

Transcript of New Conference given by Honourable Dale Nally on an Independent review of Balancing Pool losses 21 April 2022

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Minister Nally: Good afternoon, everyone. In the recent months there has been significant concerns of the cost of delivered electricity. These concerns will be worsened by the punishing federal pressures of decarbonizing of our electricity system. I'm here today to draw awareness towards the real cost of these ideological efforts and in the spirit of transparency want to discuss the findings of an independent audit of the Alberta Balancing Pool. Finally, I want to highlight the need for governments to put affordability at the forefront of decarbonisation efforts as an energy transition that causes detrimental societal harm and suffering is not a sustainable path forward.

Today we are releasing a financial review for the Balancing Pool's financial losses from 2015 to 2019 as a result of the NDP's costly ideologies and wilful disregard for the interests of Alberta ratepayers. The review provides clear confirmation of the 1.34-billion-dollar boondoggle created by the former NDP government. It also provides yet another reminder of the many costs that many other governments have placed on Albertans, costs that are making utilities, gas and everyday life more expensive than ever.

Our government was elected on a promise to undertake a review of The Balancing Pool fiasco. This marks another "promise made- promise kept" To Albertans. For too long Albertans have been left in the dark about exactly how much money that decisions made by the Notley government actually cost electricity taxpayers. There has been media stories and informal accounting of these losses but no independent verification of how much was wasted on their ideological agenda. We promised to get Albertans answers and those answers are confirmed in the document that we are releasing today, according to the independent review conducted by Deloitte the policies undertaken by the previous government directly resulted in a 1.34-billion-dollar loss for Albertans. That is a 1.34 billion dollars that should have stayed in Albertans' bank accounts and could have been applied to any number of programs to enhance our electricity system. Instead, it

was wasted and exists today as rate a debt being paid off on electricity bills to a surcharge that's expected to run until 2030.

To be clear- this was not the fault of the Balancing Pool which was established to support into an openly competitive electricity market. Its primary role was managing fixed price deals with electricity producers known as the power purchase agreements or PPAs and that's what it did. The problem started when the previous government changed the Specified Gas Emitters Regulation to increase the carbon levy on heavy industrial emitters. This triggered a clause allowing the money-losing PPAs to be returned to the Balancing Pool. It was a mistake that was purely driven by their Leftist friends and ideological extremists which we now know cost Albertans 1.34 billion dollars. According to the financial review, the losses were largely due to losses from the sale of electricity and related services. Under the return, PPA payments made to settle disputes and terminated PPAs and expenses for financing operations. This report is important and necessary step as we move forward with acknowledging all the costs that were experienced on the balance in full and paid for by all ratepayers.

With expiry of the PPAs at the end of 2030, the Balancing Pool's main role is now over. That's why our government will begin to dissolve the Balancing Pool in the coming months. We will table new legislation in the coming weeks that starts this process while still ensuring that the Pool's obligations are resolved and its remaining responsibilities are fulfilled by appropriate bodies. I will have more to say about that work when the legislation is tabled.

However, in many ways this financial review points to another possibly even greater problem- the many costs Albertans are facing every day which are making life more expensive and unaffordable. These costs are everywhere. They are seen at Alberta's utility bills where they are still paying for the previous government's mistakes. Thankfully we stopped another major mistake from happening. The move towards the capacity market which experts estimate would unnecessarily cost Albertans many billions of dollars. More Albertans are still paying for the 7.5 billion dollars of transmission infrastructure that was built from 2015 to 19 which is far more than we needed. There's also the costly federal carbon tax Albertans don't want and that is championed by the Alberta NDP. Keeping in mind Alberta was the first to bring in carbon tax on Industrial emitters years prior the liberal-

NDP alliance intentionally seeks to make life more expensive for everyday Albertans by punishing them to heat their homes in the winter or drive to work in rural areas as if those habits to be reasonably reduced. The more Albertans pay for the scheme the happier the Alliance is to rake in the cash without actually resulting in meaningful consumer GHG reduction - reductions as you know, despite soaring inflation. The federal carbon tax increase to \$2.63 per gigajoule means that an average home using about 11.25 gigajoules of natural gas each month is paying roughly \$30 on every monthly bill that's compared to \$18 before April 1.

