



ISSN 1181-6465

Legislative Assembly
of Ontario
Second Session, 37th Parliament

Assemblée législative
de l'Ontario
Deuxième session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 31 October 2001

Journal des débats (Hansard)

Mercredi 31 octobre 2001

**Standing committee on
estimates**

Ministry of Energy,
Science and Technology

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie, des
Sciences et de la Technologie

Chair: Gerard Kennedy
Clerk: Susan Sourial

Président : Gerard Kennedy
Greffière : Susan Sourial

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.

Hansard Reporting and Interpretation Services
3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 31 October 2001

Mercredi 31 octobre 2001

The committee met at 1543 in room 228.

MINISTRY OF ENERGY,
SCIENCE AND TECHNOLOGY

The Vice-Chair (Mr Alvin Curling): We resume the hearings for estimates on the Ministry of Energy, Science and Technology. We're just in the rotation where we come to the Liberals for 20 minutes: Mr Conway.

Interjection.

The Vice-Chair: Mr Hampton, I understand you had six minutes left the last time. Do you want to proceed with those six minutes?

Mr Howard Hampton (Kenora-Rainy River): Oh, yes, I want to use the six minutes. Absolutely.

The Vice-Chair: Let me just inform the committee that after Mr Hampton's six minutes, it goes back to the Liberals.

Mr Hampton: Minister, I wonder if you can explain something. Yesterday, when I asked you about certain documents, you said that they could be obtained at the legislative library. So we had one of our staff go to the legislative library, and the response we got from the librarian here was that they do not have those documents. The response was in writing. I wonder if you can explain your answer yesterday that those documents would be available here at the library when in fact the legislative librarian says they are simply not here, nor have they been here.

Hon Jim Wilson (Minister of Energy, Science and Technology): I also said in my answer that they're available at the Bruce library, which they are. I'll talk to the librarian if you like. When I was an assistant here for six years, they prided themselves on being able to get access to any library in Ontario, any material, and if they didn't have it, they'd buy it. As you know, that's the pride of the library upstairs. So if you had also told her that in my answer I said it's at the Bruce library, which I made clear, she would have been able to link with them—they have an interlibrary service—and probably get a photocopy of it, which you might have had to pay for.

Mr Hampton: We'll follow up on that too. I just want to be clear. The documents that we're searching for and that you have so far refused to table in the Legislature and refuse to make available to the public—

Hon Mr Wilson: Here's your copy.

Mr Hampton: —are in fact whatever studies were commissioned by the Ministry of Finance, the Ministry of Energy or the government in general relating to the Bruce Power agreement and relating to the move to an open market for electricity. So we'll look for those and you can be assured—

Mr Norm Miller (Parry Sound-Muskoka): It's right there.

Interjection: They're right in front of you.

Mr Hampton: We'll have a look at those documents later. I suspect those are the same documents that have been available, which do not lay out all of the details of this lease agreement, do not lay out all of the details regarding revenue etc.

Hon Mr Wilson: Here's a copy of Salomon Smith Barney's evaluation.

Mr Hampton: This is the same company that made \$7 million on the deal? You consider that a fair process: the company makes \$7 million on the deal and then they offer an opinion letter that says it's a good deal?

Hon Mr Wilson: I don't even know where you get this figure of \$7 million.

Mr Hampton: I'm sure this will all emerge in the fullness of time.

We also called Alberta yesterday, and the province of Alberta indicated that in 1996, before the Conservative government there began their process of an open market for electricity, the wholesale power price in the province was about \$20 per megawatt hour. They told us that today the average wholesale price this summer in Alberta was about \$130 per megawatt hour. Does that sound like a good deal for consumers to you?

Hon Mr Wilson: Alberta did not open their market to competition, in spite of what the media said. They only declared a market opening on retail in January of this year, and they're in the very early stages. Again, they fell into the same trap.

Minister West and I have been to many, many energy meetings together in each other's province when he was the minister—

Mr Hampton: A simple question: do you think it's a good deal for consumers or not?

Hon Mr Wilson: True competition is, but I've consistently said Alberta and California have had problems. Everybody in the world knows that, and they're in the process of heading toward a truer competition model than the half-pregnant model they started with.

Mr Hampton: In mid-June, the US Federal Energy Regulatory Commission—it's called FERC, I gather—unanimously ordered limits to wholesale power prices in California and 10 other western states until at least September 2002. In effect, they were saying they have to step in and do some re-regulating of what has been a dash to an open electricity market.

If an open electricity market is so good for consumers, why would FERC not only step in and regulate prices in California, but 10 other states as well?

Hon Mr Wilson: They felt, as a regulator, they needed to do that on a temporary basis. Ask them. I've been down to meet with them. We met with the chair of FERC under the Clinton administration, and I'm sure there are a lot of people in those states who want to know why they did it too. But they are temporary measures. I assume they were trying to bring some sense to some markets that had politicians like yourselves trying to set them up and muck it all up and socialize it and at the same time call it competition, and remonopolize it. That's not what we're doing.

The Vice-Chair: One minute.

Mr Hampton: I wonder if you could tell us what the wholesale power price in Ontario is currently per megawatt hour; in other words, the wholesale power price that OPG would be charging per megawatt hour.

Hon Mr Wilson: The deputy minister informs me it's 4.7—

Mr Hampton: Per megawatt hour?

Hon Mr Wilson: Per megawatt hour, \$47.

Mr Hampton: So it's in the neighbourhood of \$40, \$45, \$47 per megawatt hour.

Hon Mr Wilson: Yes. Which I showed you in that pamphlet yesterday, by the way.

Mr Hampton: I just want to confirm, get you on the record, that's all.

Hon Mr Wilson: It's not me on the record. Go look at the power prices. Ask any utility what they pay for power.

The Vice-Chair: Mr Conway.

1550

Mr Sean G. Conway (Renfrew-Nipissing-Pembroke): One of the interesting observations I think a person could conclude from the California experience, which has been quite interesting, is that both private and public generators and retailers of electricity were quite willing to kick the guts out of a market.

Duke Power comes to mind, who were offering hundreds of millions of dollars worth of rebates to the California consumer. Powerex, the trading arm of BC Hydro, as I recall, was quite willing to do the same thing. When you look at California, among the many things you see is that in a market that is starved for supply, both public and private players seem to be quite willing to take full advantage of their opportunities. It drives home the point, surely, that whatever we do, we better have one mean, rough, rotten and ruthless regulator because this is a game in which, a bit like water polo, there'll be a lot of kicking and scratching underneath the waterline.

Are you, Minister or Deputy Minister, satisfied that notwithstanding the improvements that were made in Bill 35, giving, as you have said, Minister, the regulator a new, expanded mandate and more resources and more teeth—do you think this regulator really has the resources and the resolve to referee the kind of WWF activity we saw in California?

Hon Mr Wilson: Again, we are not California.

