilities Consumer Advocate and their work supporting these consumers.

I think we have a chart that shows the percentage decrease on the ROLR. On the default rate in 2020 – is this how many people are coming off? The number of people switching to competitive retail rates: 2020 54 per cent; 2021 56 per cent; 2022 61 per cent; 2023, when we had the price spike, 67 per cent; and now, with our continued advocacy, in 2024 75 per cent switching off of the ROLR. We're taking that as a very positive indicator that the information and education that the Utilities Consumer Advocate provides is helping inform individuals, and with great success they're finding alternative lower cost options available to them.

Mr. Haji: In the remaining 45 seconds, was a rebate considered?

Mr. Neudorf: We did a rebate in 2022, and we did consider that. The problem is that it's a lot of dollars that don't always equally reach consumers. It's very hard to identify the financial situation of a consumer through a meter, and then it's not sustainable because it continues to be a tax-funded situation where information and education will go with those consumers, customers wherever they are. And at an extremely low rate of one-tenth of one penny, it doesn't even make a dollar or two difference on an individual's bill.

The Chair: Thank you.

Our question now comes from Member Hunter. Go ahead. You have 10 minutes.

Mr. Hunter: Thank you, Mr. Chair, and thank you to the minister and his team. Minister, the changes that were made to the default electricity rate were to help Albertans understand that the rate of last resort is probably not their best option. But Alberta's population is growing, and that means we have a number of newcomers that come to our province from other jurisdictions that do not have our competitive electricity market and understand how it works. Through the chair to you, Minister, with regard to key objective 1.4 of the ministry's business plan, how are you ensuring that new Albertans understand that the rate of last resort is probably not their best option and there may be more affordable options out there for them in the 2025-26 year?

Mr. Neudorf: Great question. Thank you so much for that. A number of initiatives that we've undertaken: some are advertising, which you may have seen online or through television, which is just making people aware that it is different in Alberta than where they may have moved from, whether that's British Columbia or Saskatchewan or Ontario or somewhere else. They need to know what it is, and part of that was related to the decision to name it the rate of last resort. And then not just providing that information on a commercial but providing them support through the Utilities Consumer Advocate, which is funded through this rate, so there are people available, so they have a phone number to call, so they have someone to ask and say: what does this mean; what does being on the rate of last resort mean? I don't like how that sounds. What does that mean for me? I just moved here from Manitoba, and I live in Taber, so what options are available to me?

The Utilities Consumer Advocate has a terrific team. Some of them are in the room today. If they want to wave, that would be great. They're a great part of our government's bureaucratic workforce, and they help inform individuals of the options that they have, the time that they have to move from that, and they become informed on what retail options they have where they live, what a competitive retail market looks like, and other resources that might be available to them.

To the member opposite's former question: if you're low income or can't make a certain credit rating to get a competitive retail option, the Utilities Consumer Advocate helps direct you to other government of Alberta and ministry supports that can help you pay your bills. I'm very proud of that, to make sure that nobody falls through the cracks. And it's recurring: every 90 days that somebody is on the rate of last resort, the Utilities Consumer Advocate is directed to contact them and make sure they're aware of their choices and make sure that they're continuing to be informed and they're not just there.

What we saw when we initially took over was many seniors who had been on the RRO for years and years and years had no idea what rate they were on, had no idea what volatility they were in store for. Those were the ones who had financial means of some degree, but the change from one month to the next on a fixed income, be it large or small: that shock was not sustainable for them. So being able to inform them and reach out to them and find the rates and the competitive retail options that were best suited to them has been a huge change. We see a large number turnover each month, of those on the ROLR, as people move to Alberta, become aware of their options, and change off. In that two-, three-month time frame we see a lot of that occurring. Hopefully that answers your question.

Mr. Hunter: Sure. I appreciate that. How many Albertans have moved off the rate of last resort, and how many are expected to move off in 2025-26?

8:55

Mr. Neudorf: Right. For background, in 2024 75 per cent of the residential ratepayers were on a competitive contract compared to 67 per cent of the year prior, so there's some context for the former question. Currently, there's somewhere just under 400,000 households on the rate of last resort, and this is a decrease of nearly 20,000 individuals since last year.

We are currently running an additional campaign through the Utilities Consumer Advocate that has had over 3 million completed views of the videos that we've provided, and radio has had 46 million impressions and 700,000 Utilities Consumer Advocate site visits. We are seeing a tremendous shift whereas prior to this change the number on the RRO was very constant, between 600,000 and 700,000 people every year. It was very constant for a very long time. We've seen that number almost cut in half. We're seeing a large amount of information and people understanding and making different choices, which we think was the objective all along.

Mr. Hunter: Well, with 46 million impressions and only 4.5 million people in Alberta, I hope they got the message.

Mr. Neudorf: So do I. Likely, there is some interest from other provinces, people considering moving to Alberta. As we know, we've seen a huge income of population, and those family members might be going. A husband might look first and then a wife or the other way around or different partners who are thinking of moving in together and whatever that looks like for their family. I'm sure they're checking out Alberta and trying to get an idea of what the cost of living is, not just what a home price is or what rental prices are but also utility rates. We think that this initiative has been very helpful for those coming to Alberta.

Mr. Hunter: Sure. I appreciate that, Minister.

I know that one of the issues the government had to deal with following the previous government was impacts to the reliability of our power grid, the phasing out of coal power too quickly without considering how it would impact how much dispatchable baseload power is available. I was in opposition at the time when the NDP were in, and I watched that whole thing unfold. Now we're seeing the effects of that.

You've spoken about the design of a restructured energy market that will enhance price stability, improve affordability, and ensure reliable supply co-ordination across various generation types, and this appears to align with the broader objectives outlined in the 2025-28 business plan, especially key objective 1.4 on page 13, focusing on modernizing the electricity grid to ensure its affordability, reliability, and sustainability. Through the chair to you, Minister, can you provide more details on what government is doing to change Alberta's energy market and how these changes will impact Albertans in their everyday lives going into the '25-26 year?

Mr. Neudorf: Absolutely. I think one of the first things that we did is realize that there are four unique elements to our electricity grid, and each one of those needs to be reviewed and modernized to achieve a concerted, co-operative goal of affordability, stability, and sustainability within our system. You can't just fix one thing and expect all the rest to align themselves. It's just not how things work.

