



8-26S Equitable Electricity Distribution Pricing Model

Resolution Report

Resolutions play an important role guiding RMA's advocacy approach and position development. As part of RMA's commitment to consistent member reporting on resolution advocacy, the "Resolution Report" series includes regularly-released short reports providing members, government and stakeholders with an overview of an endorsed resolution, including the current context, impact on RMA members, and RMA positions in relation to solutions to address the issue. The reports are not intended to be all-encompassing, but rather provide readers with a quick overview of the issue and why it matters to rural municipalities.

For information on resolutions not featured in the series, please review the [RMA Resolutions Database](#) or the [RMA Resolutions Status Update](#) document, which is published twice each year with current statuses and developments for all active resolutions.



ENERGY



Introduction

[Resolution 8-26S: Equitable Electricity Distribution Pricing Model](#) calls on the Government of Alberta (GOA) to adopt a new electricity distribution pricing model that eliminates significant regional differences in delivery charges across the province. An equitable distribution system within Alberta's integrated grid would strengthen affordability in the Province's greatest energy-producing regions.

Alberta's current system divides the province into multiple distribution service areas, each with its own regulated rates. This has resulted in a significant number of rural and northern customers paying two to three times more in distribution charges than customers in urban centres despite being connected to a single, integrated provincial grid. This places these communities at a competitive disadvantage for job and population retention.

Resolution 8-26S identifies the rate disparity as both an equity and competitiveness issue. Households and businesses in high-cost regions face higher risks of energy poverty and a reduced ability to attract and retain investment. These inequities persist even though many of these same regions host significant industrial activity that benefits the entire province through employment, exports, and tax revenue.

Unequal Distribution Charges:

Distribution charges cover the cost of moving electricity from substations through local lines to customers. These costs vary widely by service area.

- ◆ On average, distribution charges make up roughly 24% of a residential electricity bill, but can be up to 75% of a bill.
- ◆ In 2025, monthly distribution charges for a 600 kWh residential customer ranged from \$31.55 in EPCOR's area to \$97.89 in ATCO's area.
- ◆ The Utilities Consumer Advocate (UCA) confirms that distribution charges vary significantly by location and are higher in rural Alberta.
- ◆ Equitable distribution models – where distribution costs are more evenly shared across the province – already exist in other Canadian jurisdictions.

Rural and Northern Burden:

Low population density, long line distances, and large service areas mean fewer customers share the fixed cost of infrastructure in rural and northern regions. In some areas, delivery charges (transmission and distribution) can approach 70% of a customer's total bill, leaving residents paying higher fixed costs even when their actual consumption is low.

Single Grid, Unequal Outcomes:

Alberta's electric system operates as a single interconnected grid, yet distribution costs are still recovered on a service area basis – this results in significant disparities across the province.

Transmission facility owners operate as a regulated monopoly. They own, operate, and maintain the high voltage system and recover their costs through Alberta Utilities Commission (AUC) transmission tariffs. The Alberta Electric System Operator (AESO) oversees transmission system planning, determines where upgrades or replacements are needed, and assigns projects to transmission facility owners within their designated service territories.

Once the AUC approves a transmission facility owner's tariff, the AESO pays the tariff in equal monthly instalments. The AESO then recovers these costs through the Independent System Operator (ISO) tariff, which applies evenly across Alberta. The ISO tariff covers payments to transmission facility owners, system support services, transmission losses, and AESO administrative costs. It is allocated to distribution companies and large industrial users based on their proportionate use of the system.

Distribution companies then recover these costs from customers through AUC-approved rates. These rates vary significantly by service area. Because of the system design, even though transmission costs are socialized across the province for distributors, distribution costs are not, and rural communities disproportionately bear the highest charges.

How it Impacts RMA Member

- ◆ *Higher fixed charges* – rural residents can pay three times the distribution charges of urban customers, even at similar consumption levels.
- ◆ *Energy poverty risk* – high delivery charges reduce affordability, particularly for low- and fixed-income households, and can discourage electrification of heating or transportation in rural communities.
- ◆ *Location penalty* – businesses in rural distribution areas face higher electricity operating costs than others, undermining rural economic development and investment attraction.
- ◆ *Border distortions* – communities located at or near the service territory boundary are disadvantaged relative to their neighbours served by a lower-cost distributor despite similar geography and economic profiles.