Mr Conway: I know we are not California. I look at the Toronto Stock Exchange and read the Globe and Mail and say to myself—

Hon Mr Wilson: That's why the independent-from-government forecasts of supply that I mentioned yesterday are so important. We have a made-in-Ontario solution to a problem that didn't exist in California, when you have one company that's a monopoly, that's never had its prices checked against any type of competition or anything. We have the opposite: it has lots of supply; it's just not very efficient and it has a tendency to rack up a lot of debt. We think others can do a better job, so we are making room for others to come in. That's not what California and the others had to do, necessarily.

Mr Conway: That's why I raised the Enron story yesterday. You make a pretty colourful, interesting and occasionally highly selective case against the old Hydro. Then I look at the New York Times and I look at what was going on at Enron. Most of the charges you've made about Ontario Hydro in the bad old days, I'm reading in the financial pages of the New York Times as recently as this past weekend. The point is simply this: that's a big player. They've got themselves into some real trouble, in part because they're playing funny games with big dollars and big accounts. Apparently, it has the potential to significantly destabilize that market.

I'm absolutely convinced that this will happen more quickly in electricity than it will in a lot of other places. What did the American government have to do when long-term capital management got in trouble? Let me tell you, the first place the captains of competition went was to the New York Federal Reserve: "You'd better do something because if you don't, there is going to be a dramatic and negative effect in the market."

So my question again is, accepting that there is a rationale for competition in the marketplace, particularly on the generating side, we do know, not just from the American experience—look at Britain in the 1990s, particularly the Major government, but even more recently the Blair government. I don't follow that as carefully as I should, but I think I'm basically correct that it seemed that the Major government, the cabinet of the former Prime Minister John Major, about once every three or six months had to take a direct cabinet intervention in the marketplace because the market had this great propensity to re-monopolize.

I guess the question I have is, we've got big business, really important business, \$10 billion. Boy, I expect a business with that kind of cash and that kind of juice is going to attract a lot of people, a lot of creative people, both in a positive and a negative sense. I guess my ques-

tion is simply this: are you satisfied that we have the kind of referee with the resources and the resolve to make sure that marketplace is as free and as open as it has to be to meet the objectives that you have established for it, given what we have been told by a lot of independent analysts in the United States and in Britain, that this is a market and a commodity that has some behaviours that are very troubling?

Hon Mr Wilson: Well, I'm not an expert on Enron.

Mr Conway: Nor am I.

Hon Mr Wilson: In a general response to your question, though, we have some very good people on the IMO—you know that; you've met with them—and they have the added benefit of going after many jurisdictions have gone down this road, and you cited the UK yesterday. I think they're doing everything humanly possible to try and get the rules right, and that's why there's a board there. If the rules need to be adjusted from time to time—and the deputy can explain the market surveillance panel in detail—then that's why they're there, independent of government, to do what's right for the system, and not what any political party might want them to do at any particular time, which did happen, as you know, to Ontario Hydro when we were buying uranium at three or four times the world prices. We were using it as a social agency, which also helped rack up its debts.

With your indulgence, and not to be combative, the department of the assistant deputy minister for energy, Judy Hubert, did a little analysis of the New York Times article regarding Enron, and perhaps it would be of some use. It's not my analysis; it's the department's analysis.

Mr Conway: Sure.

Ms Judy Hubert: The key features we found that are coming from their issue is they've been hit by some unsuccessful ventures into water supply and marketing of broad-band telecommunications. What we did highlight is that Enron's failure would not disrupt any energy supplies, because they're only a trader and not a producer, in any significant manner.

Mr Conway: This is very good. That's very comforting. That's the best news I've heard in a long time.

Let me come back to this. Bryne, do you want to comment on this regulatory question? I don't dispute that the Hydro we got in the 1980s and 1990s was not a very happy situation; in fact, it was lot worse than most of us realized. One of the reasons I want greater transparency is, as I was saying to the deputy before we began today, I think if the Legislatures and the governments had known—we should have known, and we look pretty stupid for not knowing. I go back to some of the testimony that my friend O'Toole and I heard in that 1997 report. For those of us who've been around a while to be told or to be shown that through the late 1980s and well into the 1990s—you've got some very senior people at what we now call OPG, you've got the federal regulator, about to close several of these operations down—good people. On one occasion, I think in 1991, I remember a phrase something like “We're embarrassed and humiliated at our ongoing inability to fix this problem.” Let me

tell you, if that stuff had been on the front page of the Globe and Mail, or the Barrie Examiner maybe, something might have happened. I can tell you, there would have been a hell of a lot different kind of environment for the debate than there was. But most of us, naively, couldn't imagine that it was quite that bad.

What we did was we committed ourselves to a public utility that was going to be largely nuclear. By 1990, 60% of our installed generating capacity was nuclear. But what nobody ever talked about, I gather, was that when you've got a utility with that much nuclear, you can't take a strike, you surrender management, you can't run the thing, apparently, for a whole bunch of complicated reasons; you've got yourself a real mess. No question. But before we went headlong into that commitment, well and publicly endorsed, as I said yesterday, by big government, big labour and big business, with at least a couple of democratic sanctions—the one I remember specifically in 1981, I remember the centrepiece of a campaign that was very successful. I'm not complaining about that. In our system, that's important. But, boy, were we marketing goods the consequence of which we didn't seem to understand. So now, we're turning a corner. I accept all of that.

One of my questions to the deputy again is, given what we say we want to do here, do you think we've got a regulatory framework that is going to be tough enough and resourceful enough to meet the public-good objectives we've advertised?

1600

Dr Bryne Purchase: The short answer is yes, I do. I think this is a very crucial question, however, the whole issue of maintaining a competitive marketplace; an absolutely critical issue given that we're going to competition in this marketplace, away from the model of a self-regulated monopoly based on power at cost, and it determined what the cost was so that the consumer was ultimately completely at the mercy of that organization.

The new model relies on competition to produce efficiency. What's the regulatory framework around that? First of all, for the first time, ultimately it's not even a piece of provincial legislation, it's the federal Competition Act, which will govern competition in that marketplace. In addition to that, we have our own regulatory framework. The IMO has established a market surveillance panel, which is, I believe, a three-member panel, which is independent, obviously, of any of the interests in that marketplace.

Incidentally, the chair of that panel is Fred Gorbet, the former federal Deputy Minister of Finance and a PhD in Economics from Duke University.

Mr Wayne Wettlaufer (Kitchener Centre): Another professor.

Dr Purchase: He actually is a professor now at the Shulich School of Business. That's what happens to old deputy ministers of finance; they just—

Mr Conway: There were a couple of Nobel laureates associated with long-term capital management, too.

Dr Purchase: Yes. Certainly, there's no guarantee that an education will save you from mistakes of great magnitude.

The point I'm making, Sean, is simply to illustrate that there are people of integrity who have been in charge to undertake a surveillance function of behaviour in that marketplace, they are empowered by a number of rules in terms of access to information from all of the players—they can get whatever information they need in order to carry out their functions—and they're looking for inappropriate or anomalous conduct in that situation. If they find it and they make an annual report, and so forth—in terms of the state of competition and efficiency in this marketplace—they report it to the OEB and they can report it to the Competition Bureau, and the OEB has the power to modify or change licences accordingly and to fine, I believe, up to \$10,000 a day for contravening any—

Mr Conway: If I could just stop you there, Bryne. I know most of the people you're talking about, and they're very good people. I have a lot of respect for them.