There was an adjustment from coal, which ended up in \$2 billion of costs for Alberta taxpayers to shoulder in the transition away

from coal. There was the increased cost because even though natural gas prices were low and are low, it was still twice the cost of coal for generation, so that was passed on to ratepayers. Then, as we brought on more and more renewable energy, there was the forgotten element that that was increasing costs on transmission. Again, all of these things need to work together, and that's why we began a comprehensive review of the entire system, not just a generation mix, which is important.

Even under the former NDP government they acknowledged that if renewables exceeded 30 per cent of our grid, we would have intermittency and volatility issues. Currently, nearly 40 per cent of our generation capacity is renewables, and that is causing major volatility issues and intermittency, which is why we're seeking a more balanced path forward by adding either lines and wires or battery storage or more natural gas dispatchable generation. All of the above is taking place.

We are balancing our generation. We are modernizing our transmission so that ratepayers aren't just footing the bill for whatever ideas come forward. We have a concerted design of all Alberta. Where are the needs? Where is the growth with the cost causation principles that I outlined earlier? We're moving on. We've already done some modernization of our competitive retail to make sure that they're sustainable and can offer a myriad of choices to consumers.

The last piece will be coming this summer, which will be distribution. How do we modernize and optimize that to allow for virtual power plants and time-of-use rates? Demand-side management, which I spoke to earlier: empowering Albertans to make good energy choices that result in cost savings to them. Right now they can make many of those choices, but the way our system is set up, it doesn't benefit them. They pay the same electricity at 3 o'clock in the morning that they do at 5 o'clock in the evening, which is typically a peak time for using electricity. So in modernizing our system, we think it's going to benefit Albertans all over. It's going to increase the investability of Alberta because we have a balanced, sustainable market, and we can attract different industry to Alberta like data centres.

The Chair: Thank you very much, Minister.

Who do we have now? Member Haji, go ahead.

Mr. Haji: Thank you, Mr. Chair. On page 35 of the estimates we see funding for the Utilities Consumer Advocate increase from \$9 million to \$13 million. According to page 13 of the business plan \$8.2 million has been allocated to the UCA's core programs. I'm trying to understand. Those core programs were to educate Albertans, resolve disputes, and advocate for consumer interests. How is this program different than the core program of the UCA?

Mr. Neudorf: Again, that difference of funding is self-funded through the one-tenth of one penny on the ROLR, and it is all the increased services required by the Utilities Consumer Advocate to support the rate of last resort. We have a 90-day callback, so they need more staffing for that.

I would like to actually go to my ADM of finance. If you'd like to talk a little bit about that increase from the \$9 million to the \$13 million.

Mr. Doyle: Sure. Thank you. The \$9.4 million forecast to \$13.1 million equates to \$5 million. Of course, as the minister mentioned, it is entirely related to the ROLR and the surcharge of 0.01 cents per kilowatt hour. That is entirely funded through credit recovery means, a.k.a. it does not go into general revenue. It goes through the Balancing Pool to the UCA, where they then deploy that for the programs that he just mentioned.

Mr. Neudorf: If the member would so allow me, I'd like to call for Chris Hunt from the Utilities Consumer Advocate to just share a little bit about the core mandate and the work that they do as well as the new requirements under the ROLR if you're okay with that.

If you could just introduce yourself when you get to the mic, Chris.

Mr. Hunt: Thanks, Minister. Chris Hunt, Utilities Consumer Advocate.

For the rate of last resort transitional funding, that is funded by the consumer awareness surcharge. It's being directed to a number of specific programs. We've increased staffing for a call centre so that when people call in and have questions about the rate of last resort – we anticipated that based on the advertising campaign – that we're ready for them. So that staffing is in place right now.

As part of the rate of last resort regulation we're also required to notify rate of last resort customers every 90 days. So as part of that process we've worked with the rate of last resort providers. We've identified all the customers. We've established a database; it gets updated every 60 days. So we understand exactly who the customers are. Each of those customers receives either a letter or an e-mail that directs them to our mediation team. If they have questions, it directs them to our website and lets them know exactly where they can find out what their retail options are.

Then, on top of that, we've also upgraded our consumer education programs. We have a bunch of new resources available so that when customers go looking for information about what is the rate of last resort, what are their other retail options, it's very easy for them to find that information. As part of that, we're upgrading our website, and we're upgrading our cost comparison tool over the next six months as well.

Mr. Haji: How many FTEs are going to support the program?

Mr. Hunt: We brought in eight new FTEs over the last year.

Mr. Haji: This is transitional funding for just two years?

Mr. Neudorf: At this time it is just for two years in this budget and the next, anticipating potential changes in the number of people on the ROLR and how it continues to work with population fluctuation and growth within the province. We'll continue to monitor and update it. That's why we watch. Because it's self-funded, as the number of people either grow or shrink on that, the dollars will also grow and shrink comparatively. That allows as a very clear indicator to the Utilities Consumer Advocate how to manage their workforce to meet the need that is either there and growing or there and shrinking. It's a very low-cost, affordable way to make sure that individuals new to Alberta or struggling with their utility bills have access to the supports they need.

9:05

Mr. Haji: Thank you.

Last fall the minister received a new mandate letter assigning the minister responsibility on the legislative, regulatory, and policy development of nuclear energy in Alberta, including implementation. As part of this initiative the government funded canvas through Alberta Innovates to conduct further studies on the application of small nuclear reactors. Have these studies been completed?

Mr. Neudorf: Right. Sorry. Thank you for a moment there to confer with my DM.

Tech and Innovation is running those studies, and I'm not sure that they are completed at this time. We are actively engaged and we are leading on the regulatory and legislative framework. We are

hoping to begin this summer with community and public engagement.

We think one of the first critical components of developing a new technology or generation, particularly one like nuclear, which has globally seen some setbacks over the recent decades, is informing the public of different options. The difference between Canadian technology and other technology around the world where incidents like, many of you would know, Chernobyl: that does not happen with Canadian technology. It's a different technology. Many Albertans, many Canadians don't actually realize that nuclear has been successfully deployed in Canada for over 60 years, beginning in early 1960 in Ontario, and has been a successful program there ever since. So we want to make sure that we begin with talking to Albertans about what they know, what they understand, what their fears are. Many of the concerns we've already heard from previous engagements are around what happens with the waste. We think this is a significant conversation to undertake.

