

News Release

Albertans risk higher electricity bills if we fail to develop new transmission lines

Calgary, September 10: Alberta's Market Surveillance Administrator (MSA), Martin Merritt, argued in a public address today that Albertans will face higher electricity bills if the province does not find fair and timely ways to develop new transmission infrastructure.

"I am concerned that electrical transmission projects in this province may not be keeping up with our economic growth," he told a downtown Calgary Rotary Club. "We need more than the supply necessary to meet Alberta's needs. We need a system that allows electricity to flow freely around the province. That requires adequate transmission capacity."

According to Mr. Merritt, Alberta's electricity market provides consumers with secure supplies and competitive pricing, but the transmission system is becoming "undersized for the job in some places. Whether for home appliances or running business operations, consumers will only get the best deal on power when the transmission system can transport electricity from (almost) any generator in Alberta to (almost) any consumer in Alberta. "

According to the MSA, in the five years from 2002-2007, Albertans paid almost \$300 million in subsidies to electricity generators to get around transmission bottlenecks. The subsidization rate is presently \$40-\$50 million annually. "This amounts to renting band-aids rather than fixing the root problem," said Mr. Merritt.

An independent agency developed to ensure that the province's electric markets operate in a fair, efficient and competitive fashion, the MSA says that

much of the gridlock lies in the transmission system. “In southern Alberta, we have great sites for generating electricity from the wind. Investors are willing to build there, but we have a shortage of transmission. Similarly, northern Alberta is the logical place to locate fossil fuel generators, which are best located at low altitude, in cooler temperatures and near a substantial supply of water. There, too, we have a shortage of transmission. By bringing all electricity supply sources to all consumers across the province, transmission provides us with choice and forces suppliers to compete with each other. Subsidizing higher cost, less efficient generators to locate in the middle does neither.”

“In constrained areas of our grid, congestion has dramatically pushed up the energy losses from transportation. For example, between the Lake Wabamun area where about 40% of Alberta’s generation is located and the Calgary area, losses average over 10%. According to the Alberta Electric System Operator, additional transmission capacity in that corridor would save enough energy to power half the City of Red Deer. Losses on that scale are pure economic and environmental waste,” Mr. Merritt said.

“Albertans benefit the most from the most competitive market possible,” he added. “We need more transmission capacity because that – not subsidized generators – is the best way to assure the competitive market that Albertans have come to expect.”

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Alberta’s Market Surveillance Administrator, Martin Merritt is head of an independent agency developed to ensure that the province’s electric markets operate in a fair, efficient and competitive fashion. The MSA also monitors the retail natural gas market.