But, again, if you look at the literature on this subject of regulating this kind of very dynamic market, one of the things you're told is it's very complicated and you've got some very big, well-resourced players, so that by the time the referee figures out that there's been some manipulation, the whole shebang has moved on to other things. Again, that's one of the reasons I found that Globe series on insider trading—I don't know anything about that stuff. I just read that and I kind of go, "Boy, early signals; very clear signals you'd think would have twigged somebody." It took a long time.

I remember 20 years ago the famous Greymac-Seaway fiasco. I'm sitting in this room kind of going, "These are smart people," and there were some bad cats that got into the pen and it turned out they did exactly what people said they were going to do; and they did it under our noses. They did it in one case in about two months' time, and, boy, did they leave us with a big bill.

In this case, let me use a very current example: I'm just a ratepayer. I'm an electricity ratepayer. I've been reading this stuff in the Toronto Star about direct energy, and I'm going to tell you I just shake my head. I know caveat emptor, and I won't bore you with Robin Harvey's piece of the other day, but she's got examples here. She may be wrong, but I'll tell you, the impression that was left at that end—and that, in a sense, is the easy end; that's just the easy stuff—is it's just the wild west out there, apparently. Hundreds of thousands of people have signed up for deals the contents of which they don't understand and won't understand until that painful day, Minister, when your market opens. Then, I suspect, all of us are going to have lots of phone calls.

And I read the Harvey piece; you've got some people—Mike Miller at one of the subsidiary companies to Hydro One—saying some very interesting things. You've got McKay at the energy board saying, "Well, yeah, it looks like there could be some code violations." I know you're not going to get all of these people, but having

played some sports, you'd think, "All right, I expect the referee is going to go out there and he's going to look for a couple of good cases and then throw the book at them." I don't get the sense that the book has been thrown at anybody.

If that is the case and I'm one of the cowboys or cowgirls, why would I change my behaviour? Help me with this, because there will be lots of people out there thinking that these well-educated, well-supported, good people in these referee functions are looking out for their interests. I have a feeling that when I get a few of these calls—I hope I don't get any, but I have a feeling I'm going to get some—irate people are going to say to me, "What the hell am I paying you \$80,000 a year to do? You told me that there was going to be some protection. You've got scam artists, some of whom actually work for companies owned by us." Should I be troubled by that, Minister?

Hon Mr Wilson: Yes, you should be. I don't disagree with much of what you said. Are you sure you're not a fly on the wall in my office? Actually, the deputy probably grew up in the same neighbourhood. I'm not the regulator. I don't phone the regulator regularly about individual details, because I'm the last guy in the world who's supposed to do that. You have more rights than I do. Having said that, I do make it clear in all my public pronouncements that we expect the regulator to do the very best he can. I think we are going through some growing pains now. The rules are being written. They're not all finished.

The fine regime is not Mr Laughren's fault. The fines haven't gone out yet, but that's in the final stages of being developed. Some of it is done, some of it isn't. They've been given a lot of work to do, as you know, and they're good people. Certainly in appointing Mr Laughren, not to put too much on his shoulders, it was very much part of the thinking of this government that he would understand the pressures that would come on the politicians when we go down this bold step because he served here for so very many years, and he would also be a great consumer protector because that was his public and private record for many years. So I think he and his people will do the best they can.

I don't like to hear, when representing the people of Ontario as the Minister of Energy for this point in history, that there are problems there. Certainly whenever I hear them, because I hear them too from time to time, I do bring that directly to the senior management and I expect them, on behalf of the government and the people of Ontario, to take corrective action. So I'd encourage you to phone—you know the numbers—but also let us know. With respect to the regulator, though, there is a process and we encourage people to phone there. The OEB has been advertising, and I think they're going to do the best they can to try and make sure that people are treated fairly within the rules that are established.

Mr Conway: I'll come back to this next round, but this business of utility regulation is very complicated. I've got a lot of respect for a lot of people, including

Floyd Laughren, but I've got to tell you, this is very detailed, complex work. I look at this and say to myself, this is the penny ante crowd. These are just the retailers at your door. Can you imagine what this must be like when you get the real sharks in the water, the people who have very well developed skills around much more complicated subject matter?

Back to that Globe and Mail article, the series last week, I've got some sympathy when you get very skilful people out trying to game the system, to misbehave. The literature is very clear on this, that there is a very great propensity in this electricity marketplace for people to abuse power, to game the system. There's a lot of evidence to suggest that a lot of regulation is ineffective because by the time they figure it all out, it is too late and the horse is long gone from the barn.

1610

The Vice-Chair: Thank you, Mr Conway. Mr Hampton.

Mr Hampton: I want to continue where I left off. You indicated yesterday that Ontario this summer, particularly during the months of July and August, because of peak demand, had to import power for Ontario consumers. Is that correct?

Hon Mr Wilson: Yes, sometimes we do.

Mr Hampton: Would you give us an indication in terms of the importation of power, how much would have been imported from Hydro Quebec or Manitoba Hydro and how much would have been imported from the United States? Do you have ballpark figures on that?

Hon Mr Wilson: Not off the top of my head, I don't.

Mr Hampton: You don't have any rough sense of it?

Hon Mr Wilson: I used to. I don't remember right now. OPG puts it in its annual report to the Legislature, and there's a dollar figure usually attached and a megawatt figure. I can't remember. The deputy has it here, just for the US, though.

Dr Purchase: What I don't have, Mr Hampton, are the numbers for last summer, but we may be able to get those.

Mr Hampton: I'd be interested if you could get those, please.

Dr Purchase: Let me just give you the ones over the past—

Hon Mr Wilson: If all 20 reactors were running and if you'd looked after them while you were in office, I wouldn't have to buy power elsewhere.

Dr Purchase: I can give you the numbers for exports and imports to the provinces and the US states—

Mr Hampton: I'm just interested in how much power you think Ontario imported from US jurisdictions this summer.

Dr Purchase: Oh, this summer. Well, let me give you the historical numbers from the US. In 1998, we exported 5.68 terawatt hours and we imported 7.81 terawatt hours. We were net importers of 2.13—

Mr Hampton: Just so I'm clear, terawatt hours, how does that work out in terms of megawatt hours?

Dr Purchase: I'm going to turn to the—

Interjection.

Dr Purchase: Yes, it's a billion kilowatt hours; a thousand million, if you can figure that out. It is an increment of a thousand.

Mr Hampton: So 7.81 billion kilowatt hours. OK.

Hon Mr Wilson: It is hard to compare apples and oranges. Some governments had 20 reactors running. Some governments—

Mr Hampton: That's good. That just gives me a rough ballpark figure.

