

“The government has created a reregulated hodgepodge with a veneer of competition.”



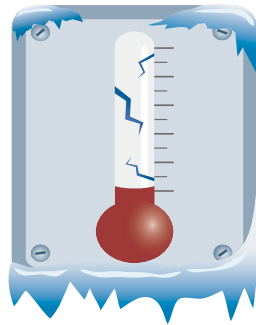
If the shorter days and brisk nights are sending chills up your spine, just wait until you start getting your fall electricity and natural gas bills. In energy-rich Alberta, the thought of paying the highest home-heating rates in Canada is enough to make anyone shiver.

After a summer-long cooling-off period, the high cost of battling the Alberta winter is about to heat up again as an issue for the provincial Conservatives. Ralph Klein knows it. Flush with a \$2-billion budget surplus, the usually parsimonious Conservative premier has thrown \$94-million into defraying rising heating costs of public institutions, including universities, schools, hospitals and libraries.

Renewed calls from the public for energy rebates cannot be far behind. Anticipating as much, the Public Affairs Bureau, the government's public relations arm, spent the hot days of summer putting together a tabloid-style brochure to deflect the blame. Due for distribution to homeowners later this fall, an online version was quietly test-run on the government's website. Essentially a rehash of a largely ignored campaign from last year, it offers us an education in how to read our utility bills—but in a way that shows rising costs to be beyond the government's control. I can see how we might need help navigating through the maze of terms like “regulated rate options” and “deferral riders,” not to mention the inscrutable “kilowatt-hours” and “gigajoules.” But my sense is that most of us are pretty good at figuring out our bills by ourselves, thank you, without the government spin. We can save them the printing costs and spare a few trees by going to www.gov.ab.ca and clicking

on the light bulb at the right side of the page, a bit below Ralph Klein's smiling face.

If the public relations effort fails to curb public anger, Klein may be tempted to implement another costly rebate program, which would provide temporary relief at best. Apart from getting him through an election in March 2001, he has little to show for the \$4-billion in taxpayer-funded electrical and natural gas rebates he handed out, ostensibly to help consumers adjust to the new market realities. Despite the price tag—four times what Ottawa has



spent on the much maligned federal firearms registry and half a billion more than the 1993 provincial deficit, which was the driving force behind the Conservatives' austerity program—we still haven't adjusted.

Obviously, this isn't how it was all supposed to work out. The Klein government sold us on deregulation by saying that our dinners and quiet time at home would be interrupted (but in a good way) by door-to-door salespeople and telemarketers offering us bargain rates on electrical power and natural gas. But rather than true deregulation, the government has created a reregulated hodgepodge with a veneer of competition in a make-believe free market.

Experts blame the government's poor understanding of home energy markets. “The irony is that although we have a fairly competitive wholesale market, we don't have a very

competitive retail market,” says Joseph Doucet, energy specialist with the University of Alberta's school of business. At the retail level, the major players continue to be municipally owned Epcor, in the Edmonton region, and Enmax, in Calgary, Red Deer and Lethbridge—companies that enjoy what amounts to regional monopolies with no market-driven reasons to offer consumers the lowest rates. But don't blame them. That's the nature of publicly owned utilities. Although international energy marketers have expressed interest in entering Alberta's retail electricity market, it is unclear how they could offer customers lower rates and still make a profit.

The only semblance of competition are long-term contracts being offered on the premise that the rate you lock in at today will be lower than the rate three to five years from now. Feeling lucky? Then sign up. You might save some money. Or you might not.

Despite the government's mishandling of deregulation, insiders insist that it's too late to turn back and that the market will correct itself. Former Epcor vice-president Cairne MacDonald, who was executive-in-residence at the University of Alberta's school of business before being appointed deputy minister in the British Columbia government, recently published a paper arguing that although power deregulation has been disruptive everywhere it has been tried, consumers eventually do get lower prices. “The benefits will be there, but they will be longer-term in nature,” she says.

We may have to suffer through a lot of long, cold winters before we see them.

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