



Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Affordability and Utilities
Consideration of Main Estimates

Thursday, March 21, 2024
9 a.m.

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First Session**

Standing Committee on Resource Stewardship

Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UC), Chair
Schmidt, Marlin, Edmonton-Gold Bar (NDP), Deputy Chair

Al-Guneid, Nagwan, Calgary-Glenmore (NDP)
Armstrong-Homeniuk, Jackie, Fort Saskatchewan-Vegreville (UC)
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Also in Attendance

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Kasawski, Kyle, Sherwood Park (NDP)
Phillips, Shannon, Lethbridge-West (NDP)

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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 and Senior Financial Officer, Financial Services

Tim Grant, Deputy Minister

9 a.m.

Thursday, March 21, 2024

[Mr. Rowsell 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, 2025.

I'd ask that we go around the table and have members introduce themselves for the record. Minister, when you introduce yourself, introduce your officials at the same time; that'd be great. My name is Garth Rowsell. I'm the MLA for Vermilion-Lloydminster-Wainwright and chair of the committee. We will start to my right.

Ms Armstrong-Homeniuk: Jackie Armstrong-Homeniuk, MLA, Fort Saskatchewan-Vegreville.

Mr. Hunter: Good morning, everyone. Grant Hunter, MLA for Taber-Warner.

Mr. Dyck: Nolan Dyck, MLA for the beautiful, stupendous, amazing riding of Grande Prairie.

Mr. McDougall: Myles McDougall from the even more amazing riding of Calgary-Fish Creek.

Mr. Sinclair: Scott Sinclair from Lesser Slave Lake: arguably the best people on the planet.

Mrs. Johnson: There's no way I can follow up on that. Jennifer Johnson, MLA for Lacombe-Ponoka. My assistant Beki Lees is to my right.

Mr. Neudorf: Good morning, everyone. Nathan Neudorf, MLA for Lethbridge-East and Minister of Affordability and Utilities. To my left is Andrew Buffin, assistant deputy minister of utilities; Brian Doyle, also to my left, assistant deputy minister of corporate services and senior financial officer; to my right, Tim Grant, deputy minister; and to his right, Neil Kjelland, assistant deputy minister of affordability.

Sorry, Neil.

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

Mr. Kasawski: Kyle Kasawski, MLA for Sherwood Park.

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

Ms Phillips: Shannon Phillips, Lethbridge-West.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: Okay. Thank you.

Some housekeeping business to take care of here. 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 videostreams and transcripts of the meetings can be accessed via the Legislative Assembly website. Please set your cellphones and other devices to silent.

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 time will be combined only if the minister and the member speaking agree. If debate is exhausted prior to three hours, the ministry estimates are deemed to have been considered for the time allotted in the main estimates schedule, and the committee will be adjourned. Should members have any questions regarding speaking times or rotation, please e-mail or message 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?

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 may not 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 overall three-hour meeting clock will continue to run.

Any written material 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 where speaking time is shared between a member and the minister.

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

Mr. Neudorf: Thank you, Chair, and good morning, everyone. I'm pleased to be here today to present to you the highlights of the 2024-2025 budget for the Ministry of Affordability and Utilities. Again, just to reiterate to the committee, joining me today are Tim Grant, my deputy minister; Andrew Buffin, my 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.

Affordability and Utilities leads the government's ongoing efforts to make life more affordable for Albertans, manages and develops policy and programming for the province's electricity and natural gas systems and for rural utilities. It also oversees the Utilities Consumer Advocate's work in educating and supporting consumers of electricity and natural gas. On the affordability side this includes working with other ministries to deliver Alberta's affordability action plan. The plan was launched at the end of 2022 to address the rising cost of living through broad-based supports for all Albertans and targeted measures for families, seniors, and vulnerable groups.

In conjunction with many other ministries these measures so far have included providing \$500 in electricity rebates to over 1.9 million homes, farms, and small businesses from July 2022 to April 2023; protecting consumers on the regulated electricity rate from price spikes in January, February, and March of 2023; delivering affordability support payments to those most affected by inflation; indexing personal income taxes to inflation retroactive to the 2022 tax year; reindexing financial benefit rates for AISH, income support, and Alberta seniors' benefit and the Alberta child and

family benefit from 2023 onward; providing new targeted affordability supports for postsecondary students from 2023 onward; protecting Albertans and Alberta businesses against future income tax hikes; expanding affordable child care; increasing funding to support food banks and other community groups over two years; providing more funding for low-income transit pass programs for 2022 and 2023. That's just part of the work to make life more affordable for Albertans.

It is estimated that for households in the \$50,000 to \$100,000 income range our affordability action plan reduced the impact of inflation by 68 per cent for the average couple with two children and by 87 per cent for the average senior couple in this income range.

On the utility side we're focused on building a grid that is affordable, reliable, and sustainable for generations to come that can keep pace with our growing needs. This will ensure that we reach a carbon-neutral 2050 that attracts investment and that supports job creation.

The ministry's organizational structure also includes the Alberta Utilities Commission, or the AUC; the Balancing Pool; the Market Surveillance Administrator, or the MSA; and the Alberta Electric System Operator, also known as the AESO.

In 2024-2025 Affordability and Utilities' expense is \$92.1 million. This is down from the Budget 2023 amount of \$139.8 million. The significant reduction from the previous year is mainly due to \$47.6 million that was budgeted for the utility rebate program in 2023-24, which provided a total of \$500 in electricity rebates to over 1.9 million homes, farms, and small businesses.

Included in the coming year's budget amount are the following major items. First, \$34.3 million is for the 2024-2025 operations of the Alberta Utilities Commission to regulate electricity and natural gas rates. This is up \$0.8 million from the 2023 budget amount of 33 and a half million dollars. Next, \$29 million consisting of \$16.6 million of nonvoted accretion expense related to the annual payments for the coal phase-out agreements and \$12.4 million voted operating expense for the renewable energy program. The coal phase-out agreement expense represents the cost that the NDP saddled for us, during their time in government, to eliminate coal-powered generation by 2030. The renewable electricity program expense, which represents costs incurred to support renewable energy projects through the development and construction of infrastructure and the subsequent generation of renewable energy, is the same as the 2023 budget amount of \$12.4 million. Finally, \$28.9 million to support ongoing ministry operations and programs. This includes \$8.2 million to support the Utilities Consumer Advocate's work to educate and advocate for Alberta's utility customers. This is up \$1.5 million from the 2023 budget; that was an amount of \$6.7 million. The increase is for the UCA's recovery initiative to support affordability education campaigns.

The UCA was created in 2003 to support residential, small-business, and farm consumers in the newly established competitive retail energy market in Alberta. Since 2003 the UCA efforts have saved Alberta consumers close to \$3 billion in utility and energy costs and have provided Albertans with confidence in our retail energy markets.

There's one revenue item in the ministry's forecast. For 2024-2025 we estimate revenue will be approximately \$216 million. This includes \$65 million net income from the Balancing Pool, \$33 million from industry levies and licences, and \$105 million from the renewable electricity program, or the REP. It should be underscored that the REP revenues are dependent on the wholesale electricity price and subject to significant fluctuation.

9:10

I'll now provide a brief overview of the ministry's two high-level outcomes that make up the 2024 to 2027 business plan. The first outcome is ensuring Albertans have the information and support needed to make cost of living more affordable. The second business plan outcome is Alberta's utility system is safe and reliable while supporting an affordable life for all Albertans. To achieve these two outcomes, we committed to a number of key objectives, including continuing to lead and co-ordinate the government's ongoing efforts to address affordability concerns for Albertans and explore long-term relief with a specific focus on housing, utilities, food costs, and insurance; secondly, reviewing the ministry's agencies to ensure their mission operations align with our government's goals of the utility system; third, streamlining legislative requirements and regulatory process for Alberta's utility sector to better attract investment; fourth, developing policies to enable the integration of distributed energy resources to help Albertans manage their energy costs and consumption; and, fifth, working with the electricity industry and consumer advocates to identify opportunities to address Albertans' concerns about high transmission and distribution costs.

To wrap up, I'll reiterate that this ministry is keenly focused on both providing short-term relief while also doing the long-term work to ensure that we keep Alberta affordable for years to come. We know that affordability remains a top concern for many Albertans; that said, Alberta's economy remains strong. Alberta's low-tax environment combined with our government's ongoing red tape reduction and affordability measures have helped stabilize costs and kept prices comparatively low. In fact, Alberta compares favourably to other provinces on affordability. This includes one of the smallest gaps in affordable housing supply in the country going into 2030. In addition, Alberta workers continue to make more per week than in any other province. Alberta has billions in announced investments in new power plants under construction. This additional supply should help mitigate energy prices going forward.

As always, it is a top priority for us to listen to the concerns of Albertans. We've rolled up our sleeves and are doing the work to tackle the issues that matter to Albertans, and we'll continue building on our successes going forward to help ensure Alberta remains the best place to live, work, raise a family, and start a business.

Thank you again for this opportunity today. I'm pleased to answer any of your questions that you may have at this time.

Back to you. Thank you, Chair.

The Chair: Thank you, 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 the timer for the speaking block both in the committee room and on Microsoft Teams.

Member Al-Guneid, would you like to share time?

Ms Al-Guneid: I'd love to.

The Chair: Minister, is that okay?

Mr. Neudorf: I am willing to share time.

The Chair: You are sharing time for 60 minutes. Go ahead.

Ms Al-Guneid: Thank you, Mr. Chair. I'd like to start by thanking the public service for all the hard work and for delivering the budget and for your advice to the minister and for being here. Thank you.

I'd like to start with the topic of reliability, outcome 2 on page 12, that says "Alberta's utility system is safe and reliable while supporting an affordable life for Albertans." On page 12, key objective 2.4, it refers to battery storage. The government finally passed Bill 22. That's the energy storage bill that, you know, we've asked to proclaim for the last 22 months. It's finally here; that's great. Can you tell us: how would you make this bill operational? Will the government give the AESO and the AUC a mandate to deploy nonwire alternatives? Can you provide details? What would that look like?

Mr. Neudorf: Absolutely. Thank you to the member for the question. This is exactly where we want to go. We as well realize that Bill 22 can play a vital role. Some of the concerns in the time to take to proclaim it had to do with affordability. As we know, new technology is not always the lowest cost, and as affordability is top of mind for Albertans, we had to make sure that we had avenues to allow for that technology to come forward while also protecting affordably.

The mandates for the AESO and the MSA include providing the best options at the lowest cost. We are continuing conversations with both those regulators to provide better forward planning with longer term vision and transparency so that we can utilize new technology in the best locations possible where they are indeed the lowest cost to the consumer as well as the best value for the long term for all Albertans. We think that particularly battery storage in many circumstances will be significant technology to help that. Even talking to members in the industry, arbitrage can still be a challenge for that technology. We have some upcoming changes in review of the transmission regulations that will also help enhance the ability to do that, and we are looking to the planning regulations for that to help enable greater efficiency and optimization with those technologies, that we bring them forward.

Ms Al-Guneid: Just to confirm, though, the AESO market pathways report noted that storage is already cost competitive. It is in the AESO report, so we know this. I mean, this was years ago. But I like where you're going. The system operator submitted the storage tariff. It was rejected by the AUC. I also attended the climate summit, and I heard the Premier saying that battery storage is not cost competitive, but it is right now. So I still just want to understand: what does that mean once the AUC has rejected it? Where are we at with this process? And how do you plan to enable it?

Mr. Neudorf: Sure. Again, I think that's what I was referring to when I said that the AUC has a requirement to provide things at the lowest cost to the consumer. That is one area that we're looking at. While we think that remains a very important policy generally for all Albertans, we also want to understand where that best value might be. One example, not exactly what you're talking about, that I have used that is easy for many Albertans to grasp is smart metering. Smart meters are not less expensive than regular meters, but they can do a whole lot more. If smart meters were to be introduced to the AUC under that lowest cost to the consumer, they may not be approved because it's not the lowest cost. It might provide better pathways for additional cost savings in other ways. So those are the kinds of things that we're trying to understand more appropriately.

The AESO has a storage RFP, a request for proposal, out on some of those, and it closes in June, so that we can more fully utilize that. Again, with our overall planning we hope to bring the AESO and the AUC to the table with the government to identify these areas where one mandate may not be already co-ordinated with the

other's mandate so that we can find the best fit for this technology in the best places while also keeping an eye on that affordability. Hopefully, that answers your question a little bit more clearly.

Ms Al-Guneid: Yeah. I guess: how do we make this take off? Do you have incentives to get the private sector into it? I mean, I spent time with the energy minister and time with the environment minister. It's not in the TIER revenue. Can we take money from TIER revenue to invest in or – I don't know. Is it contracts for different – like, is there a conversation, I guess, between all the three ministries and the Premier to help get this going? The U.S. put more than \$350 million in long-duration storage. Research, obviously; it's still not scalable. I just want to understand: is there a plan for this?

Mr. Neudorf: Absolutely, there is a plan. Yes. We are looking at how we could access funding for some of these initiatives. I know I've talked, I think previously with you and some of your colleagues, about demand-side management. We think that there could be significant potential there to do that.

I don't believe that we could access TIER directly. I don't think that's how TIER was set up. But as TIER generates renewable energy credits, some of those do come back to the province, and we are looking at the better utilization for that for reinvestment to see where we can go to further those efforts as well as cover the cost of that technology and realize that that could potentially provide a pathway to a higher optimization of the system that we already have, so we're not rebuilding new, but we are more fully doing that.

So that is the general direction and intent. We are having those conversations, and the long-term view is to, again, have a much better long-term plan so that we know when and how we can integrate some of these technologies more efficiently.

Ms Al-Guneid: Speaking of that, have you set any targets for the amount of battery storage for the grid?

Mr. Neudorf: Not at this point. Again, we want to have a better understanding, working with the AESO and the AUC, as to what we think the future needs will be so that we can do that rather than setting targets that at this point would be quite arbitrary without knowing that full structure going forward.

Ms Al-Guneid: While we're here talking about modernization of the grid, then: what is your plan to modernize the outdated AESO software systems? For example, the energy trading system, ETS: there haven't been real investments for years now. What is the minister's plan to invest in updating the system operator's abilities and to modernize its tools?