Dr Purchase: These numbers change around. For example, in the year 2000 we exported more power to the United States than we imported. The net was 2.53 terawatt hours.

Mr Hampton: The important point is, as you emphasized earlier, the current wholesale power price in Ontario is about \$47 per megawatt hour. I understand that there's something called the Pennsylvania-New Jersey-Maryland power hub—I believe it is called PJM—where the wholesale price of power in a deregulated market this summer went to \$1,000 per megawatt hour in American dollars, \$1,500 per megawatt hour in Canadian dollars, and that Ontario Power, in effect, was purchasing power at that price. Fair assessment?

Hon Mr Wilson: Nobody talks about the hourly spikes. You talk in averages. We have the averages here for the period that we bought power.

Mr Hampton: Tell us what those averages were from the United States.

Ms Hubert: In 2001, for Pennsylvania, the average was \$45 in January, \$46 in April, \$51 in July, \$32 in September, and in October, to date, it is \$29.

Mr Hampton: You're saying that at the Pennsylvania-New Jersey-Maryland hub, the PJM hub, prices did not, on the spot market, reach \$1,500 per megawatt hour.

Ms Hubert: This is the average.

Mr Hampton: But I'm asking you about spot prices. I'm asking you a very specific question, so I want your answer to that specific question, please. I want your answer on the spot prices. What were the spot prices?

Hon Mr Wilson: Well, go look them up, if you're going to be that rude.

Mr Hampton: All right. We'll take it from our US authorities that the price went to \$1,500 per megawatt hour at the Pennsylvania-New Jersey-Maryland hub if you choose not to answer the question. I'm told that these spot market prices would have meant consumers would have paid 37 times more for their power than they now pay, that the cost of power for a typical Ontario residential customer on a single day, Thursday, August 9, would have been nearly as much as their current costs for an entire month under our still-regulated system. Do you agree with that?

Hon Mr Wilson: Spot prices go up and down. A utility's bill, though, would be the average of the spot prices in any given period of time. That is a function of the market.

Mr Hampton: So you think that Ontario consumers on August 9, paying for power that day in the same

amount they would pay in a month under a regulated system, would be a good deal for consumers?

Hon Mr Wilson: I'll let the PhD in economics answer that.

Interjection: Or the guy with the degree in theology.

Dr Purchase: Maybe that's more appropriate, to have a degree in theology.

Hon Mr Wilson: God bless you. Go ahead.

Mr Conway: Although he is sounding more and more Jesuitical.

Hon Mr Wilson: I apologize, Howard. I just have a terrible cold.

Dr Purchase: Mr Hampton, the hypothetical calculation that you made, nobody's going to say that if it were to happen in this province, that would be a wonderful thing. But the point is, first of all, people in the PJM did not pay that for a month on their bill. That was a price that was hit in a very small part of their market. The way their market is designed, that certainly would not have—

Mr Hampton: Would you agree with me that in terms of spot market prices—let's just take British Columbia Hydro. I'm told they were able to turn over revenue to the government of BC last year in excess of \$5 billion and it was all made selling power into the Pacific north-west of the United States based upon spot market prices that went through the roof. You could make a lot of money based upon those spot power prices, and consumers must be paying a lot of money. Otherwise, I don't know where the money would come from. Do you?

Hon Mr Wilson: I suspect a lot of the power wasn't sold through the spot market. The PX went bankrupt in California. A lot of it was direct deals and there are lawsuits pending all around.

Mr Hampton: Yes, there are lawsuits about manipulating the market, taking advantage of consumers, all those things.

Hon Mr Wilson: So the BC monopoly that you defend progressively went into—

Mr Hampton: You defend private monopolies. That's what you're going to do to Hydro One.

Hon Mr Wilson: We're going to have competition and no one will have a monopoly, too large a portion of the market.

Mr Hampton: Did you not say yesterday you would be in favour of privatizing Hydro One? So you're in favour of privatizing those revenue streams, not keeping them for the people of Ontario. That's your position.

Hon Mr Wilson: No, I think we would have better revenue streams if people ran them more efficiently and then there would be more money to give to government to pay off the debt, rather than just going down the sinkhole.

Mr Hampton: As I look at how you have restructured Hydro, the debt stays with the public and the assets go to your private corporate friends at bargain-basement prices. That was disclosed in the Globe and Mail the other day. So the Globe and Mail was wrong?

Hon Mr Wilson: Yes.

Mr Hampton: Where were they wrong?

Hon Mr Wilson: We believe the Bruce deal, financial advisers—

Mr Hampton: Is it true or not true that British Energy can walk away from the deal in a couple of years if they don't think it is financially as viable as they want? Is that true or not true?

Hon Mr Wilson: It's true, and they will pay a penalty of—

Mr Hampton: Is it true or not true that after a certain number of years—

Hon Mr Wilson: —\$175 million.

Mr Hampton: —British Energy pays less and less, in fact, for the lease of those facilities? Is that true or not true, Minister?

Hon Mr Wilson: Yes, because the deal is structured—

Mr Hampton: Is it true or not true that the public of Ontario have to pick up the costs of the decommissioning of a nuclear facility, costs that we don't know yet, and the public of Ontario has to pick up the costs in one way or another of the storage of the nuclear waste? Is that true or not true?

Hon Mr Wilson: That was true. The federal safety commission would not have given them a licence.

Mr Hampton: Is it true or not true that your government basically has said that \$20 billion of Hydro debt, debt that your government when you built Bruce, when you built Darlington, when you built Pickering—\$20 billion of that debt is not going with the assets; it's staying with the taxpayers and the ratepayers of Ontario. Is that true or not true?

Hon Mr Wilson: You know how it's been—

Mr Hampton: Is that true or not true?

Hon Mr Wilson: You know how it's been structured.

Interjection.

Hon Mr Wilson: No, he doesn't want to hear any answers.

Mr Hampton: No, I want an answer. Is it true or not true? Yes or no? I've heard your nonsensical lectures. Yes or no, Minister? Is it true or not true? It sounds like a great deal for British Energy. It sounds like taxpayers and ratepayers in Ontario get hosed.

1620

Hon Mr Wilson: Howie, do you know the first thing about how a company is set up? Do you know anything about business and how the world operates?

Mr Hampton: Yes, I worked as a lawyer out there. I do.

Hon Mr Wilson: I don't know who'd hire you.

Mr Hampton: I didn't spend all my life working as a cabinet minister's assistant. I actually did work in the private sector, Minister.

Hon Mr Wilson: Good for you.

Mr Hampton: Yes, I did incorporate companies and I did help them deal with issues like this.

Hon Mr Wilson: Well, then, why do you ask such silly questions?

Mr Hampton: I want an answer to the question: yes or no? Did your company take \$20 billion of debt and load it on the taxpayers and ratepayers of Ontario; and, in your view, is that a good deal for the taxpayers and ratepayers of Ontario?

