

## **Let's get on with critical job of reinforcing transmission grid**

Alberta has taken some solid steps over the years to move away from a system where the government centrally planned, approved and financially backstopped all aspects of the electricity industry.

Prior to deregulation of the power generation segment in 1996, the industry was dominated by three large power producers. The cumbersome government approval process for new generation was plagued by lengthy delays that resulted in excessive financing costs – the burden of which was passed on to consumers in the form of higher rates.

At the time, it was recognized that the transmission business was a natural monopoly and must continue to be regulated with oversight from the government, as all Albertans benefitted from it. In fact, it was also recognized that a robust transmission system was a necessary ingredient if a strong and competitive generating market was to emerge. Investors in generation must have confidence in their ability to get their product to market.

So, looking back, how has it worked out? Overall very good; but, a few problems persist. Generation investment has flourished. Several new investors have entered the market. This has included new greener fuel sources – like wind – that are not necessarily found near large cities or industrial areas, where most power is consumed. All of this was accomplished without investing one taxpayer dollar.

While competitive generation has flourished, the regulated transmission system has failed to keep pace. No significant transmission build has occurred in more than 20 years. We are now at the point where depending on the time of year, certain lower cost generators cannot get their power to market because transmission capacity is not available. Similarly, new sources of renewable generation are unable to get to market due to inadequate transmission capacity. When there's not enough power reaching us, that's when blackouts and rolling brownouts occur. The situation is exacerbated when the transmission lines that carry that power from plant to plug are aging and inefficient, and in need of an upgrade.

It is true that, with the economic downturn, pressure on the transmission system as a result of rapid load growth in Alberta has temporarily abated. But, as Albertans, we have gone through economic cycles before and know that there will be an upswing ahead. It is essential that we prepare today for the next phase of growth, or we will be playing catch-up and paying twice as much down the road. Further, transmission and generation systems are built with 40 to 50 year outlooks and must be planned well in advance.

In Alberta, responsibility for planning regulated transmission builds and operations lies with an independent not-for-profit government agency called the Alberta Electric System Operator, or AESO. Over the last four years, after hundreds of meetings and consultation sessions with consumers throughout the province, the AESO has identified the need for five critical transmission investments to address the congestion of the current system and provide for our future capacity requirements.

The Electric Statutes Amendment Act, Bill 50, gives government the authority to fast track the need identification process for these projects. The projects are still required to go through the same rigorous process for consultation with landowners on siting issues, which are ultimately addressed and approved by the Alberta Utilities Commission. A number of these projects can be staged over time as demand requires. Extreme projections on the total cost are fear mongering and fail to recognize the staged element of construction.

Although no longer in the power generation business, EPCOR remains in the regulated power transmission business in Edmonton which is interconnected to the balance of the province. We are of the strong view that an expansion of the grid is required now to not only keep power flowing throughout the province, but to ensure the Capital Region remains well served by the grid for its current and future needs. Bill 50 allows the government to get on with the job of building the five critically needed additions, which form the backbone of Alberta's system.

It has been argued by some that by selectively placing a massive power generation plant in Southern Alberta now, we would not need to strengthen the grid. This is a very risky proposition. Should the plant go down due to mechanical or maintenance events, as all do, there may well be insufficient transmission capacity to deliver back-up power to residents and businesses. Without adequate north-south transmission reinforcement, there is also a risk that Alberta's already small power market could fragment into even smaller regional sub markets, where the potential for market dominance by a large player could be a concern. A robust transmission system is a key underpinning of a healthy and competitive electric market.

This province needs infrastructure to support the current level of economic activity and to facilitate future expansion. Whether transmission lines, roads, bridges or other facilities that benefit Albertans, the time to get on with this critical work is now.

**Don Lowry**  
President & Chief Executive Officer  
EPCOR Utilities Inc.