9:20

Mr. Neudorf: Yeah. Great question. We are working with the AESO and the MSA to restructure our market, and we're taking time to work with industry to make sure that we land that correctly. The AESO has made us aware that they need some significant technology behind the scenes to make that happen, so we anticipate this conversation being part of that as we grow for the betterment of the system. It is worthy to note that the AESO does not use government of Alberta funds to do some of that. They have an industry levy to do that. We acknowledge that it would take some time to both design the system, purchase the equipment, and integrate it into their system. But we do anticipate having those conversations going forward.

Ms Al-Guneid: Thank you.

I'm going to shift to another theme here, which is investor uncertainty. On page 10 of the business plan it says that the minister "remains committed to regulatory approaches and program delivery that reduce unnecessary government oversight and emphasize outcomes, in order to improve access to government services, attract investment, [and] innovation." I'd like to spend a moment on the relationship between the current excessive government oversight in the electricity sector and how the government is creating an unstable investment environment. I would characterize what's happening right now as a total overhaul of the electricity sector. There are five major developments right now and undertakings. I think your ministry has been very busy.

First, transmission. The government is conducting a major consultation on transmission without presenting a timeline or a deadline for it. In fact, at IPPSA we learned that the new tariffs will come in Q3, 2026. Can you please confirm this timeline?

Mr. Neudorf: Well, while we do have extensive inquiries and review of the entire system ongoing, we think that that is essential as we have seen that the rules that were set up nearly 25 years ago, by industry's own admission and requests, are not sufficient to handle the new directions that we're going. When we talk to industry, there are basically two choices from government: either we can do all of this behind the scenes and then just present all the decisions being made as final form so there is no uncertainty and everything is decided – industry did not like that approach. The other approach is to have a high-level vision and direction of where we intend to head and then work with industry as we define those details. While there is a possibility for some uncertainty in that time frame before we make final decisions, it is also far more transparent and allows industry involvement as we go through that. So we are looking at those significant rules to make sure that we can accommodate new technologies like we talked about in Bill 22 and make sure that we have a better path going forward with the co-operation and involvement of industry. Some of that does take a little bit of time.

Just one last note. Tariffs are the domain of the AESO and the AUC. The government doesn't dictate those tariffs or the timing of them although we believe that better long-term planning with full transparency to industry will actually help investor confidence going forward because they know the long-term direction that we are intending to go.

Ms Al-Guneid: Yes, I do support the transparency. I just think it's their duty as well and the government's duty to still clarify the timeline because it could be catastrophic for investment. We're talking general investors, power generators, and industrial consumers who need certainty. I just want to understand, though. Can you please confirm the timeline? Is it Q3, 2026? This was mentioned – and I just have to say that people cannot rely on going to conferences to learn about timelines and rumours in conferences. This needs to be official communications. I'd love to see if you have a timeline.

Mr. Neudorf: Yeah. That timeline, I believe, was mentioned by the AESO – right?

Ms Al-Guneid: I believe it was the AUC.

Mr. Neudorf: The AUC. Again, that's their timeline to implement that.

In terms of the transmission regulations, we haven't set that because we're still finalizing those conversations. We have told industry that within the next couple of months we will be working with them to get to those final decisions. We did clarify in the most

broad way possible with all of industry the overall intent to move the market. Working with the AESO and the MSA, we've been clear about their reports and the letters of response and that we have a rough timeline of the end of 2026 to have those market structures in place as well as those decisions much earlier than that to provide that clarity for industry. Again, there are, as you stated, a lot of inquiries and moving parts in this ministry and in this sector right now, and we continue to have a significant amount of engagement with market players ongoing to, again, provide them the greatest level of input on those before final decisions are reached. We hope to see the vast majority of these questions answered this calendar year.

Ms Al-Guneid: I appreciate that, and I'm pleased, actually, that you're having conversations with industry. This is crucial. I agree. I just really want to emphasize that global investors: they don't go to IPPSA and conferences here. They need that consistent communication, clear communication on timelines to restore, honestly, investor confidence in our jurisdiction.

I want to move – the first one I talked about is transmission. There are also distribution studies happening. On page 12 it mentions: "review and modernize Alberta's distribution legislation to provide guidance to the electricity sector." This is happening. It's another undertaking that the government is taking right now, so can you please provide an update, and can you share the timeline on when these studies will end?

Mr. Neudorf: Certainly. The distribution has been, in large part, an underscrutinized segment of the electricity system. It's often been overlooked because generation and transmission seem to take all the headlines. We have discussed with many of our key distributors where, going back to our earlier conversation, what we were talking about, they have put forward different ideas to modernize and optimize the distribution side of it but have been turned down by the AUC because of that lowest cost to the consumer, so they felt a little bit of frustration in that.

We want to tackle this challenge in two ways. One is with the overall planning that we want to do with the regulators and industry and the government at the table for accountability and transparency, making sure that we have a subcommittee of some sort with the distributors to talk specifically about how we can optimize their portion of the grid. As you well know, the increased electrification of our society will make this a highly important object of discussion.

The second part is that a lot of those solutions with new technologies to do that optimization are not currently seen as the lowest cost to consumer, at least not the lowest upfront cost to the consumer, and that's where we want to continue having the discussion, saying: how do we tackle the affordability issue under distribution to get to the ability to provide better monthly, low monthly costs for the consumer even if there is a higher upfront capital investment required? That will be an ongoing conversation as part of planning, and that will also be an ongoing decision-making process in: how do we direct the AUC, with their mandate to have the lowest cost to the consumer, to also consider the best long-term value to that consumer? Those conversations are ongoing.

The AUC recently released their report on potential costs of electrification.

Ms Al-Guneid: The AUC, did you say?

Mr. Neudorf: The AUC.

Again, for this planning we don't have exact timing on when that will happen or be completed, but it is one of the highest priorities of discussion as we go forward through this process.

Ms Al-Guneid: So do we have a timeline? Sorry. Do we have a specific date?

Mr. Neudorf: We don't. Again, our approach at this point has been maximizing involvement by industry in these decisions, which, for a lot of practical reasons takes a little bit more time, rather than just putting a deadline of a certain time or month on that, and if someone happens to be away or we can't make a meeting happen because we're in session or something like that, we want to make sure these conversations evolve organically with the co-operation, collaboration of industry so that we get to the right answer, not just the fastest answer.

Ms Al-Guneid: Yeah. I'm linking it back to attracting investments and that stability in the jurisdiction. Like, if I put on my corporate hat, when I see five major undertakings – they are all important; I get that – it just sends these signals like: I cannot put money in this province right now. There's a lot.

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

Ms Al-Guneid: I'm not saying rushing. I'm just saying . . .
9:30

The Chair: A point of order has been called.
Go ahead.

Mr. Hunter: I had a point of order, 23(c). I think the minister has answered this question multiple times now, and it's quite repetitive, what's being asked, so I'm wondering whether or not we can get on with – you know, he's already answered the question multiple times. I'm not sure why she keeps on asking the same question over and over again.

The Chair: Okay. Did you want to say something?

Ms Phillips: Sure. Mr. Chair, I don't think that this is a point of order. There have been a couple of different ways that – thematically, we're on the same theme, but there are different angles in a very, very complicated file, so I think that this is not a point of order. We don't actually know if it was repetitive because she didn't even get to finish this question.

Mr. Hunter: Mr. Chair.

The Chair: Okay. Go ahead.

Mr. Hunter: The question is specifically about timelines. He's answered that question multiple times. I'm just wondering, again, why she continues to ask the question, hoping that there'd be a different answer.

The Chair: The first timeline was on transmission. This one is relative to distributions, and it's been asked a few times, and that's okay. But it's something we'll continue to watch.

I want you to be able to get your answer, but, you know, if you feel like you've given it or the minister feels like he's given it, then slow it down at that point, I guess. But go ahead with your question.

Ms Al-Guneid: Thank you. No. Thank you. Yeah, they're different files. Other, different aspects of the electricity system.

But I have my third area here. We talked about transmission, distribution, and now we're talking about the AUC inquiry and the

moratorium. I want to go there, which is the third major blow, I would say. Not blow. Well, it is a blow to certainty and stability in the province because of imposing a moratorium. Again, Minister, I want to share this, and I've said this before. I've spent 15 years in the energy sector. I worked in renewables. I worked in oil and gas. I worked in oil sands. I have never seen such unnecessary government oversight in any other sector. But I want to thank you for releasing the Module A Report. I do appreciate your commitment to transparency, and I look forward to seeing module B.

Objective 2.3 on page 12 says that the ministry will streamline legislative requirements and regulatory processes for Alberta's utility sector to better attract investment. I'd like to understand: when will the government provide more clarity around the definition of pristine viewscapes if it streamlines these processes? I mean, both yourself and the Premier, through you, Chair, have mentioned a few times that there is no universal definition for this term. It is a subjective term. It can be my backyard or the mountains, so you see the problem with the vagueness of this term. I would like to see if your government plans to provide more clarity as you streamline the processes.

Mr. Neudorf: Yeah. Thank you again for the question. I just want to go back to a little bit of some of your earlier part of that question. There are many jurisdictions around the world that have taken this exact approach. California, in fact, put a hard stop on renewables for a year as they work through all of these exact same issues. Ottawa, last summer, put a hard stop on renewables within the county to protect agricultural land, and I don't know if that's lifted yet. Overall, investment interest in Alberta for renewables has actually gone up since the beginning of pause.

In terms of the certainty on pristine viewscapes, that's exactly why we provided a map. It has a significant amount of the information on it and clarity. While words are good, a picture is worth a thousand words, so we're very pleased to have that forward. We are continuing to work with other ministries, including Environment and Protected Areas and Forestry and Parks, to bring forward further clarity on any of the questions that might arise.

As with any new policy proposal brought forward, we expect there to be some challenge to that under the regulator. A proposal would be brought forward to say "How would they decide on a specific project with specific parameters?" and then work out where that would exactly land under the general policy that we've provided. We see this all the time in the courts of law. If they bring forward a new law, someone would bring, say, how would this – it's very hard to do that on a theoretical basis right now, but definitely on a very practical basis once those projects come forward, we will see how the AUC rules on them. In fact, since we raised the pause on March 1, two projects have already been approved and are moving forward with final approval, so we think that this clarity is already ongoing and will continue to be refined as specific projects come forward to contest whether they fit under the new policies.

Ms Al-Guneid: The map shows the 35-kilometres rule. There's no mention of this rule anywhere in that AUC report. I've said this before: the only mention of the number 35 was actually the net-zero grid by 2035 and section 35 of the Constitution Act. So where did the government come up with this arbitrary number?

Mr. Neudorf: It's not an arbitrary number. In fact, we have been watching jurisdictions all around the globe, from the U.K. to Australia to California and many other jurisdictions, and there have been studies put forward, even out to B.C., I believe, that use the

distance of between 20 and 35 kilometres as the guidelines for pristine viewscapes. It was decided that 35 kilometres is what we needed here because we are a very flat province until we hit those foothills and Rocky Mountains. That's why we established that, and we have provided that map to provide the maximum amount of clarity on where that would take place. That's where those numbers came from. It wasn't arbitrary. It wasn't in a vacuum here in Alberta. It was actually based on studies from other jurisdictions around the world, including British Columbia, who is also working on these problems.

Ms Al-Guneid: Is there a reason it wasn't cited in the AUC report?

Mr. Neudorf: Again, the AUC was providing findings and not recommendations, and while they alluded to reports in the conversations we had, they just said that it is acknowledged globally that pristine viewscapes can mean different things in different jurisdictions, and we took some of those global studies to guide our decision-making process internally.

Ms Al-Guneid: Will this new rule now apply to cell towers and pumpjacks and drilling rigs, high rises? I mean, pristine viewscapes could be impacted by cell towers, too.

Mr. Neudorf: Certainly. It is about vertical impacts, so if it is a significant threshold for visual sight, there would be potential application for that. We've always stated that the principles here and the work that we're doing: while we can't directly apply that to regulators and ministries outside of our own, those principles would be included there. Within those zones, other developments have always been subject to visual impact assessments, and they will continue to be so, including all of those that you mentioned. Yes.

Ms Al-Guneid: Some rural municipalities have become reliant on renewables as a source of tax revenue, studies showing that combined currently the planned solar and wind projects between now and 2028 would provide \$277 million in annual revenue. Specifically, renewable energy projects in Cardston county would provide \$7.7 million in tax revenues. That's 97 per cent of their current operating revenue. I'm curious. Did the government conduct an economic impact analysis before developing the 35-kilometre rule? This specific county is divided. It's lost in between, and there's this risk of losing all that revenue. So I'm curious if the ministry conducted an economic analysis of some sort.

Mr. Neudorf: We have worked with all of our regulators on all of these processes, and it is important to note that existing projects that are within these ranges are continued. This is only applied to new and pending projects. As mentioned, Cardston county has half their land within the 35-kilometre buffer zone and half their land outside of that, so if they chose to utilize the space outside of that buffer zone, they wouldn't have any loss of that potential. It is also important to note that markets: the more supply you have can also radically impact the cost of that utility. In fact, there are many programs that were signed up under the NDP government that, given the current price pressures, are now in a negative position. It could be argued that if Cardston proceeded with some of those under the assumptions that prices wouldn't be based on last year, if those prices are lower than that, they could actually be saddled with a long-term risk and a losing proposition given market structures.

9:40

Now, also, I'd like to mention that location isn't the only consideration there. Congestion is a major factor, transmission costs, line-loss calculations. All of these need to be considered as

well as volume on the grid. We look forward to talking to Cardston county to make them aware of lots of potential opportunities that they still retain, particularly with their land outside of the buffer zone, and any existing projects that are already generating revenue will continue to operate just as they always have.

Ms Al-Guneid: I mean, it's 97 per cent, though, of their revenues. That's a huge number.

Mr. Neudorf: Well, that's just theoretical as well. Like, that's proposed. I would like to suggest: like, what number are they calculating? What electricity price number did they use to calculate that revenue?

Ms Al-Guneid: That would be in the discussion with them, I guess.

Mr. Neudorf: I'm sure it would be.