Hon Mr Wilson: No, the taxpayers and ratepayers had \$38 billion. The companies took their appropriate commercial share of the debt, and what couldn't be serviced in a normal commercial environment is still left with the taxpayers. I figure they saved a hell of a pile of money because they've got a smaller stranded debt than they did. That's why the Star was wrong and the Globe—

Mr Hampton: I just want it on the record that the minister thinks saddling the taxpayers and ratepayers of Ontario with this debt while he gives a sweetheart deal to corporate interests on the lease of these facilities is good for consumers. That's what you're saying.

Hon Mr Wilson: No, obviously not.

Mr Hampton: I want to ask another question about California, and this is also by an economist who says that when you add up the full cost of failed electricity deregulation in California, the total cost to California consumers, government, industry, lost production, may actually approach \$100 billion.

Hon Mr Wilson: I don't know. Go ask California. We're not California.

Mr Hampton: It was Jim Wilson who said three years ago that California was the example to follow in electricity deregulation. I've got that in Hansard right here, if you'd like to see it. You were the one who said that. Do you think a loss of \$100 billion for California industry, consumers and government is a good deal?

Hon Mr Wilson: Are we, Mr Chairman, to allow members to badger the witnesses? I mean, what kind of crap is this?

Mr Hampton: Do you think it's a good deal, yes or no? Tell me.

The Acting Chair (Mr John O'Toole): Mr Hampton, respectfully, we've raised the tone a bit. Please understand—

Mr Hampton: Vice-Chair, I'd ask you, can the minister either answer yes or no to the question? It's not a complicated question.

Hon Mr Wilson: No, the minister is not answering any more of your rude line of questioning. I've answered your questions many, many times, and I've certainly—

Mr Hampton: Mr Chair, could the minister answer yes or no to the question, please?

Hon Mr Wilson:—and the people with me who work for the government, the civil service, don't deserve this.

The Acting Chair: He has the right to respond, and that's really the point of the—

Hon Mr Wilson: I also have the right to say nothing.

Mr Hampton: So you refuse to comment upon whether this is a good or bad deal for consumers in California.

Hon Mr Wilson: I have answered. I've said it's a good deal.

Let me read from today's press release from the Power Workers' Union, because they're so ticked off at your criticism:

"The following statement is issued by Don MacKinnon, president of the Power Workers' Union.

"Recent critics of the Bruce nuclear facility lease agreement with a British Energy-led consortium are failing to provide important information that bears on the true value of the transaction for Ontario's economy and environment. When you add up all the public benefits of the Bruce Power lease, it would have been a good deal for Ontario no matter what the nominal lease rates were. Here are the main benefits to the province of the continued operation of the four units now on-line and the planned refurbishment of two others:

"—Several thousand high-tech jobs for at least the next 18 years and possibly longer. This is direct employment alone and does not take into account the significant multiplier effect of the private sector industrial employment.

"—The continuing economic health of entire communities in the Bruce region.

"—A major boost to Ontario's high-tech industries and their employment levels to supply hundreds of millions of dollars of material and expertise to the project.

"—The tax revenues to the public treasury from all of the above positive economic impacts.

"—An improved environment since nuclear power produces virtually no atmospheric emissions. Millions of tonnes of emissions will be avoided.

"Nuclear energy is a global industry and British Energy is one of the world's most experienced and successful nuclear operators. The lease of the Bruce facilities was an important milestone in the creation of a stable and vibrant electricity marketplace in Ontario. They are enhancing the value of this important public asset to the benefit of the entire province. Critics of this deal should step back a little ways and take in the bigger picture. It's a lot nicer-looking than the one they've been trying to paint."

That's dated today and it's off Canada NewsWire.

Mr Hampton: I have another question for you. Somewhat regarded as the bible of American capitalism, the Wall Street Journal pointed out in a recent article that 22 states in the United States are either abandoning or stopping their move to deregulate electricity markets; in other words, to open electricity markets. As they say in their piece, they're doing it because what they have seen in California, what they have seen in Pennsylvania, what they have seen in New York, what they have seen in Montana does not bode well for them.

Can you tell me why something that is regarded as the bible of American capitalism would be reporting that 22 states are now backing away from open electricity markets, from the deregulation of their electricity market?

Hon Mr Wilson: No, I couldn't tell you in a simplified, short answer, that's for sure. The department does provide me and others as best we can with regular

updates of where the various jurisdictions in the world, including the states, are at with respect to the various stages of, some call it, deregulation, some call it introduction to competition.

Mr Hampton: You're the Minister of Energy for Ontario. Would it not make you think for a moment when the Wall Street Journal—something that you would quote much more often than I would ever quote—reports that 22 states in the United States are either backing away or are in effect suspending their move to open their electricity markets? Would that not give you cause to inquire, "Why? What's going on?"

Hon Mr Wilson: Yes, of course we want to learn from those jurisdictions. But 25 states have either completed deregulation and introduced competition—at least, 25 states have passed the laws to do so, as we've done in the province of Ontario, so there's more doing it than not doing it. As I've said, we read the papers too. In fact, our assistant deputy minister is part of one of the North American councils. We do our best to learn from the mistakes of others and to keep abreast of the energy issues around us.

Mr Hampton: California was one of those states that went to an open market for electricity. What would your comment be upon learning that the governor there has signed a bill creating the California Consumer Power and Conservation Financing Authority? The CPA will have broad powers to construct, own and operate electric generation and power facilities, and finance energy conservation programs. That sounds like re-regulation to me, and also a resort back to public ownership. You were the one who said California is the model we should follow. That's what you said three years ago. Now California is re-establishing public ownership and very clear regulation of the industry. Does that not give you, as Minister of Energy, pause to think?

Hon Mr Wilson: I think I've explained my views on California ad nauseam to you. You're the only one who ever asks me any more. Perhaps the deputy would like to make a comment.

The Acting Chair: One minute remaining.

Dr Purchase: Mr Hampton, the point is, on all of these models or experiments that you've pointed to that have gone awry, everyone has analyzed them in-depth. We've taken on board all of the suggestions. We know exactly what we're doing. We're going to open this market successfully. It will be a success, mainly because we are not going to make the same mistakes that were made in those other jurisdictions as they tried to get to this model. You have to remember, too, that nobody's suggesting for a second that the model that we had was ideal. In fact, it was one we couldn't sustain.

Mr Hampton: Which model?

Dr Purchase: The model of self-regulated power-at-cost monopoly, where all of the inefficiencies of that were too painfully evident.

Mr Hampton: Would you explain to me how the model that Ontario's moving to under your guidance differs from the California model?

Dr Purchase: In a huge respect. The California model went awry—

Mr Hampton: Structurally, how is it different? I think we all know it went awry, but I want to know structurally, the model that you're moving to, how does it differ from California?

Dr Purchase: First of all, they did not have sufficient supply in the marketplace when they opened the market. That was probably the single largest design feature. But they also didn't have a market.

The Acting Chair: With that, we'll finish this and move on. We move now to the government side.

1630

Mr Wettlaufer: Thank you, Mr Chair. I congratulate you for being in the chair. It means that we'll have an opportunity to ask questions on this side.

