



June 8, 2005

A decision by Government offers continued choice and protection to Alberta electricity consumers

Edmonton... A New 5-year Regulated Rate Option (RRO) for residential, farm and small commercial Alberta electricity consumers has been put into place, and today has received approval by government caucus.

"This decision will assure small consumers that a regulated option will continue to be available to all Albertans who do not choose to sign contracts for supply," said Greg Melchin, Minister of Energy. "It will also provide electricity retailers an opportunity to continue to offer consumers competitive products and services"

The government remains committed to the competitive retail market for all consumers. Assuming electricity consumption has not changed significantly, there will be little change in consumers monthly bills. Using a blend of short and long-term hedges will encourage continuing development of the marketplace while allowing more time for consumers to become familiar with their options.

Many stakeholders who were involved in the consultation process agree that a regulated rate must continue to be available to smaller consumers. Government will conduct two reviews of the regulated option to further ensure the needs of Alberta's one million small retail electricity consumers are effectively being met. The first one is scheduled for the fall of 2007.

"Consumers deserve - and demand - issues like price stability and customer service be addressed," said Ty Lund, Minister of Government Services, responsible for the Utilities Consumer Advocate. "The UCA and the UCA Advisory Council are pleased that these issues have been addressed through this new option."

It is expected that the regulated rate providers will continue exercising due diligence in providing electricity services to consumers at reasonable rates and in providing an improved level of customer service.

Decisions on refinements to the current wholesale market design also received government approval. The refinements will enhance short-term system reliability and will monitor to ensure new generation continues to be built in a timely manner to meet the growing needs of Alberta's economy.

Attachment: Backgrounder: Questions and Answers

Media enquiries may be directed to:

Cathy Housdorff
Communications
Alberta Energy
(780) 422-3667; Cell: (780) 719-4104

To call toll free within Alberta, dial 310-0000

Kim Hunt
Communications
Office of the Utilities Consumer Advocate
(780) 422-8049, Cell: (780) 886-3117

To call toll free within Alberta, dial 310-0000

Backgrounder

New Regulated Rate Option (RRO)

What is a Regulated Rate Option (RRO)?

The Regulated Rate Option (RRO) offers residential, farm, irrigation and small business consumers the opportunity to receive electricity service at a regulated rate during the transition to a competitive retail electricity market. In order to provide continuity of service, the RRO was automatically provided to all eligible customers who had not selected an alternative electricity retailer, effective January 1, 2001.

Why is the RRO changing?

The current electric regulations anticipated moving to a different form of regulated service on July 1, 2006. In anticipation, the Department of Energy engaged in a review of the retail market to determine whether the timing and design would be appropriate for consumers.

Extensive consultation with representatives from all sectors of the market, including customer representatives, generation investors, retailers, distribution and transmission owners, took place to ensure concerns were understood and taken into consideration as options were discussed.

What does the New RRO look like?

The New 5-year RRO will include a blend of short and long-term hedges. It will continue to provide protection and certainty to consumers while encouraging the development of competitive markets and expanded customer choice.

RRO providers will continue to submit their regulated rate proposals to the appropriate regulatory body for approval. The Alberta Energy and Utilities Board (EUB) regulates investor-owned utilities and approves RRO tariffs for the cities of Calgary and Edmonton. Other municipally-owned utilities (Red Deer, Lethbridge, Cardston, Fort MacLeod, Ponoka and Crowsnest Pass) are currently regulated by their City Councils. For the Rural Electrification Associations (REA), each REA's board of directors approves the RRO rates.

Who is eligible to receive the RRO?

Residential, farm, irrigation, and small commercial customers will be eligible to receive the New RRO, just as they do today.

How will this affect my bill?

Assuming electricity consumption has not changed significantly, there will be little change in the monthly bills received by consumers.

Is there an alternative to the New RRO available to eligible consumers?

Yes. In addition to the option of staying on the RRO, Alberta electricity consumers will continue to be free in their own time to consider the retail products and services being offered by the licensed competitive retailers in the province.

Consumers have never been, and will not be, required to sign contracts.

Some customers will prefer an electricity contract for longer-term price stability; others may be comfortable with regulated rates that fluctuate - not unlike fixed versus variable mortgage offers.

Competitive retailers package their services differently - consumers can consider things such as green power, bundled natural gas and electricity packages, and other services, products or incentive programs. What may be attractive to one consumer may not be to another, but either way consumers have the freedom of choice in meeting their power needs.

Copyright(c); 2005 Government of Alberta