RMA Background

While RMA has no other active resolutions focused specifically on electricity distribution pricing, Resolution 8-26S aligns closely with several longstanding RMA priorities related to rural affordability, economic competitiveness, and equitable access to essential infrastructure.

RMA's *Rural Industry and Economic Development* [position statement](#) emphasizes that rural Alberta's economic success depends on predictable, affordable, and equitable access to core infrastructure and services. High and uneven electricity distribution charges directly undermine these goals by increasing operating costs for rural businesses, discouraging new investment, and placing disproportionate financial pressure on rural households.

Resolution 8-26S reinforces several ongoing RMA advocacy themes:

- ◆ Addressing rural affordability and cost-of-living pressures – including utilities, insurance, and property taxes – which collectively erode the financial resilience of rural residents and small businesses.
- ◆ Establishing equitable access to infrastructure and services that support rural industry and community wellbeing.
- ◆ Commitment to increase competitiveness and investment attraction, particularly in northern and remote regions where high distribution charges create a “location penalty” that urban businesses do not face.
- ◆ Supporting rural industry and value-added development – including agriculture, forestry, and energy – which depend on reliable and affordable electricity to be sustainable.

The resolution also intersects with RMA’s ongoing engagement with the GOA and utility regulators on:

- ◆ rate setting processes and regulatory fairness such as RMA’s submissions to AUC proceedings on Rule 007, work related to AUC Rule 022, and broader advocacy on rural cost drivers;
- ◆ the treatment of rural customers in utility proceedings which is informed by previous efforts connected to Resolutions 11-22F and 7-19F;
- ◆ the need for transparent, predictable, and equitable cost allocation frameworks that is linked to RMA’s work on unpaid property taxes and the rural infrastructure deficit; and
- ◆ the importance of ensuring that rural perspectives are meaningfully represented in regulatory hearings, tariff reviews, and other regulatory processes that shape electricity affordability, drawing from RMA’s involvement in the AUC generation inquiry, critique of Bill 28, and other regulatory development engagements with the GOA.

Resolution 8-26S is not an isolated issue. There is a continued effort to ensure rural Alberta is not disadvantaged by structural features of provincial utility regulation. The resolution strengthens RMA’s broader advocacy for a policy and regulatory environment that supports rural economic development, reduces regional inequities, and ensures that rural communities remain viable, competitive, and attractive places to live and invest.



Analysis

The core ask – “a new electricity pricing model for distribution that eliminates the disparity in pricing across Alberta” – requires changes at both the policy and regulatory levels.

The GOA must articulate a clear policy objective that distribution charges should not vary dramatically by region for comparable customers, recognizing that Alberta’s grid is a shared provincial asset. This policy direction would guide the AUC and regulators in future rate design and cost allocation decisions.

The AUC already uses a structured process to review rate applications – including evidence from utilities, interveners, and the UCA – and is able to approve alternative rate designs where justified.

To achieve more equitable outcomes, the AUC would need to be able to:

- ◆ re-examine cost allocation methodologies that heavily weight local density and line length;
- ◆ consider province-wide or regional equalization mechanisms within or across distribution utilities; and
- ◆ assess the impacts of alternative rate designs on different customer classes and regions.

[AUC Rule 022](#) governs cost recovery for participants in utility rate proceedings and currently treats municipalities and municipal associations as “ineligible interveners,” with limited access to cost recovery unless designated as funded participants.

The GOA would also be wise to invite rural municipalities to play a substantive role in shaping a new distribution pricing model. The UCA and AUC could then ensure that rural residents and small-commercial perspectives are fully represented in the decision-making process.

Exploring Solutions

The resolution invites more nuanced and creative approaches than a simple funding top-up or one-off subsidy. Several system level options could move Alberta toward a more equitable and sustainable distribution pricing model.