I just had a meeting this week with the Canadian nuclear waste organization, which is a private company but it is set up and required by federal legislation to deal with all radioactive and nuclear waste within Canada. Their work is predominantly for long-term storage, which is deep geological repositories, DGRs, and they have identified one location in northern Ontario that they are continuing to work and develop, and they are now beginning their DGR-2 review for a second location, probably further west in Canada, but it's still open because Saskatchewan is also pursuing a nuclear program. This is long-term storage. Currently it's stored above ground, but this is for a minimum of 150 years underground.

Mr. Haji: Was there any budget consideration that was done in Budget 2025, whether it's studies or feasibility exercises that need to be done?

Mr. Neudorf: Good question. We did ask for a \$1.6 million engagement funding stream, that was not approved given the other challenges faced by the budget. So we have come back to funding internal to our department to see if there's other lower cost ways to begin that engagement.

Given the fact that the supply chain and technological construction of a nuclear reactor – even if you were to order those parts today, you wouldn't be able to begin construction for at least eight to 10 years. We think we've got a little bit of time to do that engagement, but because of budget constraints, we're looking at other ways to engage with Albertans. We are hoping to utilize current relationships with rural municipalities and Alberta municipalities for their conventions, which they often have speakers at. That's one avenue.

We have worked with Indigenous Relations to begin conversations with our First Nations in ways that are already currently funded, and we're seeking other opportunities to engage with Albertans all across Alberta, some online, some virtual, some potentially public surveys. Those decisions have not yet been made, but these are other avenues that are lower cost that we think we could accommodate within the time frame.

Mr. Haji: Thank you. On page 15 of the ministry business plan, the business plan mentions aligning hydrogen blending with CSA standards, but the specific funding has been allocated. Has specific funding been allocated for this?

Mr. Neudorf: For hydrogen? No. Not at this time. That's within our ministry's mandate. It's mostly legislative and regulatory, again, setting up the framework. That commodity would be paid for by the recipients of the benefits of that structure.

If you'll indulge me, I will go back to a previous question. You asked about the reports that were being done. I've just been notified that the reports are done, but they are under review by AI and ERA. Those entities are undergoing the final reviews of them before they are made public, so we haven't seen them yet, but they are done.

The Chair: Thank you very much.

We now go to the government side. Member Cyr – I'm sorry. Member Stephan, go ahead.

Mr. Stephan: It kind of sounds the same at the start.

The Chair: Yeah, I know.

Mr. Stephan: Thank you, Chair. Good to be here. Minister, block or combined time? What's your preference?

Mr. Neudorf: I'll go back and forth with you, Member Stephan.

Mr. Stephan: Thank you. Thank you very much.

All right. Well, let's go to page 13 of the business plan, 1.4, tackling the cost of utility payments. I know we've talked about some good things that we've done to try and improve affordability. I just was kind of curious, actually. I know when I first became an MLA in 2019 that there was cost that Alberta taxpayers were paying because, unfortunately, the NDP closed down a bunch of coal plants before the end of their economic life. And my question just simply was: are we still paying for that, or did we finally burn through that? It was a lot of money, wasn't it?

Mr. Neudorf: It is. It was \$2 billion in total. We still pay roughly \$100 million a year, and we will be paying that until 2030 when those asset requirements and liabilities are retired.

Mr. Stephan: The gift that just keeps on giving, eh?

Well, I will say this. You know, from an affordability perspective, a tax cut is the absolute best thing that we can do for affordability. As a tax lawyer I love this. Alberta is such a great place, a very competitive jurisdiction, but creating that new, first \$60,000 low tax bracket and how it saves all Albertans, everyone benefits. But proportionally speaking, those with lower income, if all their income is taxed within that 8 per cent bracket, I just think that's such a wonderful thing for affordability. It doesn't cost anything to administer. No government program costs. I love it. Need more of that.

Mr. Neudorf: Agreed. Agreed.

Mr. Stephan: Yeah. Super, super-duper.

Okay. Key objective 2.2 in the ministry business plan refers to ensuring the responsible development of our electric system. I wanted to ask – of course, I think you've touched on this in terms of making sure that we have the right mix. Now, I know that we had to have a pause because things were going in a bad direction. There was a lack of balance. So to the minister through the chair: what was the outcome of the generation approvals pause on renewable energy? And what were the learnings from that pause?

Mr. Neudorf: Yeah. Thank you for asking the question. It was a pause that we felt was prudent at the time to make sure that we understood what was motivating developers to build renewables and almost only renewables within the province and how we could get a better balance for that. At the same time we also were addressing some long-standing issues from our particularly rural landowners, who felt that much of the arable farmland within Alberta was getting covered either by solar panels or some potential

negative effects from wind turbines, like vibration, sound, and shadow flicker as well as the potential cumulative impact to birds and bats across southern Alberta in particular. So it was a good time to review all of those items.

9:15

There's still more work being put forward, and we wanted to protect, like many jurisdictions, including California, some really important viewscapes for southern Alberta, our eastern slopes and our mountains. Those are majestic pictures. In some of our department we were sharing different vacation pictures earlier today, much of which was Alberta and our mountains and snow-covered mountains and rivers, and we want to make sure that tourists from all around the world get the opportunity for generations to come to see those.

I will note that one of the learnings came from California, often considered a very progressive part of the United States for renewable energy. They, too, put a year-long pause on renewables and development – they couldn't even connect to the grid – and they implemented a viewscapes moratorium for wind turbines off their beaches. Their continental shelf goes approximately five miles – this is U.S.; that's why I'm using miles – off the shore, and the continental shelf is needed to anchor those wind turbines. That's how they stay upright and generate electricity. But California decided that to protect their viewscapes, you could not build a wind turbine within 20 miles of that shore, which converted is 35 kilometres, which is exactly the same as our viewscapes distance to protect our mountains. That's where that learning came from. Even though they knew, in that progressive state, that that visual protection area of 20 miles, 35 kilometres, meant that they couldn't build wind turbines, because there is no continental shelf to provide the foundation for those structures at least at this time, they thought protecting that viewscapes was that important.

