

Bulletin 2024-14

July 25, 2024

Process for implementing the Rate of Last Resort

The [Utilities Affordability Statutes Amendment Act, 2024](#) (the Act) received royal assent on May 16, 2024. The legislation replaces the term “Regulated Rate Option” with “Rate of Last Resort,” which the government of Alberta has announced will be a fixed default rate for two years starting January 1, 2025, with a 10 per cent rate adjustment cap at the end of each two-year period.

For each of the three AUC-regulated Rate of Last Resort (ROLR) providers (ENMAX Energy Corporation, EPCOR Energy Alberta GP Inc. and Direct Energy Regulated Services; referred to jointly as the ROLR providers), the ROLR must be based on an energy price-setting plan (EPSP) and revised terms and conditions of service (T&Cs). The EPSP and T&Cs for each ROLR provider must be approved by the AUC.

Additional details regarding the ROLR and its implementation include:

- The ROLR will include a risk margin for the ROLR provider, as well as a 0.1 cents/kilowatt hour consumer awareness surcharge.
- A ministerial rate-reopener provision will be provided for to address a situation where a ROLR provider experiences either unreasonable profits or losses.
- ROLR providers must have a pre-determined statement on consumer bills advising of available Utilities Consumer Advocate (UCA) resources to explore other retail options.
- The Market Surveillance Administrator will be acting as an independent advisor on the EPSPs to ensure a fair, efficient and openly competitive process to set rates.
- The Office of the Utilities Consumer Advocate will oversee a 90-day rate confirmation process for existing and new ROLR customers. ROLR providers must update the UCA with contact information every sixty days for this purpose.

Amendments to the associated regulations, including the *Regulated Rate Option Regulation*, are expected in September 2024.

ROLR negotiations

ROLR providers will negotiate the terms of their EPSPs and the amendments required to their T&Cs with customer representatives, such as the UCA. This bulletin is intended to serve as notice of these upcoming negotiations. Should any interested party wish to participate in these negotiations, please contact Chris Arnot at chris.arnot@auc.ab.ca. In your correspondence, please identify the nature of your interest in the negotiations and how you (or the interests you represent) may be impacted by the ROLR.

The negotiations are expected to occur in August 2024, with parties reaching agreement, in principle, by the end of the month. Application(s) for approval of the negotiated settlements must be filed with the Commission no later than 10 days after the associated regulatory amendments are made. Those applications, or separate applications, may include requests from the ROLR providers addressing any requirements under their existing, approved EPSPs that will need to be rescinded or suspended by the Commission in order to allow for the transition to ROLR effective January 1, 2025.

Rule 018: *Rules on Negotiated Settlements* sets out the requirements for parties to engage in a negotiated settlement process with respect to an application before the AUC. Section 4.1 of Rule 018 stipulates that an applicant may only commence negotiations with approval of the Commission. In the current circumstances (i.e. in the absence of an application before the Commission), the AUC has determined that section 4.1 of Rule 018 does not apply and, accordingly, parties may enter into negotiations as soon as possible without any further approval from the Commission.

Rule 018 contemplates the involvement of AUC staff in a negotiated settlement process, and the AUC has instructed certain staff members to participate in the upcoming negotiations. AUC staff involvement may include asking questions on the proposals and any counterproposals, providing their own assessments and identifying issues. AUC staff cannot speak on behalf of the Commission, but they may be able to assist in identifying questions or issues that could arise in a subsequent adjudicative process when the matter is brought before the Commission for approval. Parties will be asked to provide written consent that these AUC staff members are not prohibited from participating in any related proceedings before the AUC, such as the subsequent applications to approve the negotiated settlement agreements to be filed with the Commission upon successful conclusion of the negotiations.

Any questions related to this bulletin may be directed to Chris Arnot at chris.arnot@auc.ab.ca.

Alberta Utilities Commission