Enhancing the Retail Market for Electricity

Report to the Minister of Energy

June 2, 2014
Contents

Transmittal Letter ........................................................................................................................................2

Introduction ...............................................................................................................................................3
  • Background .........................................................................................................................................3

The Alberta Context .................................................................................................................................5
  • Electricity Demand ............................................................................................................................5
  • The Electricity Framework .................................................................................................................5
  • Rural Economic Development .........................................................................................................6
  • The Retail Market Review Committee ............................................................................................6
  • Alignment ...........................................................................................................................................7
  • Link to the Government of Alberta Strategic Plan ...........................................................................8

Advice .....................................................................................................................................................9
  • Protect Vulnerable Albertans by Enhancing and Aligning Support Programs ...............................10
  • Improve Advocacy and Undertake an Education and Awareness Campaign ..............................11
    o Advocacy .......................................................................................................................................11
    o Education and Awareness .............................................................................................................11
  • Support Customer Choice by Enabling an Effective Default Option ............................................12
  • Increase Customer Choice by Removing Barriers to Retail Competition .....................................13

Implementation .......................................................................................................................................15
  • Legislation and Regulation Changes ...............................................................................................15
  • Support for Non-Legislative and Non-Regulatory Changes .........................................................15
  • No Action Required .......................................................................................................................16
  • Added Value .....................................................................................................................................16

Appendices ...........................................................................................................................................17
  A. Working Group Members ................................................................................................................17
  B. Additional Consultations ................................................................................................................19
  C. MLA RMRC Implementation Team Advice on RMRC Theme 1: Increasing Competitiveness ....20
  D. MLA RMRC Implementation Team Advice on RMRC Theme 2: Providing Better Information and Resources for Consumers .........................................................32
  E. MLA RMRC Implementation Team Advice on RMRC Theme 3: Representing Consumers’ Interests ....40
  F. MLA RMRC Implementation Team Advice on RMRC Theme 4: Protecting Vulnerable Albertans ....45
  G. MLA RMRC Implementation Team Advice on RMRC Theme 5: Refining the Regulated Rate Option ....49
  H. Summary Table of Recommendations, Advice and Implementation ...........................................52
Transmittal Letter

Dear Minister McQueen:

On behalf of the MLA Retail Market Review Committee (RMRC) Implementation Team, I am pleased to submit our report, *Enhancing the Retail Market for Electricity*. This report considers the concerns and challenges identified by the Retail Market Review Committee and provides advice regarding the timely and sensible implementation of its recommendations.

As part of our deliberations, we consulted with consumer groups, as well as industry, agencies, rural electrification associations and others. We thank the many individuals and organizations that took the time to share their expertise with us.

We also acknowledge the support of the MLA RMRC Implementation Team Secretariat, the Assistant Deputy Ministers’ Steering Committee, and the five working groups that supported our work. We appreciate the countless hours they devoted to this project.

We believe our implementation advice will help ensure increased customer choice within Alberta’s safe, reliable, cost-effective and environmentally responsible electricity system that supports Albertans, their families, and the long-term needs of our economy. Through discussion and analysis, our positions on the various recommendations evolved, but remained centered on the needs of Albertans. In all we did, the public interest remained paramount.

In closing, the members of the Team thank you for the opportunity to be involved in this important project.

Everett McDonald, MLA
Chair, MLA RMRC Implementation Team
Introduction

Background

In 2001 the Government of Alberta introduced consumer choice into retail electricity markets, and since then consumers have benefited from the gradual arrival of new retailers. As of May 2014 there were more than 25 retailers offering more than 40 electricity-related products in Alberta. Consumers who do not select a product from a competitive retailer continue to receive electricity through the regulated rate option from their default provider.

In the winter of 2011-2012, a combination of severe weather and higher market prices exposed Albertans to higher than normal electricity prices. High prices were a concern for all Albertans, but especially for low-income Albertans, including seniors and families with few resources and fixed incomes.

<table>
<thead>
<tr>
<th>Increasing Competitiveness</th>
<th>Providing Better Information and Resources for Consumers</th>
<th>Representing Consumers’ Interests</th>
<th>Protecting Vulnerable Albertans</th>
<th>The Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce barriers to entry for competitive retailers</td>
<td>Give consumers more billing options</td>
<td>Empower agencies to do the job they need to do</td>
<td>Implement protective measures</td>
<td>Enhance the Default Rate</td>
</tr>
<tr>
<td>Reduce barriers to growth and competitiveness</td>
<td>Design an education and awareness campaign</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce barriers to consumer switching</td>
<td>Provide online information</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 1: Overview of the Themes of the RMRC Recommendations.

To help address this issue and better understand the reasons for it, the Government of Alberta launched an independent review of the retail electricity market. The Retail Market Review Committee (RMRC) consulted with stakeholders and considered how the design of the retail electricity market affects the choices available to Albertans. The RMRC Report: Power for the People ([http://www.rmrc.ca/](http://www.rmrc.ca/)) contained 41 recommendations, of which two were accepted and implemented, six were rejected, and 33 were approved in principle by the Government of Alberta. See Figure 1 for an overview of the themes of the RMRC recommendations.

The MLA RMRC Implementation Team

The members of the MLA RMRC Implementation Team included:

Everett McDonald (Chair), MLA Grande Prairie – Smoky
Ron Casey, MLA Banff – Cochrane
Matt Jeneroux, MLA Edmonton – South West
Maureen Kubinec, MLA Barrhead – Morinville – Westlock
Cathy Olesen, MLA Sherwood Park
Len Webber*, MLA Calgary – Foothills

The MLA RMRC Implementation Team established five Working Groups to support its efforts, listed fully in Appendix A.

The MLA RMRC Implementation Team and the Working Groups were further supported by an Assistant Deputy Minister Steering Committee and a project secretariat. The Steering Committee included representatives of the Departments of Agriculture and Rural Development, Energy, Executive Council, Health, Human Services, Municipal Affairs, and Service Alberta.

*until March 13, 2014
On May 1, 2013, the Minister of Energy established an MLA RMRC Implementation Team to provide advice to the Minister on implementation of the 33 RMRC recommendations approved in principle by the Government of Alberta. This report, *Enhancing the Retail Market for Electricity*, is founded on the RMRC recommendations and summarizes the MLAs’ advice to the Minister of Energy. During the report’s development, the MLA RMRC Implementation Team met directly with and received the advice of consumer groups, experts, industry, agencies, rural electrification associations and others. It held 65 meetings, 39 of which were consultations with stakeholders. Throughout the deliberations of the MLA RMRC Implementation Team, the public interest was always front and centre.

The MLA RMRC Implementation Team proposes action in four policy areas to enhance the retail market for electricity:

1. Protect vulnerable Albertans by enhancing and aligning support programs.
2. Improve advocacy and undertake an education and awareness campaign.
3. Support customer choice by enabling an effective default option.
4. Increase customer choice by removing barriers to retail competition.

The MLA RMRC Implementation Team’s advice on these four policy areas and the original recommendations from the *RMRC Report: Power for the People* is captured in the following pages.

The MLAs have carefully considered the advice of the Working Groups in light of the conversations they have had with all stakeholders and the original intention of the RMRC. They acknowledge the significant efforts that stakeholders made both during and outside of the Working Groups, and the diversity of opinions discussed and captured for each recommendation. The advice and recommendations of the MLAs may differ from the advice of Working Groups due to their broader engagement with and analysis of all advice from stakeholders.

---

1 See Appendix A: Working Group Members
2 See Appendix B: Additional Consultations
3 See Appendices C, D, E, F, G, and H
The Alberta Context

The recommendations discussed in this report support the development of a resilient electricity system as it relates to the retail market for electricity. They are not intended to specifically address issues of electricity generation, transmission and distribution in Alberta. Nevertheless, the MLA RMRC Implementation Team had to consider the electricity system holistically in its work, so an overview of the government’s overall approach to the electricity sector may be helpful to readers of this report. This section also describes electricity demand; the relationship between the RMRC recommendations, MLAs’ advice and the electricity system; and related government priorities.

Electricity Demand

Alberta’s strong economy and growing population continue to drive demand for electricity. Since 1996, the year the wholesale electricity market was deregulated, Alberta’s population has increased by 32 per cent (over 1 million people), and its gross domestic product (GDP) has nearly doubled. Investors have responded by investing over $14 billion in new generation, including alternative and renewable energy sources. This is all from investors and not the provincial government. Alberta does not have any electricity debt, and therefore Albertans do not pay directly for generation development or any interest costs in provincial taxes. To support this growing economy, development of the regulated transmission and distribution infrastructure has been managed to ensure that electricity can be delivered to all consumers in the province.

The Alberta Electric System Operator predicts that strong investment in the oil sands and associated development will continue to drive GDP growth in Alberta for the next 20 years, at a rate of about 2.5 per cent annually. That will likely translate into average annual electricity demand growth of 2.4 per cent until 2032.

The challenge is to continue to ensure that electricity supply can meet demand. Markets are generally considered to allocate resources the most efficiently. However, they do require oversight to ensure efficient, appropriate performance and consumer protection. The Alberta government has put in place rules, regulations and agencies that determine and monitor appropriate conduct of firms and individuals. Thus, markets do not exist independently of government, which has a legitimate role in designing them. Government may also intervene in markets to achieve other policy goals and correct market failures.

The Electricity Framework

The overall objective of the Government of Alberta’s policy related to electricity is to provide a safe, reliable, cost-effective and environmentally responsible electricity system that supports Albertans, their families and communities, and economic activity in Alberta. This objective is supported by core
policies that together ensure the overall system works effectively so everyone in the market can have access to affordable, efficiently delivered electricity.

The government has identified five strategic priorities to move the electricity framework forward:

- **Cost management**: Albertans will have confidence that regulated electricity costs are being well managed.
- **Customers**: Albertans can choose from a range of market-based products and services available to them in Alberta’s retail electric and natural gas markets.
- **Generation and supply**: Alberta’s competitive electricity framework will attract adequate generation investment to support future demand and provide competitive prices for customers.
- **Environment and policy integration**: Alberta’s electricity and related environmental policies will support environmentally responsible generation and delivery of power to Albertans.
- **Agency mandates and alignment**: Agencies will carry out their activities and operations in a manner that is effective, suited to achieving their mandate, and relevant to the goals, priorities and policies of the Government of Alberta.

**Rural Economic Development**

The advice in this report considered and supports the Government of Alberta’s design of a long-term strategic plan to improve the health of the rural economy and the sustainability of rural communities. The MLAs’ advice, particularly related to Recommendation 10, focuses on improvements to the electricity distribution system in Alberta’s rural areas.

**The Retail Market Review Committee (RMRC)**

The RMRC examined a number of issues related to retail electricity customer choice and the electricity market as a whole. It determined there are a number of barriers to the further development of the retail electricity market in Alberta, including:

- Retailers face onerous security requirements, unequal access to marketing channels, and non-standardized billing practices. These limit their ability to offer products to all Albertans.
- Many people don’t understand how the electricity system works and what options are available to them (more than 58 per cent of Albertans still buy electricity at the default rate).
- The design and the name of the default rate, currently called the Regulated Rate Option (RRO), limits full competition.

While not directly related to retail competition, the RMRC also noted that there are three government income support programs to protect vulnerable Albertans. They offer different utility-related supports, and this sometimes causes confusion for clients. The RMRC determined supports for vulnerable Albertans should be improved and better coordinated.
The RMRC offered a number of recommendations to improve the competitiveness of Alberta’s electricity market and therefore increase access to customer choice for all Albertans. These recommendations and the MLA RMRC Implementation Team’s Advice are in Appendices C to H.

Alignment

There is alignment between electricity framework priorities, RMRC Recommendations, and MLA RMRC Implementation Team implementation recommendations. The five strategic priorities for the electricity framework listed above partially overlap with the themes of the RMRC recommendations in Figure 1 (page 3). The RMRC recommendations support three of the strategic priorities: customers, cost management, and agency mandates and alignment.

Their implementation will be crucial for achieving a resilient electricity system. These priorities and RMRC recommendations also overlap with the MLA RMRC Implementation Team’s policy areas listed on page 4 (also seen in Figure 3 on page 9). The figure below shows how these all support a resilient electricity system.

Figure 2: Alignment between MLA RMRC Implementation Team Policy Areas, Themes for the RMRC Recommendations and Strategic Priorities in Support of a Resilient Electricity System.
Link to the Government of Alberta Strategic Plan

*Enhancing the Retail Market for Electricity* also supports the broader priorities of the 2014-17 *Government of Alberta Strategic Plan: Building Alberta.*

**Goal 2: Support Vulnerable Albertans**

A successful Alberta is one in which every Albertan is empowered to be part of the province’s ample economic, social and cultural opportunities. This means ensuring that all Albertans, from children and senior citizens, to those living with disabilities, Aboriginal Albertans and newcomers to the province, have the right supports so they can enjoy the opportunities Alberta provides. It will work to ensure vulnerable Albertans are protected and supported in times of need, and that they are provided with appropriate assistance to help them respond to the challenges they face and achieve their highest level of independence with confidence and dignity.⁴

**Goal 6: Innovative and Responsible Resource Development**

To date, Alberta’s government has taken several important steps in support of innovative and responsible resource development. It has responded to the recommendations of the Retail Market Review Committee to refine and improve the retail electricity market to ensure there is clear information for consumers, protection for vulnerable Albertans, clear rules for the industry, robust competition and oversight of the companies who are marketing to Albertans.⁵

---


Advice

The MLA RMRC Implementation Team proposes action in four policy areas to enhance the retail market for electricity:

1. Protect vulnerable Albertans by enhancing and aligning support programs.
2. Improve advocacy and undertake an education and awareness campaign.
3. Support customer choice by enabling an effective default option.
4. Increase customer choice by removing barriers to retail competition.

These areas are interrelated (e.g., standardization is a recurring subject) – success in one should contribute to success in the others. The proposed actions also support the government’s overarching electricity strategy and other government priorities.