We feel the same. Our pride in our mountains is the same. So a number of learnings, a number of areas and significant landmarks within Alberta we want to protect: some of our parks, national parks, and heritage sites, with the exception of where First Nations want to utilize their land for that. There are learnings out of that.

There were learnings that the cost of transmission is a related cost to renewable development. That's where a lot of this informed our decisions on our transmission regulations, which I said earlier were meant as locational signals. If locational signals don't end up with investment decisions changing or modifying the location where they build, then they're not actually working. That's why it informed us to develop additional transmission regulations, which will work and industry has acknowledged will work on better locations being chosen to protect our beautiful landscapes, to allow for an agricultural-first community, where agriculture is a primary economic driver in much of our state, while still allowing for renewables investment but in a much more responsible way that benefits all Albertans, not just some.

Mr. Stephan: Yeah. We have to use it where we have – we don't want to diminish or undermine where we have great competitive advantages. Thank you for that, Minister.

Key objective 2.3 talks about attracting investment to Alberta's electricity sector, you know, making sure we have that right balance. To the minister through the chair: what are the biggest opportunities you see for investment in the energy sector going into '25-26?

Mr. Neudorf: Great question. I think a lot of energy storage, non lines and wires, technology has developed significantly. I think placing storage in the right place and in the right size will enable a

lot of what we've already built in Alberta to be far more reliable and far more productive within our grid.

Decisions made this year that will have long-lasting impacts will also be strengthening our interconnectivity to neighbouring jurisdictions. Our intertie, which is a transmission line connection with Saskatchewan – we have one at three of our four borders. The one with Saskatchewan is at end of life. The decision has already been made to increase the capability and size of that, while we needed to replace it anyways, to allow it to alleviate some of the congestion in the southeastern region of our province and allow for more reliability. Saskatchewan was a terrific partner during the winter of 2023, when we were worried about reliability issues and blackouts.

We've also asked our AESO to do further work with our interconnection with British Columbia and its relation with the intertie to Montana to make sure that we increase – right now they're functioning at somewhat less than full capacity. I think it's just north of 50 per cent.

Mr. Buffin: It varies.

Mr. Neudorf: It can vary, but that's roughly where it's at.

Again, we've asked them to come up with technological and capital investment that will reach roughly 80 per cent ability on those lines. Getting to a full 100 per cent is a much longer and much more costly endeavour. We want to take it in steps, financially prudent steps. Going from roughly 50 per cent up to 80 per cent capacity is a significant step in the right direction to further maximize the ability to relieve congestion and provide what Albertans are already paying for and maximizing and optimizing that system for them.

These are some of the decisions and initiatives that are beginning this year but will have lasting effects to the affordability and efficiency of our system, which I think all Albertans will benefit from, because they're paying for it anyway, so they might as well see the maximum return for those dollars that they've invested. We're proud of the AESO for the work that they're doing.

The Chair: Thank you, Minister.

Member Al-Guneid, go ahead. You have 10 minutes.

Ms Al-Guneid: Thank you, Mr. Chair. Just a quick comment. I wish the minister would apply the pristine viewscapes policy on coal mining, open-pit mining in the beautiful landscapes, the mountains you talked about as well as the agricultural-first in the eastern slopes. But I digress.

Mr. Chair, I'm still on objective 2.3 on page 15 of the business plan. It is still on the market and affordability for Albertans. I want to preface by saying that running a more complex and bespoke system will also require more administration, more experts, more software, and more resources. This is obvious when I look at the AESO's 2025 budget on page 11 of the business plan. Obviously, the AESO is an ABC. The AESO's budget has doubled. It increased by 53 per cent, from \$51.6 million to \$109.3 million. Through the chair: how does the minister of affordability plan to keep this market design affordable while it's looking less and less affordable with all the bells and whistles that the government keeps adding into the market design? The software alone is priced at \$10 million. Through the chair: how does the minister of affordability plan to make the REM affordable for consumers; that is, Albertans? The REM is projected to increase costs not only for the AESO, but it will also increase costs for consumers; that is, Albertans, of course.

Mr. Neudorf: Again, because decisions haven't been made, a lot of those are very, very speculative opinions.

But I will ask if Aaron Engen from the AESO would be willing to speak to his budget. Because he's a different consolidated entity, it's difficult for me to speak to their budget, but we can speak to ours. Aaron, if you would come and introduce yourself and talk a little bit about the budget and development of the AESO over time and how that serves Albertans.

Mr. Engen: Thank you, Minister. Aaron Engen, president and CEO of the AESO. Our budget is largely personnel. We've been having to add people, wanting to add people in order to be able to do the work that we're doing, not just with respect to the redesign of the market but also supporting the government, the work that it's doing around the transmission regulation. The work is a comprehensive package. I know you used the words "bells and whistles." There aren't any bells and whistles here. As the minister talked earlier, there are about seven key elements, and they're highly intercoordinated or interlinked with each other.

In terms of overall cost of the program we're very diligent about ensuring that we are taking the most cost-efficient way possible to do this. Among that, one of the things that we're doing is ensuring that the market design matches tools that have been deployed elsewhere across North America. One of the mantras we use is making sure that the rules match the tools to keep the cost down. So when we work with software developers, we're trying to make sure that we're not doing things that are unique, that the tools and the rules we have here in Alberta have been deployed elsewhere across North America. It's been an important part of the work that the ministry is doing in helping us design the market.

Ms Al-Guneid: Thank you.

Mr. Neudorf: If you'll indulge, I just want to supplement that if that's okay with the member.

Ms Al-Guneid: Sure.

9:25

Mr. Neudorf: Thank you for allowing me. One of the things that we've really wanted to see is the potential growth for Alberta. We know we're growing in population, and we want to grow with industry. I mentioned it earlier without fully providing the context. Alberta exports – I think 2024 was the first time we were truly a net exporter, somewhere around \$100 million, of electricity. We look at British Columbia, Manitoba, Ontario, and Quebec, and they have for a long time been very large exporters because they have publicly owned utilities. They invest in their infrastructure and then sell the excess electricity to the United States and other regions for a profit and another industry within their province.