Ms Al-Guneid: I'm just talking about the investment space, the conversations, the prosperity that we want for our province. I'm still, by the way, discussing objective 2.3 here on page 12 on attracting investments. Global investors don't know the details of the minutiae we're in here in the province. They just see Canada; they see Alberta.

This is a good segue to the editorial board of the *Globe and Mail* publishing a national op ed describing the new rules here. I'm quoting: an attack on private business, and it's an attack on landowners' rights; it is un-Albertan, the exact opposite of the principles the province holds dear. This is the quote. I think you will appreciate that this comes across as singling out the renewable sector and adding chaos and instability to our province. It's impacting the reputation of the jurisdiction when a national newspaper writes about us, when international papers write about these excessive government interventions. I think it will impact the goal of attracting investments as per objective 2.3. What is the actual plan to restore investors' confidence in our province?

Mr. Neudorf: Certainly. I would say that that author is actually supremely uninformed of the values and principles that we hold dear in Alberta, and this is evidenced by the fact that not only does the RMA radically support these moves as an agricultural first and a tremendous win for the blending of both agriculture and renewables or tourism and renewals; CanREA in general also has provided feedback that they support the pathway that we've done for the coexistence of both of these things to happen. We have found a tremendous balance and support from all of these entities to move forward because investment still can.

One further note on Cardston. While wind is prohibited within that 35-kilometre buffer, solar and other renewable projects are not. So they have a tremendous value there. Pincher Creek, who is fully within that buffer zone, has said that they actually support it because it allows them to protect their tourism industry.

So while other jurisdictions outside of Alberta and around the world don't understand our marketplace and can make judgments on lack of information or misinformation, the jurisdictions that matter within Alberta's borders, like the RMA and Alberta Municipalities, are generally supportive because we've been able to uphold both private landowners' rights as well as new investment with parameters and rules. Before that, there were, quite literally, very few rules, if any, and we were seeing tremendous swaths of land potentially sterilized for generations because of the lack of planning going forward in this area.

Ms Al-Guneid: I'm not a farmer, but I believe a class A soil would be gold. I think it would be hard for a farmer to give up that land. I

just want to understand, though. If someone has a class A soil, they cannot build on their own land. That's an infringement on landowner rights. They cannot say yes to a project.

Mr. Neudorf: Yes, they can, actually, if they show responsibility that they can coexist.

Ms Al-Guneid: So they have to go through an AUC hearing?

Mr. Neudorf: They would have to go through an AUC hearing anyways.

Ms Al-Guneid: But this is more. Like, they have to prove that they can coexist. It's just adding, I think, red tape and bureaucracy to the work, right?

Mr. Neudorf: Well, yeah. It's class 1 land, and there are only 20,000 hectares of that within Alberta, an extremely small amount, and it is based on land soil classification of the highest ability to grow crops. Prior to this responsibility being added, that land was under risk of being sterilized forever. We're taking the very, very best soil in Alberta and protecting it to say: you can still exist; you have to go through an AUC process, which you would have had to go through before, and do a little bit of additional work to show us that you are protecting that land to be able to continue to do the farming activities there. We think that it's a both/and approach as opposed to an either/or.

Ms Al-Guneid: I think we both agree it's an and conversation.

The AUC report, however, says that the prime loss, that the key driver for losing agricultural land is other industrial activities like pipelines, like urban sprawl; it's not renewables. Like, literally it says: nonwind, nonsolar. I'm just curious: are you going to apply the agriculture-first principle on the other industries, because it is the prime, the key driver for the loss of good farming land.

Mr. Neudorf: Again, like I said before, I think the principles that we've established here, while we have no authority to apply them to other regulators outside of our ministry or other areas, are going to be taken forward as good principles to follow. The key distinguishing factor in this as well: the land usage across the entire province is very low for renewables; the density and cumulative effect in a very narrow swath in southern Alberta is extremely high. I think that's the distinguishing point of that, that any industry with that kind of density anywhere is obviously a concern.

So, yes, we are watching how municipalities respond to this to make sure that they don't find a loophole where they expropriate agricultural land just so that they can build renewables on that. That wouldn't be the normal process. If they increase their footprint for a number of different reasons, their regional land planning, and then allow industry and renewables to take place, that would be appropriate. We will continue to work with our regulators and good principles and pass them forward to other ministries who have other regulators that report to them to incorporate these principles.

Ms Al-Guneid: Is this a conversation, like, with you, the Premier, the other ministers? Is this an active conversation?

Mr. Neudorf: Yes.

Ms Al-Guneid: Okay. I want to move to the fourth element here. It's transmission, distribution, the moratorium. I'm going to go to market reforms; that's the fourth area that you're working on. I want to start by saying, Minister, through you, Mr. Chair, that I want to emphasize that we support market reforms and improving regulations to modernize the electricity sector. However, the

government has shown a pattern of unclear and vague announcements in the last bit, which is adding to this instability in the sector. Last week we saw the stock value of two big generators dropping after the market reform announcements. As you continue announcing these reforms, how does the government plan to manage, not to shock, the investment environment here?

Mr. Neudorf: Again, we continue to work with industry to finalize that exact landing place for that market reform. Again, across everyone, I think that of those two companies that you mentioned, one's stock value may have been related to another announcement that we made due to their market activity. While we seek these reforms over time, as investors understand the direction that we're going, it will actually stabilize the market investment because this provides clarity and foresight for how the market will perform. We continue to take feedback from these key industry players, to consider their thoughts and perspectives on this so that we can stabilize that.

Again, to our previous conversation, we could have just announced that this is what we're doing, that this is how we're going, but we allowed our regulators to provide their feedback. Both the AESO and the MSA brought very consistent feedback. We allowed that to go public so that we could get industry's response, and we will take that industry response into consideration as we move towards clarifying what we want that market structure to be. As you well know, there's a range on all of these decisions of what we could do.

9:50

California right now: we are very interested in what California has done with their entire renewables sector and their market. They have a day-ahead market structure, and renewables are very well integrated into that. We want to see how that could look for Alberta if we choose that. We have already engaged with CanREA specifically as to their perspectives, and they are the ones who provided the feedback that, depending where on that spectrum we land, they could be from fully supportive to not so supportive. We'll continue to work with them to find the right landing place. As we do that, we have had a tremendous amount of feedback from all sectors of the industry that our engagement has been unparalleled in this sector in the last 20 years, and they appreciate the ability to continue to work with government as we make these significant decisions.

Ms Al-Guneid: Thank you for that.

I want to move to the vision for the sector. I'd really like to understand your vision for the electricity market. Again, I'm seeing a cocktail of major changes and reforms. You're enabling storage; that's great. The government banned renewables and introduced the new – I mean, they're arbitrary rules, some of them, so not great. We have 900 megawatts from the Cascade project coming this year, an additional 500 megawatts from Capital Power's coal to gas at Genesee plus Suncor's cogen-based plant, that will provide another 800 megawatts.

All this was enabled before the UCP started rewriting the market rules on the fly. Alberta is adding all this new supply. That's great. That will help with affordability as well. You've kind of touched on this already; the government seems to be redesigning our market in a U.S. style, locational prices and day-ahead markets. We're still trying to make sense of all that.

Again – and I mentioned this earlier – the challenge, though, is that, you know, industry folks have to go to private conferences to hear announcements and rumours, but global capital looking to invest in Alberta just see this, the reforms and the uncertainty with

all the changes and the overhauling happening. I need to ask this: how can you guarantee that the Premier won't ignore expert advice and make ideological decisions now that the ministry is working on all these market reforms?

Mr. Neudorf: Well, I will note for the member and for the committee that investment doesn't have to go to public conferences to find this information. It's been made very publicly available. We have also sat down with our department as recently as yesterday and with global investment firms to talk about this and seek clarity. Much of the feedback that we received from them has been that every market around the world is grappling with these same questions. This uncertainty, if it is here in Alberta, is around the world. We heard that also at the IPPSA conference from Australia, that they are grappling with all of these things. We are continuing to work with all of them as well as in the most transparent way that we possibly can. We are setting forth examples, whether it's Australia or California or the U.K., on how they've approached it and how we are trying to talk about the same topics and provide it in an Alberta context. We continue to see a high level of interest in our generation and development within our province, both from natural gas as well as from renewables.

I think January 13, the night where we had to put out the alert for the potential peak demand exceeding our ability to supply, taught us that we need some more stability, more dispatchable generation. We are working on that. I'm very happy to announce that this year, I think for the first time ever, dispatchable generation will exceed our maximum load, so that is a very good place for Alberta to be. We are continuing conversations with our neighbouring jurisdictions – B.C., Saskatchewan, and Montana – to make sure that we fully utilize existing relationships and interties to their maximum ability for, again, resiliency within our system.

We find ourselves within Canada, actually, in a very beneficial position, where we do have that potential for surplus generation, whereas B.C. has already acknowledged that they'll likely be in an energy deficit position within two years. Manitoba is actually in a very similar and tenuous situation. Last week Quebec announced that they'll be in an energy generation deficit position for 10 years, and much of the broader United States will also be in energy deficit. We want to make sure that industry and investment around the globe know that not only do we have the natural resources for renewables and natural gas but that we have the capability to generate that and be a huge contributor to energy all around northwestern North America.

Ms Al-Guneid: Still on the vision here, page 12 of the business plan mentions working to support the commitment to achieve carbon neutrality by 2050. I mean, the AESO puts out the LTOs. Can you tell us the difference between the 2035 net-zero grid scenario and the 2050 net-zero grid scenario in terms of dollars, megawatts, percentages?

Mr. Neudorf: A lot of details there. I'll ask my department to see if they have those dollars and details.

What we do know is that with these projects, whatever they may cost – let's just choose \$1 billion for ease of calculation – if the recovery of investment is put over an 11-year timeline versus a 26-year timeline, obviously that would naturally result in a much higher price for those 11 years to recover that same amount of capital. That is one of the primary reasons we have pushed back, to make sure that we have the time to do those investments well and that the short term isn't a negative effect on affordability. I think you understand that.

Also, what we are pushing back on the federal CER regulations is the understanding that for many of the assets in the ground now, be they renewable or natural gas, their life expectancy far exceeds that 2035 time frame. We want to make sure that every asset has their full lifespan before a rapid shift to something else. If the federal government wants something more quickly, we have asked them to come forward with the financing to make it happen.

I think you're well aware that carbon capture, utilization, and storage is one potential answer. The challenge with that is that there's no return on investment for that within the market structure. So either the federal government has to create an investment tax credit for that to happen or a contract for differences to off-set those targets, and they have not yet come forward with the financing to be able to do that.

Ms Al-Guneid: Okay. Thank you. I'm just looking at the time, and I still have more questions.

We discussed the four areas that are happening. I want to go to the fifth area, which is the potential formation of a Crown corporation. We've heard the Premier multiple times mentioning this, the idea of creating a Crown corporation. In fact, the government has passed a whole motion that includes the creation of a Crown corporation. We debated it in the House. First, can you confirm if your ministry is working on creating a Crown corporation in the electricity sector?

Mr. Neudorf: We are not currently, no.

Ms Al-Guneid: It's just, as you know, another layer of investor uncertainty, and it's in all your expert reports.

I want to go to page 4 of the restructured energy market report; that's by the AESO. It actually talks about direct contracting. It's viewed as a no-turning-back option. I'm curious: what does that mean?

Mr. Neudorf: Again, the AESO report is in response to the request that we had them look at market structure. Because they've submitted that here, that doesn't mean that we've accepted all of the recommendations. We're still working our way through that.

I don't know if my deputy minister would like to comment a little bit on that specific topic, on what that means.

Mr. Grant: All I would say on that is that it is an opinion at a point in time, where the AESO has looked at it and says: this is a watershed moment, where significant changes that have not been made over the last 25 years need to be changed, and we will be on a different path. That is certainly the feedback and the intent that I've received from the AESO.

10:00

Ms Al-Guneid: Do you know what would the direct contracts – like, what are they exploring? What type of energy sources are we talking about here?

Mr. Neudorf: None of that has been decided. I think it's a potential option for the AESO. If there were circumstances of early retirement of generation or scarcity events that there were for system stability and reliability, they would have an ability to secure the needed generation to fill that gap in time. It would be something like an insurance measure should we need that. We don't forecast that being a requirement, but, again, good planning makes sure that you have tools available in case you might need them in the future.

Ms Al-Guneid: Okay.

I want to shift. We have 11 minutes here. Page 34 of the fiscal outlook says “the province is also exploring other technologies, with some companies in the very early stages of assessing the feasibility of developing small modular nuclear reactors to supply heat and power in . . . Alberta’s electricity grid.” Can you tell us more about this feasibility study? Where can we find the funding for this study, and what sectors of the industries are being consulted?

Mr. Neudorf: Yeah. Thank you very much. That’s a great question. There are a couple of different things. One is through Environment and Protected Areas. The government of Alberta provided a grant – actually, I think that Alberta Innovates was the body that funding flowed through to Cenovus to look at additional studies into SMR application within that industry.

Recently I was at an announcement with Capital Power, who have also invested private dollars to study the potential utilization of small modular reactors within their business structure. The minister of energy and myself are both taking trips to Ontario to look at their nuclear program. We are well aware of the emerging technology and cost implementation of that, which is why I said multiple times publicly that while Alberta has an interest in procuring SMR technology, we don’t want to be the first ones to do that because there is a significant cost associated with that. We’re well aware of where we are globally. We think it is an emerging trend. It is something that within Alberta we have no legislation or regulations to even accommodate. So that is under the ministry of energy to work on those regulations and legislation to provide a framework that if we were to proceed with that at some point in the future, we would have the ability to incorporate it within our governance structure.

Ms Al-Guneid: They would do the economic analysis for it? It’s not – it just says: powering the electricity grid.

Mr. Neudorf: I understand. There is a blending of the two ministries, particularly on this topic. This ministry used to be part of that ministry, and through the Premier’s mandate letters that ministry has the lead on doing those analyses. We contribute through our ministry to his ministry for the specific requirements that that might require for electricity generation.

Ms Al-Guneid: Good.

Okay. I want to move to climate change and REP revenue. On page 39 of budget estimates – you kind of alluded in the intro, but I missed some of the numbers – there is \$89 million in revenue, and it’s named as “other revenue.” Can you please confirm that \$86 million or more comes from the renewables electricity program?