<table>
<thead>
<tr>
<th>Protect Vulnerable Albertans by Enhancing and Aligning Support Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establish an ongoing committee to oversee utility supports.</td>
</tr>
<tr>
<td>• Review and harmonize electricity utility supports.</td>
</tr>
<tr>
<td>• Consider expanding these programs.</td>
</tr>
<tr>
<td>• Ensure social agencies get information from the Utilities Consumer Advocate.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improve Advocacy and Undertake an Education and Awareness Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establish Utilities Consumer Advocate as an arm’s length agency.</td>
</tr>
<tr>
<td>• Start a long-term consumer education campaign.</td>
</tr>
<tr>
<td>• Enlist support of industry and stakeholders.</td>
</tr>
<tr>
<td>• Ensure appropriate long-term funding.</td>
</tr>
<tr>
<td>• Utilities Consumer Advocate to lead and coordinate campaign.</td>
</tr>
<tr>
<td>• Clarify recipient of the municipal franchise fee.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support Customer Choice by Enabling an Effective Default Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rename the Regulated Rate Option.</td>
</tr>
<tr>
<td>• Review the Regulated Rate Option purchasing mechanism.</td>
</tr>
<tr>
<td>• Lower the Regulated Rate Option eligibility threshold.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase Customer Choice by Removing Barriers to Retail Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Standardize business practices.</td>
</tr>
<tr>
<td>• Standardize security requirements.</td>
</tr>
<tr>
<td>• Increase clarity for consumers.</td>
</tr>
<tr>
<td>• Extend Alberta Utilities Commission authority to all distribution operators.</td>
</tr>
</tbody>
</table>

Figure 3: Summary of MLA RMRC Implementation Team Policy Areas and Proposed Actions.
A complete summary of the MLA RMRC Implementation Team’s advice on the 33 recommendations of the *RMRC Report: Power to the People* is included in Appendices C to H. The recommendations are categorized according to the themes established in the *RMRC Report: Power to the People*.

**Protect Vulnerable Albertans by Enhancing and Aligning Support Programs**

There are several government income support programs which provide assistance to low-income Albertans. Many of these also provide support for utility-related costs, including:

- Alberta Works – Income Support
- Assured Income for the Severely Handicapped
- Special Needs Assistance for Seniors

Each program provides a different level of support for clients. For example, clients of the Assured Income for the Severely Handicapped program can access arrears assistance once every three years without repayment. In comparison, clients of Alberta Works – Income Support and the Special Needs Assistance for Seniors programs can access arrears assistance once in a lifetime without repayment (clients of Alberta Works can access additional arrears support with repayment). These differences may contribute to client confusion, particularly for those clients transitioning to seniors’ assistance programs. These differences can create a lack of equity, as well.

The MLA RMRC Implementation Team recommends improving and better coordinating government supports. The Team recommends residential utility assistance – including support for arrears, deposits, connections, and reconnection fees – be available every three years to eligible clients of all three government programs. This would apply to each residential utility – gas, electricity, and water/sewer -- without repayment required. Those programs offering additional assistance with repayment could continue to do so.

The MLA RMRC Implementation Team also recommends the creation of an ongoing committee made up of a subset of members of the Vulnerable Albertans Working Group (see Appendix A). The committee would be well-positioned to build on the work of the Vulnerable Albertans Working Group and to collaborate with the Alberta Utilities Commission, the Utilities Consumer Advocate, and the Ministries of Energy, Human Services, and Health (seniors programs) regarding the needs of vulnerable Albertans. The committee would be responsible for assessing the utility-related challenges of low-income Albertans and making recommendations on how to best respond. The Utilities Consumer Advocate and other agencies, as appropriate, would provide regular electricity-related information to the committee.

---

6 Relates to RMRC Recommendations 29.a, 29.b, 29.c, 30, and 31.
Improve Advocacy and Undertake an Education and Awareness Campaign

Research commissioned by the Retail Market Review Committee showed that many Albertans don’t understand how the electricity system works and what options are available to them. This may be why many Albertans buy electricity at the default rate instead of purchasing their electricity in the market. They may not feel confident in making a retail choice.

To highlight the variety of choices available and truly enhance retail market competition, consumers need to be empowered to choose their own retailer. They need to trust that their electricity service will be reliable and affordable even if they switch retail providers. To build consumer confidence, the MLA RMRC Implementation Team recommends the government take steps to improve advocacy and undertake a long-term education and awareness campaign.

Advocacy

Currently, the Utilities Consumer Advocate works to ensure consumers have the information, representation and protection they need to help them make informed choices in Alberta’s competitive electricity and natural gas markets.

The Utilities Consumer Advocate is currently housed within the Consumer Services Division of Service Alberta. The MLA RMRC Implementation Team recommends establishing the Utilities Consumer Advocate as an external agency reporting directly to the Minister of Service Alberta. This move would reduce any perception of government interference or conflict of interest, and would reinforce the Utilities Consumer Advocate’s role as an independent advocate for consumers. In a transition period the funding for the Utilities Consumer Advocate would continue to come from the Balancing Pool (80 per cent), Atco Gas and AltaGas (20 per cent collectively).

A governance board would be established to oversee the work of the Utilities Consumer Advocate. Ideally, board members would have both governance and industry expertise in areas such as regulatory affairs, energy, communication, education or community leadership. The board would provide direction to the Utilities Consumer Advocate regarding the consumer education campaign, regulatory interventions and mediation on behalf of consumers.

Education and Awareness

The MLA RMRC Implementation Team recommends the Utilities Consumer Advocate lead and coordinate a long-term consumer education and awareness campaign (see Appendix D). The campaign should focus on helping consumers understand how Alberta’s electricity system works, how to buy electricity, the retail options available to them, and where to find more information. The MLA RMRC Implementation Team recommends the campaign also include information on natural gas service, as it is also within the mandate of the Utilities Consumer Advocate. An awareness campaign that focuses on

7 Relates to RMRC Recommendations 9.a, and 13 to 28.
both electricity and gas would achieve economies of scale, and thus provide greater benefit for consumers.

The MLA RMRC Implementation Team recommends a survey of existing research, or conducting additional research, on consumers of both electricity and natural gas retail markets prior to designing the overall campaign. Market research would identify the needs of various consumer groups and the most effective ways to reach them. In addition, a review of past education efforts and current best practices would be helpful. This information and research would support the development of an integrated strategy, including a coordinated effort among government and industry stakeholders, to reach target audiences.

The MLA RMRC Implementation Team recommends the Balancing Pool provide funding for the campaign. As the campaign is for consumers, a future more sustainable option to consider is that consumers pay for the campaign through an increase in the distribution rate. Costs would be allocated 80 per cent to electricity consumers and 20 per cent to gas utility consumers, which is the same allocation as for the rest of the Utilities Consumer Advocate.

Consistent with providing more information to consumers, the MLA RMRC Implementation Team also recommends the name of the municipality be included next to the municipal franchise/local access fee listed on consumer bills. In this way, customers will clearly understand which municipality is benefitting from payment of these fees that are set by local municipalities and authorities.

**Support Customer Choice by Enabling an Effective Default Option**

More than 40 per cent of Albertans now buy power from a retail electricity provider they have selected themselves. By default, Albertans who have not chosen a competitive retail provider buy power directly from their electricity distribution company (or this company’s designated agent) at a default rate. The RMRC suggested that the number of consumers remaining on the default rate discourages new retailers from entering the Alberta market, thereby limiting the competitive pressure on retail electricity prices.

The current default—called the Regulated Rate Option or RRO—changes monthly in response to changing forward market prices in the electricity market. The rate design strikes a balance between two sometimes conflicting objectives: consumers’ desire for price stability and low prices. The current RRO price-setting mechanism exposes consumers to the ups and downs of the short-term forward electricity market while still providing (in normal circumstances) fair prices that are not locked in for extensive periods. While the government has no intention of eliminating the RRO, the MLA RMRC Implementation Team believes there are options in the retail electricity market that may better meet the needs of consumers.

Following a consumer education campaign to increase awareness of the electricity market and the retail choices available, the MLA RMRC Implementation Team recommends the Minister of Energy consider

---

8 Relates to RMRC Recommendations 39, 40, and 41.
reducing the eligibility limit for the RRO. While the decision can be based on the conditions at the time, the Team recommends considering reducing the eligibility limit from consumption of 250 megawatt hours per year to 25 megawatt hours per year over three to five years. While a considerable reduction, 99 per cent of residential customers would remain eligible for the RRO based on current information. Larger customers no longer eligible for the RRO will be able to shop from a large pool of competitive offers or can stay on a default rate provided by their distribution company (often a monthly average of the wholesale price).

In keeping with a move to more standardization, the Alberta Utilities Commission is conducting a formal hearing on standardization of the way the RRO is bought and priced on behalf of consumers. The Commission is undertaking a hearing to discuss the best way to purchase electricity for customers who choose to stay on the default rate. The Commission will consider information and advice provided by consumer groups, major regulated rate option providers and other stakeholders from the electricity industry. This generic proceeding also includes consideration of the role of forward market hedging in setting the electricity price to consumers. Thus, the final decision on how electricity for the default rate is purchased will be determined through the proceedings of the Alberta Utilities Commission.

**Increase Customer Choice by Removing Barriers to Retail Competition**

Competition forces markets to become more efficient, cost-effective and creative. Over the long term, a competitive market benefits consumers, as it provides a greater diversity of products and the lowest possible prices. A competitive market is also better for industry. Competitive electricity prices make it possible for Alberta businesses to compete in international markets and to create jobs and prosperity here at home.

In Alberta, retail competition for electricity has been around since 2001. Each retailer has the opportunity to offer competitive products to all Albertans, but faces varying costs when the business practices of distribution companies are different from one another. Differing business practices may include the way data is delivered by each company, how each distribution company chooses to disconnect and reconnect customers, or how much security the retailer must post with each distribution company for serving customers on their system. These differences may increase the cost of doing business over several distribution service areas, and retailers may then choose to offer services where the costs are lowest. This reduces retail customer choice in those areas where the costs are higher. While the Alberta Utilities Commission has addressed some of these issues, more can be done. Much of the MLA RMRC Implementation Team’s advice (captured in Appendix C) relates to the need to standardize business practices and security deposit requirements. In other cases, the Team’s advice relates to the need to work with stakeholders to ensure they comply with standards that already exist.

The MLA RMRC Implementation Team also recommends extending Alberta Utilities Commission authority to all distribution providers, including investor-owned utilities, all municipally-owned utilities, and member-owned utilities (i.e., rural electrification associations). To ensure everyone plays by the

---

9 Relates to RMRC Recommendations 1 to 8, 9.b, 9.c, and 10 to 12.
same rules, the Alberta Utilities Commission would license these entities to provide distribution services in the province. Currently, the Alberta Utilities Commission has no authority over the business practices of the smaller municipalities or the rural electrification associations.

To qualify for a distribution license, operators would be required to comply with the Tariff Billing Code, System Settlement Code and Alberta Utilities Commission standards related to business practices, service quality and reliability. Standard business practices would include those related to disconnection, enrolment, and de-enrolment, but would not include standardization of rates – these would continue to be set by local councils and boards. A distribution license would be different from the retailer license through Service Alberta that retailers need to obtain so they can serve RRO-eligible customers.

Service quality and reliability would align with Alberta Utilities Commission Rule 002. The Rule sets performance measurements for billing and meter reading, work completion, worker safety, interruption duration and frequency, customer satisfaction and response, and emergency response. In cases of system overlap, distributors would be required to provide a signed interoperating agreement in order to be licensed.

In order to manage the cost of any changes being introduced in the licensing, the provisions of the license will be phased in, beginning with reporting the current state of compliance. The Alberta Utilities Commission will manage the phase-in provisions of the license for distribution operators.
Implementation

The advice of the MLA RMRC Implementation Team is summarized in the preceding section and provided in detail within Appendices C to G. To fully implement the Team’s advice, some existing legislation and regulations need to be amended. Implementation will also require the support of other ministries and agencies. For a comprehensive list of the RMRC recommendations and associated advice and implementation required please refer to Appendix H.

Legislation and Regulation Changes

To implement Recommendations 1 and 10.b (and introduce an electricity distribution operator licensing system) multiple pieces of legislation will require change. These include the Alberta Utilities Commission Act, Electric Utilities Act, the Hydro and Electric Energy Act, the Rural Utilities Act and Regulation, the Distribution Tariff Regulation, and the Roles, Relationships and Responsibilities Regulation. Recommendation 2 also requires changes to the Distribution Tariff Regulation.

Recommendations 4 and 9.b require changes to the Code of Conduct Regulation; Recommendations 9.b. and 41 require change to the Regulated Rate Option Regulation; and Recommendation 12.b requires change to the Billing Regulation.

Service Alberta, the department responsible for consumer protection, has a major role to play. As the department overseeing the Utilities Consumer Advocate, it will be responsible for drafting and introducing new legislation to make the Utilities Consumer Advocate an arm’s length agency (Recommendations 26.a and 26.b). Service Alberta is also responsible for amending the Energy Marketing and Residential Heat Sub-metering Regulation to standardize cancellation rules for retail service agreements (Recommendation 11).

Support for Non-Legislative and Non-Regulatory Changes

There are many recommendations that require implementation by government or agencies that are more related to policy and do not require changes to legislation or regulations.

Implementation of Recommendations 6, 10.a, 26.c, and 40 (ii) requires action from the Alberta Utilities Commission, including review of existing rules, business practices and procedures. Recommendation 3 requires action from the Alberta Electric System Operator. The Market Surveillance Administrator is involved in implementing Recommendation 27.

The Utilities Consumer Advocate will lead the design, development and implementation of a consumer education and awareness campaign with the support of relevant departments and agencies. This is part of implementing Recommendations 9.a, 13 to 25, and 30. Alberta Energy is recommended to be responsible for an annual conference on the retail market (Recommendation 28).

To implement Recommendations 29.a, 29.b, and 29.c, the Departments of Health (seniors’ programs) and Human Services are recommended to lead.
No Action Required

Some recommendations do not require any implementation because they have already been completed (Recommendation 5), no additional actions are needed (Recommendations 7, 8.a, 8.b, and 9.c), or they are not recommended to be implemented (Recommendations 12.a, 31, and 39).