This is something that I believe is a huge potential for Alberta given that we already have surplus. The way that our market has developed is what's based on the zipper curve. I'm sure the members understand the zipper curve. You have high prices, then people invest in more generation, then the prices go down, and you attract more industry. Then you get high prices, and then you invest in more generation. It goes back and forth, and they zipper, those two impacts. Other provinces have avoided the zipper curve because as a public utility they proactively invest and pay for generation even though they don't need it but sell the electricity from that.

I would love for us to create a private market base where we create the avenues to other markets to allow that industry to develop and thrive, much like Texas has since their winter storm Uri in 2021. Their generation capacity far outstrips their usage of that, and what they are seeing is a tremendous influx of new industry into

their state as well as they've increased their ability to export surplus generation. This is an opportunity, I think, that we want to accomplish, which is why I was beginning to talk about interties with the members opposite to you.

Ms Al-Guneid: Yeah, absolutely. I do agree that we need interties. I think we can start by fixing our interties with B.C. We know they're complaining about us not fixing our interties since 2007, I believe, so that's something we can start with because I think exporting is a very good idea to make some money for Alberta.

I'm still on the AESO's budget. On page 22 there is an item called special project. Mr. Chair, in the footnote on page 22 the special project is identified as downtown office relocation project. This special project is costing ratepayers \$9.3 million. The AESO expenses are ultimately recovered from consumers. You know, there's only one taxpayer, quoting our conservative friends here, so there is an accountability for the AESO's rising costs here. It will be paid by power consumers, and power consumers are taxpayer Albertans.

Through you, Mr. Chair, can the minister explain why the AESO is spending all this taxpayer money to move offices literally across the street? I initially thought it was maybe the heavy machinery and the servers. I'm not talking about bells and whistles; it's the offices here. Frankly, I'm just really surprised that there's a move that costs \$9.3 million. I worked in downtown Calgary. I worked in downtown Paris. I worked in downtown San'a. Three different continents. I've never seen a move that cost \$9.3 million, corporate offices.

Mr. Neudorf: Yeah. Thank you, and I appreciate your line of inquiry. Again, because they're a consolidated entity, the Market Surveillance Administrator, the Power and Natural Gas Consumers' Panel, and the Alberta Electric System Operator are not government-reporting entities and have separate corporate reporting procedures. So while you can ask those questions – I appreciate that – it's not actually in any of my documents. We had no influence on any of those decisions, so I can't actually answer that. That's not a government expenditure. All the things you said may be true, but, again, it's not before us today, and I don't have authority over that. I've allowed the AESO director to speak to that once. I don't know if he wants to again. But, again, those are not our budgets and not within the documents that I have, so I can't comment on them.

Ms Al-Guneid: Well, thank you, Minister. It is an ABC, as you have indicated, through you, Mr. Chair, in the introduction. So I would say that it is an ABC, and I would invite the minister and the ministry to look into these expenses.

I want to – we have only less than two minutes here. The AESO commissioned an independent and nonpartisan assessment of the AESO's REM, and I'm quoting the E3 report here presented in the AESO's quantitative analysis of the REM. It is dated November 26, 2024. This is slide 21 on the AESO presenting report findings, that wind and solar do not cross the 7.5 per cent weighted average cost of capital, or WACC, hurdle rate, that's apparently commonly used for investment decisions. In very layman language, Mr. Chair, the government's current market redesign is punitive for renewable energy development. Through you, is the minister aware that this E3 expert report, that AESO and the government hired, expects wind and solar projects to become uneconomic under the current government's REM draft rules? And given that wind and solar energy are the lowest cost new electricity options available, is the minister surprised that E3 also found that energy costs will be higher under the antirenewable REM design than under existing

market rules? This is seen in E3's report, slides 17, 18, and 20 of the E3 analysis.

Mr. Neudorf: Again, I'll just remind the committee that the E3 report is not part of our budget documents. It has nothing to do with our estimates. While I'm very interested to talk about REM, and I can comment on that, we've already established that the existing market was fraught with challenges and needed changes. The member herself admitted as much. Not only is generation cost only one aspect in terms of renewables; it's the lowest cost aspect of them. The transmission distributions far outweigh that cost. There needs to be a balance in that consideration.

The Chair: Thank you very much, Minister.

We will now go to Member Cyr. Go ahead. You have 10 minutes.

Mr. Cyr: Thank you, Mr. Chair. Would you be okay with back and forth, sir?

Mr. Neudorf: Absolutely.

Mr. Cyr: Thank you, sir. I'd like to thank you and your ministry and all of your officials here for – well, we've been here for about two and a half hours. You've been doing a great job answering a lot of our questions.

One of the things that I believe is on the top of a lot of the minds in my constituency of Bonnyville-Cold Lake-St. Paul is one of the recent announcements that was done by the federal government, the carbon tax. That one there went – he said he wrote it down to zero. Now, clearly, this is a complex issue in Alberta. I guess: what would our utility consumers be looking at in this? Would they see their natural gas bills suddenly have the carbon tax disappear? Because of the way our electricity is done – it's generated primarily through natural gas – it sounds like that's only from the consumer side, so it's actually not going to change the electricity generation side, if you will.

Again, some clarity for my constituents because I think a lot of people are going to say they're going to find all these savings, but it's actually hidden, and they're trying to hide it on us.

Mr. Neudorf: Yeah. Great question. Depending on the outcome of the federal election, which is very difficult to foresee at this point in time, if we remove the residential or consumer portion of the carbon tax, it is unclear exactly where that line would be defined and whether a natural gas provider would be eligible to that reduction or not. If they were, if you look at your current natural gas bills, carbon tax is quite literally 40 per cent of your bill. It is enormous, and it is the single largest contributing factor to the cost and in many cases four or five times the cost of the natural gas itself. I believe it would be a tremendous win for Albertans if we were able to remove the carbon tax.

You are absolutely right on the electricity side. It is embedded with an industrial producer of electricity. Under the Liberals, as I understand it, it would not make a significant impact on that side. Under the federal Conservatives I believe there would be a beneficial effect because it would be removed from the generator's portion, which would be passed on to the ratepayer. Very difficult to anticipate exactly how that would factor into that pricing because, as you say, it is so embedded and hidden behind the ratepayer's bill. We don't have that at this point, but removing the carbon tax would definitely be a tremendous advantage to Albertans in terms of affordability. I very much advocate on behalf of Albertans to remove it.