Minister, I'll try to be a little more friendly and give you an opportunity to answer this question, unlike the previous member who was asking questions.

There was a timely article, I thought, in today's National Post entitled "Coming Around to the Sun Again," on solar energy. It was written by David Stonehouse. It is pertinent to my riding because of a comment made by Ian MacLellan, the president of ARISE Technologies in Kitchener. He was suggesting that Ontario should change our regulations so that owners of solar buildings who produce surplus energy or extra energy can feed it back to the hydro grid; in effect, running their hydro meters backward. He told a legislative committee last month that net metering laws are vital to adopting solar energy and that in the US nearly 40 states already have such legislation in place.

I don't know whether or not this is practical. I guess I'm asking you if it might be practical. I'll give you a copy of the article if you don't have it. Would there be a reasonable timeline to do something like this if it is practical?

Hon Mr Wilson: I think Assistant Deputy Minister Judy Hubert was assigned to this portfolio back in the market design stages. She'd give you a more fulsome answer. The short answer is, it is possible, and effort has been made to communicate that recently as a result of the article and other articles and comments from business. Judy will fill you in on what it is all about.

Ms Hubert: The Market Design Committee felt that having net metering capability was a very important concept, because the key functioning of an effective market is based on supply. We all know the cheapest, cleanest and easiest electron to produce is one you don't use. From that perspective, it is really important that we have devices such as net metering to be able to put as much power on to the grid as possible. They also felt it is important to understand that net metering does have safety concerns. We have to be careful of labour, because if they do not know where the net metering is, as happened during the ice storm when the power was coming back, workers were getting hurt, because they were not aware that there was power coming back on to

the grid. They thought it was off. That has to be taken into account to ensure the safety is there.

On October 12, the OEB issued a statement confirming that net metering arrangements are permissible in the new competitive market. We are going to be seeing how they do this. There will be a lot of work to be done on it. But at least it is very feasible.

Mr Wettlaufer: What would be an approximate timeline? I don't even know if you can give me a timeline; if you could, what would be an approximate timeline for doing something like this?

Ms Hubert: There are already projects out there doing that metering. One of the key areas we need to be working on is that net meters are fairly expensive. As we move to the competitive market and people see that this is an opportunity, we certainly hope that on the science and technology side they're going to be starting to make these cheaper. It sort of goes to what the minister said previously with respect to telephones. As there are opportunities, you move from the old dial phones to now all our fancy little cellphones.

This is coming. What we need to do is get the market open, and then we will be able to focus on moving more of this forward, because the local distribution companies will have to be involved in this, as will the generators, the transmission companies and the distribution companies. Everybody is going to have to work together on it, but right now the focus is on opening the market.

Mr Wettlaufer: When you say that the meters are expensive, do you have any idea of the cost of these? Would it be something that would be used only for commercial use, or would it be feasible for residential use?

Ms Hubert: What's expensive is the interval meters that will tell you when the power is expensive on peaks. That's the expensive part. The net metering is somewhat less expensive. I misstated; the two different meters. My apology.

Hon Mr Wilson: The only place I've seen them yet is in fairly large establishments where they have what I call "power managers," but I don't know what the—

Mr Wettlaufer: So then you feel—

Hon Mr Wilson: I've spoken at conferences a few times. I don't know what all the different names are. The first time I saw one was four years ago when I was in Alberta at one of the big CP hotels—I can't remember which one it was—where Steve West, the energy minister, was to be the noon speaker and I filled in. That was my first week on the job; I really knew a lot. That was their IPPSA conference.

A fellow from the basement of the hotel said, "Oh, Minister, you should see this." He had a laptop. He was doing his hour by hour. He could break it down any way you wanted. He knew his prices in one set and knew his demand and knew the price that he was paying every hour for electricity. He was able to inform the kitchen, and other people who use a lot of power, to modify their behaviour to try to keep costs down. I thought it was amazing. He was very proud of it at the time. They had a

small generator set up outside that one of the entrepreneurial generating companies was trying to promote. Part of the demonstration was that they would turn on the generator and you could see his little laptop graph just go right up as more supply came in. It was pretty amazing. All that stuff is going to happen, but I think it will happen over time.

Ms Hubert: There are communities doing it. For example, Waterloo and Collingwood are doing it now.

Mr Wettlaufer: Waterloo is doing it? Really?

Hon Mr Wilson: Yes. It is a service that people will seek out as they get more price sensitive. We never had to worry about it. If you were a large industrial and you had different rates, then you had to worry about it in the past, I suppose, but the average person didn't. Certainly in the UK it was something that came along later, in terms of people being able to modify their behaviour to get the best energy prices. As the assistant deputy said, we've been trying to get the market open. All these possibilities are going to be available. There are some people, the people talking to you and talking to me, who would like us to put all the bells and whistles in it right now. You leave yourself open to the possibility of making mistakes if you try to take on too much at once.

Other possibilities, green power and all that, will come along in a much bigger way once we get the market open. You always hear about the environment and environmental portfolios and other bells and whistles that people want us to put in this market right upfront. I always say to them that Clinton was the one who announced it, and in eight years he never did pass a piece of legislation to put it in. That means that a certain amount of your power would have to be produced and available to you in environmentally friendly ways. All of that will be possible. We've tried to stick with opening as pure a market as possible in the beginning, and net metering and everything else will come along. It is not prohibitive, and that's the message we'd like to get out, so thank you for the question.

Mr Miller: I have one question, which originates out of my riding, Parry Sound-Muskoka. I was meeting with a window manufacturer in Parry Sound, Ross Windows. They were concerned—and I'm not sure what agency of Ontario Hydro it was—that Ontario Hydro is getting into their business selling windows and competing directly with them. They also had some concerns about how it was occurring. I gather people were going door to door doing direct sales to people. Part of the sales pitch was that they could pay for these new windows on their utility bill over time. They did make a point of showing me the Yellow Pages under "windows" in Parry Sound. It did say Ontario Hydro or one of the agencies. I'm personally concerned, especially coming from private business, especially coming from a business in my riding that's certainly concerned about government competing with private business, as a defender of private business, especially in my own riding. They also said that the sort of prices we're being charged by this company were much higher than the prices they charge for windows. As

I say, I'm especially concerned with some form of government competing with private business. Perhaps you could tell me about that.

1640

Hon Mr Wilson: It's an excellent question. Can I put a personal plug in too? I'm highly insulted when Mr Hampton says I've never been in business. My family has been in business all of my life. I balanced those books, did the bookkeeping and everything. I pumped gas when I was seven years old, and I resent the fact that, because I chose public life, I wouldn't know anything about business. I was raised on the knee of my father, who was a terrific businessman.

Interjection.

Hon Mr Wilson: I didn't know the difference between premium and regular gas, and I was pumping it.

Mr Miller: Certainly, Mr Minister, on this side of the room it certainly seemed that the leader of the third party was in fact badgering you and was not giving you much opportunity to give thoughtful answers.

Hon Mr Wilson: Having said all that, my statement of self-sympathy—

Mr Conway: I think in law we call this the sweetheart clause.

