

Title of resolution: Electricity Distribution Costs

Moved by: City of Grande Prairie
Seconded by: Town of Drumheller

WHEREAS the cost of distribution of electricity to customers is causing significant disparity in costs for businesses and residents resulting in economic bias across Alberta communities;

WHEREAS regulated electricity prices, which are becoming extraordinarily high in some service areas, are approved by the Alberta Utilities Commission (AUC) for residential, farm and commercial customers in rural and urban areas;

WHEREAS in 2024, annual distribution charges paid by the average residential customer with 600kWh of consumption ranged from \$387.48 (EPCOR service area) to \$1,211.00 (ATCO service area)¹;

WHEREAS the unavoidable cost of transmission and distribution make micro-generation economically challenging in much of the Province; and

WHEREAS 60% of energy demand in the ATCO service area is driven by industrial customers, benefitting the entire province through direct and indirect employment and income taxes;

IT IS THEREFORE RESOLVED THAT Alberta Municipalities advocate for the Government of Alberta to review distribution regulations and eliminate the disparity in electricity pricing for distribution charges through an equalization model and more equitable cost sharing across Alberta to build an economically consistent approach that address affordability, attract industrial investment, catalyzes province-wide economic development and support energy transition.

BACKGROUND:

Because electricity delivery is a fully regulated service, the Alberta Utilities Commission (AUC) reviews the costs in detail and approves the rates to ensure all the charges are fair and reasonable. However, there is a disparity in these charges depending on where you live in Alberta. Energy delivery charges include two core components: transmission and distribution.

Transmission charges cover the cost of moving electric energy from generating facilities through transmission lines to distribution utility substation transformers. The transmission charge on an electricity bill is based on how much electricity the customer has used and on average is between 14% and 20% of a customer's total bill.

¹ Utilities Consumer Advocate: Electricity Transmission and Distribution Charges
<https://ucahelps.alberta.ca/electricity-transmission-and-distribution-charges.aspx>

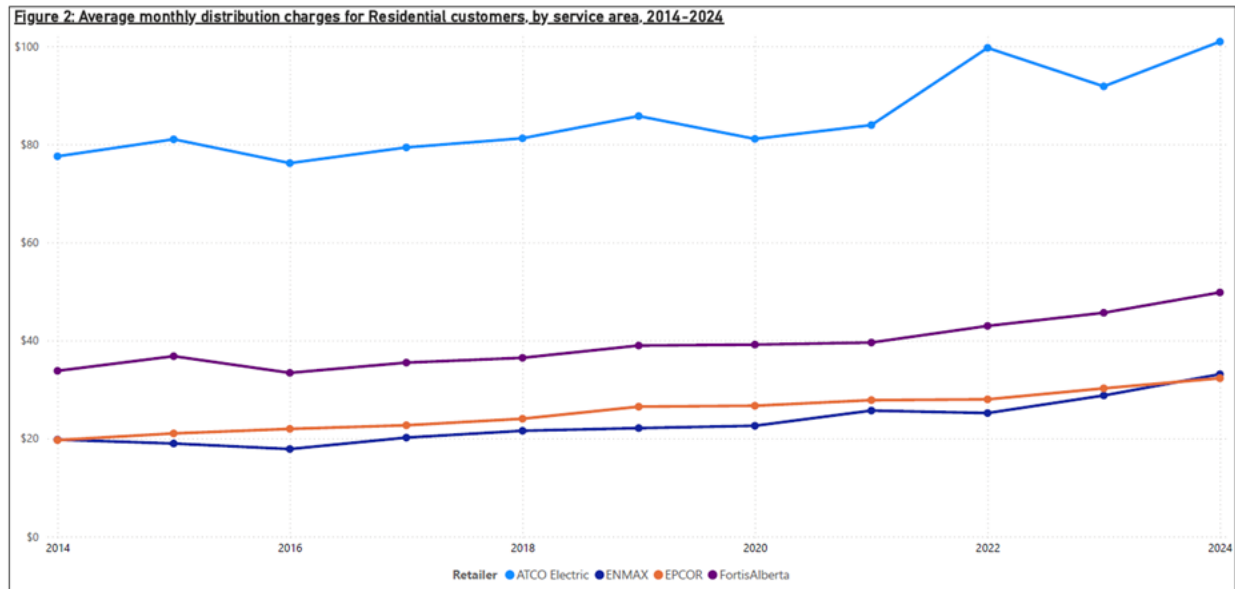
Distribution costs vary with service provider and consumption. Distribution charges cover the cost of moving electric energy from substation transformers through local lines that carry electricity to the customers' meters. If the service area is large and sparsely populated, one kilometer of distribution line may only serve a few customers whereas in an urban centre, one kilometer of line serves a larger number of customers. Distribution charges are on average 24% of a residential customer's total bill.² However, in some parts of the Province, energy delivery charges compose nearly 70% of a customer's total bill for the sum of the two components: transmission and distribution charges.

In large geographical portions of the Province, both businesses and residential endure economic penalties based on geographical and population density disadvantages. This disadvantage can be as high as a 4 to 1 ratio as seen in chart comparisons below. In comparison, British Columbia, Manitoba and Saskatchewan have succeeded in building and operating transmission and distribution systems where landed costs of electricity are much more evenly distributed amongst the entire system.

In Saskatchewan, all cities, towns and villages pay one rate that includes transmission and distribution costs regardless of geographic location and all rural areas pay a marginally higher rate. In British Columbia and Manitoba, all electricity costs including transmission and distribution are equalized across the entire Province, resulting in building and operating transmission and distribution systems where landed costs of electricity are much more evenly distributed amongst the entire system.

As the electrical grid for Alberta ultimately operates as a single entity, it is reasonable to distribute those costs equally across the Province. The current system unfairly penalizes communities that are on the border between providers. Competitiveness to attract businesses to Alberta or outside of major urban centers within Alberta is stunted by disparities in the Alberta model, which contribute to the rapid urbanization of the population of Alberta. Continual increases of transmission and distribution rates, especially in areas that are already realizing significant cost disparity, results in an increase in energy poverty for many Alberta families and seniors.

² Utilities Consumer Advocate: Electricity Transmission and Distribution Charges
<https://ucahelps.alberta.ca/electricity-transmission-and-distribution-charges.aspx>



Source: Compiled by the Office of the Utilities Consumer Advocate based on data provided by the Alberta Utilities Commission and Alberta Electric System Operator. [Utilities Consumer Advocate: Residential Electricity Delivery Charges](#)