Not only that; it's a tax on a tax on a tax, where the industrial generators pay for it, then industrial or commercial consumers pay

for it in their grocery stores, and then the consumers of groceries pay for it yet again not only on their bills but on the bills of their bills of their bills for the food and produce that they purchase there. It is one of the most punitive taxes that we see in Alberta.

9:35

Mr. Cyr: Also, it's my understanding that the legislation still exists, and they're just ramping that down. If you were the minister that was under . . .

Mr. Schmidt: Point of order.

The Chair: A point of order has been called.

Mr. Schmidt: Point of order, Mr. Chair. Under 23(b), speaks to matters other than the question under discussion. I don't see the carbon tax discussed anywhere in the business plan or the fiscal plan or the government estimates. Of course, as we know, the industrial emitters program is administered by Environment and Protected Areas. The consumer carbon tax is a federal program. This ministry has nothing to do with the administration of the carbon tax for either electricity consumers or natural gas consumers. I ask that the member drop this line of questioning and move on to something that's actually relevant to the matter that we're here to discuss today.

Mr. Hunter: Mr. Chair, I don't think this is a point of order. The member is talking about something that is actually a cost, and this is the ministry that is actually dealing with affordability for Albertans. I think the carbon tax is certainly one of those issues. I know that the NDP are not happy about us talking about this because they were the first to introduce that in Canada, which then the Liberals decided they were going to also do. I guess my point is that this is an affordability question. In fact, I know that you as the chair have given great latitude to the members opposite throughout the night and throughout this whole estimates process, so I don't think it's a point of order.

The Chair: Yeah. I would say that it's not a point of order given the way we have run the meetings. You know, even tonight I've given lots of latitude to everyone, and I like doing that because I like people to be able to build context around the question that they ultimately get to, that should be relative to the budget questions for the minister. If you could get to the point on that, then that would be good.

Mr. Cyr: Well, thank you for that. You know what? I will agree that I haven't been referencing, and I will give that to the member aside here. I'm on business plan 1.1 and also key objective 2.1. Those are the two that I'm referencing in this discussion. I also will say that the opposition also opened up with the carbon tax discussion in some of their questioning. I would say that this does open this up. If they're going to bring that up, I think it is very reasonable for us to be able to do the same.

Anyway, what happens here is that when it comes to legislation that has been put forward and being able to ramp up a piece of legislation at will, it's disingenuous of our federal government to be saying, more or less, that they put it down to zero and it's all fixed. There'll be more work done if this was in fact implemented by the government of Alberta. Is that your opinion, sir?

Mr. Schmidt: Point of order, Mr. Chair. Again 23(b). I raise a point of order on speaking to matters other than the question under discussion. Now, I appreciate that when I first raised this point of order, the member didn't have the opportunity to finish his

question. You gave him latitude; you also gave him the direction that he had to tie it to something that is within the ministry's control. Now he's grasping at straws here linking to key objectives 1.1 and 2.1 to try to distract from the fact that his question has absolutely nothing to do with what the Affordability and Utilities ministry does. His question was about federal legislation, which is absolutely not under consideration here. I ask that you rule that this question is out of order and ask the member to ask something that is relevant to the matter that we are discussing here this evening.

Mr. Hunter: Mr. Chair, I believe that you've already answered this question and ruled. I'm not sure why the member continues to disregard your ruling on this, but I'm sure that the member would like to be able to get to his questions specifically about the issues at hand.

The Chair: Yeah. If you could get to that point quickly and, you know, make your point and get to the budget.

Mr. Cyr: Thank you, Mr. Chair, and thank you to the member for his concerns.

All right. I guess, moving on, one of the things that I would like to discuss is energy storage. This is something that is actually new to my region. One of the things that I've got is the Marguerite Lake air compressor station that they're looking at putting in, and what it is: it's kind of neat. What they're considering doing is compressing air into the ground and when the power rates are low, turning it into the compressed air, then releasing it when the power is needed in the system, acting as a natural battery. I'm seeing, sir, that the industry itself is being quite progressive in everything they're doing, and I believe that you've been open to a lot of that. It's good. And I also will say that you sat with that company and give them advice on the next steps. That's a great leadership role you had taken for this, sir, and I'm very thankful for my constituency.

One of the things, too, is that you were talking about data centre nodes. I'm going to kind of bounce around a little because I have 50 seconds here. Is that map available for the five things?

Mr. Neudorf: Yeah. That map: if you go to the government of Alberta website, under Jobs, Economy and Trade you can find it. It's called a site-selector tool, and you can access it there, and it is available to all of them. Some of the other agencies like Alberta Innovates and Invest Alberta utilize it as well with their work with incoming industry to make sure that they find the best places for them. It's a multi-use site-selection tool.

In terms of compressed air storage, I think this is one of the most fascinating technological advancements within the realm. It is relatively lower cost than some other storage units, and it's also very, very clean. Allowing our market to respond is . . .

The Chair: Thank you.

Member Al-Guneid, go ahead.

Ms Al-Guneid: Thank you, Mr. Chair. I'm going to go to page 11 of the business plan, clearly stating that the Alberta Utilities Commission "protects the social, economic, and environmental interests of Albertans and ensures the utilities operate fairly and efficiently." Thank you for that. I actually agree. This is great. Through the chair, why did the minister decide to bypass the AUC'S oversight to pass the initial rules to implement the restructured energy market? While I do recognize the minister wants to finish the design process – trust me; we all do and the sector and everybody – removing the regulatory checks and balances by skipping the AUC oversight is extremely problematic.

Back-loading just means that prospective investors can't trust the market design until a year after the market is already running.

The minister's mandate on page 11 specifically notes that the AUC operates independently of the government to ensure fair and competitive market operations. What message does bypassing it send to the investors? Through you, Mr. Chair: does the minister fully recognize that skipping the AUC process will introduce significant risks to market confidence and long-term affordability and system reliability? It's yes or no.

