



## Power Market Provides Consumers with Low Cost Options

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The Independent Power Producers Society of Alberta (IPPSA) responds to Alberta NDP leader's call for re-regulation of electricity.

"Alberta's wholesale power prices averaged \$77/Megawatt hour (MWh) in 2011, which is below the replacement cost of new greenfield coal and new wind generation<sup>1</sup>. When prices are below replacement cost, consumers benefit," stated IPPSA's Executive Director, Evan Bahry.

"For context, \$77/MWh is just 10% above where wholesale power prices were in 2001. Of note, crude oil traded at \$26 barrel a decade ago and now trades at over \$100, and Calgary home prices rose 126% over the past decade<sup>2</sup>. Alberta's wholesale electricity market is demonstrably competitive," asserts Bahry.

The benefits of Alberta's competitive wholesale power market have flowed through to residential consumers via term contract prices and via flow-through contract prices. Some term contract prices in 2011 were, and remain, at ¢8 cents per Kilowatt hour (KWh), which is equivalent to \$80/MWh, and flow-through contracts would have averaged near ¢9 cents/KWh in 2011. These rates are at, or just above, wholesale prices.

Re-regulation would not lower the wholesale cost of power in Alberta, Bahry adds, and therefore would not lower residential prices below what Alberta's competitive market is offering today.

He points out that re-regulation in Ontario has consumers paying \$135/MWh for wind power through the province's feed-in tariff program, whereas that same wind power would have made a maximum of \$77/MWh from Alberta's open wholesale market in 2011.

In addition to competitive pricing, Alberta's open market has enabled new generation to be added much more quickly than under regulation, allowing Alberta to meet the fastest growing demand for power in Canada by far. Investment risk is now with the generation developer, not consumers, forcing developers to build the most efficient plants they can.

IPPSA is a trade association representing all of Alberta's major power producers. For further information, contact Evan Bahry, Executive Director, at (403) 282-8811 or see [www.ippsa.com](http://www.ippsa.com).

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<sup>1</sup> Hatch Energy, *Generation Costs*, March 2010

<sup>2</sup> Calgary Herald, *Calgary house prices increased 126% over past decade*, 08 November 2011

**Backgrounder: Comparison of Levelized Generation Costs by Fuel Type**

|                   | Fossil Fuel Without Capture (\$/MWh) | Fossil Fuel With Capture & Other Options (\$/MWh) |
|-------------------|--------------------------------------|---|
| Pulverized Coal   | 64                                   | 100 to 140  |
| Nat. Gas CC       | 78 to 83                             | 80 to 115   |
| Nat. Gas Cogen    | 73                                   | 70 to 100   |
| Coke or Coal IGCC | 110                                  | 130 to 180  |
| Wind              |                                      | 85 to 115   |
| Large Hydro       |                                      | 70 to 120   |
| Nuclear           |                                      | 100 to 140  |

**Relative Costs**  
 (levelized costs, excluding taxes, transmission & escalation; and based on Nat. Gas at \$7/GJ in first column and \$5/GJ to \$9/GJ in second column)

(source: Hatch Energy, March 2010)