Mr. Neudorf: Sorry. We’re just finding the right page. Do you mind just referencing that page number again, please?

Ms Al-Guneid: It’s page 39 of budget estimates.

Mr. Neudorf: Thank you. The \$89 million in other revenue – please provide me a little bit of latitude as I just provide some context for that – is under the renewable energy program, and it is based on the cost of electricity over time. There are times when it’s up; that revenue would go up. Times when it’s down; it would go down. It’s a 74 and a half million dollar increase that the renewable electricity program receives to reflect the current electricity price reflections.

Obviously, there could be fluctuation in that. It is significant to note that if those prices are high, this funding goes to general revenue,

so it doesn’t come to the ministry. If it goes up, it goes into general revenue with Treasury Board and Finance.

Ms Al-Guneid: Okay. I mean, this demonstrates that climate policy is economic policy. The government is making money because of the REP program. In your introductory remarks you talked about the expenses of the program. Yes, there is an expense for every program, but I want to highlight this revenue. I want to highlight that we also got more than \$7 billion in renewable energy investments. We got municipal revenue to help our rural communities develop new economy. It’s just important to put all this in context. My question to you: why doesn’t the ministry have new climate policies that are economic policies that can generate new streams of revenue and diversify in the future? I mean, we looked at the budget. There’s an impressive \$12.5 billion just from bitumen royalty. This ministry has the potential to provide new revenue through electricity, so why aren’t we seeing new climate policies in this budget?

Mr. Neudorf: Because this revenue is being paid for by Alberta ratepayers. The higher that number is, that actually means the more that ratepayers have paid for electricity, so it’s actually counterproductive to the renewables argument that they’re a low-cost energy provider because if they were a low-cost energy provider, this number would actually be lower. That’s where it’s different. Oil and gas revenues are largely paid for by other countries, other people contributing to it. This line item is specifically paid for by Alberta ratepayers. While renewable energy bid into the market at zero, that’s not what they’re paid; they’re paid the clearinghouse price first. So the higher this goes, that means the more the ratepayers have paid for it. Actually, it’s most beneficial to Albertans if that number would remain low.

Ms Al-Guneid: There are different ways of doing this. There are contracts for difference, and that’s how the programming started. It comes at almost no cost to taxpayers.

Mr. Neudorf: This came in at a \$75 million cost to ratepayers, actually.

Ms Al-Guneid: For a \$6 billion industry. Like, we have to put the full context for these climate economic policies.

And speaking of revenue – I’m still in that conversation here – has the government started looking at the exporting potential of renewable energy? Alberta – you kind of touched on this – could become a net exporter of clean electricity to all three neighbours: the U.S., Saskatchewan, and B.C. We’re also looking at drought years in Alberta and B.C. We know that B.C.’s source of energy is hydro, so we could be exporting to support B.C. and make a revenue. Interprovincial transmission, intraprovincial transmission may also be opportunities to attract capital from investors. So what is the government’s plan to secure federal funding for the province to build interties and build more transmission capacity as well?

Mr. Neudorf: Yeah. That is exactly where we want to go. That is part of the long-term planning, to be able to do exactly that.

Again, it is very important to note that this potential also requires a lot of co-ordination with the private industry. The government doesn’t make money like it does in B.C. or Ontario or Quebec because we don’t own those generating assets, and we have to balance the structure of the market with the best outcomes for Albertans who pay for that through either their rates or as taxpayers. So we will continue to find the best ways to best plan for that future export.

I've said it many times, including at the IPPSA conference, that I believe that Alberta will be the powerhouse in northwestern North America because of our ability to generate low-cost clean electricity from a number of different sources.

Ms Al-Guneid: Are you in current negotiations with the federal government to fund some of that through the CER or beyond?

Mr. Neudorf: Yeah. We are in continual meetings with the federal government, certainly. We think the CER is completely the wrong way to approach it and does not take into consideration the constitution or Alberta's difference from every other jurisdiction in Canada. But we are talking to them a lot about their ability to support Alberta and our industry by making key investments so that we can continue to move in a path that not only reduces our carbon footprint but allows our industry to thrive and provide energy to all of our neighbours, as you suggested.

10:10

Ms Al-Guneid: Yeah. I mean, it's \$40 billion worth of federal money at the table. How are you negotiating that? We have a high carbon intensity in our grid. We could be asking for proportionate funding to reduce these emissions through building more renewable energy and also enhancing our grid, modernizing the grid, building interties. Is this part of the negotiations?

Mr. Neudorf: Again, it's not quite a negotiation in that sense. We have been asking the federal government to come to the table with funding to make these things possible and, particularly of late, until they tabled a budget, they had been very quiet on exactly what their intentions are. There are a lot of programs we're waiting to see what they will entail and what our ability to apply for funding would be. Again, much of our industry is run by private industry and our ability to, quote, unquote, negotiate with the federal government is very different than every other province who owns their grid or owns that generation or holds the contracts for that. Because we are an energy-only market that is very supported by the open market, depending on how the federal government structures that, whether it's in terms of grants or co-operative programs or something like that, we have to wait and see what they say first to how we could actually help our industry apply for a lot of that.

Ms Al-Guneid: Okay. I think we only have 30 seconds left. I thank you for all your answers, and I will cede that time.

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

We will now move to the independent member for 20 minutes. Would you like to share time?

Mrs. Johnson: I would love to share time if the minister is willing.

The Chair: Minister, is that – okay. You have 20 minutes.

Mrs. Johnson: Thank you, Mr. Chair and through you to the minister. In the ministerial business plan, page 11, under outcome 1, 1.5, one of the key objectives is to identify opportunities to reduce transmission, distribution, and other costs. Power bills do have many line items, not just our power usage. Transmission, distribution, and other costs in many cases are much higher than the actual usage. In what ways has the minister identified opportunities for these reductions so far?

Mr. Neudorf: Great question. Thank you very much for that. Yes, you're absolutely right. Transmission, distribution are a huge portion of our costs, particularly for many in rural Alberta. While

we can't go back in time and change how things have been built to this stage, we definitely have the opportunity to make sure that we plan and optimize our pathways going forward. That is absolutely what we are doing and will continue to do as we develop our future steps with industry and bring our regulators to the table. We have talked a lot with our distributors in particular about the opportunities to optimize and increase efficiency within the system. This is of critical importance as, again, we see the continued increase in electrification of our societies, making sure that we utilize the information that we have. Bill 22 is a significant portion of this, which allows for storage and will look at the optimization within building new.

In terms of transmission, we did touch on that previously with the opposition in the fact that transmission is also the opportunity that we would have to increase our interties and interconnectivity with our neighboring jurisdictions to make sure that we could more effectively utilize the surpluses that we anticipate having in the very near future. It's a huge opportunity for Alberta to be one of the strongest partners in Confederation by helping our neighbours with their energy deficits that are projected in the years ahead.

Mrs. Johnson: Thank you, Mr. Chair and through you to the minister. A couple of questions based off of that: when will consumers see a reduction in their monthly utility bills? And how is the rapid population growth going to affect the consumer rates?

Mr. Neudorf: Yeah. Another very good question. We are bringing forward a number of initiatives right away, both within this session and the fall session that will continue to help. Again, we are very pleased that there are about 2,200 megawatts of natural gas under construction right now, which will all come online this calendar year, which will also have a very stabilizing effect on the pricing. Our measures to counteract economic withholding will also be in effect this year, which will curtail that behaviour should it be necessary. These will all have positive impacts on consumers' bills.

It is worthy to note that the potential growth of our province, pending where many of these individuals choose to reside, could actually further reduce bills by spreading the current costs over a greater number of people without having to do a massive increase in development of our transmission or distribution grids. That's why effective long-term planning plays a critical role in that optimization and efficiency, to make sure those costs remain low for all Albertans who are here now and all future Albertans who are moving here.

Mrs. Johnson: Thank you, Mr. Chair, through you to the minister.

On pages 11 and 12 of the ministerial business plan performance metric 1(b) identifies Alberta's annual inflation rate compared to the national level. All items, food, and shelter remain relatively stable, but energy went from a negative inflation of negative 7.6 in 2020 to a positive 26 in 2021. Can the minister define this negative inflation and the massive swing in numbers for energy?

Mr. Neudorf: Certainly. A lot of that has to do with the starting point and where they're comparing, and those prices in particular are linked to the price of oil in the global market. We all know very well that we see sometimes very strong fluctuation in that. It's something that there are benefits for as well as counterpositive indicators as well. We will continue to watch that. Some of that is beyond our control, obviously. Within electricity we want to make sure we keep working on that by having a stable grid, which is why we chose to address volatility within our system immediately and make sure that we stabilize that price, so then the mitigating factors of more generation coming on is stabilizing, reducing that cost of electricity. Again, the future forecast is very positive in that sense.

Mrs. Johnson: Thank you, Mr. Chair, through you to the minister.

Page 14 of the ministerial business plan. Can the minister explain the massive decrease in the utility rebate and grant programs from \$49 million plus down to \$1,700,000?

Mr. Neudorf: Yeah. That's a very simple explanation in the sense that the calendar year and fiscal years are not aligned exactly. The first three months of last year still had that affordability program in place, but it came to an end at the end of March, and that is the reduction in that value.

Mrs. Johnson: That was quick. Thank you, Mr. Chair, to the minister.

Page 14 of the ministerial business plan. I'm going to come back to climate change a little bit, in line with my colleague. Climate change under expense goes from \$31 million in the '23-24 budget and drops to \$24 million by '26-27 target. In the government estimates page 35, 4.2, under climate change is coal phase-out agreements of about \$97 million. Then on page 37 the climate change line of about \$19 million, and we talked about another one later on. Can the minister explain the cost of these line items under climate change and how this money is used?

Mr. Neudorf: Absolutely. The climate change line item is actually a number of different things, but this has to do with the coal phase-out agreement. I will ask my ADM of finance, in a moment, to talk about accretion and what that is. But there are legal settlements, so when we moved off coal very, very rapidly, there were a number of lawsuits as well as an ongoing payment to those companies to not generate coal. Some of those agreements have been now legally settled; the \$2.5 million decrease in that agreement is to pay for that. One other spot in the budget shows that we continue to pay as Albertans and taxpayers \$96,970,000 each year. That's a 15-year agreement from the coal phase-out, and there's a significant cost that would be well over \$1.3 billion to the taxpayers to do that early exit from coal.

I will ask my ADM to talk a little bit about accretion in that value within that line item.

10:20

Mr. Doyle: Of course. Thank you, Minister. As you see in the amounts not to be voted in the estimates, the amount falls from climate change from \$19 million to \$16.5 million approximately. This is a \$2.5 million decrease, which is related to something called accretion expense. From an accounting standpoint what accretion expense is is an expense on an income statement related to a change in a liability over a period of time, and they use something called a discounted cash-flow model to calculate this over the period of time, that liability. So the actual payment on the liability of \$96.7 million continues on until the end of that liability is complete. However, there's to be reflection because of the settlement of \$2.5 million. That shows up in the accretion, so that's why that number has gone down, because there's been a settlement and it's been in our favour.

Mr. Neudorf: I will also go back to the climate change from the budget to forecast, 2023 to 2024, so the 31 and a half million dollars down to \$19 million. As I was talking before, when electricity prices are high, there's a contribution to the government that we have to put on the budget that goes into general revenue, but if those prices are very low, the payment has to come out of our ministry to pay them. So it was decided a number of years ago that \$12.4 million was that value as a placeholder within the budget. Because prices were high last year, that value was not needed to pay out, and that's the difference between the \$31 million and the \$19 million.

Again, this renewable energy program, while well intended, is actually potentially either subsidized by the ratepayers through higher costs or through taxpayers by us having to subsidize them if the price isn't high enough for them to make the money that they've been guaranteed under those contracts.

Mrs. Johnson: Thank you, Chair. To the minister, that was my next question: so essentially this is subsidized? And "Yes, it is" is the answer I'm hearing.

Okay. Let's go back to prime agricultural land if we could. Page 33 on the fiscal plan states:

There are a dozen wind and solar energy projects currently underway in Alberta, with combined investment of approximately \$4.5 billion. Additionally, several renewable projects with regulatory approval are slated to commence construction in the coming years.

Just recently this government announced protection for class 1 and 2 prime agricultural land. There are still several projects moving ahead, including one near Sylvan Lake and one in Ponoka, proposing to install solar panels on seven quarters of cultivated agricultural land. In the ministerial business plan page 12, one of the key objectives, 2.4, is to develop policies to enable the integration of distributed energy resources such as rooftop solar to inform and support Albertans to manage their energy costs and consumption. Can the minister first define what class 1 and 2 agricultural land is – we've already heard about class 1 – and how our prime farmland will be protected from solar panel installations that should perhaps be on rooftops so we can continue to feed the world?

Mr. Neudorf: Thank you very much for that question. Class 1 and 2 agricultural lands are defined under the land suitability rating system, which resides within the Ministry of Agriculture and Irrigation and has the mappings of that over there. While we are continuing to develop our demand-side management or processes to allow for locating renewable generation on load, whether that's on the rooftops of industrial, commercial, or residential, we'd like to see that as it limits the cost of distribution and transmission while still providing the benefit that renewables can do. That is why we are continuing to work on planning, particularly with our distributors, to make sure that we do that effectively and efficiently.

Large projects of industrial scale that were previously approved will continue, and we look to integrating them within the balance of our generation while understanding the characteristics of intermittency to be managed more appropriately within our market structure so that they don't contribute to the volatility but contribute to the overall generation possibility. Again, we're looking for that co-operative approach that puts an agricultural lens on these developments going forward. As long as proponents can demonstrate the responsibility to be able to do both, they will continue to proceed under the AUC's direction and approval.

Mrs. Johnson: All right. Thank you, Mr. Chair, through you to the minister.

Pages 33 and 34 of the fiscal plan. It states, "The expansion of renewable capacity has also spurred investments in transmission lines and battery infrastructure." I think we can all agree that added infrastructure for our power grid is a great thing. It can, however, contribute to increased risk of starting wildfires. Is this an issue this minister has seen, and how is it reflected in the budget? With fire season just around the corner what investments have been made to reduce wildfires as it relates to our power grid in the future?