Hon Mr Wilson: No, but that's a good question that Norm has—

Mr Conway: I agree.

Hon Mr Wilson: —because people ask all the time, because we're allowing—municipalities would be a good example; Hydro One is another example, which to me is just a large muni with a million customers. If Mississauga and Toronto had gotten together, they'd be bigger in terms of the number of customers than Hydro One. You're not allowed to cross-subsidize your retail businesses; you have to keep it separate if you're selling windows, broad band or whatever.

Then there's the natural monopoly of the wires, and we don't regulate their retail businesses. We, through the OEB, the regulator, regulate the wires business. If they're losing money on the windows or trying to sell them as a loss leader—that's why I was pumping gas at age seven, because it was a loss leader for our grocery store to sell gasoline out front; we never made any money at it—you can't mix the two businesses.

So that's going to take a while because we've got 91 local distribution companies, most of them owned by municipalities. Hydro One happens to be one big municipality. As I said, if they had done even more amalgamations, there would be bigger companies out there than Hydro One wires and Hydro One retail. I think it's going to take a little bit of education and a little bit of getting used to. Municipalities wanted to get into business and some of them will do a good job of it, some of them won't.

I think with the municipal councils, the same with government as a shareholder in Hydro One, you have to be careful when they're coming to you to say, "We want to get into this retail business. We're not going to mix it up with our regulated business." They have to make

responsibilities that they're not going into money-losing businesses and saddling the ratepayers of their municipality. It's something they have to be very much aware of.

What I have done with Hydro One, though, because I hear the complaints frequently—and things like forestry, services that Hydro One still has a monopoly on because they were the only ones allowed to do it in the past, or they wouldn't allow anyone else to do it in the past under the old Ontario Hydro. We are encouraging the management and the board of Hydro One as a matter of government policy to be competitive. In those areas where your costs are well above market costs, they're working with their unions and working through the labour agreements and trying, if they can, to divest themselves of those because it is unfair competition in that sense.

One thing that really bothers me is, there was a hospital that I think an opposition member brought to our attention. They said, "We'll be out in"—it was a long period of time, several months. "It will be several months before we can hook your new transformer up to your hospital."

They have a monopoly on it right now because of the safety of the system and all that sort of thing. I said to them, "I've been at you for a long time. Why can't you certify the local electrician so that he can hook the big wire to the little wire? What makes you guys so special? That should be a competitive service. You could become the little regulator if you want to make sure that no one's screwing up your main transmission lines and so on as they hook things into the distribution system and then into the transmission system, but you don't have any God-given right to have a monopoly in that business. You don't have a God-given right to have a monopoly on forestry."

I tell you, I'm your greatest champion with respect to pushing management and the board, and I hope to be able to report to you on behalf of the people of Ontario shortly that they're making some positive moves in that direction.

But one thing I did learn that I didn't really appreciate was the complexity of the labour agreements that have been put in over many decades. The book is pretty thick and in fairness to everybody who's part of those agreements you have to work through these, but I'm confident in more recent times that management and certainly the board are cognizant of the fact that they're in some businesses that others could do better and more efficiently and should have the opportunity to do so.

Mr Miller: Switching topics, I've been noticing in the papers the odd time mention of the ITER project. It certainly sounds like an exciting project with lots of possibilities for huge employment gains in the province. I'm wondering if the Ontario government is supporting that project and what we're doing to try to encourage it to locate here in Ontario.

The Acting Chair: There are two minutes left.

Hon Mr Wilson: The project is the international thermonuclear experimental reactor. We are very sup-

portive. The Premier in 1996, I guess, a few years back anyway, indicated government support in terms of saying we would contribute \$10 million a year over the 30-year life of the research. That was done very early on. I think we were the first government that I was aware of and certainly the ITER representatives were quite happy that we came forward.

There's also a list here that perhaps Judy could elaborate for you in terms of what Ontario Power Generation has agreed to to try and win this international bid. I said recently at a function in John O'Toole's riding, where one of the preferred sites is, that this is the Olympic Games in research and we need to do everything possible to make sure we win the worldwide bid. Two hundred and fifty of some of the brightest physicists and minds in the world will come to work there and many will come to live here during the 30-year lifespan that it's expected the research will go on. That's the biggest reversal of brain drain that any jurisdiction could hope to have in one fell swoop. This project is well worth supporting and we did so at an early stage and continue to do so.

Mr Miller: Perhaps next time around we'll get to learn more about that project.

The Acting Chair: Starting for the Liberals, Mr Conway.

Mr Conway: I want to just pick up on something our friend from Bracebridge raised. I raised it with you yesterday, and I've brought the correspondence with me today, and that is, I was presented a few weeks ago—more than a few weeks ago now—with a number of independent electrical line operators, in Grey-Bruce actually, and they told me a story that was, sadly, almost predictably believable. In a nutshell it's simply this: that in this new competitive marketplace, what these small business people are faced with is two markets: a sheltered market controlled by Hydro One in which basically independents need not apply. They don't really like that, but they can understand that in a transitional period. What has them enraged, of course, is, guess who's now over on the other side of the fence eating the small independent's lunch? Why, our dear and good friends at Hydro One. They're not only there, but of course they're underbidding them, and why couldn't they? I've looked at the material; they seem to be sensible people. Small, independent business people enraged, saying that they're able, in the sheltered market, to operate on their own and certainly set higher rather than lower prices that, among other things, give them the opportunity to come into our market and underbid us.

For the record, Minister, can you just help me help these independent electrical contractors understand the fairness of this kind of market?

1650

Hon Mr Wilson: Well, where we would be concerned and the OEB would be concerned is if there's some gaming going on with respect to complaints of this nature with respect to the monopoly wires business. I'm going to ask Jay Young from the OEB to take you through, and

please keep in mind that we're at the early stages. Electricity was not regulated by an independent OEB in the past, Mr Conway, and we're trying to correct these problems by giving some teeth to the regulations.

Mr Conway: I understand all that. You can imagine, though, these are good people, some of them very well associated with your party, who say to me, "I thought this was supposed to be a competitive marketplace, at least part of it." When I heard their story, I thought, "Why doesn't this surprise me?"

Hon Mr Wilson: I hear that too, and I'm doing everything I can. We've put the laws in place to try to correct those things, and over time they'll be corrected. I'll get Jay to comment, if you don't mind, in a minute. But it's not in our interest to allow this sort of thing to continue to happen, so we're trying to clean it up.

Mr Conway: So beyond prayerful, good intentions, what have we got, I ask my friend from the OEB?

Hon Mr Wilson: While you were Minister of Energy, you didn't bring in an energy competition act to even this sort of activity.

Mr Conway: I was never a Minister of Energy.

Hon Mr Wilson: I'm sorry, I thought you were. My apologies. You should be sending your condolences to me. My apologies to you.

Mr Conway: I've only got 20 minutes, and I need my answer here.

Hon Mr Wilson: OK, Jay.

The Acting Chair: If you would state your name for the Hansard record, please.