Added Value

The improvements recommended by the RMRC and supported by the MLA RMRC Implementation Team are expected to add overall value to Albertans. The benefits to consumers include more choice, improved information resources, and the ability, through a better understanding of the electricity market, to exercise greater choice in retail electricity service. Over the long term, more competition will provide more competitive pressure on retail electricity prices and offerings. This is expected to reduce energy costs for many consumers as they become better informed. There may be some increased costs to consumers over the short term, as the changes are made; these costs vary by region and distribution service provider. Concurrent to this process, Alberta Energy is examining ways to better manage distribution and transmission costs for Alberta consumers.
Appendix A: Working Group Members

To support the MLA RMRC Implementation Team’s work, five Working Groups were established:

- Consumer Education Working Group (CEWG)
- Governance Working Group (GWG)
- Regulatory Working Group (RWG)
- Rural Electric Utilities Clarity Working Group (REURC)
- Vulnerable Albertans Working Group (VAWG)

<table>
<thead>
<tr>
<th>Working Group Participants</th>
<th>Working Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberta Agriculture and Rural Development</td>
<td>REURC</td>
</tr>
<tr>
<td>Alberta Association of Municipal Districts and Counties</td>
<td>CWG</td>
</tr>
<tr>
<td>Alberta Electric System Operator</td>
<td>CEWG, GWG, RWG</td>
</tr>
<tr>
<td>Alberta Energy</td>
<td>CEWG, GWG, RWG, REURC, VAWG</td>
</tr>
<tr>
<td>Alberta Federation of Rural Electrification Associations</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>Alberta Health</td>
<td>VAWG</td>
</tr>
<tr>
<td>Alberta Human Services</td>
<td>VAWG</td>
</tr>
<tr>
<td>Alberta Municipal Power Systems</td>
<td>RWG</td>
</tr>
<tr>
<td>Alberta Treasury Board and Finance</td>
<td>VAWG</td>
</tr>
<tr>
<td>Alberta Urban Municipalities Association</td>
<td>CEWG</td>
</tr>
<tr>
<td>Alberta Utilities Commission</td>
<td>GWG, RWG, REURC, VAWG</td>
</tr>
<tr>
<td>AltaGas</td>
<td>CEWG</td>
</tr>
<tr>
<td>AltaLink Management Ltd.</td>
<td>CEWG</td>
</tr>
<tr>
<td>ATCO Electric</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>ATCO Gas</td>
<td>CEWG</td>
</tr>
<tr>
<td>Balancing Pool</td>
<td>CEWG, GWG, VAWG</td>
</tr>
<tr>
<td>Battle River Rural Electrification Association</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>Bow Valley Power</td>
<td>RWG</td>
</tr>
<tr>
<td>Brighter Futures Energy Inc.</td>
<td>RWG</td>
</tr>
<tr>
<td>Camrose Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>City of Lethbridge</td>
<td>RWG</td>
</tr>
<tr>
<td>City of Red Deer</td>
<td>RWG</td>
</tr>
<tr>
<td>Cognera</td>
<td>RWG</td>
</tr>
<tr>
<td>Consumer Coalition of Alberta</td>
<td>CEWG</td>
</tr>
<tr>
<td>Direct Energy</td>
<td>CEWG, RWG</td>
</tr>
<tr>
<td>E.NRG Power</td>
<td>RWG</td>
</tr>
<tr>
<td>Echo Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>Working Group Participants</td>
<td>Working Group</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>ENMAX</td>
<td>CEWG, RWG</td>
</tr>
<tr>
<td>EPCOR</td>
<td>CEWG, RWG</td>
</tr>
<tr>
<td>EQUIS</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>Executive Council</td>
<td>VAWG</td>
</tr>
<tr>
<td>FortisAlberta</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>Independent Power Producers Society of Alberta</td>
<td>CEWG</td>
</tr>
<tr>
<td>Industrial Power Consumers Association of Alberta</td>
<td>CEWG</td>
</tr>
<tr>
<td>Just Energy</td>
<td>CEWG, RWG</td>
</tr>
<tr>
<td>Lakeland Rural Electrification Association</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>Landmark Solar</td>
<td></td>
</tr>
<tr>
<td>Link Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>Market Surveillance Administrator</td>
<td>CEWG, GWG, RWG</td>
</tr>
<tr>
<td>Maxim Power Corp</td>
<td>RWG</td>
</tr>
<tr>
<td>Milner Power Inc.</td>
<td>RWG</td>
</tr>
<tr>
<td>Mountain View Power</td>
<td>RWG</td>
</tr>
<tr>
<td>NewGen Energy Ltd</td>
<td>RWG</td>
</tr>
<tr>
<td>North Parkland Power Rural Electrification Association</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>Northern Lights Energy and Power</td>
<td>RWG</td>
</tr>
<tr>
<td>Park Power</td>
<td>RWG</td>
</tr>
<tr>
<td>Peace Power</td>
<td>RWG</td>
</tr>
<tr>
<td>Relay Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>Rocky Rural Electrification Association</td>
<td>CEWG, RWG, REURC</td>
</tr>
<tr>
<td>Service Alberta</td>
<td>CEWG, GWG, RWG, VAWG</td>
</tr>
<tr>
<td>SPARK</td>
<td>RWG</td>
</tr>
<tr>
<td>Sponsor Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>Spot Power</td>
<td>RWG</td>
</tr>
<tr>
<td>Syncarb Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>Utilities Consumer Advocate</td>
<td>CEWG, GWG, RWG, REURC, VAWG</td>
</tr>
<tr>
<td>Utility Net</td>
<td>CEWG, RWG</td>
</tr>
<tr>
<td>Vector Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>Wainwright Energy</td>
<td>RWG</td>
</tr>
<tr>
<td>Wild Rose Rural Electrification Association</td>
<td>CEWG, RWG, REURC</td>
</tr>
</tbody>
</table>
Appendix B: Additional Consultations

The MLA RMRC Implementation Team also consulted the following stakeholders:

| Alberta Direct Connect Consumer Association  |
| City of Calgary                                |
| Ermineskin and Montana Rural Electrification Associations |
| Heating, Refrigeration and Air Conditioning Institute of Canada |
| Lac Ste. Anne County                           |
| Lindale Rural Electrification Association      |
| Mackenzie Rural Electrification Association   |
| Mayerthorpe Rural Electrification Association  |
| Niton Rural Electrification Association        |
| Peace Country Rural Electrification Association|
| Stry Rural Electrification Association         |
| Tomahawk Rural Electrification Association     |
| VNM Rural Electrification Association         |
| Zawale Rural Electrification Association       |
Appendix C

MLA RMRC Implementation Team Advice on RMRC Theme 1: Increasing Competitiveness

Competition forces markets to become more efficient, cost effective and creative. Over the long term, a competitive market benefits consumers as it provides a greater diversity of products and the lowest possible prices. A competitive market is also better for industry. Competitive electricity prices make it possible for Alberta businesses to compete in international markets and to create jobs and prosperity here at home.

The MLA RMRC Implementation Team looked at three sets of RMRC recommendations related to competitiveness under the sub-themes of: reduce barriers to entry for competitive retailers; reduce barriers to growth and competitiveness; and reduce barriers to consumer switching.

A. Reduce barriers to entry for competitive retailers

To reduce barriers to retail competition, the RMRC made recommendations to improve and standardize business practices related to the electricity market (Recommendations 1 to 5). The MLA RMRC Implementation Team supports these recommendations.

The MLA RMRC Implementation Team recommends one further action outside the scope of the RMRC recommendations. As part of its implementation plan for Recommendation 1, the MLA RMRC Implementation Team proposes the establishment of a licensing process to qualify electricity distribution operators. This will not be a unique requirement for distribution operators. In Alberta, retailers for residential, farm and small commercial customers have already required to be licensed by Service Alberta. This licensing process will standardize requirements for the practices and processes of retailers and utility businesses. Also, it will minimize the regulatory burden for rural electrification associations and municipally-owned utilities while allowing them to retain regulatory authority over their rate structures.

The MLA RMRC Implementation Team’s advice on Recommendations 1 to 5 is as follows:

**Recommendation 1.** Amend the *Distribution Tariff Regulation* to enable the Alberta Utilities Commission to examine and standardize disconnection, enrolment and de-enrolment practices across the province. Enable the commission to investigate wrong enrolments and mitigate their effect on retailers and customers.

The RMRC noted that distribution utility companies use different disconnection and de-enrolment practices. In fact, some system owners refuse to process disconnection requests from retailers, but routinely grant them to providers of the RRO. This gives providers of the RRO an advantage in collecting past-due bills, since the risk of losing electricity service provides greater leverage. Another issue is that rural electrification associations and municipally-owned utilities are not part of the Alberta Utilities
Commission’s efforts to standardize business practices. This lack of standardization across the province not only creates an uneven playing field between RRO providers and retailers, it contributes to customer confusion.

In its analysis, the MLA RMRC Implementation Team considered four options to address this issue:

1. Maintain the status quo.
2. Expand the regulatory authority of the Alberta Utilities Commission.
3. Issue licenses to entities that qualify as electricity distribution operators.
4. Expand the authority of the Alberta Utilities Commission where cost effective.

**MLA RMRC Implementation Team’s Advice on Recommendation 1:** The Team recommends Option 3: that the Alberta Utilities Commission issue licenses to entities that qualify as electricity distribution operators. This would apply to investor-owned utilities, municipally-owned utilities, and member-owned utilities (i.e., rural electrification associations). The Team notes that Ontario currently has a licensing system, and the process to qualify does not appear to be onerous. The Ontario license clearly defines the roles and responsibilities of electric utility participants as well as compliance requirements. A unique element of the Ontario system is its Distribution System Code, which details how industry participants are to operate their systems and interact with one another.

To qualify for a distribution license, operators would be required to comply with the Tariff Billing Code, System Settlement Code and Alberta Utilities Commission standards related to business practices, service quality and reliability. Standard business practices would include those related to disconnection, enrolment, and de-enrolment, but would not include standardization of rates – these would continue to be set by local councils and boards. A distribution license would be different from the retailer license through Service Alberta that retailers need to obtain so they can serve RRO-eligible customers.

Service quality and reliability would align with Alberta Utilities Commission Rule 002. The Rule sets performance measures for billing and meter reading, work completion, worker safety, interruption duration and frequency, customer satisfaction and response, and emergency response.

The proposed distributor licensing system would support many of the other recommendations included in this report, particularly Recommendation 10.b, which identifies a number of general improvement initiatives. The license would comply with those general improvement initiatives and require a signed wire owner agreement in areas with an intermingled system.

The MLA RMRC Implementation Team notes that the Alberta Utilities Commission will need a transition period to fully implement the licensing system. If an operator is unable to meet the licencing requirements, the Alberta Utilities Commission will work with the operator to remedy the problem.

**Recommendation 2.** Address the lack of standardization and inequity that current security and prudential requirements impose on retail electricity providers, and align these requirements with the
Currently, transmission and distribution costs flow through to retailers, and retailers issue the bills and collect these payments from their customers. Therefore, retailers must post a security deposit to cover those costs. Across Alberta there are differing terms and conditions for the security deposit; for instance, the number of days used to calculate the deposit varies. Currently one large municipally-owned utility requires retailers to calculate their security deposit based on 70 days, while another one requires retailers to calculate the deposit based on 35 days. This variation exists because the Distribution Tariff Regulation allows utilities to set retailers’ payment terms. This disparity is affecting the functioning of the retail market.

The MLA RMRC Implementation Team’s Advice on Recommendation 2: The Team recommends the Distribution Tariff Regulation be amended to give the Alberta Utilities Commission clear authority to standardize security requirements.

**Recommendation 3.** Match the Alberta Electric System Operator’s financial security requirements for retailers to actual risks. Encourage the AESO to continue and complete its work with retailers on these requirements.

In addition to posting security with distributors, retail electricity providers must post security deposits with a number of agencies. The RMRC concluded the required deposits are too high relative to the actual risk of default and nonpayment.

The Alberta Electric System Operator sets the financial security amounts that retailers must provide. Currently, the amount of security is based on the forecasted pool price. If the price doubles, so does the required security. This makes it difficult for small companies to enter and compete in the retail market.

The Alberta Electric System Operator has taken three actions to address this issue:

1. It has amended its 60-day prudential calculation to reflect 60-day market exposure (30-day actual exposure and 30-day forecasted exposure). This better aligns security to actual risks.
2. It is investigating a new form of financial security from a third party (insurance product) that would reduce the requirement for cash and letters of credit.
3. It proposes pool participants have the option of paying power pool and transmission bills early based on their preliminary statements. In some cases, this better aligns cash collection with obligations to the Alberta Electric System Operator. It ultimately reduces requirements for financial security.

The MLA RMRC Implementation Team’s Advice on Recommendation 3: The Team supports the Alberta Electric System Operator’s actions as described above.
Recommendation 4. Level the playing field for retail electricity marketing, and stop affiliated retailers’ preferential access to RRO customers’ billing envelopes. Either all retail electricity providers should be able to include marketing materials in the RRO billing envelope, or none should. Amend the Code of Conduct Regulation to give the Market Surveillance Administrator and the Alberta Utilities Commission clear authority to rule and intervene in matters related to using the RRO billing envelope for marketing purposes.

Billing envelopes give retailers a regular means of contacting customers and a vehicle for marketing products and services. The RMRC found that some companies are using RRO bills to market retail services and are refusing to give other retailers the same access.

In December 2013, the Minister of Energy directed the Department of Energy to proceed with an amendment to the Code of Conduct Regulation in support of Recommendation 4. The amendment will discontinue preferential access to the billing envelopes of RRO customers for marketing purposes. The Department of Energy will move the amendment through the appropriate decision-making process.

Steps are also being taken to merge the Electricity Code of Conduct Regulation and the Natural Gas Code of Conduct Regulation into one new regulation to improve regulatory efficiency. This new regulation will consolidate oversight by two regulators, the Market Surveillance Administrator and the Alberta Utilities Commission, into one, as recommended by stakeholders during consultations with the Department of Energy in 2010.

The MLA RMRC Implementation Team’s Advice on Recommendation 4: The Team confirms its support for the proposed amendment to the Code of Conduct Regulation.

Recommendation 5. Lower Service Alberta’s security licence and bond fees for retail electricity providers to bring them in line with the requirements for natural gas retailers. Ensure that the requirements are consistent with the size and nature of each retailer’s business.

Service Alberta has lowered the security deposit for electricity retailers from $1,000,000 to $250,000. This harmonizes the licensing and bonding requirements of electricity retailers with those of retail natural gas providers.

The MLA RMRC Implementation Team’s Advice on Recommendation 5: No further action is required.
B. Reduce barriers to growth and competitiveness

The ways in which distributors provide retailers with the information they need to create customer bills are different in every area of the province. For retailers with customers in different service areas, the lack of standardization raises the cost of doing business, since each service area requires a different data interface. Further, data collection and processing involves numerous parties and data transfers. A mistake by any party—in reading a meter, identifying which customer is with which retailer or calculating the total consumption in a service area—creates errors that propagate through the whole system. To address barriers to growth and competitiveness, the RMRC recommended improvements in data accuracy, standards and processes, as well as accuracy of meter reading (Recommendations 6 to 8).

While the MLA RMRC Implementation Team acknowledged the complexities of data collection and processing, it concluded that the Alberta Utilities Commission has adequate processes in place to establish standard data practices and provide clear regulatory direction. The issue rests with lack of enforcement of existing standards set by the Alberta Utilities Commission (to address this issue, Recommendation 10.a. clarifies the commission’s authority to enforce standards). Further, the MLA RMRC Implementation Team determined that meter reading at both the customer and transmission levels is highly accurate.