The GOA could adopt a model where distribution costs are pooled and recovered through uniform or banded rates across the province as Saskatchewan and British Columbia implement

Saskatchewan:

- ◆ Has maintained a province-wide electricity distribution rate for since 1949 through the single-utility model.
- ◆ There are no separate rates for distribution facility owners, region-specific tariffs, or any service fragmentation as there is in Alberta.
- ◆ SaskPower – a crown corporation since 1929 – pools distribution costs across the province and distributes them.
- ◆ Rural industrial customers pay a slightly higher but consistent rate that reflects higher service costs.
- ◆ Saskatchewan’s policy goal is to ensure predictable and affordable electricity pricing to support development across the geographically large and mostly rural province.

British Columbia:

- ◆ BC Hydro – a crown corporation that operates across 95% of the province – equalizes transmission and distribution costs across its entire service territory.
- ◆ BC Hydro acts as a single utility service territory, pooling its system costs and recovers them through standardized rates - all customers pay this same rate.
- ◆ The policy goal is to avoid regional disparities and ensure consistent and predictable electricity pricing that supports remote communities.
- ◆ This structure has been maintained since 1961 when the BC Electric Company and the BC Power

Alberta should establish a single, uniform residential distribution rate across all AUC-regulated utilities, one that is supported by internal equalization between service areas so that comparable customers pay comparable distribution charges regardless of where they live.

This approach would make distribution costs equitable across the province, to the benefit of both residential and industrial electricity consumers. The GOA can advance this model by developing an equalization framework that smooths cost disparities between high- and low-cost service areas and ensures that distribution charges reflect the reality of a shared provincial electricity network.

To move towards equitable distribution costs, the GOA could implement some temporary mechanisms to reduce cost disparities. Potential mechanisms include:

- ◆ capital cost buy-downs for high-cost rural distribution infrastructure (funded provincially and reflected in lower rate base for affected utilities);
- ◆ rural distribution affordability programs that provide credits or rate reductions for residential and small commercial customers in designated areas; or
- ◆ industrial–residential balancing within high-cost service areas, where large industrial users shoulder a slightly higher share of fixed distribution costs in recognition of their scale.

This approach builds on Alberta’s existing precedent of province-wide cost socialization in transmission through the ISO tariff and recognizes that distribution – like transmission – operates as part of a shared provincial network.



Call to Action for Government

To translate Resolution 8-26S into meaningful change, the GOA must take several concrete and mutually reinforcing directions.

Clear Policy Mandate

The GOA should codify an explicit provincial mandate that cements equitable electricity distribution pricing. This will ensure customers face consistent charges regardless of location and that the cost of Alberta's integrated grid is recovered through a uniform and provincewide approach.

This mandate should be paired with instructions to the Ministry of Affordability and Utilities to work with the AUC, AESO, UCA, RMA, and distribution companies to implement rate equalization and targeted support for high-cost regions.

Review of Distribution Rates

The GOA should also launch a focused review of distribution rate design. This would involve formal proceedings on distribution rate design and regional equity, with explicit consideration of provincewide or regional equalization models, targeted affordability measures for high-cost areas, and alternative rate structures that reduce the burden on rural and low-usage customers.

Improving municipal and consumer access to regulatory processes must be established as a prerequisite for fully operationalizing this policy. Without clear, accessible pathways for participation, the broader policy objectives cannot be effectively implemented. A review of AUC Rule 022 and related practices could help facilitate participation by municipalities or their associations where their evidence would materially assist the AUC to address provincewide equity issues. Collaboration with the UCA would also ensure that rural customers' interests are fully represented in these proceedings.

Pilot Projects

Any long-term direction could be tested through a pilot equalization or support mechanism. This may include piloting a rural distribution affordability program in the high-cost regions and modelling provincewide or varied but equalized distribution rates. Publishing the results of these pilots would support transparent, evidence-based decision-making that would guide the development of a durable and equitable pricing framework.



Final Word

Resolution 8-26S creates a timely opportunity for the GOA to move beyond ad hoc affordability measures and address the structural inequities in Alberta’s electricity distribution pricing. By setting a clear policy direction, leveraging the AUC’s established rate review processes, and drawing on proven models from Saskatchewan and British Columbia, the province can design a fairer, more coherent distribution pricing framework that supports rural residents, strengthens competitiveness, and reflects the reality of a single, shared provincial grid.