Mr. Neudorf: Actually, we completely disagree. We think that we will have that process within our full process. We are just deferring it to the end so that all the decisions can be made and they can actually review the entire system, not one that's half decided on. Therefore, it will also not be subject to stalling and stalling and stalling by one or two market participants who just don't want to see it happen. That's exactly what we've seen happen in other jurisdictions where decisions don't get made. The new market doesn't come in, and these decisions get pushed down the road and linger. That uncertainty lingers for years and years and years, approaching a decade. This way we can make the responsible decisions that we need to make, we can allow it to come into operation, and then once it's operating and everybody gets to see how it actually operates, the AUC will open up that opportunity, allowing full access to review the regulations and make sure that checks and balances are brought into play.

It actually does the exact opposite of what you said. It will increase investor certainty by getting those decisions made early rather than having a lingering market in half design for up to a decade. We're very confident in this approach. We actually have a lot of buy-in from our regulators, and we continually seek their advice and expert opinion on this. We're all in agreement that this is the best path for Alberta to move forward: get the decisions made, allow the new market to operate, and then go through regulatory review, where tweaks and checks can be implemented, but having an operational market in the meantime.

Ms Al-Guneid: Thank you, Minister.

Through the chair: can the minister confirm whether the minister has a backup plan if this new market fails?

9:45

Mr. Neudorf: Because we're planning on running it in parallel with the existing market, I'm working out the kinks and challenges within it along the way. We think we'll alleviate any chance that it would fail. Given the expert advice that the AESO has incorporated into their decision-making and design elements all over North America, from Ontario to California to Texas, we're confident that the new model, while it may have some glitches, potentially even some technological challenges – we absolutely believe that the structure will work, and we'll have a chance to practise with it for almost a year before it's fully implemented. We can go from there. If you're looking at other jurisdictions that have limped along with unfinished markets, like Ontario, for nearly a decade, if they can make it work, we think that this process, learning from their mistakes, will put us in a better position.

Ms Al-Guneid: Thank you. Through the chair, is the minister anticipating that skipping the AUC oversight could open up the province to possible lawsuits from stakeholders, investors, and companies who might challenge the new rules, especially that the new rules will not be tested and validated through the AUC oversight and public hearings before they go online?

Mr. Neudorf: They will be tested and reviewed at some point. It's just deferred often. As to lawsuits or legal challenges, those would exist in any way, shape, or form. What we're actually doing is streamlining that process so that the industry actually gets the benefit of seeing it tested in practice and seeing it in operation in real time before those delays could take place. We're actually limiting that uncertainty to a much more defined timeline than unending pending whatever challenges might become. A third-party review before the implementation through regulations will take place, so we're very confident that we will end up with a very workable market by the time we're through this process.

Ms Al-Guneid: What's the third-party review? Consultants?

Mr. Neudorf: Can I ask my DM to speak to that a little bit just to round out that conversation?

Mr. James: Yeah. Thank you, Minister, and thank you, Mr. Chair. One of the things that we're looking at is making sure, before we implement the regulations themselves, that we actually get a third-party set of experts who are going to have a look at this, appreciating that the AUC will also have an opportunity over time. That third-party review will give more confidence as we implement those regulations.

Ms Al-Guneid: So consultants. Okay. Thank you.

We've heard in the Legislature and in the Premier's sovereignty act motion that the Premier wants to launch a Crown power company to pick and choose, you know, favoured energy types. What is the minister's backup plan if this goes forward?

Mr. Neudorf: Well, a Crown corporation is actually the government's backup plan. We don't have yet a backup plan to the backup plan. None in the industry want to proceed to a Crown corporation in Alberta. We're very proud of our independent and private market, and we're doing everything to retain that. If we continue to have a federal government that is hostile to Alberta's interests and continue to seek to interfere in our provincially constitutionally protected jurisdiction, which is our electricity market, and they threaten, like they have under previous iterations of the clean electricity regulations, that they will put people in jail, we can't subject our private industry members to that kind of treatment. That would absolutely stop investment. Who would invest in any province if they're worried about their investment either going bankrupt, being closed down, or that they would be threatened with jail time? That would be the only measure that our government would proceed with a Crown corporation in order to protect those industry participants who are already here and operating.

Ms Al-Guneid: Thank you, Minister. Just to wrap up this section, I just want to make sure this is in the record, Mr. Chair. The AESO's job is to ensure our system is reliable. The AUC's job is to protect the public interest, to validate, to test this market with experts, and to ensure due process is taken and it's fair and in ratepayers interest, as mentioned on page 11 of the business plan.

I have like three minutes here, and we have time to maybe talk again about data centres, as the Member for Grande Prairie has started. I want to start by saying that if you're in the data centres business, you are in the power and energy business. I do like the ambition of bringing data centres, and it needs a full-on strategy. I guess my question here: there was the project we have right now, 12 gigawatts in the queue just for data centres. Through you, Mr. Chair, why is the minister not stepping up to secure all types of

energy to secure data centres? There are the Amazons and Googles, of course, that will secure, let's say, natural gas for starters. They will off-set emissions with power purchase agreements outside of Alberta, or, more likely, they will just use data centres outside Alberta themselves, where they can access nonemitting power, so we might miss on these investments. I'm curious. Through the chair: why wouldn't the minister capture all these investments? We can provide natural gas. We can provide renewables. We have it all.

Mr. Neudorf: Again, we don't have a public utility. That's not our job to capture these. We have a private market, and we have created a concierge service through the Ministry of Technology and Innovation, connecting data centres and these entities with generators as well as the site selector road map. We have done all that we can do. We continue to develop a robust strategy to make sure that we identify what type of data centre they are, because they can really vary from a five-megawatt Bitcoin mining operation up to a several-gigawatt hyperscaler and everything in between. Do you have exactly the same rules for all of them, or do you identify their individual unique attributes and give them a channel to provide them?

The other thing that we're working on is that previous to this we had a first-come, first-serve kind of policy within Alberta. I don't think that serves Alberta's best interests in this case. How do we identify what rules, what decision-making matrix we need to say: which are the best fit for Alberta? How many small scalers should we have? How many hyperscalers should we have? Where should they identify? The work that we're doing, we're doing in complete and absolute co-operation with our regulators. We are absolutely responding to the request from the AUC, the AESO, and the MSA to enable them to do their jobs. Much of what we're doing if not all of what we're doing is at their request. We're very proud of our regulators and making sure that they can do the absolute best job serving Albertans.