More detailed information on Recommendations 6 to 8 is as follows:

Recommendation 6. Improve system data processes, and standardize data system-related business practices, processes and information transfer protocols across the province. Provide clear regulatory direction that empowers the Alberta Utilities Commission to set new, provincewide data standards and processes and to address outstanding system settlement code-related issues related to metering, meter-reading accuracy, meter data verification and the timeliness of final load settlement calculations.

The MLA RMRC Implementation Team notes that the Alberta Utilities Commission already has the ability to set provincewide standards and processes for all owners of distribution systems including investor-owned utilities, municipally-owned utilities, and rural electrification associations.

Through Rule 021, the Alberta Utilities Commission can address System Settlement Code-related matters. It provides retailers clarification and instruction on what to do when a customer is wrongly enrolled. The Alberta Utilities Commission regularly consults stakeholders to improve Rule 021 and keep it current. It also regularly consults with stakeholders on improvements to the Tariff Billing Code (Rule 004). In recent years, the Alberta Utilities Commission has reviewed aspects of the issues mentioned in Recommendation 6.

The MLA RMRC Implementation Team’s Advice on Recommendation 6: The Team supports the Alberta Utilities Commission’s current processes to deal with the System Settlement Code and the Tariff Billing

---

10 AUC Rule 021: System Settlement Code Rules states that “Rule 021 is an operational document that defines the business processes and mechanics of how electrical energy settlement is to be carried out at the retail electricity market level in Alberta.
Code. The Team further recommends the Alberta Utilities Commission work with rural electrification associations and municipally-owned utilities to ensure they comply with the standards set by the two codes.

**Recommendation 7.** Ensure data accuracy. Enable the Alberta Utilities Commission to create a standardized verification process and strengthen the Alberta Electric System Operator’s role in ensuring data accuracy. Ensure that retailers can verify their invoices from the AESO to reconcile AESO charges with customer meter readings.

The Alberta Utilities Commission already has authority under the *Electric Utilities Act* to set standards and processes for the transfer of data related to distribution tariffs. Further, the Alberta Electric System Operator monitors the settlement process and conducts reviews as requested by the Alberta Utilities Commission. Non-compliance of rules is brought to the Alberta Utilities Commission to address.

With regard to wholesale energy invoices, they can be verified and reconciled using existing settlement information. The Alberta Electric System Operator has not received any complaints from retailers about reconciling these invoices.

**The MLA RMRC Implementation Team’s Advice on Recommendation 7:** The Team supports the Alberta Utilities Commission’s current processes to address data accuracy.

**Recommendation 8.** Set standards and performance incentives for accurate and timely meter reading at both the customer and transmission level.

8.a. Encourage the Alberta Utilities Commission to consider creating performance-driven rewards or penalties for meeting standards of accuracy in reading customers’ meters.

8.b. Ensure that the Alberta Utilities Commission is empowered to set standards of performance for metering accuracy at the transmission level and able to consider creating performance-driven rewards or penalties for meeting these standards.

At the customer level, the Performance Based Regulation (PBR) Framework is the incentive for meeting standards of accuracy in reading customer meters. This Framework is administered by the Alberta Utilities Commission for Epcor, Atco Electric and FortisAlberta. Electricity distributor Enmax Power Corporation moved to its own variation of PBR in 2009, although any non-compliance is dealt with by the Alberta Utilities Commission. The Alberta Electric System Operator has completed a review of the accuracy, timeliness, completeness, and compliance to standards of system-level meter reading used in the settlement of the retail market in Alberta. It has not found any evidence to suggest there are significant meter-reading performance issues.

At the transmission level, the Alberta Electric System Operator also has conducted a review of system-level metering performance. It has concluded there are no significant issues with respect to transmission-level metering accuracy, and the impact of error adjustments is relatively insignificant.
The MLA RMRC Implementation Team’s Advice on Recommendation 8: The Team supports the Performance Based Regulation Framework already in place as a means of addressing Recommendation 8, as well as Alberta Electric System Operator reviews that indicate meter readings are highly accurate at both the customer and transmission levels.

C. Reduce barriers to consumer switching

The RMRC found that consumers lack either the information or confidence (sometimes both) to choose a retailer of electricity. Some consumers said they don’t have the information they need to make decisions. Some don’t trust the information they receive from retailers. And others are concerned that their electricity service will be less reliable if they switch retailers (this would not be a concern if customers understood that the physical delivery of power by their distribution utility is quite separate from the issue of who calculates their bill). All of these issues can create barriers to consumer switching and growth in the retail market.

The RMRC made recommendations to reduce barriers to switching by educating consumers, eliminating location-based barriers to consumer choice, and clarifying the roles and responsibilities of electricity distributors in rural Alberta (Recommendations 9 to 11).

The MLA RMRC Implementation Team provides implementation advice on each of the recommendations below. In addition, as introduced in Recommendation 1, it proposes the establishment of a licensing process to qualify electricity distribution operators. The Team fully outlines elements of the proposed license in its response to Recommendation 10.b. A license will level the playing field for all distributors by establishing standards for safe, reliable and orderly development. It will standardize requirements for retailers and utility business practices and processes. It will ensure consumers have access to safe, reliable service wherever they live.

**Recommendation 9.** Address consumer concerns that switching could reduce the reliability of their electricity service. Provide consumers with the information they need to be confident about their electricity-related decisions.

9.a. Ensure, through education programs, that consumers understand the clear separation between the physical delivery of energy and retail electricity service.

The MLA RMRC Implementation Team believes that better understanding of the retail electricity market will increase consumer confidence. The MLA RMRC Implementation Team suggests the following:

- A website would be the best medium to help consumers understand and compare options. The website should discuss the difference between the physical delivery of energy and retail electricity service, and the fact that choice of retailer does not affect reliability of service.
A consumer education program should present information on electricity and natural gas service, as both are within the mandate of the Utilities Consumer Advocate. Such a program would achieve economies of scale, and thus be of greater benefit for consumers.

Elements of a consumer education and awareness campaign are further described in Recommendations 13 to 25.

**MLA RMRC Implementation Team’s Advice on Recommendation 9.a:** The Team recommends the development of a website and a consumer education campaign that focuses on both electricity and natural gas. For more information on consumer education see Recommendations 13 to 25.

**9.b. Amend the Code of Conduct Regulation to eliminate co-branding between affiliated retailers and owners of distribution systems.**

The Code of Conduct Regulation regulates the relationship between distribution system owners and retailers and protects customer information.

Co-branding is very common in many businesses and can benefit producers and customers alike. The customer’s brand loyalty to a company for one product can encourage the customer to try a different product by the same company. The benefits to the company are obvious in that co-branding makes it easier to grow a business. The perceived benefit to the customer is the mitigation of the risk of dissatisfaction of trying a new product.

In the electricity sector, there is a concern that regulated entities that provide monopoly services have an unfair advantage in terms of establishing customer loyalty. Regulated entities include those providing distribution services and some form of default energy supply to customers who have not selected a competitive retail provider. Because regulated companies already have a relationship with customers, and their different services often share the same brand, customers may be more inclined to choose the brand they are familiar with when choosing an electricity retailer. This provides an unfair competitive advantage to the entity that shares in the brand and impedes the development of a robust competitive market for retail electricity.

The same can be said of an RRO provider that shares a name or logo with a retailer. Consumers may perceive the RRO provider as a company the government trusts to provide service. Consumers are more inclined to trust companies they think their government trusts, and to transfer this trust to the affiliates of those companies. Providing certain companies with a customer relationship through the RRO is a privilege these companies may use to their advantage to establish themselves or their affiliates as the retail electricity provider for those customers. Providing utilities with a customer relationship through the provision of monopoly wires services is also a privilege. The RMRC believed that neither trust (utility monopoly wires service) nor RRO service should be used to leverage customer brand loyalty in a manner that puts other market participants at a disadvantage.
In Edmonton, Epcor is the electricity distribution company and provider of the RRO, with both services branded as Epcor. The company does not operate in the competitive retail market. In Calgary, Enmax is the distributor, provider of the RRO, and an affiliated competitive retailer, with all services branded as Enmax. In Atco Electric’s franchise area, Direct Energy is both the provider of the RRO and affiliated competitive retailer. In many of the areas operated by rural electrification associations, the distribution company, the provider of regulated rate option, and the affiliated competitive retailer are branded as one entity.

To determine the influence of co-branding on customer choice, the Market Surveillance Administrator conducted a study which found the following:

- There is evidence to support the case that co-branding is influencing consumer choice in Alberta.
- There is evidence that many consumers are uncertain whether there is a link between service reliability and choice of retailers. Many consumers do not understand that the selling and delivering of electricity are separate functions, and that switching to a retail electricity provider does not affect the level of service or reliability of service a customer gets from its regulated distribution utility.
- There is evidence that many consumers believe the RRO is a rate that is designed by the government to protect them. In fact, the RRO exists as an alternative to signing a contract with an electricity retailer. The option does not offer the most stable or the lowest prices possible, and it is not designed to meet a diversity of consumer expectations and needs. It changes monthly in response to changing rates in the electricity market.
- All of the above factors have a similar effect; it is difficult to determine which most influences consumer choice.

The MLA RMRC Implementation Team considered a number of options for implementing Recommendation 9.b:

1. Maintain the status quo and undertake a consumer education program to address consumer concerns and misunderstandings.
2. Require that distribution facility owners change their brand names and logos to clearly separate distribution services from the RRO and/or affiliated retail services.
3. Change the name of the RRO. Providers of the RRO would change the name of the RRO on utility bills to for example “electricity default rate.” The actual name would be determined through stakeholder consultation.
4. Provide the RRO under a generic name. Providers of the RRO would change the names of their businesses units to a generic descriptor (e.g., Alberta default electricity provider in your service area). This would distinguish the RRO provider from both the distributor and competitive retailers.
5. Standardize the RRO bill. All RRO providers would issue a standard bill with limited use of corporate name and logo in terms of font size and location.

**MLA RMRC Implementation Team’s Advice on Recommendation 9.b:** The Team recommends adoption of Options 3 and 5: change the name of the RRO and standardize the RRO bill. The benefits of adopting these options are as follows:

- Anyone on the RRO will get the same plain language bill.
- Consumers will understand that the RRO is a default rate and not a retail offer. It will also help eliminate the perception that the government establishes or regulates the rate in the interests of consumers when, in reality, the RRO reflects short-term market conditions and is more volatile than long-term contracts.
- Options 3 and 5 are lower-cost options than those requiring full brand separation and rebranding of RRO providers and distributors.

| 9.c. Bring Service Alberta requirements for electricity service agreements into line with those for other retail goods and services. Eliminate the current requirement for extra warning and disclosure statements for electricity service agreements. |

Service Alberta is responsible for consumer protection under the *Fair Trading Act*. Service Alberta has considered this recommendation and believes it is in the consumer’s best interest to retain requirements for extra warning and disclosure statements for electricity service agreements.

Currently, the disclosure statements are only required when a retailer offers a contract in a door-to-door situation without using the contract package developed by the Utilities Consumer Advocate in cooperation with consumer groups, energy retailers and Alberta Energy. The contract package includes standardized, plain language energy contracts along with a helpful information folder. When a retailer uses Internet or telephone marketing, the disclosure statement is not required. Thus the disclosure statement is seldom used.

**The MLA RMRC Implementation Team’s Advice on Recommendation 9.c:** The Team supports Service Alberta’s position that extra warning and disclosure statements for electricity service agreements be retained. No further action is required.

| Recommendation 10. Eliminate location-based barriers to consumer choice. All Albertans must have access to choice. |

| 10.a. Clarify the Alberta Utilities Commission’s authority to enforce the Tariff Billing Code and ensure that municipalities and rural electrification associations comply with code requirements. |

The Alberta Utilities Commission’s authority to enforce the Tariff Billing Code is found in Sections 129 (1) and 105 (1) of the *Electric Utilities Act*. The *Act* enables the Alberta Utilities Commission to make rules regarding the process, procedures and standards for transfer of data related to distribution tariffs. This
applies to all investor-owned utilities, municipally-owned utilities, and rural electrification associations, regardless of whether they are regulated by the commission.

The MLA RMRC Implementation Team recommends the Alberta Utilities Commission work with rural electrification associations and small municipally-owned utilities to ensure they comply with the requirements of the Tariff Billing Code. The Team recommends a three- to five-year implementation period to achieve compliance. It also recommends compliance be a requirement of the license recommended as part of the MLA RMRC Implementation Team’s response to Recommendation 1.

**The MLA RMRC Implementation Team’s Advice on Recommendation 10.a:** The Team recommends the Alberta Utilities Commission work with rural electrification associations and small municipally-owned utilities to ensure they comply with the Tariff Billing Code.

### 10.b. Work with Alberta Agriculture and Rural Development to clarify the roles and responsibilities of rural electrification associations with regard to consumers in their service areas.

Rural Electrification Associations (REAs) are member-owned electrical co-operative utilities that provide electrical distribution and in some cases energy services to their members. REAs were the original mechanisms to supply electricity to rural areas after the 1940s when larger investor-owned utilities (IOUs) focused on establishing power in more densely populated parts of the province. At their peak, there were over 400 REAs covering much of Alberta’s rural regions. Currently, there are 30 operating rural electrification associations (REAs) in Alberta which serve their members by owning their wires but contracting maintenance and operations to the IOU in their area – either Atco Electric or FortisAlberta. As well, there are six self-operating rural electrification associations that own their wires and maintain regular operations. Rural electrification associations serve 41,179 members while the investor-owned utilities serve 753,650 customers.

The issue of the right to serve customers has become a matter of contention: REAs are claiming rights to serve non-members, while IOUs are claiming rights to serve customers who have traditionally been served by REAs. The friction between some REAs and IOUs threatens to impact both rural electrical service and rural economic development.

The intermingling of electricity distribution systems is unique to Alberta. In the rest of the world, electricity distribution tends to be a natural monopoly,\(^\text{11}\) as competition duplicates capital expenditures and reduces operational efficiencies, worker safety, economies of scale, and the feasibility of long-term planning.

\(^{11}\) A natural monopoly is a monopoly in an industry in which it is most efficient for production to be concentrated in a single firm. Larger suppliers have an overwhelming cost advantage over other actual and potential competitors. This tends to be the case in industries where capital costs dominate, such as in public utilities like water, gas and electricity. While in other situations a monopoly can lead to higher prices, a firm that is a natural monopoly is able to provide its services at an average cost that is lower than would be possible if multiple firms were in the market.
The MLAs considered many options to address Recommendation 10.b, ranging from dissolving all REAs to introducing full competition in the distribution of electricity. The options preferred by stakeholders are listed below.

1. **Atco’s preferred option (Option 7):**

REAs would continue to serve only those member-customers who meet the contracted definition of member. An IOU-REA agreement would govern the IOU-REA working relationship. This option increases Alberta Utilities Commission oversight and ensures both REAs and IOUs comply with legislation, regulation, and rules. All utilities would abide by a new Code of Conduct, enforceable by the Alberta Utilities Commission, which describes the behaviour and obligations of wire owners.