Mr. Neudorf: Thank you for that question. Most of the wildfire fighting investment would be through the Ministry of Forestry and

Parks, and they have done a lot of work on that, including the ability to apply new fire retardant to wooden transmission lines and distribution poles to help mitigate that. This does come back to a lot of our planning with our rural electrification associations, our REAs, to make sure that we are providing good planning and an appropriate amount of redundancy within the system. Often some of our most rural and remote areas have a single line going in and out, and if there's a wildfire in that area, that could have some very, very significant long-term consequences because you can't just build a new transmission line overnight.

Our department continually is working with Forestry and Parks to upgrade those preparations and make sure that key investment areas, as I said, for appropriate redundancy are put in place. This also would allow for appropriate planning in some locations for additional battery storage to lower that cost of transmission distribution lines while making sure the system has the maximum amount of efficiency possible.

Just a note here from my ADM that wildfire management: while being the responsibility of transmission companies, they work with the AUC on an ongoing basis to provide the exact measures required to make sure that we mitigate those wildfire risks.

Mrs. Johnson: Great. Thank you, Mr. Chair, through you to the minister.

It kind of sparks the next question, then. Does Forestry and Parks absorb the cost of the fire retardant on the poles, or is this in your ministry?

Mr. Neudorf: I believe it is actually with the transmission companies. I'll ask my ADM to augment that answer.

Mr. Buffin: Sure. Thank you, Minister. Firefighting mitigation is an allowable cost that the transmission companies can then be approved through the Alberta Utilities Commission that would then be paid by ratepayers, so it wouldn't come out of our ministry budget.

Mrs. Johnson: So we're paying for it. Thank you, Mr. Chair, through you to the minister and the staff.

On page 9 of the ministerial business plan: "Affordability remains a priority for Albertans, and the Government of Alberta is taking decisive action to support Albertans' quality-of-life by addressing cost of living expenses and maintaining the Alberta Advantage." With a carbon tax increase coming in on April Fool's Day, essentially adding hundreds of dollars to each Albertan's yearly expenses, what is being done to off-set this added burden on our hard-working people of the province?

Mr. Neudorf: Yeah. Great question. It's a continual topic of advocacy not only for our ministry but many of our ministries, including the Premier's office, with the federal government. I believe it is currently at least seven provinces' Premiers have united to ask the federal government to stop this significant increase at the detriment to all Canadians. In fact, many Liberal governments across the provinces and even many of our NDP colleagues in this room or within their party have said that the increase in the carbon tax is not helpful at this time and is not doing what is expected to reduce that.

We know that we continue to need natural gas to dry grains and provide food not only for Canadians but for the world. It is a punitive measure on many farmers and ranchers for food production, significantly impacting the price of food. We know that we've heard from our grocers that that input cost of the carbon tax has negatively hit them in significant ways as they have no choice but to pass that price on to consumers.

We have heard from our school boards, our hospitals, our public libraries, our supported living and seniors living and those who advocate for people on fixed incomes that the carbon tax has become very, very punitive.

10:30

I've written to the federal Finance minister, Chrystia Freeland, asking her to consider that, in fact, the carbon tax on these entities, which are almost fully funded by taxpayer dollars, is, by my reading of the law, unconstitutional. You cannot tax a tax, and it is one of the significant drivers of inflation that not just Albertans but all Canadians are struggling with. This is an ongoing fight in our province, and our government has taken many steps to reduce taxes in many areas only to see that backfilled by the federal government taking that space with increasing their taxes, really mitigating what we are trying to go.

We are working towards other forms of long-term affordability measures with other ministries, of which those other ministries are the lead. We are looking at housing and the increase in supply on housing and supportive housing; food costs, insurance with the Minister of Finance; and, of course, utilities is the primary focus of this ministry. We continue to try to find innovative ways to lowering those costs to off-set those continually punitive measures of the increased cost of the carbon tax.

Mrs. Johnson: All right. In light of the time, Mr. Chair, thank you to the minister and his staff. I will stop there.

The Chair: Okay. Thank you very much.

That concludes our first portion of questions for the independent member.

We will now move to 20 minutes for government caucus members of this ministry. Who is going to start? Member McDougall, you have 20 minutes. I'm assuming back and forth is good for everybody here. Go ahead. You get 20 minutes of back and forth.

Mr. McDougall: Thank you, Mr. Chairman, and thank you to the minister and the department officials for being here today. I wanted to go back to the question of the pause and some of the commentary that we've heard from some sources criticizing the idea of the pause. Before I ask my question, I guess I would say that this comes in the context of: we've heard already today of somebody's background in the energy sector and the knowledge and experience that they have provided and are sharing with our committee. I, too, have a significant background in the area of investments, including 25 years of speaking to investors about various energy investments, and I've been involved in billions of dollars of investments around the world. I used to be senior vice-president of one of the world's largest banks and an energy analyst that focused on emerging markets at different times, emerging markets, the U.S. market, and the European market. So I have a little bit of context there.

I find it a little baffling, I guess I would say, to hear some of the criticism about the pause and what investors actually expect. Investors do not expect that a government will be dedicated to the sole purpose of maximizing their returns on investment. They understand that governments have multiple roles, and particularly in regulated industries that role includes protection for consumers and the taxpayer. In the case of electricity stability of supply is also major, so they are very used to dealing with government regulations and this balancing of interests that have to be applied. For sure they would rather know about changes to the investment parameters or environment before they make an investment rather than make an investment and find out that the rules have changed. I challenge anybody to come up and say that's different from that.

There are those who will of course have been happy with the way the regulations or the investment environment had been. After all, we did attract 75 per cent of the whole country's investment in renewable energy last year, and by far the Alberta jurisdiction has been one of the more attractive industries for renewable investment in a sector that has suffered huge underperformance if we look at the green funds that have globally widely underperformed the general market. They would be looking for places where they can invest, but they understand that they want something that reflects a stable environment given the balances that have to be achieved. With that premise or that commentary, again, they're looking for risk-adjusted returns that reflect some stability and understand that that stability comes from having a good balance between consumer protection for taxpayers and return on investment.

Just the other day, earlier this week, we heard from Berkshire Hathaway about how excited they were about the investment opportunity and the environment here in Alberta and that their intention was to invest even more, as much as possible. In their case, they're involved in interties with, I think, Montana. Can you elaborate a little bit on what you've been hearing from different investors communities not just in the renewable generation side but in transmission, distribution, interties, et cetera? If you can give a range of what kind of feedback you've been giving about the process with the pause and the changes you're making to the regulations.

Mr. Neudorf: Thank you very much for those questions and the commentary. Appreciate your feedback.

The challenges and the feedback have been that Alberta, in terms of the renewables – this was even provided to me by many renewables companies – we were truly the Wild, Wild West. There were no parameters; there was no structure to it. It was just a floodgate being opened and a runaway train in that market. Some of the potential projects for the future that are still at concept: if all of those move forward, even the renewables have acknowledged that it would flood the market and absolutely devalue their investment to a point of financial insolvency, so they welcomed that we would provide some parameters so that the projects that come later have clear economic and social responsibilities provided to them to make sure that that investment goes where it's needed. If it's on stable economic footing, it would proceed; if it wasn't, then it would not.

Further to that, the structuring of our entire electricity system is seen as a responsibility that we had to make some of these decisions on and modernize our planning and grid for the increasing electrification of our society as well as the growth of our society. It was definitely seen as timely and maybe should have happened at the beginning of some of these changes, which it didn't; so much needed review of all of these systems and the potential for growth.

Again, we are seeking to establish Alberta as a very strong economic location for all types of generation in a very good mix. We want to make sure that we provide reliability, sustainability, and affordability to all of our Albertan customers. We work with all of our key stakeholders, including our rural municipalities, our urban municipalities, and our other sectors that are influenced, whether they be agriculture, tourism, transportation and economic corridors, or whoever that might be, as well as our heavy industrial users. While they use a lot of electricity in some cases, some are cogenerators and also are looking forward to the ability to be part of this conversation in a significant way.

All of that allows us a huge opportunity to be, as I mentioned before, a powerhouse within North America because we have all the attributes. We have sun, we have wind, we have natural gas, we

have some hydro storage capabilities and hydro generation capabilities, we have a lot of interest in geothermal and biomass, and we want to make sure that all of these are potential. We are looking at the future, as well, in new future technologies, including nuclear, both conventional and small modular reactors and microreactors as they would best suit the application needed or presented.

10:40

With that, coming back to where you started under different entities like Berkshire Hathaway: their ability to invest in a marketplace that sees not only the potential for us locally but the potential for us to provide support to our surrounding jurisdictions is incredible. I think that's why they're interested in Alberta: for our low tax, our attention to cutting red tape, and as a jurisdiction that sees economic growth in balance with responsibility to our land and peoples, as a place where they want to do business and continue to do business. I look forward to that investment interest continuing to grow as we take the responsibility for solving some of these challenges that have been long standing and move forward in a way that is beneficial to all Albertans.

Mr. McDougall: Thank you for that.

A little narrower. One of the biggest changes that has happened to my electricity bill and others' around the province is the increase in the transmission component of that bill. Could you perhaps elaborate a little bit on what has caused or what is responsible for that big increase in transmission costs in the province over the last few years and how the changes that you envision will address that increased cost that we've been seeing?

Mr. Neudorf: There have been a number of factors as to the increase of transmission, but one that certainly has to be considered is that 20-plus years ago, when this system was developed, we had a very small number of coal-generating electricity plants and a very stable trunk line for transmission. When the decision was made to close down those coal plants and open the door for renewables, which have many positives, one of the negatives was that we went from a limited number of sites to many, many sites, which saw a massive increase in transmission requirements to build given other regulatory steps we had to consider, like the zero-congestion policy.

We saw a huge abundance of transmission building, and over the past 20 years we've seen a 500 per cent increase in transmission costs. We want to make sure that we clearly look at this transmission growth to make sure that we're maximizing the lines that we already have, making sure that we optimize the grid and its stability, and we make sure that we're allowing investment and growth in generation where we need it and where it makes the most sense, where we don't have an untoward additional cost in transmission.

Again, as I said earlier, we can't go back in time and undo that, not necessarily that we even would, but we want to make sure that we have the best view going forward and we are making sure we're making the most responsible decisions on behalf of Albertans that we can go forward.

Mr. McDougall: Thank you.

I often hear commentary or some kind of expectation that we can survive on 100 per cent renewable energy. Can you, you know, provide any kind of scenario that would allow a province like Alberta to be able to provide stable, inexpensive electricity with 100 per cent renewable? What would be required for that to take place, and what would be the cost?

Mr. Neudorf: Again, there's a lot of speculation there. We know that there's an intermittency challenge with renewables; some of that is potentially overcomeable through different types of storage. We have limited opportunities for hydro, which would make a big difference. We see B.C., Manitoba, and Quebec have an abundance of that, which allows them a much more ready path to that potential. But for Alberta I think it would be much more challenging at a significant cost, and I think we have to look at the attributes that we do have, maximize those, and make sure we do so in a balanced way. Again, I've utilized this before. You can have it good; you can have it fast; you can have it cheap: pick any two. We want to make sure that we build the best system possible for Albertans but also keep affordability top of mind and do so in a way that doesn't add to or multiply those costs for Albertans.

There are also some very technical considerations to think about in terms of how electricity actually manages and voltage and frequency for the strength of the stability of our grid. Spinning generation, which can be accomplished either through a thermal capacity or a hydro capacity, is really needed for that. The stability and resiliency of that grid gets a little bit technical in that aspect. To answer your question, it's not likely in the near term that that is, in my opinion, the best path forward for Albertans, nor would it be the lowest cost.

Mr. McDougall: Thank you. On page 14 of the business plan it shows net income. The Balancing Pool estimate declined sharply from \$150 million to \$65 million. Of course, the Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act, 2022, began to transfer remaining Balancing Pool responsibilities in preparation of its future dissolution. Does this reduction in revenues that you are projecting reflect this wind-down and dissolution of the Balancing Pool? Or perhaps you can elaborate a little bit on how that benefits Albertans.

Mr. Neudorf: Certainly. Yes, the decreasing revenue can be partially attributed to our government winding down the Balancing Pool. Our government made the commitment to wind down the Balancing Pool and set up for Alberta taxpayers. It's partially included in Bill 22, where we reassigned many of the pool's responsibilities to other agencies and departments, including the AESO and Treasury Board and Finance. Deloitte's review of the Balancing Pool's finances found that it lost more than \$1.34 billion under the NDP's direction. Some of those decisions led to higher costs for Alberta ratepayers and taxpayers and failed to address long-term issues within our electricity system.

The other cause for this decrease in revenue was a one-time decrease due to the hydro power purchase agreement. Power purchase agreements, PPAs, are yet another part of Alberta's electricity system that we think were mismanaged under the NDP. The NDP's ill-advised climate action plan broke long-standing PPAs, which Alberta ratepayers are still on the hook for, for nearly \$2 billion. These changes to how we tax emissions led to a mass PPA termination. Unfortunately, that government had to respond to this by using government funds to sue private companies. Talk about causing a lot of investor uncertainty: when the government sues those private entities. And then they used the taxpayer dollars to undertake an ad campaign to mislead Albertans on how they breached those contracts. To top it off, even a current sitting member for the NDP was sued for defamation over the misuse of the PPAs and was defended by the taxpayers' dollars.

We think that we need to continue on this pathway to wind down the Balancing Pool as a responsibility to taxpayers and ratepayers and make sure that we manage those funds in a more appropriate way going forward.

Mr. McDougall: Thank you for that, Minister.

I'll cede the rest of my time to the MLA for Lesser Slave Lake.

Mr. Sinclair: Thank you, Mr. Chair, and thank you, Minister and your entire team, for all the work you guys are doing. I'm just going to ask a couple of questions – I'll try and be quick – through the chair, of course, on Indigenous Relations. I'm very happy that the esteemed Member for Calgary-Glenmore brought up the Cascade power project earlier. I do apologize for any disorder I may have caused with my enthusiastic cheering, but I know the amazing and long-lasting economic impact this will have on the six First Nations that are true partners in this investment project.