I could go on and on- the problem is clear Liberal and NDP politicians may say they care about cost of living but if they did, they would approach decarbonisation with more pragmatism and more concern for everyday Albertans. Thankfully our government is working hard to provide real relief while undertaking the long-term solutions that our Province desperately needs to keep life affordable amid decarbonization. Since April 1st Albertans have seen the price of gas in diesel drop thanks to our decision to pause the collection of the provincial fuel tax. This keeps more money in Albertans' pockets at a time and cost for everyday goods are going up. Yesterday we also tabled new legislation that, if passed, will enable electricity and natural gas rebates for nearly two million hard-working Albertans. Our focus has always been on being there for Albertans when they need support. Being fiscally responsible with taxpayer dollars to leave more money in their pockets and not for future Generations and ensuring we are transparent on how we are managing their tax dollars.

Releasing the report into the Balancing Pool will help Albertans understand the true cost of misplaced decisions by governments that let ideology take priority over the well-being of Albertans. As I mentioned along with the release of today's financial review, we will soon begin winding down the Balancing Pool. This will be done in a careful coordinated way or the original intended purpose is coming to an end it will sadly take up to 8 more years to pay off the nearly seven hundred million dollars that it still owes from this mess. But the end result will help reduce the number of agencies and their costs on ratepayers while maintaining an efficient and effective electricity system. Albertans deserved better and should

not be tricked by promises to decrease utility bills with taxpayer-funded rate caps or other short-sighted policies both contribute to inflation and do nothing to enhance future capacity or foster competition.

The new electricity legislation that I will table soon and also includes critical measures aimed at increasing competition and modernizing Alberta's electricity system takes time the financial review released today shows that bad policies and ideology led to 1.34 billion dollars in losses. That is unforgivable. But we are fixing mistakes made by the NDP. We are embracing change and looking out for hard-working families and businesses. We are doing what it takes to support Albertans and to provide safe reliable and affordable electricity for consumers and a competitive market for investors. We need to "NDP proof" the electricity system and the best way to do that is to ensure they never get near the electricity great again. Shining a light on their mismanagement of the Balancing Pool is an important first step. The second step is to wind down the Balancing Pool so no government can ever use it again to further their ideological agenda. Thank you and I will now take any questions you may have.

CTV News: I was just wondering if can you provide any more information in regards to the upcoming legislation in terms of a timeline for winding down the Balancing Pool as well as any conversations that I imagine are ongoing right now as to who will take over those duties of the Balancing Pool once it's dissolved?

Minister Nally: As you are aware, the main responsibilities of the Balancing Pool have expired and then they are a sunset agency and so this is about finding efficiencies for taxpayers and reducing red tape so we are in the process of assembling those responsibilities to other agencies and we are will be finalizing that the near future and will be introducing that into the legislation, or into the legislature in the in the coming weeks.

CTV News: I guess just one follow-up- If the Balancing Pool was created to help create or provide a more stable energy supply. By dissolving it I guess what

assurances or guarantees are there that we aren't going to see if power shortage and we are going to see brownouts again.

Minister Nally: I can point to a lot in the last 12 months we have seen unprecedented demand that our electricity system at a time when other jurisdictions were experiencing brownouts our electricity system stood up to the test. The Alberta Electrical System Operator that is responsible for the safe reliable and efficient electricity Grid in this province has done an excellent job and his suit up remarkably well and it will continue to do so.

Janet French CBC: If you listen to reports like from the IPCC say that we don't have the luxury of time to gradually phase out oil and gas projects, coal at our convenience and climate disasters cost billions of dollars. So what would you say to people who would argue that your government is not moving quickly and aggressively enough to address climate change”

Minister Nally: We have said all along that it is the ideologies of progressive politicians that have created this energy crisis. If it wasn't for the investment=crushing carbon taxes that progressive politician like Rachel Notley and Justin Trudeau appreciate we would have seen more thermal generation come online and because we haven't seen that thermal generation come on line because of your childlike enthusiasm for these carbon taxes. We currently have a leg between the supply and demand a system that's what's causing the price to go up. Now do you lay over at stop the geopolitical events that's happening in the Ukraine right now and we have an energy crisis in Europe and make no mistake that energy crisis is coming to Canada and we're going to do everything that we can to make sure that Albertans are protected from it.