2. **FortisAlberta’s preferred option (Option 8):**

This differs from Atco’s preferred option in that it offers greater clarity and certainty by establishing a new wire owner agreement that is legislated and overseen more fully by the Alberta Utilities Commission. Under this option, IOUs would own and be responsible for all distribution mainline, and consumers would pay their fair share of the costs to receive electricity (no cross subsidies).

3. **Wild Rose REA’s preferred option (Option 9):**

Under this option, REAs who serve members only continue to be rate regulated by their board. REAs that choose to serve non-members would be rate regulated by the Alberta Utilities Commission, which would also develop and enforce business rules for all distribution services. This option promotes efficient, orderly and economic development of distribution services in Alberta.

4. **The preferred option of the REA/Alberta Federation of REAs Group (Option 10.a):**

Under this option, REAs would have the exclusive right and duty to provide distribution service to customers of up to a certain size in the REAs’ existing geographic service areas. All customers may choose to be members or not. The Alberta Utilities Commission would have jurisdiction to hear grievances from customers relating to an REA’s rate structure. REAs would have a general geographic area, not a franchise.

The decision as to whom provides distribution service to municipalities and the choice of distribution operator would remain with municipalities. In the case of intermingled systems, planning reports will be filed with the Alberta Utilities Commission for information. Non-self-operating REAs can opt out.

5. **Additional option suggested through discussion (Option 12):**

Under this option, REAs can serve up to a threshold and are rate regulated by Alberta Utilities Commission. FortisAlberta and Atco are responsible for planning in Alberta with REAs held accountable for robust participation in that planning. There are amendments to regulations regarding sale and amalgamation of REAs to require appropriate membership representation. There are significant
improvements in planning, governance, and orderly development, as well as role clarity and sustainability of IOUs and REAs.

The MLA RMRC Implementation Team’s Advice on Recommendation 10.b: After carefully considering all of the elements and pro and cons of the stakeholder preferred options, the Team recommends that the Alberta Utilities Commission license all electricity distribution operators in Alberta, including rural electrification associations (per Recommendation 1). This represents improvements to Alberta’s overall distribution system and will benefit rural economic development by ensuring a robust, resilient, safe and reliable distribution system. This change will also increase customer choice in rural Alberta. Further, the Team recommends changes to the Rural Utilities Act to allow REAs to offer non-energy services to the community.

The Team notes there are differing perspectives and challenges between IOUs and REAs. The Team recommends that wire owner agreements be completed within a set timeframe, after which a formal process to complete them will be handled directly by the joint efforts of Alberta Energy and Alberta Agriculture and Rural Development.

**Recommendation 11.** Amend the Regulated Rate Option Regulation to standardize Service Alberta cancellation rules for retail service agreements. The same rules should apply across all marketing channels.

Cancellation provisions for retail products are not housed within the Regulated Rate Option Regulation, but rather in the Energy Marketing and Residential Heat Sub-metering Regulation, which is under the purview of Service Alberta. Service Alberta accepts this recommendation.

**The MLA RMRC Implementation Team’s Advice on Recommendation 11:** The Team supports action by the Department of Service Alberta to amend the Energy Marketing and Residential Sub-metering Regulation to address Recommendation 11.
Appendix D

MLA RMRC Implementation Team Advice on RMRC
Theme 2: Providing Better Information and Resources for Consumers

Over the past decade, there have been numerous education and awareness campaigns about Alberta’s electricity industry, but little coordination amongst agencies and government. It is not clear that past programs offered consumers what they really needed or wanted to know.

The MLA RMRC Implementation Team looked at three sets of RMRC recommendations related to consumer information under the sub-themes of: providing more billing options; designing and delivering a coordinated, multi-year education campaign; and providing online information (Recommendations 12 to 25). The MLA RMRC Implementation Team supports a consumer education campaign that is integrated, uses a variety of communications channels, and meets the needs of targeted audiences.

D. Give consumers more billing options

The RMRC felt that Alberta’s electricity market could benefit from payment and billing innovations that have been introduced in other industries and jurisdictions. It specifically mentioned the introduction of electronic bills that allow people to see as much or as little detail as they want on their bills. Retailers would still include the billing details specified in Section 4 of the Billing Regulation.

The MLA RMRC Implementation Team offers a further recommendation to provide information to consumers. It recommends the beneficiary (municipality) of the municipal franchise/local access fee be identified on the customer’s bill.

**Recommendation 12.** Provide retail electricity providers with the flexibility they need to develop bills and billing options that best serve their customers.

12.a. Create a task force to study the use of prepaid electricity in other jurisdictions and make recommendations on how to implement prepaid electricity as a retail option in Alberta. Prepaid billing is currently prohibited under Service Alberta’s *Energy Marketing and Residential Heat Sub-metering Regulation*.

The prepaid billing option requires additional infrastructure in the form of advanced meters which enable two-way wireless communication between the meter and the central system. Until advanced meters are standard in Alberta, the MLA RMRC Implementation Team feels efforts are better focused on enhancing social programming as per Recommendations 29.a, 29.b, 29.c, 30, and 31, rather than investigating prepaid electricity.
The MLA RMRC Implementation Team’s Advice on Recommendation 12.a: The Team recommends rejection of the creation of a task force to study the use of prepaid billing at this time.

12.b. Amend Section 4 of the Billing Regulation to provide retail electricity providers with the flexibility to decide how best to display required information on their customers’ bills.

The MLA RMRC Implementation Team determined there are no barriers in the current Billing Regulation that prevent retailers from being innovative in how they display information on their bills. There are some examples of billing innovations already taking place, including electronic bills that allow customers to access varying levels of detail about their bills. The MLA RMRC Implementation Team expressed interest in seeing all retailers provide an electronic billing option within five years.

Consistent with providing more information to consumers, but outside the scope of Recommendation 12.b, the MLA RMRC Implementation Team also recommends the name of the relevant municipality be included beside the municipal franchise/local access fee listed on consumer bills. In this way, customers will clearly understand what municipality or local authority is benefitting from payment of the fee.

The MLA RMRC Implementation Team’s Advice on Recommendation 12.b: The Team recommends that all retail electricity providers provide an electronic billing option within five years, and that the name of the municipality is included beside the municipal franchise/local access fee on the customer bill.

E. Design and deliver a coordinated, multi-year education and awareness campaign

In May 2012, the RMRC conducted a survey of Alberta consumers. The survey identified areas where Albertans need more and better information to support their choice of electricity service. It identified target audiences and key messages for education and awareness campaigns.

Recommendations 13 to 25 address four areas of an education and awareness campaign: value of consumer education; provider of consumer education; funding of consumer education; and scope of consumer education. The MLA RMRC Implementation Team offers implementation advice on each recommendation and also notes that Recommendation 9.a and the MLA RMRC Implementation Team’s advice are closely aligned with this sub-theme.

Beyond its advice on Recommendations 13 to 25, the MLA RMRC Implementation Team recommends a survey of existing research, or conducting additional research, on consumers of both electricity and natural gas retail markets prior to designing the overall campaign. Market research would identify the needs of various consumer groups and the most effective ways to reach them. In addition, a review of past education efforts and current best practices would be helpful. This information and research would support the development of an integrated strategy, including a coordinated effort among government and industry stakeholders, to reach target audiences.
Recommendation 13. Designate the Utilities Consumer Advocate to lead the campaign and coordinate effort from relevant government and industry agencies.

The Office of the Utilities Consumer Advocate was created to represent the interests of electricity and natural gas consumers (residential, small business, farm) in Alberta. It works to ensure consumers have the information, representation and protection they need to help them make informed choices in Alberta's deregulated electricity and natural gas markets.

Based on the Utilities Consumer Advocate’s mandate, the MLA RMRC Implementation Team supports the recommendation that the Utilities Consumer Advocate lead the education and awareness campaign, and coordinate efforts with relevant government agencies and industry stakeholders. Involving more than one party in the campaign will enhance the success of the campaign.

The MLA RMRC Implementation Team’s Advice on Recommendation 13: The Team recommends the Utilities Consumer Advocate lead and coordinate a public education and awareness campaign.

Recommendation 14. Design the campaign as a multi-year project that runs until such time as government introduces changes to default service.

The MLA RMRC Implementation Team recommends the Utilities Consumer Advocate conduct extensive research in both electricity and natural gas retail markets prior to designing the overall campaign. This should include discussion of past and present consumer education efforts with retailers and other government agencies, and research into best practises concerning effective consumer education campaigns. The MLA RMRC Implementation Team recommends a campaign between three and five years in length.

The MLA RMRC Implementation Team’s Advice on Recommendation 14: The Team recommends the design of a multi-year education and awareness campaign following a survey of existing research, or conducting additional research, on consumers of both electricity and natural gas retail markets.
**Recommendation 15.** Consider allocating a budget of $1 to $3 million per year during the transition period. The exact funding amount, funding allocations and sources should be determined by the Alberta Department of Energy in consultation with relevant agencies and stakeholders.

**Recommendation 16.** Fund the campaign through both private and public sources, including the Balancing Pool. Invite retailers to contribute to education and awareness programs where a clear benefit to them exists; in any other market, such programs would be normal business expenses.

A suite of possible sources of funding were considered:

1. Balancing pool and natural gas distributors pay
2. Taxpayers pay
3. Consumers pay via distribution rate or rate rider
4. Competitive retailer: shareholder pays
5. Apply an Alberta Electric System Operator tariff
6. Campaign funded by grants and donations
7. Share cost between public and private sources
8. Energy programs pay

The Team supports the intention to establish a consumer education campaign quickly and understands that the campaign will be more expensive in its early days, as the cost of the artistic work for a campaign will be incurred near the beginning. Over time, the campaign is expected to reach a steady state at a lower level of financial commitment. The Team recommends that the Utilities Consumer Advocate, in consultation with its stakeholders, establish the budget for the campaign. In addition, the Team recommends that this funding be independent of the operational funds for the UCA, to ensure that the funds for education are available when the campaign is ready.

For the funding of the consumer education campaign, the MLA RMRC Implementation Team favours Option 1 to ensure continuity for the program in the medium term. Currently, costs are allocated 80 per cent to electricity consumers through the Balancing Pool and 20 per cent to gas utility consumers. This is the relative number of consumers eligible for customer choice in Alberta. The Team understands that while the education campaign will be targeted at residential consumers, larger consumers will benefit in two ways: each larger consumer is staffed with individual residential consumers, and so information will filter into organizations through its staff; and a consuming public that understands that they have options and can manage their price risk is less likely to agitate for political changes to the market structure that would affect larger consumers. Over the longer term, after the initial expenses of initiating the education program have declined, the Team recommends that government consider alternate funding mechanisms such as Option 3, the distribution rate tariff. The advantage of the

---

12 Customers in rural gas co-ops are not eligible to choose their gas supplier.
distribution tariff mechanism for funding the UCA is that it ensures that those who benefit from the campaign would pay for it.

Funding also should be aligned with Recommendations 26.a and 26.b which recommend changes to the governance structure of the Utilities Consumer Advocate. These changes could impact the way the Utilities Consumer Advocate is funded and, in turn, the way the education campaign is funded.

**The MLA RMRC Implementation Team’s Advice on Recommendations 15 and 16:** The Team recommends that the UCA consult with their stakeholders to determine the appropriate funding for the consumer education campaign, and that it be funded through the Balancing Pool and gas utility customers, as it is today, for the near term. In addition, the Team recommends tying the funding to Recommendations 26.a and 26.b, the funding of the UCA itself, with the further advice that the two funding amounts be separate from one another.

**Recommendation 17.** Target specific segments of the campaign at low-income households, caseworkers who work one-on-one with vulnerable Albertans and consumers who currently have limited choices in the part of the province where they live.

The MLA RMRC Implementation Team recommends the consumer education campaign target specific audiences: vulnerable Albertans directly, and the media generally. This will ensure the information needs of vulnerable Albertans are addressed, and the public receives objective information.

Recommendation 17 is directly related to Recommendation 30 under the Theme: Protecting Vulnerable Albertans (Appendix F). Recommendation 30 directs the Utilities Consumer Advocate to provide consumer information to relevant social agencies and caseworkers.

**The MLA RMRC Implementation Team’s Advice on Recommendation 17:** The Team recommends the Utilities Consumer Advocate support the intent of this recommendation in its design of the consumer education and awareness campaign.

**Recommendation 18.** Use a variety of communications channels, including the Internet.

Recommendations 18, 23, 24, and 25.a. and 25.b. all pertain to communicating over the Internet.

The MLA RMRC Implementation Team supports the creation of a website for consumer education that would have a robust depository of consumer-related information – neutral and based in fact. Additional communication channels would be used to ensure consumers without the Internet are able to access the information.

**The MLA RMRC Implementation Team’s Advice on Recommendation 18:** The Team recommends the Utilities Consumer Advocate use of a variety of communication channels, including the Internet.
**Recommendation 19.** Include appropriate key messages, including the fact that selling and delivering electricity are separate functions, and that switching to a retail electricity provider does not affect the level of service or reliability customers get from their regulated distribution utility. Other key messages should focus on where to find information about choices and how to find tools for comparing different products and agreements.

**Recommendation 20.** Explain how non-energy charges are determined, why some aspects vary from month to month, and why transmission and distribution infrastructure costs, in general, are currently increasing. (The Retail Market Review Committee’s consumer survey found that more Albertans were concerned about the cost of transmission and distribution than about the cost of energy.)

**Recommendation 21.** Work with transmission owners and the Alberta Electric System Operator to develop joint messaging that provides perspective on how infrastructure changes have happened historically and what they have cost.

**Recommendation 22.** Provide information about value-added products and services in Alberta’s emerging energy services market and about the progress of electricity retail market development.

Recommendations 19 to 22 all deal with the content of the consumer education and awareness campaign.

The RMRC’s consumer survey suggested the consumer education and awareness campaign should emphasize key messages related to:

- Selling and delivering electricity: switching to a retail electricity provider does not affect the level of service or reliability a customer gets from its regulated distribution utility.
- Where to find trusted information about available choices.
- How to find tools for comparing different products and service agreements.
- An historical perspective on transmission and distribution infrastructure costs.

The MLA RMRC Implementation Team recommends the consumer education and awareness campaign also include messaging on the following:

- Reading the bill, including all of its different components.
- Understanding the impact of energy consumption on the environment and on consumers’ costs.
- Encouraging conservation of energy including ideas on how to do so.
- Conveying the structure of the electricity and natural gas markets in Alberta, including all aspects from source to consumption.