Through the chair, I also notice a lot has been made about investment certainty concerns here today, especially from the members opposite. Just wondering, Minister, through the chair, if they are equally concerned for the investment made by the Indigenous communities that are finally at the tables as owners, investors in projects, as an example, with the Cascade project, which, Mr. Chair, is a natural gas power plant, of which our out-of-touch Prime Minister said to the German Chancellor that there is no business case for natural gas, which is deeply upsetting, you know, not just to Canadians, I'm sure, but specifically to these communities that are hoping for a long-term investment. So I'm just wondering. If there's a concern for a chill on investment, I would hope that the members opposite speak to their federal leader, and he can ask Trudeau if he actually cares about meaningful Indigenous reconciliation or if he just prefers the photo ops at powwows and social media hashtags.

My question for you, through the chair, Minister, is: have any recommendations come from consultations with Indigenous Relations or from Indigenous communities here in Alberta regarding connection to electricity and natural gas? If you could just speak maybe on that or even the Cascade project.

Thank you.

10:50

Mr. Neudorf: Yeah. Thank you very much for that. Our department works very closely with the Ministry of Indigenous Relations to make sure that we fulfill our mandate items for many of these nations that don't have a supply of natural gas. Energy security for them is, obviously, very critically important for their people as well as for any economic development they might be pursuing. We are looking at every avenue that we can to make sure that we help them with that continued development. We want to make sure that we are very careful about both engagement and consultation, that we do so appropriately with them on their land, so that they have every opportunity to seek those developments.

In fact, we are working very, very hard on connecting five nations with natural gas for the first time ever. Many of them are dependent either on propane or oil for their heating and energy needs at this point. Being able to provide them with natural gas would do two things. One is lower their emissions and increase their certainty and further investment availability. We look forward to working with all ministries, including the Premier's office, to make sure that we provide that energy security for them in every way possible going forward.

Mr. Sinclair: Thank you very much, Mr. Chair, and once again thank you to all your team members. It seems to be one of the most complicated files for me to understand, so I appreciate all of the heavy work.

Thank you.

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

We will now take our five-minute break. That'll mean we'll get back here at about 10:58, roughly. So take your five-minute break, and we'll get started in five minutes.

[The committee adjourned from 10:52 a.m. to 10:57 a.m.]

The Chair: Thank you, everyone. If we can grab our seats, we'll get on with the rest of our session here.

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 the independents if they're here, and then the government caucus. However, speaking times will be reduced. I'm going to assume, for the purposes of what we're doing here, that we're going to continue to do shared time. You won't be able to cede your time during this part of the meeting, so it'll be back and forth for 10 minutes.

We'll go over to the Official Opposition. Who's starting? Member Kasawski. That'll be 10 minutes back and forth.

Mr. Kasawski: Okay. That sounds good. Well, maybe I'll roll off some questions, and then there might be some follow-up. You know, largely, if I could just start with some commentary. Before I got into this role as an MLA, I didn't think I would be talking about electricity so much. I think it's a highly technical area that technology and economics rule, and somehow this has become this partisan political football in our province. I'm still trying to catch up with why that is and how that is.

I think Alberta's commitment to achieving carbon neutrality for the whole economy by 2050 is the right commitment, and I'm excited by it. I do feel like in general it's something that is easy to say, and then the doing is going to be very challenging. Again, it's back down to that these are economic, technical decisions that we need to work on within our electricity system. I felt like since we went to a technology-agnostic system, we have been working with very robust policy, and that is why it is such an attractive place to invest. We moved away recently from being technology agnostic, and that has ruffled feathers and brought this back to a political football. I'm hoping we can keep going forward with this robust policy that is technology agnostic as we go forward into the future.

People's perception of electricity, about the technology: I think that in general, if I had to use a rule, it's probably about 15 years out of date in the general public. It's really important, I think, in this building that we are as current as possible, as current as we can be with the technology and the economics of electricity generation and distribution and transmission of it.

When we think of 2050, I don't know if we've all caught up. I know that in the public we've not caught up with what an opportunity that is, and we have not caught up with the challenge and the tasks in front of us that are important to take on.

I'm going to focus mostly on the business plan. I'll go to 2.4, and I'll just summarize it. You know, this is to develop policies to enable the integration of distributed generation. I know that's got more to it. Recently the AUC came out with a report that the cost of reaching the net-zero grid by 2050 was roughly about \$3 billion. I sat in on a technical briefing on that. I heard the public's perception of: "How is this possible? It's supposed to cost hundreds of billions." I understand what they're talking about when they say: \$3 billion to catch the distribution up to a net-zero grid. I guess my first question is: how has that report informed your key objective 2.4 of the business plan?

Mr. Neudorf: Great question. Thank you so much for that. Again, for some context, since beginning this ministry, we have established internally what we call an electricity council, which includes

members of the Premier's office and our three key regulators, so that we can not only just get the reports but we can actually get the technical information behind it and have discussions around that. Their reports and their engagement with us and our department provide a lot of information going forward.

I know you and I have talked offline – sorry; through the chair – about demand-side management, which this is meant to capture. We want to make sure that we continue those conversations so that we can enable all Albertans, personally, commercially, and industrially, to make decisions that lower their carbon footprint as well as maximize their ability to reduce their energy and utility costs to the greatest degree possible. I think that's where we hope to go with a very short summarizing line under 2.4. We want to have further conversations about that. Yeah, we are talking very regularly and at length with the AUC. I will make one additional note that the \$3 billion was for just the distribution side. I think you acknowledged that.

Thank you very much for the question.

Mr. Kasawski: Yeah. Everything else on that would be generation investment, so that's not how I view it as a cost. You know, I recognize that.

Next I'm going to maybe switch over to 2.2, the development and operation of the natural gas system. I'm just going to go to a recent decision by the Ontario Energy Board, and I'll just read it. The decision relates to the rate applications from Enbridge. In this context they are operating more like ATCO, which serves the majority of natural gas customers in the province. Enbridge filed a motion with the Energy Board asking it to reconsider a decision. The Energy Board ruled that Enbridge's long-term plan is unreasonable because it assumes that every new housing development will include gas servicing and that homebuyers will remain on gas for 40 years. Again, we've mentioned it's 26 years, to 2050, when we're going to be a net-zero economy. Their independent Energy Board saw this, looked at the energy transition toward electrification that is under way. Then, when normally Enbridge or someone like ATCO would be amortizing a project like this over 40 years so that it was a low cost for the homebuyer, they said: no; the homebuyer has to assume the \$4,000 up front for that cost of connecting natural gas for the heating in that home. That is a startling decision by, again, a technical and economic board, you know, and I want to just note, in terms of 2.2 of the business plan, how that decision might have informed how you're looking at that going forward.

Mr. Neudorf: Yeah. A really great question. Just a key note of difference is that a much larger proportion of Alberta is already on natural gas, so we wouldn't face it that way. Where this conversation leads to is the concept of hydrogen blending or the hydrogen roadmap for new communities. Our primary concern there is: how do we manage the infrastructure cost?

11:05

We already know that we have water lines under our roads. To each house we have gas lines; we have electricity lines. We want to be very aware of what it means if we were to add another line for hydrogen or something else. We are tracking with that industry as they develop and bring in that technology. There are potentials to do a much more localized conversion. So at the beginning of a subdivision there is a utility building area where, at that point, it gets integrated into the system, which will allow that community to go to hydrogen without impacting a much larger infrastructure requirement. You can imagine what the cost would be if we had to dig up all of those lines throughout all of Edmonton. Again, a little

bit technical, but the existing natural gas lines would not necessarily be able to accommodate all levels of hydrogen within them.

One other avenue that we're looking at to inform that is to say: could we blend hydrogen at the electricity generation point to lower those emissions there? With what capability we have now, we understand some of the industry might be able to blend 5 to 20 per cent at the electricity generation. We would love to see if we could maximize that over time with maintenance and agreement.

Just as some additional context for you, we have in Alberta, back to your original point, the Utilities Consumer Advocate, that would argue on behalf of consumers against decisions like that in Ontario with their regulator. So we do have a little bit more robust defence of the consumer within our system here in Alberta.

Again, great questions. Thank you for that.

Mr. Kasawski: Thank you.

Under the initiatives of the business plan – I think this is objective 3 – is the ongoing regulated rate option review. I'm perhaps looking for an update on where that's at. I think we're now at about 60 per cent of the province being on a competitive retailer; maybe it's even more. You know, have you contemplated or are you contemplating a way to serve poor-credit customers in a way that we can maybe even eliminate the regulated rate option?

Mr. Neudorf: Yeah. Another very, very good question. We had struck a working group on the regulated rate option, and they brought forward their report and their recommendations to our ministry. We are working through that. Some of the challenges that we face under the regulated rate option are that it was established with the entire system 20 some-odd years ago, and it was embedded very deeply in, like, six or seven statutes also as a default rate. It functions to serve many purposes within our grid, and removing it fully, while possible, has different implications. We are working through all of those. As with so many items within this file, it is linked to other things, and we want to make sure that those who . . .

The Chair: Thank you very much.

We will now go over to the government caucus. Member Dyck, you have the floor for 10 minutes.

Mr. Dyck: Well, excellent. Thank you, Chair, very, very much. Thank you, Minister. I'm just having the expectation that we are going back and forth. Is that true?

The Chair: Yeah.

Mr. Dyck: Okay. Yeah. Thanks so very much for speaking at length about just how essential our energy grid is. I know that you've talked outside and here today quite a bit about baseload electricity generation, and I also know that this can come in many forms and that we're unique. Canada is a huge country right across the board. There are other ways for baseload: hydroelectric dams. Some jurisdictions have been able to rely upon nuclear. Some are also looking into SMRs. But for Alberta it is natural gas to make sure that our lights stay on, which is fantastic. I love it. I love the energy industry. It's the way that our lights stay on. It fuels our industries, all that. Without it, we would really risk some deep challenges, particularly in the winter. Obviously, January 13 comes to mind.

You know, to tee up my question, it's obvious that natural gas is incredibly dependable. It's reliable. It's affordable. It's essential to our province's grid. But it's very frustrating, at least to me and our entire government, that the federal government just keeps attacking it via the clean electricity regulations. They literally just – I don't know why – seem to hate it. I'm looking at the growth of our

industry. We've had great growth populationwise. Minister, can Albertans expect to see more essential baseload natural gas generation come online in the future?

Mr. Neudorf: Yeah. You bet. Thanks for the question. Yes, in short order we will see more natural gas generation come online. According to the AESO's February 24 long-term adequacy report there are over 2,800 megawatts of natural gas generation under construction, with 2,200 megawatts of those being net new capacity and expected to be online by the end of this calendar year. We would also have 10 natural gas projects that have regulatory approval, which would add an additional 1,460 megawatts, and we have 23 natural gas projects that have applied that would, if they were all approved, potentially bring on a combined total of 2,900 additional megawatts. So there is a very strong interest in this area.

We look forward to their going through the regulatory process to seek approval to help with that dispatchable load, which is why I say that if those projects were all to come online, we would have a very strong dispatchable generation capacity that exceeds our current load. To previous points brought up by all members, our ability to export that surplus generation puts our economy in a very, very strong position.

Mr. Dyck: Awesome. Thank you, Minister, through the chair.

Will this extra 2,800 provide Albertans with downward pressure on their natural gas bills? I guess that part of the question, too, is – I believe it's transmission and distribution, and I'll have some questions on those. With that extra coming online, do we have the opportunity to, one, provide an energy bill reduction for Albertans – that's a \$40 billion question – and, two, do we have the ability to distribute that extra power as well to the right places across the grid?

Mr. Neudorf: Again, a number of very, very good questions. Yes, it is expected that this new generation will continue to put downward pressure. There is a threshold for the limit that that downward pressure can go to. Obviously, with development of any project, be they renewable or thermal or hydro or geothermal or biomass, there are capital costs that need to be recovered. We are looking predominantly for stability within that market structure so that we can then look for other areas of savings as well as overall affordability. So the limit is not necessarily zero; the limit is something above that. But, again, it is anticipated that over the next three years we will be somewhere within that range of 10 cents a kilowatt hour or less, back to what Albertans have historically enjoyed for great periods of time.

We do set our sights on the transmission and distribution to make sure that we have the backbone trunk line to get that around the province to where we need it. That is why we are significantly interested in optimization and efficiency, again, to not allow those costs to increase while generation costs decrease. We want to make sure that we have a net reduction in those costs for all Albertans no matter where they live.

Mr. Dyck: Okay. Thank you for that, Minister.

Still on the same topic – and you kind of mentioned it – there's a market confidence question for me here as well. How can Albertans rest assured that natural gas generators will continue to be built in Alberta, particularly with the federal government's CER regulations and just the very frustrating, punitive carbon tax? To me, those create some market uncertainty where we should have incredible market certainty. Alberta should be the most certain market in the world, yet we see from some federal regulations that it creates some uncertainty. How can Albertans be steadfast in their belief that this is going to continue to be built?

Mr. Neudorf: Yeah. Great questions. We think that the federal Trudeau-NDP alliance is probably, under the CERs, the greatest threat to this industry.

By trying to seek to circumvent the Constitution by going through the criminal act under carbon pollution, it greatly threatens that. With those inclusions within the CER threatening to put CEOs of private companies in prison for carbon pollution, that really destabilizes that investment market more than anything that we've seen within our province. That's why we are very clear and robust in our response to the federal government by standing up for Albertans and making sure that they clarify, and that's why we feel there is a very strong argument to be made under the Constitution that very clearly outlines provinces' responsibility on the electricity generation.

11:15

We've said it many, many times, that we are moving in the same direction. Our Premier stated that we want to do the same as the federal government, reduce our carbon emissions and footprint; we just want to do so in a responsible way where we don't see the premature stranding of assets within our province nor a threat to the reliability and dispatch ability of our electricity generation within our province. We have provided a tremendous amount of feedback. My DM has sat in many, many tables with the federal government, and we have asked them to take the CER away and completely rewrite it. It's unconstitutional the way it is. That's our opinion and our stance, and we have many provinces that would agree with that.

We are also hearing from provinces that have other cleaner technologies beginning to raise concerns with the federal CER because of their need for dispatch ability; that is B.C. and Ontario as well. While Quebec hasn't yet agreed that the CER is a threat to them, what they've announced is that they expect to be in an energy deficit position for the next decade at least rather than realize that natural gas could provide that energy certainty that they would need to continue to grow their economy.