The Chair: Thank you very much.

We'll go to the government side. Member Dyck, go ahead. You have eight minutes left.

Mr. Dyck: Excellent. Well, thank you once again. Just a quick shout-out to my wife for coming here. Thanks so very much for coming to watch this exciting night. You're just a legend. I appreciate that.

Mr. Stephan: Legends of the estimates.

Mr. Dyck: Good old sweet cheeks.

All right. I do have a question pertaining . . .

An Hon. Member: Point of order.

Mr. Dyck: I do have a question pertaining.

Key objective 1.4 says that you're tackling the cost of utility payments for Albertans by "identifying policy changes and opportunities to reduce utilities costs for Alberta consumers." Here's my question. Liberal leader carbon tax Carney promised to remove the carbon tax. When can we expect to see the carbon tax off our bills?

Mr. Schmidt: Point of order, Mr. Chair.

The Chair: Point of order.

Mr. Schmidt: I was tempted to call a point of order when the member started talking about irrelevant things by mentioning his wife in the audience, but because I'm such a nice person, I declined.

However, he's testing my patience. Under 23(b), speaking to relevance. Of course, Mr. Chair, we've litigated this already. We know that the carbon tax has been ruled out of order. [interjection] I hear Member Cyr arguing with me that it hasn't been ruled out of order. He seems to have forgotten that, in fact, it was his very question that was ruled out of order. Again, we have another question regarding the carbon tax, which is not in the business plan. It's not in the fiscal plan. It's not in the government estimates for Affordability and Utilities. This is not pertinent to the matter that is before us this evening. I ask that the chair find this a point of order, that the member drop his question, and that we move on to something that is relevant.

The Chair: Go ahead.

Mr. Hunter: Once again, I find it interesting that the member who was part of the government that actually brought in the first carbon tax in Canada is arguing this. I know that he's concerned about this because all of the Liberal candidates decided that they didn't like the carbon tax. It's now no longer a popular thing in Canada, so I can see why they would be a little concerned about us talking about it. However, I would say, Mr. Chair, that out of all the questions I think that were asked tonight to the minister of affordability, the carbon tax being one of the worst issues that we're dealing with when it comes to cost overruns to families: I'd say this is probably the most pertinent question that could be asked and probably the one that most Albertans would want to know the answer to. I think that this isn't a point of order and that this should be ruled in order.

The Chair: Okay. I'm going to rule it in order, but get to the budget and make sure that we get the last five minutes of this thing done.

Mr. Dyck: All right. Well, Minister, would you answer my question, I guess?

9:55

Mr. Neudorf: Well, yeah, obviously, removing the carbon tax is one of our primary objectives of government. We've stood up for Albertans ever since being elected to make sure that Albertans have the lowest cost capable to them. And it is frustrating when we do everything we can to reduce taxes and fees and costs to Albertans and the federal government continues to layer in and see increases to a punitive tax like the carbon tax.

Mr. Dyck: Excellent. Well, thank you so very much, Minister, for that answer, and I appreciate the chair just for the opportunity.

On page 15 of the business plan, under initiatives supporting key objectives, the ministry is collaborating with Indigenous Relations to identify Indigenous communities not connected to the electric and gas systems and provide recommendations to expedite connections to utility services. Can you give us some insight into this collaboration process and share with us some insights into the challenges of ensuring these communities are connecting going into 2025-2026?

Mr. Neudorf: Thank you. I think this is a very important question. Obviously, we're very proud of our First Nations and the spirit in which they also exude things that have value here in Alberta. They have sought for energy independence and economic independence for a long time. Many of the First Nations don't have natural gas, don't have connectivity. I didn't know this till I took this role. Because they're in the foothills of the Rocky Mountains, the ground is extremely rocky and we haven't been able to trench or dig natural gas pipelines to their communities. It's very, very costly, yet without natural gas they don't have that energy independence.

Without energy independence they don't have economic independence because they can't develop their industry. So I'm very proud to stand alongside my colleagues, particularly the Minister of Indigenous Relations, as we seek to find real solutions for these communities.

Of course, because of their deep connection to the land, many of them want to utilize more renewable generation, wind and solar, yet they also recognize that they need the dispatchable nature of natural gas as backup. Right now many of them work off oil, which has to get trucked in over long distances. It's very expensive and, obviously, very high emitting. They don't feel that that reflects the values and connection to the land that they would like to have.

One of the most rewarding aspects of this ministry is to be able to work to see that independence come to them through initiatives that are so meaningful. This isn't just changing the course of one family or two families but literally an entire First Nation and for generations. Once we've done that work to build a pipeline through rocky ground and make sure that it gets there in a safe and effective manner and they have that dedicated commitment of supply, then they can create electricity. Once they can create that electricity, again, as much renewable as possible with some storage but with natural gas dispatchable for those very, very cold winters or very, very hot summers, where their load or their demand would outstrip their capacity of renewables, just watch them thrive. They're so community oriented; they're so economically oriented that once they have these levers at their disposal, their natural innovation, their spirit to be entrepreneurial just comes to life, and to see the whole communities, entire communities' fortunes literally change

with the connection to natural gas is extremely – extremely – exciting.

They're some of the ones that are also talking about the future of hydrogen, where they can, again, take natural gas as an input gas, see it become cleaner so they again lessen their emissions so that they get further in touch with their values of a clean and pure earth and land and sky.

The opportunities and potential are truly limitless, and I look forward to being able to enable that. I know all of my colleagues in caucus and cabinet also want to see that it's not just a handout, it's a hand up, and this is true economic reconciliation, something that our government has taken a leadership stance on across Canada with our Alberta Indigenous corporations fund. We're providing them the funding to invest in the natural gas, to work with our private industry, to supply it. The whole circle is complete that all Albertans can feel connected . . .

The Chair: Thank you very much, Minister. I apologize for the interruption, but I must advise the committee that the time allotted for consideration of these estimates has concluded. This concludes consideration of the '25-26 main estimates by the Standing Committee on Resource Stewardship.

Thank you, everyone.

The meeting is adjourned.

[The committee adjourned at 10 p.m.]