**The MLA RMRC Implementation Team’s Advice on Recommendation 21:** The Team recommends that the Utilities Consumer Advocate work with industry to ensure a full and robust consumer education and awareness campaign is developed. The Team believes the Utilities Consumer Advocate is the appropriate agency to lead this campaign given its mandate to represent the interests of electricity and
natural gas consumers. Further, the Team recommends the Utilities Consumer Advocate coordinate the campaign with all stakeholders, including the Alberta Electric System Operator, generators, distribution companies, retailers, consumer groups, REAs and stakeholders in the natural gas industry.\textsuperscript{13}

**The MLA RMRC Implementation Team’s Advice on Recommendations 19, 20 and 22:** The Team recommends incorporation of the key messaging identified above.

**F. Provide online information**

Recommendations 23 to 25 deal with providing online materials to educate and support consumers. The MLA RMRC Implementation Team supports the development of a website that provides information about the structure of electricity and natural gas markets in Alberta, consumer bills, energy conservation and retail choice.

<table>
<thead>
<tr>
<th>Recommendation 23. Create and maintain a website entirely devoted to the retail market and customer choice.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 24.</strong> Provide consumers with a gateway to information sources and customizable tools for easy comparisons. (An Alberta version of the Texas “Power to Choose” website and Norway’s consumer agency website merit consideration.)</td>
</tr>
<tr>
<td><strong>Recommendation 25.</strong> Explore online delivery options.</td>
</tr>
</tbody>
</table>

**25.a.** Consider offering a government-administered website that gives consumers a sense of confidence about the offers they find there.

**25.b.** Explore the model adopted in the U.K., where privately owned consumer choice websites are provided by organizations that are sanctioned by the government as trustworthy sources and financed through commissions from retailers.

As per the MLA RMRC Implementation Team’s comments on Recommendation 9.a, the Team believes a website would be the best (but not the only) medium to help consumers understand and compare options. This is further reinforced in the MLA RMRC Implementation Team’s response to Recommendation 13.

**The MLA RMRC Implementation Team’s Advice on Recommendations 23 to 25:** The Team recommends development of a website devoted to the retail electricity market. Content and presentation should be considered as part of the design of the consumer education and awareness campaign.

\textsuperscript{13} Note that the implementation of Recommendation 9 directed that the Utilities Consumer Advocate use the campaign to also educate about natural gas issues.
Appendix E

MLA RMRC Implementation Team Advice on RMRC Theme 3: Representing Consumers’ Interests

The electricity industry has regulated and unregulated sectors. In the regulated sector (electricity transmission and distribution), efficiency and customer satisfaction are addressed by regulating the price and quality of products and services. For those regulated services, the Alberta Utilities Commission represents consumer interests in approving costs, associated rates and quality of service levels.

In the unregulated wholesale and retail sector, competition provides the incentive for firms to be efficient, keep costs low, and develop products and services that customers want. When the wholesale market opened to competition, new organizations were created to support it and charged with mandates to create a market that was fair, efficient and openly competitive. The retail market has not received the same level of developmental support as the wholesale market.

The MLA RMRC Implementation Team reviewed a number of RMRC recommendations related to Theme 3 (Recommendations 26 to 28).

G. Empower agencies to do the job they need to do

The RMRC concluded the Alberta Utilities Consumer Advocate and the Market Surveillance Administrator both could play a bigger role in promoting the development of the retail market. All they need is clarification of their mandate and the authority to deliver. Recommendations 26 to 28 provide advice in this regard.

In its analysis of this sub-theme, the MLA RMRC Implementation Team considered that promoting the retail market could conflict with the Utilities Consumer Advocate’s mandate of representing consumer’s interests. The MLA RMRC Implementation Team reconciled this concern by focusing on the overall spirit of the sub-theme. As such, the Team’s advice seeks to strengthen and affirm the mandate of the Utilities Consumer Advocate without compromising its consumer protection role. With regard to the Market Surveillance Administrator, the MLA RMRC Implementation Team is satisfied that the administrator’s current mandate sufficiently empowers it to perform its role in the retail electricity market.

Recommendation 26. Strengthen and affirm the mandate of the Utilities Consumer Advocate to promote and support a “fair, efficient and openly competitive” retail electricity market.

---

14 The wholesale market (also called the power pool) provides a competitive market for electric energy supply.
15 Market Surveillance Administrator and what is now the Alberta Electric System Operator.
26.a. Work with Service Alberta and other Government of Alberta ministries to amend legislation and create the supporting structures needed to establish the Office of the Utilities Consumer Advocate as an independent agency like the Alberta Electric System Operator and the Market Surveillance Administrator.

The MLA RMRC Implementation Team considered three options for the future structure of the Utilities Consumer Advocate:

1. Maintain the status quo (operating within the Government of Alberta).
2. Affiliate with an existing energy agency.
3. Operate as an arm’s length agency reporting to the Minister of Service Alberta (the Minister responsible for consumer protection).

The MLA RMRC Implementation Team’s Advice on Recommendation 26.a: The Team recommends the Utilities Consumer Advocate be established as an arm’s length agency reporting to the Minister of Service Alberta.

Implementation of this option would reduce the perception of political bias and conflict of interest, and give consumers a more independent advocate.

To establish the Utilities Consumer Advocate as an arm’s length agency, the following support structures must be defined:

- Functions – the future role of the Utilities Consumer Advocate.
- Governance – ensure effective oversight of the organization’s strategic, operational, and financial responsibilities.
- Funding – recommend funding support for the Utilities Consumer Advocate.
- Legislation – identify changes to legislation to support the Utilities Consumer Advocate as an arm’s length agency.

26.b. Change the governance structure of the Utilities Consumer Advocate. Replace the current advisory board with a governance board of directors made up of members at large.

The MLA RMRC Implementation Team assumed the following when considering governance options for the Utilities Consumer Advocate:

- The Utilities Consumer Advocate will exist as a statutory corporate body, at arm’s length from government, not as part of a government department. As such, staff will be employees of the Utilities Consumer Advocate and not the Government of Alberta.
- The Utilities Consumer Advocate will be accountable to the Minister of Service Alberta.
- The Utilities Consumer Advocate will perform the following functions:
- Represent the interests of residential, farm, and small business consumers of electricity and natural gas.
- Disseminate independent and impartial information about the regulatory process related to electric energy and natural gas.
- Inform, educate and advise consumers, including but not limited to vulnerable Albertans about use, conservation, energy literacy, energy efficiency, and the purchase of electric energy and natural gas.
- Advise consumers of their rights and responsibilities.
- Consult with consumers, government and stakeholders to identify areas of concern and issues.
- Assist in resolving customer concerns and complaints.
- Prepare an annual business plan and file annual reports with the Minister including audited financial statements.
- Refer infractions and concerns to the appropriate investigative body.
- Develop and maintain a website that includes information on all competitive retailers, distributors and regulated rate option providers, and provides a tool that allows consumers to compare contracts.
- Additional functions as assigned by the Minister of Service Alberta.

Four governance oversight options were considered:

1. Maintain the status quo (maintain the existing advisory board in its current role with or without governance responsibilities).
2. Operate without a board (similar to the Market Surveillance Administrator).
3. Provide oversight through the Alberta Utilities Commission or another energy agency with a governance board.
4. Establish a governance board.

The MLA RMRC Implementation Team’s Advice on Recommendation 26.b: The Team recommends establishment of a governance board for the Utilities Consumer Advocate. A governance board would meet the necessary oversight requirements for the Utilities Consumer Advocate and the stated objectives of Recommendation 26.b.

The Team recommends members of the board have both governance and industry expertise in areas such as regulatory affairs, energy, communication, education or community leadership. It recommends the governance board may form advisory committees as needed, and the committees would report to the governance board.

With regard to staff, the Team recognizes the Utilities Consumer Advocate is a small agency and the same person could serve as both Chief Executive Officer and as Advocate. The Team recommends the governance board decide how to staff these roles. Other staff would be managed by the Chief Executive Officer with direction from the governance board.
26.c. While the Utilities Consumer Advocate would continue to represent Alberta consumers’ interests in regulatory interventions, the Alberta Utilities Commission is urged to consider revising Rule 22. The committee feels that the AUC is best placed to determine which organizations or associations should have resources made available to allow proper representation of their position in the public process.

Rule 022 establishes rules for the recovery of intervener costs in utility rate proceedings. The Alberta Utilities Commission has solicited and received input from stakeholders and will identify and make changes as needed.

The MLA RMRC Implementation Team’s Advice on Recommendation 26.c: The Team supports the Alberta Utilities Commission’s review process and any subsequent actions on this matter.

Recommendation 27. Strengthen and affirm the mandate of the Market Surveillance Administrator to promote and support a “fair, efficient and openly competitive” retail electricity market that provides all Albertans with access to choice. Develop a new regulation that identifies a “fair, efficient, and openly competitive” mandate for the retail market and that clearly identifies the Market Surveillance Administrator’s role and authority.

The mandate of the Market Surveillance Administrator is described in Section 39 of the Alberta Utilities Commission Act. Its mandate is for surveillance and investigation, and it does this through policing, reporting, and providing guidance on the fair, efficient, and openly competitive operation of electricity and natural gas markets. Through this work, the Market Surveillance Administrator’s role is seen as promoting the fair, efficient, and openly competitive operation of these markets.

The MLA RMRC Implementation Team notes that the mandate supports the electricity market in general, which includes both wholesale and retail markets. There are also sections of other legislation and regulations that relate to the role of the Market Surveillance Administrator, so the need for more regulation, as suggested in this recommendation, would not necessarily lead to the desired result.

The MLA RMRC Implementation Team offers the following options to strengthen the Market Surveillance Administrator’s role and authority in the retail electricity market:

1. The Market Surveillance Administrator submits an annual retail market work plan to the Minister of Energy. The Minister would meet with the administrator on an annual basis to review the plan and previous year’s activities and achievements.
2. The Market Surveillance Administrator produce a “state of the market” report for retail that identifies barriers to competition.
3. Enhance or create regulation(s) that provide more specific direction on enabling a fair, efficient, and openly competitive retail market.
4. Maintain the status quo. There would be no changes to the mandate, accountability or resources of the Market Surveillance Administrator.
The MLA RMRC Implementation Team’s Advice on Recommendation 27: The Team recommends the Market Surveillance Administrator submit an annual retail market plan to the Minister of Energy. It further recommends that the Market Surveillance Administrator and the Minister of Energy meet yearly to review the plan and the previous year’s activities.

The Team’s recommendations can be achieved through revisions to the Market Surveillance Administrator’s Mandate and Roles Document. The Team’s recommendations promote long-term planning and the development of strategies to support a fair, efficient and openly competitive retail market.

**Recommendation 28.** Embrace best practices that support continuous improvement in Alberta’s retail market. Designate the Utilities Consumer Advocate, in association with industry, government and related agencies, to coordinate an annual conference focused on retail best practices and emerging innovations.

The MLA RMRC Implementation Team notes that an annual conference is generally supported by industry.

The Team considered the following options for coordinating an annual conference:

1. Designate the UCA to coordinate an annual conference on retail best practices and emerging innovations.
2. Designate the MSA to coordinate the conference.
3. Designate another agency to coordinate the conference.
4. Designate the GOA to coordinate the conference.
5. Status quo, no conference.

The MLA RMRC Implementation Team’s Advice on Recommendation 28: The Team recommends the Government of Alberta retain overall responsibility for an annual conference, and designate the Utilities Consumer Advocate or another agency to coordinate its development if needed.
Appendix F

MLA RMRC Implementation Team Advice on RMRC Theme 4: Protecting Vulnerable Albertans

Alberta’s Social Policy Framework defines vulnerable Albertans as “individuals or groups who – due to age, poor health, minority, status, or their otherwise disempowered position in society – may be open to physical, emotional, financial or psychological exploitation or deprivation.” The RMRC further defined these persons, based on input from stakeholders, as those considered to be low income and fixed income Albertans who have trouble coping with price volatility and cost increases, or who are unaware of or incapable of evaluating their options.

Although there is no specific program designed to provide assistance for the payment of residential utilities, a number of Government of Alberta programs provide utilities assistance to those in need of help. They are:

- Alberta Works – Income Support
- Assured Income for the Severely Handicapped
- Special Needs Assistance for Seniors

Recommendations 29 to 31 provide advice on implementing protective measures for vulnerable Albertans.

H. Implement protective measures

To protect vulnerable Albertans, the RMRC made a number of recommendations to improve and better coordinate government supports (Recommendations 29 to 31). The MLA RMRC Implementation Team generally concurs with the RMRC recommendations, including the creation of an oversight committee to coordinate the sharing of information about electricity-related supports and services. It also supports the RMRC’s recommendations to better align supports for clients of different government programs.

However, the MLA RMRC Implementation Team found information lacking regarding the challenges faced by low-income Albertans related to electricity. As noted in the RMRC Report: Power to the People, electricity costs have fluctuated considerably in Alberta over the last decade and have increased higher than the national average. However, this is also true for overall shelter-related costs in Alberta (including the residential natural gas component of shelter costs). It is likely that low-income Albertans are experiencing challenges with meeting basic needs, including electricity. While the MLA RMRC Implementation Team wants to provide advice that addresses the challenges articulated by the RMRC, this problem is likely broader than electricity costs alone.

**Recommendation 29.** Encourage and support the cross-government coordination of service protection agencies to ensure that people do not fall through the cracks.
29.a. Consider establishing an oversight committee that spans current social support programs and coordinates the sharing of information about electricity-related support and services.

The MLA RMRC Implementation Team considered three options:

1. Continue to discuss electricity issues pertaining to vulnerable Albertans on an ad hoc basis.
2. Expand the mandate of an existing committee.
3. Establish a committee from a subset of the Vulnerable Albertans Working Group\textsuperscript{16} and ensure it meets regularly.

The MLA RMRC Implementation Team’s Advice on Recommendation 29.a: The Team recommends establishing an ongoing committee from a subset of the Vulnerable Albertans Working Group, to be co-chaired by the Ministries of Human Services and Health (seniors’ programs).

A subset of the Vulnerable Albertans Working Group would be well-positioned to build on the work of the larger working group, and to collaborate with the Alberta Utilities Commission, the Utilities Consumer Advocate, and Ministries of Energy, Human Services, and Health (seniors’ programs). It would facilitate information sharing on price forecasting, aggregate disconnections data, emerging issues, and policy identification and evaluation.

29.b. Work with other government departments to review electricity-related support programs and ensure they are meeting people’s needs.

The MLA RMRC Implementation Team notes there are other government initiatives underway which involve reviewing programs and supports for vulnerable Albertans (e.g., the Poverty Reduction Strategy and Results Based Budgeting). The outcomes of these could impact the basis for the recommendations in this report.