We're continuing to stand strong. We believe we can stand on the Constitution; we have two Federal Court rulings that would underscore the province's right to govern in this jurisdiction, and we will continue to work to protect all of our industry stakeholders so that they would realize the best long-term return for their assets rather than trying to seek a short-term return before 2035, which, as mentioned earlier, would just increase the cost to Albertans in that near term.

Mr. Dyck: Awesome, Minister. Thank you.

The next real fast. Rural just pays more for distribution. I believe up in Grande Prairie we're looking at potentially two and a half times some of our major cities. Is there a plan moving forward on how to maybe fix some of the distribution for our rural and small cities?

Mr. Neudorf: We are absolutely looking at that issue. There are some complexities and some realities. It's a pretty natural outcome where you have large, large spaces and small populations that distribution of costs are disproportionate. We are looking to see if we can find a way to help mitigate that concern for rural Albertans to allow those areas to continue their economic growth.

The Chair: Thank you very much.

I will now go over to Member Al-Guneid. You have 10 minutes to go back and forth.

Ms Al-Guneid: Thank you, Mr. Chair. Yeah. I want to go with the affordability questions here, looking at line item 3 of the estimates. We see utility rebate and grant programs that are falling to \$1.7

million this year. It is our understanding that these programs are expiring now. Can you explain what the \$1.7 million will be spent on this year?

Mr. Neudorf: Certainly. I will ask my ADM of finance to provide that detail as well very quickly. You are absolutely right; that was the resolution of that program at the end of March, which is three months into the calendar year but at the end of the fiscal year. We have put our attention to correct the structural components of that to provide that affordability.

If my ADM can speak to that \$1.7 million, that'd be appreciated.

Mr. Doyle: Of course. Thank you, Minister. The \$1.7 million: \$1 million of that is for the administration and creation of the natural gas rebate portal, so that program will be ongoing. The balance is a bit of a hangover on some of the administration from the rebate program that's being wound down.

Ms Al-Guneid: That's all? One million, did you say?

Mr. Doyle: Pardon me?

Ms Al-Guneid: Did you say \$1 million?

Mr. Doyle: One million of that, approximately, is for the natural gas rebate portal, the creation and administration of that.

Ms Al-Guneid: Oh, wow.

Mr. Doyle: Yes.

Then the balance is a bit of a hangover from the wind-down of the electricity rebate program.

Ms Al-Guneid: Okay. Thank you.

In the business plan, key objective 1.1, it's identified that the ministry is responsible to "identify and advance opportunities to address affordability and cost-of-living concerns of Albertans." Given that the government's affordability programs are expiring and that the government went back on the election promise of the tax cut and that, you know, we've seen negative wage growth in this province, probably, like, the lowest wage growth compared to other provinces, did the department do any analysis on the effects of these decisions on Albertans?

Mr. Neudorf: Sorry. Which decisions are you speaking to in particular? The other decisions on affordability?

Ms Al-Guneid: Yeah. Like, there were the six-month affordability payments before the election. That was gone. We're not seeing wage increases; it's actually negative. We're seeing the lowest wage growth compared to other provinces – one of the lowest, not the lowest. Is there an analysis of the effects of cutting these affordability programs?

Mr. Neudorf: We're not cutting the programs; we're just allowing them to complete. Now, some of those things are a factor where we already had the highest wage payments in all of Canada, so of course the growth would be mitigated somewhat by that. Second to that is that we've also seen the highest rate of immigration into the province, with over or very close to 200,000 people coming in the last year. That would also have some impacts on wage growth.

Again, many of the other ministries are moving forward, so the expenditures have increased in Seniors, Community and Social Services, housing supports and housing starts. That is where that funding resides as the lead ministry on that. The Ministry of Finance

is leading on insurance, both housing and car insurance, and those affordability measures, so you'd find those there.

I think that we have seen a huge increase in our economy because of our tax advantage of having the lowest taxes in the entire country. While there is more than one route to those affordability answers and you might not see that in a line item in our ministry, there are line items in other ministries that are set to help address those issues in meaningful ways.

Ms Al-Guneid: The affordability cheques before the election: they were for six months; that was cut. Is there a plan to introduce that again?

Mr. Neudorf: They weren't cut; it came to a conclusion. That was always presented as a six-month plan as costs were expected to be reduced into the summer. So that program came to a conclusion.

Again, we've shifted our focus on the structural underpinning of the system to correct that going forward. We saw last August the highest electricity prices in Alberta's history, and that didn't have anything to do with the affordability program or lack thereof. What it had to do with was the structure of our market and the volatility within our market from a number of different factors. We're addressing those factors for a long-term solution as opposed to a Band-Aid solution.

Ms Al-Guneid: Is there an assessment for the potential impact specifically for low-income households and vulnerable communities as you assess the affordability crisis?

Mr. Neudorf: Absolutely. We are very aware of those individuals within our province and their limited ability to adjust to volatility or changing prices. Analysis of these items is mostly done through publicly available metrics under the Ministry of Treasury Board and Finance and some of the things that they would post publicly, whether that's CPI or average wages or some of those other factors. But to your specific question, yes, we are very aware of those on fixed incomes or who have the least ability to adjust to these price fluctuations. That's where we're trying to find solutions that are long term and sustainable for them to be able to manage.

Ms Al-Guneid: Will this information, the analysis, be public and shared with Albertans?

Mr. Neudorf: The analysis: a lot of those are already made public under Treasury Board and Finance, and as we move forward, again, with all of our decision-making, we'll be making those public at the appropriate times.

11:25

Ms Al-Guneid: The most recent MNP consumer debt report: it was found that more than 7 in 10 Albertans are concerned about paying back what they owe, the highest among all provinces in Canada. Did the department do any analysis of how government decisions affect the ability of Albertans to pay back their debts or to deal with unexpected expenses? It's just a very volatile situation right now. How is the department allocating funds to address this issue within the budget constraints? I understand it's not unlimited.

Mr. Neudorf: Yes. Thank you for that. Most of those types of analysis, again, are under Treasury Board and Finance. That is their mandate and purview. Our ministry's approach to that is through our affordability dashboard, where we provide a lot of information to consumers and to all Albertans on avenues that help them reduce their bills, avenues that help them find solutions to challenges, directing them to the Utilities Consumer Advocate, who can help them in many circumstances where they've had a disagreement or

an inaccuracy on their billing. Many of these are resolved within days. You'd see that through the funding line items for the Utilities Consumer Advocate for them to increase their work. I forget what it was. I think it was a \$1.5 million increase to their budget . . .

Mr. Doyle: I believe so, yes.

Mr. Neudorf: . . . this year for two reasons. One is the growing population, and two is the number of individuals that would be seeking their support and the importance of their support. So that's how we've funded some of those supports for all Albertans.

Ms Al-Guneid: This is a good segue to consumer representation in this work. Business plan, page 11: that's your objective 1.5, outcome 1. It's advocating for consumers, and you mentioned the consumer advocate. In the initial market reforms work the government did include or have an executive working group, and I have to say that I'm pleased to see the industry advising the ministry: you know, you have the generators, you have renewable companies. It was a mix, and there was the consumer advocate as well. However, the voice of consumers and Albertans was still glaringly missing in the conversation. I do appreciate the work the consumer advocate does. They do great work. The optics of it, though: they're fully funded by government. So you appreciate the optics here, and I'm curious: why didn't the government include independent voices outside to advise the ministry and bring fresh perspectives?

Mr. Neudorf: Just to clarify, they're actually funded by industry, not by government, for that very purpose, and that's why we've increased their funding, so that they have the ability to increase that voice.

We have also spent a considerable increase of time with other entities, as you're very familiar, the Energy Futures Lab, who has developed into a very unique voice for consumers and a very broad cross-section of Albertans, and we meet with them on a very regular basis. There are other industry advocates who we have met with who've basically stated that they haven't met with a minister more than once in the last 20 years, and we've met with them multiple times. So we continue to do that work.

The Chair: Thank you very much.

We will now go to the government side with Member Hunter. You have 10 minutes of back and forth.

Mr. Hunter: Thank you, Mr. Chair, and thank you, Minister, for being here with your team. Most of my questions will be based upon your business plan, outcome 1.5, specifically about protecting consumers from spikes in electricity and natural gas prices. I need to do a little bit of context here, Minister, so I apologize if I get long winded here, but I guess I have been a politician for nine years. I've gone back to the AESO reports. When I was first elected, in 2015, I was obviously in opposition at the time. I was confused at the NDP government's push towards changing our utilities considering we had some of the lowest in North America, utility prices, at the time. I remember looking at one of my bills, and I think that it was 1.5 cents per kilowatt hour that I was paying at the time. Now, when you take a look at the AESO reports from 2014, which would be prior to the NDP getting in, to the last that I can see, 2022, the average pool price in 2014 was \$49.42 per megawatt hour; in 2019, so fast-forward, when the UCP took over, \$54.88 per megawatt hour.

What's interesting about that is that it's an increase, obviously, but it's interesting because if you take a look at the natural gas, which was the feeder stock for most of that, in 2014 the feeder stock

was \$4.24 per gigajoule and then in 2019 was \$1.69. So the feeder stock actually decreased in cost, yet we still are paying more for the megawatt hour. You know, look, some people could say that it's anecdotal evidence, but I would say that there were certainly policies that were put in during that time that costed, that put a real burden on Albertans. Now fast-forward, after seeing that accelerated shutdown of our coal and even moving towards renewables as fast as they have, if you move to 2021, the AESO reports \$101.93 per megawatt hour, \$3.41 a gigajoule – it was actually less still there than in 2014 – and then in 2022 \$162.46 per megawatt hour with a \$5.07 gigajoule.

Now, I also wanted to take a look at the average load, and you can see that the average load for the grid has actually not increased substantially. I tried to take all the variables out, Minister, to try to be able to see: well, what was it? There are lots of things said, and I think the Member for Sherwood Park correctly stated that, you know, this has become very politicized. But getting down to the data is, I think, what's really critical, and I think that there is evidence here to show that moving away from our energy-only system to a capacity market, which is – it's very interesting that the definition of that means that ratepayers not only pay for the energy they produce and sell but also for maintaining additional capacity.

Minister, I guess one of the questions I have for you is: have there been any studies that have been done that would show what would have happened if we had moved from the energy-only system, that has been around since 1996, to a capacity market?

Mr. Neudorf: Great question and great feedback. Not to my knowledge because we have no intention of going to a capacity market. I think we've watched other jurisdictions that have slipped into some of those positions, and they become wholly government owned or government controlled, Ontario being a prime example of that, and you end up, in my opinion, paying very high-priced insurance. While the rate of those emergency situations, like we had on January 13, has increased, we're still not seeing them every day or anything like that, and with the new generation coming onboard, we actually anticipate that dropping off quite considerably.

What we have done is that we've talked extensively with all of industry, and industry loves the fact that we have an energy-only market where they can compete and bring their unique development to the market and have that opportunity. While we have been criticized for our pause on renewables, the fact remains that every single other province in Canada has a permanent pause. You can't build in those jurisdictions unless the government opens a request for proposal to build that, so they can't just go build there. You can't build in Saskatchewan; you can't build in Manitoba. In fact, just less than a month ago Manitoba said that they wouldn't allow renewables to be built at this time. We are the only ones with that freedom and ability, and to create parameters around that is actually a very, very important step.

To your earlier point, when we came in, we did stop the initial plans under the NDP to go to a capacity market because I think those costs and that structure would have been very detrimental to all Albertans. We continue to see that competition is important for lowering that price, but there are also other considerations that we need to take into place, like the type of generation.

11:35

I have always maintained from the beginning that renewables play an important role in generation if we understand their unique characteristics, primarily intermittency. That intermittency introduced a very new factor within the Alberta market and created the initiation of the volatility in pricing and then, therefore, the response from thermal generators who, instead of having a full

gamut of hours to receive that return on investment, saw a significant limiting of the hours that they could be selling their generation to market, and then those market behaviors also went into increase.

There are a number of factors that increase the volatility and, therefore, the average price of electricity in Alberta. That's the stability that we are seeking to recreate for the betterment of all Albertans and, hopefully, a reduction to the overall electricity price to consumers at the end of the day.

Mr. Hunter: Well, thank you. I want to thank your ministry for stopping that move to capacity markets. You know, I just found it odd that we are one of the lowest – I think that Texas and we were one of the lowest in terms of providing utilities to our ratepayers. The NDP were hell-bent on making us some of the highest.

You can see, as I've just shown there, that those prices skyrocketed, which is interesting, because I remember arguing in the House about this point, which is, you know, if you are going to accelerate off coal to natural gas and everybody is doing it, obviously, supply of the natural gas isn't going to be able to keep up with the demand of natural gas because you're accelerating off it faster, which is exactly what we saw happen, and we couldn't bring on the natural gas. Now we have a federal government that is exacerbating the problem by saying that anybody who actually brings on natural gas, nonrenewables, could go to jail.

So we're kind of stuck between a rock and a hard place, Minister. I would hate to be in your position as the minister on this, but I applaud you in your efforts in trying to be able to bring some common sense to this.

One of the things that I wanted to ask you about is: how do you actually figure out what is common sense when it comes to affordability? That seems to be never talked about by the NDP or their willing partners in Ottawa.

Mr. Neudorf: Thank you again for that great question. The simplest answer to that question is that regardless of who has developed what type of generation, allowing them to realize the full lifespan of that asset for the return on that investment will likely guarantee to consumers the lowest price over that.

Again, the earlier example I brought up with the members opposite is that if you put a billion dollars in and you have to pay that back in 11 years, it's a very different calculation than if you have 26 years to seek the payment back on that. Again, that's why if we can remove volatility from our system and provide that stability, a little bit of return on investment over a long term of years is the best result for consumers as opposed to a wildly erratic market that the prices go up and down and you never know from one day to the next what you're going to see as a return . . .

The Chair: Thank you very much.

We will now go over to the Official Opposition. Member Kasawski, you have 10 minutes of back and forth.

Mr. Kasawski: Thank you, Chair. If this were a drinking game and every time NDP were blamed for prices in this market, in every situation, it would be a hard game to get through.