Janet French CBC: I am also extremely puzzled It was necessary can you tell me how much it cost and what did you find out that you didn't already know I I could go into the financial statements of the Balancing Pool of the government in Treasury Board and Finance and see exactly how much the Balancing Pool has lost over the last few years.

Minister Nally: This evidence has until now has been anecdotal. We had a conversation about and they were outraged by how the NDP use an independent agency to further its ideological agenda and so we made a campaign commitment that we're delivering on. we said that we would do an independent audit of the Balancing Pool and another example of promise-made a promise- kept. And we confirmed yeah it was every bit as bad as we thought it was and Albertans can see that the cost of their boondoggle was 1.34 billion dollars?

Janet French CBC: The cost of the report?

Minister Nally: The cost of the boondoggle was 1.34 billion I don't have the I don't have the other cost= I can certainly get that to you.

Global News: I wanted to follow-up - the information you said here we already knew what the number was because we've been paying this surcharge for two or three or four years now so what new did, we learn from this report?

Minister Nally: Well, it wasn't about what's new -it was about confirming what we thought we knew and that's what this report does. This independent report confirms that was 1.34 billion dollars because nobody knew the exact amount and most Albertans didn't have any clarity to what the number was at all so what this does is it delivers on a campaign commitment to shine the light on the billion-dollar boondoggle. This is 1.34 billion dollars that Albertans have to pay off to a rate rider and as we all know the Balancing Pool actually returned four billion dollars back to the right payer over the years except for that. On under which the NDP where in government and it cost a 1.34 billion because of an ideological agenda.

Global New: I'm curious you spoke about the federal carbon tax and the NDP carbon tax having an impact on investment in thermal power generation, where there's actually provincial- it's TIER the carbon tax put in actually the PC government- can you square that -why you can't talk with the federal government

tax - federal Liberals when it comes to a project that would be charged under the Alberta TIER program.

Minister Nally: Make no mistake our TIER program which have been a provincial equivalency would be a different program if the front end because if we did not have that program the feds would be overlaying their carbon tax over top of it. So well yes it's a provincial program and it's a program that we had to come up with as a mitigation to the federal carbon tax and we would not have had a program that was his punishing to Alberta or to investors had it not been for these progressive politicians and the agenda. And please I don't want this to be misinterpreted at all- we recognize that it's important to decarbonise. Climate change is real and human activity has contributed to the changing of the climate but we need to move forward in a methodical manner and a manner that is responsible and right now Albertans are struggling from inflation from higher interest rates. everything is being more expensive and end getting to that of course is the carbon tax.

Chris Varcoe- Calgary Herald: You talk about the 1.34 billion dollars that was lost =can you explain exactly how was the money lost? Where was the money lost to?

Minister Nally: When the NDP changed the Specified Gas Emitters Regulation it triggered a clause in a few PPAs that said that in the fine print a change of law become unprofitable or more unprofitable than they could return those PPAs. Now its not lost on all of us. If the NDP had simply read the fine print this all could have been avoided but they trigger that clause and the PPAs were returned and so that the losses were primarily are related to the sale of those PPAs and of course the to settle disputes towards the terminated PPAs and also some expenses for financing operations.

Chris Varcoe Calgary Herald. The promise that the UCP party used to keep our team mates on the campaign trail back in 2019 was struck the auditor general

conduct a special Duty audit of the PPA losses why did you decide not to send it to the auditor-general but instead to have this done by a third party?

Minister Nally: For transparency. Our position was that we felt that Albertans weren't concerned who did the audit but rather that it was an independent organization that did the audit and quite frankly Deloitte fill that bill and there can be can be no suggestion that there was any interference in that whatsoever and that's why we went with Deloitte to be transparent to Albertans and we think Albertans are concerned about the most was the results of the audit and what it said opposed to who did.