The MLA RMRC Implementation Team’s Advice on Recommendation 29.b: The Team recommends the proposed ongoing committee (per Recommendation 29.a) undertake regular reviews of utility-related supports for vulnerable Albertans.

29.c. Consider expanding the support available to people who end up with a “provider of last resort” because they have not paid their bills. The “once in a life time” support payments for help with utility bills seem inadequate.

It is understood that the RMRC used the term “provider of last resort” in conjunction with its recommendations related to eliminating the RRO (Recommendations 33 to 38) which the government rejected. As such, the MLA RMRC Implementation Team focused on ‘expanding supports’ to vulnerable Albertans which is in the spirit of this recommendation.

\textsuperscript{16} The Vulnerable Albertans Working Group was established by the MLA RMRC Implementation Team to provide advice on issues related to the protection of vulnerable Albertans.
A review of government programs revealed differences in how the programs provide assistance for utility payments. The three programs – Alberta Works; Assured Income for the Severely Handicapped; and Special Needs Assistance for Seniors – each provide differing levels of utilities support for clients. For example, clients of the Assured Income for the Severely Handicapped program can access arrears assistance once every three years without repayment. In comparison, clients of Alberta Works and the Special Needs Assistance for Seniors programs can access arrears assistance once in a lifetime without repayment (clients of Alberta Works can access additional arrears support with repayment).

The MLA RMRC Implementation Team’s Advice on Recommendation 29.c: The Team recommends the Government of Alberta expand its support for vulnerable Albertans by aligning the policies of government programs providing residential utility assistance.

In so doing, the following policy would be made consistent across Alberta Works, Assured Income for the Severely Handicapped, and Special Needs Assistance for Seniors: that residential utility assistance (including arrears, as well as deposit, connection, and reconnection fees) be made available to eligible program clients once every three years for each gas, electricity, and water/sewer without repayment required. Those programs offering additional assistance with repayment may continue to do so.

Recommendation 30. Support the Utilities Consumer Advocate’s efforts to ensure that social agencies get the information they need about new and emerging electricity issues. (For example, if prepaid electricity is approved, the UCA should inform relevant agencies. The UCA should also provide resource materials and coordinate the dissemination of these materials to support organizations and institutions.)

The MLA RMRC Implementation Team identified three options in response to this recommendation:

1. Retain the status quo in which the customer calls for help from the Utilities Consumer Advocate upon notice of disconnection. The Utilities Consumer Advocate, in turn, communicates with utilities and government support programs.
2. Support a Utilities Consumer Advocate consumer education and awareness campaign, which is already called for in Recommendations 13 and 17 to include communications targeted at vulnerable Albertans.
3. Have the Utilities Consumer Advocate and other agencies, as appropriate, report to the committee identified in Recommendation 29.a on a semi-annual basis, before and after winter, about price forecasting, aggregate disconnection data, emerging issues, and policy identification.

The MLA RMRC Implementation Team’s Advice on Recommendation 30: The Team recommends adoption of Options 2 and 3 – support communications targeted to vulnerable Albertans, and ensure the Utilities Consumer Advocate and other agencies, as appropriate, provide regular information to the proposed ongoing committee (per Recommendation 29.a).

Recommendation 31. Consider creating a special energy fund that could supplement the utility bill–related assistance currently available through the Ministry of Seniors and through Alberta Works and
The MLA RMRC Implementation Team considered four options:

1. The Utilities Consumer Advocate, through the Balancing Pool, underwrites the credit risk for eligible program clients. This would increase the Utilities Consumer Advocate’s administrative burden, particularly regarding the recovery of debts if clients defaulted on bill payments.

2. Clients of these programs receive a special fixed rate for energy. This approach only addresses the energy portion of consumer’s bills, not overall costs. Issues regarding bad debt cost and recovery, as well as consequences of client default would need to be addressed.

3. Program clients receive a direct subsidy on their monthly utility bills up to a set maximum. Issues with defaults would be lessened, but this option would be complex and costly to administer.

4. Retain the status quo. A special fund would not address the lack of alignment amongst provincial income support programs or lack of consumer awareness of the electricity market. Indeed, creating a special fund for electricity alone would exacerbate lack of alignment between supports and would be out of step with the current policy direction of the government.

The MLA RMRC Implementation Team’s Advice on Recommendation 31: The Team recommends the retaining the status quo. As noted, a special fund would not address the lack of alignment amongst provincial income support programs or lack of consumer awareness of the electricity market.

Recommendation 32. Lift the freeze on non-energy charges as soon as possible. If legitimate rate increases have accumulated during the freeze period, phase these in over a reasonable period of time so that consumers are not exposed to a rate shock when the freeze is lifted. The phase-in period should be equal to the time the freeze has been in place.

This recommendation was accepted and implemented on January 29, 2013. As such, it is not part of the MLA RMRC Implementation Team review.

The MLA RMRC Implementation Team’s Advice on Recommendation 32: No further action required.
Appendix G

MLA RMRC Implementation Team Advice on RMRC Theme 5: Refining the Regulated Rate Option

The Retail Market Review Committee looked at the RRO and the overall competitiveness of the retail market. Of the RMRC's 41 recommendations, the government rejected all six recommendations associated with eliminating the RRO, deciding it would not force consumers to sign retail contracts. The MLA RMRC Implementation Team considered the remaining recommendations, as discussed below.

**Recommendations 33 to 38**: These recommendations on the RRO (default rate) were not accepted by the Government of Alberta, and therefore are not included here.

| Recommendation 39. Municipalities and rural electrification associations that own distribution systems and that do not serve customers outside their service areas may provide default service as they choose, as long as they comply with the Alberta Utility Commission’s rules set out in the Tariff Billing Code and the System Settlement Code, and with rules regarding enrolment, de-enrolment, and disconnections practices. |

Recommendation 39 is part of a group of recommendations that, if implemented, would have phased out the RRO. In a phase-out scenario, Recommendation 39 would transition municipalities and rural electrification associations into an entirely competitive retail environment by first allowing them to provide the RRO for a set period of time. Since there is no government direction to phase out the RRO, and the advice of the MLA RMRC Implementation Team is to adopt more standardized business practices, the Team rejects adoption of Recommendation 39.

**The MLA RMRC Implementation Team's Advice on Recommendation 39**: The Team recommends rejection of Recommendation 39.

| Recommendation 40 (i) Amend the Regulated Rate Option Regulation to extend the window on forward procurements from the current limit of 45 days ahead to a longer period of three-to-six months ahead. |

This recommendation was accepted and implemented on January 29, 2013. As such, it is not part of the MLA RMRC Implementation Team Review.

**The MLA RMRC Implementation Team's Advice on Recommendation 40 (i)**: No further action is required.

| 40 (ii) Standardize the procurement mechanism to require that all regulated rate providers use NGX auctions, as Epcor does. |

MLA RMRC Implementation Team Report
The Alberta Utilities Commission has approved two different procurement mechanisms for the RRO:

- Epcor uses a process (NGX) where energy is purchased at an auction within 120 days of the consumption month.
- Direct Energy and Enmax use a bid process where energy is procured on a daily basis.

The RMRC report stated that a move to the NGX auction process would increase transparency and lead to lower procurement costs. However, an analysis by the Market Surveillance Administrator has found no material difference in the average block prices paid by Enmax and Direct Energy from those paid by Epcor.

The Alberta Utilities Commission is conducting a generic proceeding on the Regulated Rate Tariff and Energy Price Setting Plan. The proceeding involves consumer groups and regulated rate option providers. It also includes consideration of the role of forward market hedging in setting the base energy charge. The Alberta Utilities Commission will release a decision on this proceeding once it is concluded.

**The RMRC MLA Implementation Team’s Advice on Recommendation 40 (ii):** The Team recommends the decision on standardization of the auction process be determined through the proceedings of the Alberta Utilities Commission.

**Recommendation 41.** Amend the Regulated Rate Option Regulation to reduce the consumption limit for RRO eligibility to 50 megawatt hours per year.

The consumption limit for RRO eligibility was initially set at 250 megawatt hours (MWh) per year to ease consumers into the competitive market. Larger consumers who routinely make purchasing decisions were considered able to make an electricity purchasing decision. Those smaller than 250 megawatt hours per year were given additional time to learn how to participate in the market. Recommendation 41 suggests that the time has come to require moderately large customers, those larger than 50 megawatt hours per year, to make an electricity purchasing decision.

The MLA RMRC Implementation Team developed several options that combine simple changes in the consumption limit for RRO eligibility with rate class recommendations:

- Reduce the RRO eligibility threshold to 50 MWh for all rate classes.
- Reduce the RRO eligibility threshold to 50 MWh only for residential class.
- Reduce the RRO eligibility threshold to 50 MWh for residential, farm and irrigation classes only.
- Reduce the RRO eligibility threshold to 25 MWh for residential, farm and irrigation classes only.

**MLA RMRC Implementation Team’s Advice on Recommendation 41:** Following a consumer education campaign to increase awareness of the electricity market and the retail choices available, the MLA RMRC Implementation Team recommends the Minister of Energy consider reducing the eligibility limit.
for the RRO. While the decision can be based on the conditions at the time, the Team recommends considering reducing the eligibility limit from consumption of 250 megawatt hours per year to 25 megawatt hours per year over three to five years. While a considerable reduction, 99 per cent of residential customers would remain eligible for the RRO based on current information. Larger customers no longer eligible for the RRO will be able to shop from a large pool of competitive offers or can stay on a default rate provided by their distribution company (often a monthly average of the wholesale price).
### Policy Theme 1: Protect Vulnerable Albertans by Enhancing and Aligning Support Programs

<table>
<thead>
<tr>
<th>Original RMRC Recommendations</th>
<th>MLA RIT Advice to Minister</th>
<th>Implementation</th>
</tr>
</thead>
</table>
| **29.** Encourage and support the cross-government coordination of service protection agencies to ensure that people do not fall through the cracks.  
   a) Consider establishing an oversight committee that spans current social support programs and coordinates the sharing of information about electricity-related support and services. | • Establish an ongoing committee from a subset of the Vulnerable Albertans Working Group, to be co-chaired by the Ministries of Human Services and Health (seniors’ programs). | • Government to implement. |
| **29.** Encourage and support the cross-government coordination of service protection agencies to ensure that people do not fall through the cracks.  
   b) Work with other government departments to review electricity-related support programs and ensure they are meeting people’s needs. | • Request that the proposed ongoing committee (per Recommendation 29.a) undertake regular reviews of utility-related supports for vulnerable Albertans. | • Government to implement. |
| **29.** Encourage and support the cross-government coordination of service protection agencies to ensure that people do not fall through the cracks.  
   c) Consider expanding the support available to people who end up with a “provider of last resort” because they have not paid their bills. The “once in a life time” support payments for help with utility bills seem inadequate. | • Expand the support for vulnerable Albertans by aligning the policies of government programs providing residential utility assistance. | • Government to implement. |
| **30.** Support the Utilities Consumer Advocate’s efforts to ensure that social agencies get the information they need about new and emerging electricity issues. (For example, if prepaid electricity is approved, the UCA should inform relevant agencies. The UCA should also provide resource materials and coordinate the dissemination of these materials to support organizations and institutions.) | • Support communications targeted to vulnerable Albertans.  
• Request that the Utilities Consumer Advocate and other agencies, as appropriate, provide regular information to the proposed ongoing committee (per Recommendation 29.a). | • Utilities Consumer Advocate to implement. |
<table>
<thead>
<tr>
<th>Original RMRC Recommendations</th>
<th>MLA RIT Advice to Minister</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>31. Consider creating a special energy fund that could supplement the utility bill–related assistance currently available through the Ministry of Seniors and through Alberta Works and AISH. The fund could be supported through a minor reduction in the Balancing Pool credit that all customers currently receive.</td>
<td>• A special energy fund is not recommended at this time.</td>
<td>• Implementation is not recommended.</td>
</tr>
</tbody>
</table>