Just continuing on along with some of our discussions, Minister, you brought up power purchase agreements and a longing for the old days when we had power purchase agreements that were to expire in 2020. Now we don't have power purchase agreements. In terms of your business plan why haven't you restored power purchase agreements? It sounds like, based on comments made in here, that would be a great salvation for, you know, bringing prices down in our market.

Mr. Neudorf: We have watched other jurisdictions, particularly Ontario that has gone down that road. Power purchase agreements, once you begin entering into those with some members of the market, then every member wants that certainty. Then you are very quickly into a capacity market, and we will have lost the energy-only market, which we've heard very, very clearly from every realm of stakeholders that they want to retain. That's why we believe in being very careful in the use of power purchase agreements; while a tool that, we believe, the AESO should still have for certain circumstances, should not be broadly brought forward; otherwise, we would lose that market completely.

Just for further information, renewables use power purchase agreements on a regular basis. Many of the generators have that. It is a concern to many of them. Some of those deals structured early on return a reasonable rate of return for those investments, and some, pending the day price of electricity, do not see a good return. The management of those in the time frame over which they're signed can be problematic not just to the province but more likely in this case – in Alberta, anyways; the ones that we have – many of those generators wish they could break those contracts and get out of them because they are not seeing the returns that they had anticipated due to other entrants in the market.

Again, to my earlier point, while it is a tool that we believe the AESO should have in certain circumstances to be able to use for certainty and resiliency within our grid, we don't necessarily want to move to a wholesale market structure based on power purchase agreements.

Mr. Kasawski: Maybe I'll just challenge a couple of things you brought up. When a renewable energy developer is looking to build, there are very few that would enter the market to hit the spot price as their business plan. They are all looking at power purchase agreements between themselves and an offtaker. That is allowed in our system, and it's great.

I think I don't want to confuse that with the AESO looking at a power purchase agreement, where you might have a natural gas generator, maybe like Shepard with 1,000 megawatts that might say: you know, 50 per cent we will provide at a fixed price, maybe with an escalator for inflation, and we'll maybe give that secure price to the pool, and then the other 50 per cent we want to play on the market, and we want to see what the spot price is. I'm wondering if generators just aren't interested in the power purchase agreement when you've approached them.

Mr. Neudorf: Sorry.

Mr. Kasawski: No problem.

Mr. Neudorf: Do you mind just repeating that question at the end?

Mr. Kasawski: Maybe I didn't word it very well, but, like, with the power purchase agreement that we talked about for renewable energy developers, whether they're happy or not, I don't think many of them or any of them would get built without that PPA between, let's say, Greengate and Amazon.

They're not playing the spot market for most of those projects; natural gas, they might come in and play the spot market, but they also might be interested in taking a portion of their generation and providing it on a PPA, let's say 50 per cent, and the other 50 per cent playing on the spot market. When you've approached them with that or if you have, maybe – it's okay if you haven't – what has been the response? Because I'm just wondering. We keep on coming back to how they restore stability and lower prices.

Mr. Neudorf: Yeah. Okay. We're in agreement; many of those renewables do have PPAs with private entities, and we totally allow them to do so freely and don't have a problem with that. Our context would be that we want the AESO to be very judicious in their use of PPAs in the market generally. I would suggest that thermal generators if they had the opportunity for a long term contract guaranteeing a set rate of return, they'd be very happy with that. That is not the direction that we want to go; we prefer making them compete on that price. That is the benefit to the consumer.

Although, as I stated, the AESO having the ability for certain circumstances for reliability within the grid, whether it's a scarcity event or an extreme load event, to utilize a PPA to make sure that we have the generation possible is a tool that we will retain in the tool box for them to use in those specific circumstances.

Mr. Kasawski: Okay. Thank you. I just want to go back almost to your opening statement. I think I remember that the other revenue in the statement of operations: it's \$118 million, but about \$105 million is coming from revenue off the renewable energy program.

Mr. Neudorf: Yes.

Mr. Kasawski: Okay. That's great. Just back to the partisanship. I know it was almost with disdain that it's off the ratepayers that we are earning this revenue through a contract for difference. So I'm just wondering: when you see this revenue that you are just so unhappy to receive into the ministry, have you considered returning it to ratepayers through the utility repay and grant program? You have in the expenses a tool for returning revenue to and saving consumers money. In your business plan would you consider taking that revenue that you're getting from the contract for difference and saying, you know, "This is a windfall we're getting off ratepayers; why don't we give it back to ratepayers?"

11:45

Mr. Neudorf: We don't have that ability within our department because that money doesn't come to us; it goes through Treasury Board and Finance. Then we have to have an ability to pay out from our ministry, so it has to be allocated that way previous. So we don't have that budget ability. We could set up a program through Treasury Board to return that to ratepayers in some way. It would be very difficult, given the volatility within our marketplace, to predict what that value would be over the year. This is a budget amount, but it could be radically changed.

Again, we want to make sure that we protect our consumers and ratepayers through stability in pricing as opposed to taking money from them and having to give it back to them in a different form. We think that is highly inefficient. Better to have a stable market structure where they can have a set payment over a long period of time and, again, it's not being taken from them and given back to them in a very inefficient manner. It's not that we have disdain for that, but we realize where it's coming from – it's ratepayers – so it is not our approach that we want to make money off of Albertans.

These are contracts that were signed largely under the NDP government. Not to be partisan, but that's the fact: that's when they were signed. Some make money, and some don't make money. There is a wide range of those strike prices under those contracts. Again, we would rather see a competitive market provide the lowest price to consumers every single day rather than due to the volatility in the market that wasn't foreseen.

Mr. Kasawski: Yeah. In those contract for difference for the renewable energy program, I mean, that was a good example of a PPA where renewable energy developers were afraid to come into the market and they wanted to know what a secure price was, and

you were able to provide that as the government operations, as the off-taker. You lower the cost of operating our government for all of our operations, and the contract for difference is just a tool that, you know, provides any upside to the off-take of the consumer; in this case, the government's operations.

In terms of economic withholding I just don't know if there's been an update that you can give. You've looked into that, and we know that we have a cap on our pool price but that through economic withholding there are some bad players in our market. You were going to look into that, and that has affected our price volatility in the market in the last recent years. Do you have an update you can provide?

Mr. Neudorf: Absolutely. We have brought forward two regulations that will be implemented July 1 of this year to make sure that that market practice does not continue. Again, with the forward projections of prices it's possible that they won't necessarily be utilized or engaged, but we think having it there as protection so that it doesn't is a better approach than not having it there and potentially those practices continuing. So, yeah, we have enacted regulation and policy to make sure that those market practices don't continue in the way that they have.

Mr. Kasawski: Thank you.

The Chair: Thank you very much.

We will now go over to the government side. Member Sinclair has questions.

Mr. Sinclair: Thank you, Mr. Chair. Thank you, Minister, again for your time and everybody else. Through the chair, Minister, if I could, I'd like to pivot to rural gas and electricity, specifically under initiatives supporting key objectives in your business plan. On page 12, I believe, \$6.4 million is budgeted for the rural gas and electric programs in '24-25 to support the installation and upgrading of rural utility infrastructure. This would particularly be beneficial to a lot of the communities in my riding that do lack this. So a two-part question. The first one is: can you explain the programs that are in place and how some of these communities in Lesser Slave Lake can apply or access these funds? And then the second question is more specific. I asked the same question of Minister McIver, but he was noncommittal. Is it true that all \$6.4 million is going to go to Slave Lake?

Mr. Neudorf: Thank you for the question. To start with the first question, the rural electric grant program assists farmers to access basic essential services. It provides partial equity with those living in urban areas and other western provinces that benefit from the lower hookup costs and power rates sponsored by provincial governments through Crown corporations. Albertans who are actively farming where the services are being used in conjunction with their farming operation are eligible to apply for that grant assistance. Rural gas utilities can apply for grant funding to off-set construction costs for new rural agricultural and domestic services and some capital improvements to provide greater system efficiencies. So they'll work on that.

The rural electric and rural gas programs are administered on behalf of the government of Alberta by the Alberta Federation of Rural Electrification Associations and the Federation of Alberta Gas Co-ops respectively. The criteria that they use are: the most practical and economic routes are considered to install up to and including a standard 25 kVa transformer for an overhead service and up to and including a 50 kVa transformer for underground service; irrigation, grain dryer, and three-phase services may include the additional transformer capacity in calculating the grant;

and in situations where a service must be constructed in a more expensive manner, the additional costs may be eligible.

If it was my ministry deciding, I would definitely make sure that Slave Lake got a lion's share of that, but it's not up to us. It's up to those other entities.

Mr. Sinclair: Tough but fair. Thank you, Minister.

Through the chair, just a secondary question. Do you have, like, an overarching timeline – I understand the process now a little bit more, I think – for the projects receiving funding if we're eligible for them?

Mr. Neudorf: I think it's done each year, and it's \$6.4 million that's allocated for those grant programs. If the entire \$6.4 million isn't spent in that year, it would return to the general revenue fund, and then they would reapply each year. But I think if it was in construction or in approval, they would still be able to access that funding even if the construction time frame took longer than that calendar year.

Mr. Sinclair: Okay. Excellent. Thank you very much. I will make sure I pass that information on. I appreciate it.

I'm just going to switch over to affordability, and I know we've spoken about it to a very maybe long degree, but it's important to my region specifically. I just spoke to a guy at the truck stop locally, and he is very frustrated by the inflationary policies of our current federal government. He had, I think, less kind words to say about it, but because I'm on TV and maybe my mom's watching right now, I'm not going to repeat them. I would say that the idea of – you know, I appreciate you guys getting the affordability cheques to Albertans' pockets in the time of need last year. I think it's important that we do do that in extreme measures. I think, you know, a lot of people talk to me about fiscal responsibility, and my belief is that the people we trust most with people's money are themselves, and we should leave as much money in their pockets to begin with. So taking \$2,000 in taxes and giving somebody back \$500 at the end of the year is not a win to anybody in my riding, and I just need to speak for them.

In terms of specifics in outcome 1 of your business plan it states that the Ministry of Affordability and Utilities leads the government's "affordability measures to inform and support Albertans to feed their families, heat and power their homes, and manage the daily cost of living." Are there any specific aspects of daily life or routine and necessary expenses that your ministry has assessed as being the most expensive to Albertans and maybe in a more common-sense way of describing that?

Mr. Neudorf: Yeah. A very good question. We think that utilities are top of mind, whether they be natural gas or electricity, and that's why we have sought to address those issues, first, in a very structural way. While we had the ability and chose to take the pathway of affordability payments at the end of the last term in a time of need, as you said, we now want to undertake the more significant long-term work of actually correcting the cycle and the impacts that we saw in our marketplace. That's why we have sought to address the issue of volatility within our pricing structure for electricity.

11:55

As I stated earlier, there are multiple factors that increase that volatility. One was the intermittency characteristic of renewables and the growth of the number of renewables coming online. The other was the thermal generators' response under our market structure to economically withhold and having to make their income back over shortened hours of operation. We sought to

correct both of those measures by making sure that our market structures allow for a balanced and stable pricing mechanism to the best benefit for Albertans going forward.

We also wanted to make sure that we understood the cost implications of increased transmission and distribution, which many around this table have commented on already, and make sure that we are doing the planning required to make sure that we are maximizing the efficiencies in what we've already built and seeking further optimization through technology for the infrastructure that already exists and making sure that we are working on behalf of all consumers, regardless of where they live and what they do for a living, to receive the lowest possible price for not just generation but also transmission and distribution and providing the tools for the competitive retailers to provide the widest range of innovative and in some terms even progressive rate options for those consumers across the board.

That is why we are looking at the possibilities of time of use to benefit good consumer choices. That's why we're looking at systems like demand-side management, which empower individuals and corporations to lessen their demand on the grid overall while not adding any cost to the distribution side of the equation. We want to empower Albertans to make good decisions and help them receive the maximum amount of return for their investment and their energy choices.

Mr. Sinclair: Excellent. Thank you, Minister, and thank you, Mr. Chair. I do appreciate your very fulsome answer there. Regardless, I think, of some of the sentiment sometimes of rural people, I do believe that as a whole most people want to do the right thing when it comes to contributing. I just think that they want to be able to hear of, like, a practical consequence that's positive and real. I think that's the struggle for them sometimes with the complexities of your file.

Do you have any data you could provide specifically from your ministry that indicates the change over time for the cost of living for Albertans? I apologize; you don't have very long to answer that one. If you had anything at hand for 50 seconds.

Mr. Neudorf: Sure. Don't apologize for representing your constituents well. You're doing a terrific job on that front.

In Alberta inflation, which is measured as the year-over-year growth in the consumer price index, was 3.3 per cent in 2023 compared to 6.5 per cent in 2022. I will make another note that February of this year compared to February of last year: overall, our electricity prices are down by 40 per cent or slightly more than that. We are trending in a positive direction on that front. There is still a lot of work to do, but we want to continue to make sure that we meet the needs not just for today but for tomorrow by addressing in a comprehensive and responsible way, as you said earlier, and in a common-sense way to make sure that we address these needs, that Albertans can have a reliable and affordable electricity system into the future.

The Chair: Thank you very much, Minister.

Official Opposition, you have a minute to talk. Go ahead.

Mr. Kasawski: Yeah. Thank you, Chair. Minister, in the throne speech rooftop solar was mentioned. In the business plan rooftop solar, battery storage, energy efficiency technologies are mentioned in outcome 2. The budget has nothing about rooftop solar or any energy efficiency program for consumers in the province. Can you just talk about why it's missing from the budget?

Mr. Neudorf: At this point we're still in the stages of developing what demand-side management might be. We have opportunities to recover certain capital assets within the province's discretion to come back to that later before Treasury Board for that expenditure once we have that design. Again, within the entire context of what we're looking at through our electricity system, we are continuing to work with our key stakeholders, particularly in the distribution side.

The Chair: I apologize for the interruption, but I must advise the committee that the time allotted for consideration of the ministry's estimates has concluded. Good questions; good answers. Well done, everybody.

This concludes the consideration of the 2024-25 main estimates of the Standing Committee on Resource Stewardship.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

