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Two Solitudes in Western Canada: British Columbia and Alberta Carve Distinct Electricity Policy Paths

Introduction

British Columbia (BC) and Alberta are Canada's two westernmost provinces, the former being most recently famous for its host role for the 2010 Winter Olympics, and the latter, arguably, for hosting the annual Calgary Stampede – the self-proclaimed "Greatest Outdoor Show on Earth". In addition to being places that people love to visit, both BC and Alberta have long-held political cultures that nourish a sense of alienation from the traditional Canadian power centres in eastern Canada, which has in turned fostered strongly iconoclastic public policies on a range of issues. Coupled with significant differences in geography and geology, these iconoclastic tendencies have resulted in electricity polices that have in recent years dramatically diverged. In short, electricity policy in BC has veered hard in support of a broader provincial GHG-reduction policy, while in Alberta electricity policy remains more focussed on traditional cost of service and reliability concerns consistent with a more ambivalent GHG policy.

British Columbia

The BC electricity sector is dominated by BC Hydro, the Crown-owned vertically integrated utility created in the 1960's to facilities the construction of the Columbia Treaty Projects and projects on the Peace River, in the northeast of the province. BC Hydro has about 1.7 million customers and provides service throughout most of the province. In addition, BC Hydro provides non-discriminatory, open access wholesale transmission services under an Order 888-type tariff.

Most of BC Hydro's generating capacity is hydro-powered, and several projects have significant storage associated with them. The dominance of hydro resources and associated storage in BC Hydro's supply portfolio has long allowed BC to claim a largely GHG-free electricity sector, in the way that only a handful of jurisdictions in North America have been able to do. It has also made BC, through Powerex Corp, a BC Hydro subsidiary, a significant player in wholesale electricity markets in the Western Interconnection.

The new *Clean Energy Act* became law on June 3, 2010, and established 16 energy policy objectives, focussing on the development of green energy resources, including those for export, as well as conservation, the reduction of greenhouse gas emissions, and self-sufficiency.

The *Clean Energy Act* requires that at least 93% of the electricity in BC is to be generated from clean or renewable resources, such as run-of-river hydro, wind or bio-energy. Consistent with this direction, BC Hydro is no longer permitted to dispatch the gas-fired Burrard Thermal generating station except for emergency use.

Another key energy objective in the *Clean Energy Act* concerns the reduction of greenhouse gas (GHG) emissions in BC. By 2012, GHG emissions are to be reduced to at least 6% less than the level of emissions in 2007 and by 2016, to at least 18% less than 2007 levels.

The *Clean Energy Act* includes the objective of BC Hydro to reducing its expected increase in demand for electricity by 2020, by at least 66%. In July 2009, the BCUC accepted BC Hydro's plan to spend C$418 million on demand side management (DSM) programs over a three year period. A new DSM plan responding to the *Clean Energy Act* is expected this year.

The *Clean Energy Act* has designated a number of key BC Hydro projects that are now exempt from approval by the BCUC. These projects include the addition of two 500 MW turbines at the Mica dam, the addition of a 500 MW turbine at the Revelstoke dam, and Site C, the proposed 900 MW hydro-electric dam project on the Peace River. They also include the installation of smart meters by the end of 2012.

Alberta

Unlike BC, where BC Hydro is responsible for serving most of the province's load using resources it owns or has under long-term contracts, Alberta has a competitive generation market and power pool, with facilities owned by a number of largely privately-owned companies. The Alberta Electric System Operator (AESO) operates the wholesale power market, with generation dispatch authority as well as responsibility for a unique wholesale transmission tariff.

Also unlike BC, where the government has a strong preference for clean and renewable generation (and a strong dislike for thermal generation), Alberta has stated that it does not prefer one type of generation over another, but rather allows competitive market forces to determine the appropriate generation mix.

The Alberta Energy Strategy flatly rejects a carbon tax on energy consumers, and the government remains wary of "cap and trade" mechanisms to address GHG emissions. Instead, Alberta's strategy to reduce GHG emissions is focused on carbon capture and storage. To date, four projects have signed Letters of Intent to receive a portion of the C$2 billion in carbon capture and storage funding set aside by the Alberta government.

With respect to non-fossil fuel options for electricity generation, nuclear power remains on the table in Alberta, while it has been strictly off the table for BC since 2002.

The one area green energy area in which Alberta has pushed ahead of BC is wind power. The competitive power pool is attracting new wind power projects in droves - as of June 2010, there were approximately 13,400 MW in the AESO's generation interconnection queue. To put this in perspective, there is currently about 660 MW of installed wind generation, while in 2009 peak demand in Alberta was 10,236 MW.

To expedite approval of critical transmission infrastructure the Alberta government amended the *Electric Utilities Act* in November 2009, to allow for an expedited process. Once the AESO provides its transmission plan, the government is now responsible for designating critical transmission infrastructure just like it does for other public infrastructure such as roads, schools and hospitals. Once a project is designated as a critical infrastructure project the project is exempt from the need to obtain regulatory approval from the AUC. This is a marked departure from traditional utility regulation, and not substantially dissimilar to the provisions of the *BC Clean Energy Act* that exempts specified projects from the regulation of the BCUC.

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