### Policy Theme 2: Improve Advocacy and Undertake an Education and Awareness Campaign

<table>
<thead>
<tr>
<th>Original RMRC Recommendations</th>
<th>MLA RIT Advice to Minister</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Address consumer concerns that switching could reduce the reliability of their electricity service. Provide consumers with the information they need to be confident about their electricity-related decisions. a) Ensure, through education programs, that consumers understand the clear separation between the physical delivery of energy and retail electricity service.</td>
<td>• Support the development of a website and a consumer education campaign that focuses on both electricity and natural gas.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td>13. Designate the Utilities Consumer Advocate to lead the campaign and coordinate effort from relevant government and industry agencies.</td>
<td>• Support the Utilities Consumer Advocate to lead and coordinate a public education and awareness campaign.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td>14. Design the campaign as a multi-year project that runs until such time as government introduces changes to default service.</td>
<td>• Support the design of a multi-year education and awareness campaign following extensive research.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td>15. Consider allocating a budget of $1 to $3 million per year during the transition period. The exact funding amount, funding allocations and sources should be determined by the Alberta Department of Energy in consultation with relevant agencies and stakeholders.</td>
<td>• In the near term, fund the consumer education campaign through the Balancing Pool and gas utility customers. • Request that the UCA consult with stakeholders on the appropriate funding for the consumer education campaign. • Tie the funding to that of the UCA itself (per Recommendation 26.a, 26.b), and keep these amounts separate from each other.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td>Original RMRC Recommendations</td>
<td>MLA RIT Advice to Minister</td>
<td>Implementation</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>16.</strong> Fund the campaign through both private and public sources, including the Balancing Pool. Invite retailers to contribute to education and awareness programs where a clear benefit to them exists; in any other market, such programs would be normal business expenses.</td>
<td>• See Recommendation 15.</td>
<td>• See Recommendation 15.</td>
</tr>
<tr>
<td><strong>17.</strong> Target specific segments of the campaign at low-income households, caseworkers who work one-on-one with vulnerable Albertans and consumers who currently have limited choices in the part of the province where they live.</td>
<td>• Support the intent of this recommendation in the design of the consumer education and awareness campaign.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td><strong>18.</strong> Use a variety of communications channels, including the Internet.</td>
<td>• Support this recommendation.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td><strong>19.</strong> Include appropriate key messages, including the fact that selling and delivering electricity are separate functions, and that switching to a retail electricity provider does not affect the level of service or reliability customers get from their regulated distribution utility. Other key messages should focus on where to find information about choices and how to find tools for comparing different products and agreements.</td>
<td>• Incorporate additional key messages as identified.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td><strong>20.</strong> Explain how non-energy charges are determined, why some aspects vary from month to month, and why transmission and distribution infrastructure costs, in general, are currently increasing. (The Retail Market Review Committee’s consumer survey found that more Albertans were concerned about the cost of transmission and distribution than about the cost of energy.).</td>
<td>• See Recommendation 19.</td>
<td>• See Recommendation 19.</td>
</tr>
<tr>
<td><strong>21.</strong> Work with transmission owners and the Alberta Electric System Operator to develop joint messaging that provides perspective on how infrastructure changes have happened historically and what they have cost</td>
<td>• Request that the Utilities Consumer Advocate work with industry and all stakeholders to ensure a full and robust consumer education and awareness campaign is developed.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td><strong>22.</strong> Provide information about value-added products and services in Alberta’s emerging energy services market and about the progress of electricity retail market development.</td>
<td>• See Recommendation 19.</td>
<td>• See Recommendation 19.</td>
</tr>
<tr>
<td>Original RMRC Recommendations</td>
<td>MLA RIT Advice to Minister</td>
<td>Implementation</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>23. Create and maintain a website entirely devoted to the retail market and customer choice.</td>
<td>• Develop a website devoted to the retail electricity market as part of the consumer education and awareness campaign.</td>
<td>• Utilities Consumer Advocate to implement.</td>
</tr>
<tr>
<td>24. Provide consumers with a gateway to information sources and customizable tools for easy comparisons. (An Alberta version of the Texas “Power to Choose” website and Norway’s consumer agency website merit consideration.)</td>
<td>• See Recommendation 23.</td>
<td>• See Recommendation 23.</td>
</tr>
<tr>
<td>25. Explore online delivery options. a) Consider offering a government-administered website that gives consumers a sense of confidence about the offers they find there.</td>
<td>• See Recommendation 23.</td>
<td>• See Recommendation 23.</td>
</tr>
<tr>
<td>25. Explore online delivery options. b) Explore the model adopted in the U.K., where privately owned consumer choice websites are provided by organizations that are sanctioned by the government as trustworthy sources and financed through commissions from retailers.</td>
<td>• See Recommendation 23.</td>
<td>• See Recommendation 23.</td>
</tr>
<tr>
<td>26. Strengthen and affirm the mandate of the UCA to promote and support a “fair, efficient and openly competitive” retail electricity market. a) Work with Service Alberta and other Government of Alberta ministries to amend legislation and create the supporting structures needed to establish the Office of the Utilities Consumer Advocate as an independent agency like the Alberta Electric System Operator and the Market Surveillance Administrator.</td>
<td>• Establish the Utilities Consumer Advocate as an arm’s length agency reporting to the Minister of Service Alberta.</td>
<td>• Make the required legislation changes.</td>
</tr>
<tr>
<td>26. Strengthen and affirm the mandate of the UCA to promote and support a “fair, efficient and openly competitive” retail electricity market. b) Change the governance structure of the UCA. Replace the current advisory board with a governance board of directors made up of members at large.</td>
<td>• Establish a governance board for the Utilities Consumer Advocate.</td>
<td>• Make the required legislation changes.</td>
</tr>
<tr>
<td>26. Strengthen and affirm the mandate of the UCA to promote and support a “fair, efficient and openly competitive” retail electricity market. c) While the UCA would continue to represent Alberta consumers’ interests in regulatory interventions, the Alberta Utilities Commission is urged to consider revising Rule 22. The committee feels that the AUC is best placed to</td>
<td>• Support the Alberta Utilities Commission’s review process and any subsequent actions on this matter.</td>
<td>• Alberta Utilities Commission to implement. Government to monitor and support.</td>
</tr>
</tbody>
</table>
### Original RMRC Recommendations

<table>
<thead>
<tr>
<th>Determine which organizations or associations should have resources made available to allow proper representation of their position in the public process.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MLA RIT Advice to Minister</strong></td>
</tr>
<tr>
<td>Request that the Market Surveillance Administrator submit an annual retail market plan to the Minister of Energy, and meet yearly to review the plan and previous year’s activities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>27. Strengthen and affirm the mandate of the Market Surveillance Administrator to promote and support a “fair, efficient and openly competitive” retail electricity market that provides all Albertans with access to choice. Develop a new regulation that identifies a “fair, efficient, and openly competitive” mandate for the retail market and that clearly identifies the Market Surveillance Administrator’s role and authority.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MLA RIT Advice to Minister</strong></td>
</tr>
<tr>
<td>Support the government retaining overall responsibility for an annual conference, and designate the Utilities Consumer Advocate or another agency to coordinate its development if needed.</td>
</tr>
</tbody>
</table>

### Policy Theme 3: Support Customer Choice by Enabling an Effective Default Option

<table>
<thead>
<tr>
<th>Original RMRC Recommendations</th>
<th>MLA RIT Advice to Minister</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Provide retail electricity providers with the flexibility they need to develop bills and billing options that best serve their customers. b) Amend Section 4 of the Billing Regulation to provide retail electricity providers with the flexibility to decide how best to display required information on their customers’ bills.</td>
<td>Require all retailers to provide an electronic billing option within five years. Require the name of the municipality to be included beside the municipal franchise/local access fee on the customer bill.</td>
<td>- Amend the Billing Regulation.</td>
</tr>
</tbody>
</table>

39. Municipalities and rural electrification associations that own distribution systems and that do not serve customers outside their service areas may provide default service as they choose, as long as they comply with the Alberta Utility Commission’s rules set out in the Tariff Billing Code and the System Settlement Code, and with rules regarding enrolment, de-enrolment and disconnection practices. | Reject Recommendation 39. | - Implementation is not recommended. |
### Policy Theme 4: Increase Customer Choice by Removing Barriers to Retail Competition

<table>
<thead>
<tr>
<th>Original RMRC Recommendations</th>
<th>MLA RIT Advice to Minister</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>40 ii.</strong> Standardize the procurement mechanism to require that all regulated rate providers use NGX auctions, as EPCOR does.</td>
<td>• Support the Alberta Utilities Commission’s proceedings and resulting decision on this matter.</td>
<td>• Alberta Utilities Commission to implement. Government to monitor and support.</td>
</tr>
<tr>
<td><strong>41.</strong> Amend the Regulated Rate Option Regulation to reduce the consumption limit for RRO eligibility to 50 megawatt hours per year.</td>
<td>• Following a consumer education and awareness campaign (per Recommendations 9.a, and 13 to 23), consider reducing the eligibility limit for the regulated rate option from consumption of 250 megawatt hours per year to 25 megawatt hours per year over three to five years.</td>
<td>• Amend the Regulated Rate Option Regulation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Original RMRC Recommendations</th>
<th>MLA RIT Advice to Minister</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Standardize disconnection, enrolment and de-enrolment practices across the province. Amend the Distribution Tariff Regulation to enable the Alberta Utilities Commission to examine and standardize disconnection, enrolment and de-enrolment practices across the province. Enable the commission to investigate wrong enrolments and mitigate their effect on retailers and customers.</td>
<td>• Give the Alberta Utilities Commission the authority to issue licenses to entities that qualify as electricity distribution operators, including investor-owned utilities, municipally-owned utilities, and rural electrification associations.</td>
<td>• Amend the Alberta Utilities Commission Act, Electric Utilities Act, the Hydro and Electric Energy Act, the Rural Utilities Act and Regulation, the Distribution Tariff Regulation, and the Roles, Relationships and Responsibilities Regulation.</td>
</tr>
<tr>
<td><strong>2.</strong> Address the lack of standardization and inequity that current security and prudential requirements impose on retail electricity providers, and align these requirements with the actual risks they are intended to address. Amend the Distribution Tariff Regulation to give the Alberta Utilities Commission the authority it needs to develop and implement province-wide standards for the security deposits that distribution utilities require from retail electricity providers.</td>
<td>• Give the Alberta Utilities Commission clear authority to standardize security requirements.</td>
<td>• Amend the Distribution Tariff Regulation.</td>
</tr>
<tr>
<td>Original RMRC Recommendations</td>
<td>MLA RIT Advice to Minister</td>
<td>Implementation</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td>3. Match the Alberta Electric System Operator’s financial security requirements for retailers to actual risks. Encourage the AESO to continue and complete its work with retailers on these requirements.</td>
<td>• Support the Alberta Electric System Operator’s actions to better align financial security requirements for retailers with actual risks.</td>
<td>• Alberta Electric System Operator to implement. Government to monitor.</td>
</tr>
<tr>
<td>4. Level the playing field for retail electricity marketing, and stop affiliated retailers’ preferential access to RRO customers’ billing envelopes. Either all retail electricity providers should be able to include marketing materials in the RRO billing envelope, or none should. Amend the Code of Conduct Regulation to give the Market Surveillance Administrator and the Alberta Utilities Commission clear authority to rule and intervene in matters related to using the RRO billing envelope for marketing purposes.</td>
<td>• Support the proposed amendment of the Code of Conduct Regulation to discontinue preferential access to the billing envelopes of RRO customers for marketing purposes.</td>
<td>• Amend the Code of Conduct Regulation and merge with Natural Gas Code of Conduct to improve efficiency.</td>
</tr>
<tr>
<td>5. Lower Service Alberta’s security licence and bond fees for retail electricity providers to bring them in line with the requirements for natural gas retailers. Ensure that the requirements are consistent with the size and nature of each retailer’s business.</td>
<td>• Service Alberta has lowered the security deposit for electricity retailers from $1,000,000 to $250,000. This harmonizes the licensing and bonding requirements of electricity retailers with those of retail natural gas providers.</td>
<td>• This is complete, and no further action is required.</td>
</tr>
<tr>
<td>6. Improve system data processes, and standardize data system–related business practices, processes and information transfer protocols across the province. Provide clear regulatory direction that empowers the Alberta Utilities Commission to set new, province-wide data standards and processes and to address outstanding system settlement code–related issues related to metering, meter-reading accuracy, meter data verification and the timeliness of final load settlement calculations.</td>
<td>• Support the Alberta Utilities Commission’s current processes to deal with the System Settlement Code and the Tariff Billing Code, and request that they work with rural electrification associations and municipally owned utilities to ensure they comply with the standards set by the two codes.</td>
<td>• Alberta Utilities Commission to implement. Government to monitor and support.</td>
</tr>
<tr>
<td>7. Ensure data accuracy. Enable the Alberta Utilities Commission to create a standardized verification process and strengthen the Alberta Electric System Operator’s role in ensuring data accuracy. Ensure that retailers can verify their invoices from the AESO to reconcile AESO charges with customer meter readings.</td>
<td>• Support the Alberta Utilities Commission’s current processes to address data accuracy.</td>
<td>• No additional action is required.</td>
</tr>
<tr>
<td>Original RMRC Recommendations</td>
<td>MLA RIT Advice to Minister</td>
<td>Implementation</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>8. Set standards and performance incentives for accurate and timely meter reading at both the customer and transmission level.</strong>&lt;br&gt;a) Encourage the Alberta Utilities Commission to consider creating performance driven rewards or penalties for meeting standards of accuracy in reading customers’ meters.</td>
<td>• Support the Performance Based Regulation Framework already in place, as well as Alberta Electric System Operator reviews that indicate meter readings are highly accurate at both the customer and transmission levels.</td>
<td>• No additional action is required.</td>
</tr>
<tr>
<td><strong>8. Set standards and performance incentives for accurate and timely meter reading at both the customer and transmission level.</strong>&lt;br&gt;b) Ensure that AUC is empowered to set standards of performance for metering accuracy at the transmission level and able to consider creating performance driven rewards or penalties for meeting these standards.</td>
<td>• Support the Performance Based Regulation Framework already in place, as well as Alberta Electric System Operator reviews that indicate meter readings are highly accurate at both the customer and transmission levels.</td>
<td>• No additional action is required.</td>
</tr>
<tr>
<td><strong>9. Address consumer concerns that switching could reduce the reliability of their electricity service. Provide consumers with the information they need to be confident about their electricity-related decisions.</strong>&lt;br&gt;b) Amend the Code of Conduct Regulation to eliminate co-branding between affiliated retailers and owners of distribution systems.</td>
<td>• Change the name of the Regulated Rate Option and standardize the Regulated Rate Option bill.</td>
<td>• Amend the Regulated Rate Option Regulation and the Code of Conduct Regulation.</td>
</tr>
<tr>
<td><strong>9. Address consumer concerns that switching could reduce the reliability of their electricity service. Provide consumers with the information they need to be confident about their electricity-related decisions.</strong>&lt;br&gt;c) Bring Service Alberta requirements for electricity service agreements into line with those for other retail goods and services. Eliminate the current requirement for extra warning and disclosure statements for electricity service agreements.</td>
<td>• Support Service Alberta's position that extra warning and disclosure statements for electricity service agreements be retained.</td>
<td>• No additional action is required.</td>
</tr>
<tr>
<td><strong>10. Eliminate location-based barriers to consumer choice. All Albertans must have access to choice.</strong>&lt;br&gt;a) Clarify the Alberta Utilities Commission’s authority to enforce the Tariff Billing Code and ensure that municipalities and rural electrification associations comply with code requirements.</td>
<td>• Request that the Alberta Utilities Commission work with rural electrification associations and small municipally-owned utilities to ensure they comply with the Tariff Billing Code.</td>
<td>• Alberta Utilities Commission to implement. Government to monitor and support.</td>
</tr>
</tbody>
</table>
**Original RMRC Recommendations** | **MLA RIT Advice to Minister** | **Implementation**
--- | --- | ---
10. Eliminate location-based barriers to consumer choice. All Albertans must have access to choice.  
   **b)** Work with Alberta Agriculture and Rural Development to clarify the roles and responsibilities of rural electrification associations with regard to consumers in their service areas. | • As per Recommendation 1, support licensing of electricity distribution operators, including rural electrification associations (REAs).  
   • Allow REAs to offer other services to the community.  
   • Require wire owner agreements between investor-owned utilities and REAs within a set timeframe. | • See Recommendation 1.  

11. Amend the Regulated Rate Option Regulation to standardize Service Alberta cancellation rules for retail service agreements. The same rules should apply across all marketing channels. | • Support standardizing cancellation rules for retail service agreements. | • Amend the Energy Marketing and Residential Heat Sub-metering Regulation.  

12. Provide retail electricity providers with the flexibility they need to develop bills and billing options that best serve their customers.  
   **a)** Create a task force to study the use of prepaid electricity in other jurisdictions and make recommendations on how to implement prepaid electricity as a retail option in Alberta. Prepaid billing is currently prohibited under Service Alberta’s Energy Marketing and Residential Sub-metering Regulation. | • Do not support the creation of a task force to study the use of prepaid billing at this time. | • Implementation is not recommended.  

= Implementation Requires Legislation or Regulation Change  
= Government Implementation Not Requiring Legislation or Regulation Change  
= Others Implementing; Government to Monitor and Support  
= No Action Required