Mr Jay Young: It's Jay Young, and I'm general manager of the Ontario Energy Board. Mr Conway, I think you're talking about Hydro One Network Services Inc. It's a non-regulated affiliate of Hydro One Inc. In addition to providing construction and maintenance services to Hydro One, it also bids on non-Hydro One network business.

Mr Conway: Right.

Mr Young: It's allowed to do that. Certainly, in setting up the regulatory framework, there was a recognition that there was the possibility of cross-subsidization of affiliates, and the board did put in place an affiliate relationship code that defines standards and requirements that must exist between an affiliate and a monopoly utility business. Specifically, it sets out a mandatory degree of accounting and financial legal separation between the companies, restrictions for sharing of services and resources so there is not cross-subsidization, limits on financial transactions between them and also rules for any transfer pricing, that they be on a fair market basis. In addition, for regulated distribution companies, private sector companies, we have a code called the distribution system code. It requires that there be mandatory alternative bid provisions. It allows all qualified private contractors to bid on any new construction work associated with a distributor, distributor customer connection and system expansion work.

Mr Conway: You're reading me the rule book. It's like the Harvey article. I know what it's supposed to be. I

don't want to spend too much time on this, but my friend from Bracebridge reminded me. I know what the framework is supposed to be about, and then I hear from people out in the field and they tell me stories. Unlike a lot of these bright, new people, I'm battle-scarred on this. I look and I see some habits and behaviours that look very predictable. I just don't want to see the temperance preacher falling out of the back of a saloon.

Hon Mr Wilson: Well, then, support us if we sell Hydro One. That's the only cure.

Mr Conway: Well, no. I'm just looking at what the—

Hon Mr Wilson: If the government continues to own the business, no matter how we set it up on a level playing field with a proper debt equity—

Mr Conway: But you didn't set it up on a level playing field. That's what's so outrageous. We gamed the rules in Bill 35. I don't blame the people of—

Hon Mr Wilson: We did not.

Mr Conway: We did.

Hon Mr Wilson: We did not.

Mr Conway: We did.

Hon Mr Wilson: We did not.

Mr Conway: Listen, I'm telling you, go back and look at the evidence.

Hon Mr Wilson: Go look at the capital markets. They gave those proper credit ratings.

Mr Conway: Go and look at what we did.

Hon Mr Wilson: Those companies were set up properly.

Mr Conway: Any one of us who's out there dealing with our local utilities—

Hon Mr Wilson: But as long as the government owns them, you're going to have—

The Acting Speaker: One speaker at a time, please.

Hon Mr Wilson: As long as the government owns them, you're going to always have the perception that it's the government's company.

Mr Conway: Jim, in the shadow of St Basil's Church, I want you to think about what you're saying. We have evidence.

Hon Mr Wilson: As long as the government owns them, there's always going to be the perception—we want to know about the reality—that, "The government underbid me because they're a big powerful company backed by the government." We don't back any of these companies either. They have their own boards. They take their own risks. They're companies. I think we should probably get out of this business, because you'll never get rid of the perception otherwise.

Mr Conway: I don't doubt that's the plan. I think the point was made yesterday.

Hon Mr Wilson: Who's championing that? Me.

Mr Conway: It's quite clear what Osborne said to us three years ago when we raised this very subject with him: in the business of hydro retail, it's big, getting bigger; it's either you eat somebody else's lunch or be prepared to be gobbled up by them.

Clearly, we are in a transition. There's no doubt about that. What really annoyed me—and this is a matter of

public record, and we had all kinds of testimony. Again, my concern about this is on the retail side, and in a moment I want to get to the critical questions of generation.

But it is scandalous, as far as I'm concerned, for the government, for the Legislature, to on the one hand say, "We're anti-monopoly; we want competition," and then to say on the retail side, "We are going to legislate, through a critical transitional period, a set of rules that are clearly going to tilt the game in favour of a bigger, not a smaller, hydro retail"—and I understand what you are saying—"for a period of time so that we can make it as big as possible and then float all or part of it." That's the game, clearly. But if that is the game, don't tell me that you're about temperance when you're really about drink. That's my concern.

Hon Mr Wilson: I'll tell you that because I just disagree with you.

Mr Conway: For 10 or 15 years there has been a good debate inside the Ontario government—

Hon Mr Wilson: You have a complete misunderstanding of the direction we're going in.

Mr Conway:—and elsewhere that there should be and there would be a consolidation in the retail sector. It was well known and well advanced. I remember in this room seven or eight years ago we passed that bill—I forget what it was called—to try to get a more orderly retail market. Then of course the players, the old Hydro and some of the others, just wouldn't play by the legislated rules. They just dug in their heels and nothing much happened. We really fixed that in Bill 35.

I'm not surprised at all to see this kind of behaviour. I'm a Hydro One customer. I understand there are going to be places in this province—every time I drive between Peterborough and Perth, between Kaladar and Dacre, I ask myself the question: whom do you suppose and which financial institution do you think would want to own and operate a utility out here? Not too many that I can think of. This is not as easy as it might sound, but when I meet these small business people and I see that and I hear my friend from Bracebridge say what he says, I'm not surprised.

Let me come back to one of my main concerns, and I'll start with the deputy because I don't want to get the minister too exercised. The key question in this debate has to be about generation. We've heard from the minister, and I understand what he's saying: compared to Manitoba, British Columbia and Quebec, Ontario looks pretty bad. To some degree, it does look pretty bad, because several years ago we ran out of our hydroelectric resources. Quebec, Manitoba and British Columbia have, relative to their domestic demand, considerably more of that resource. We went through fossil and then we made the massive, major commitment to nuclear 35 years ago.

It is fair to say that nowhere is it written that Ontario Hydro or the old Hydro-Electric Power Commission of Ontario was ever intended to be a monopoly generator. You can't show me that anywhere. In the beginning, what we know as Ontario Hydro was a provincially

sponsored transmission system that contemplated a mix of generators, and we had that for decades.

I always like to tell the story that the cost overruns at Queenston, Niagara, in 1916 and 1922 were precisely the same order of magnitude as they were at Darlington 70 years later. We own all kinds of what had previously been privately developed generation. I don't know whether anybody in the ministry—

Interjection.

1700

Mr Conway: We don't have time for that.

Hon Mr Wilson: I've read the same books.

Mr Conway: I hope somebody around that panel has read the book about Beauharnois, because it's a very cautionary tale.

One of the core policies in Ontario's energy and economic policy for the 20th century was energy self-sufficiency. That was a big part of the whole embrace of nuclear. There's just a tacit assumption that that doesn't matter any more, and I understand that.

Hon Mr Wilson: Energy self-sufficiency back then was that you were beholden to foreign banks for your bloody generation. So I don't know what kind of self-sufficiency that was. That's like the crazy notion of power at cost. It might make sense to some legislators. It never made any sense to me, because monopoly set the cost.

Mr Conway: Oh, I know.

Hon Mr Wilson: They're both silly statements, the way the system was run.

Mr Conway: Jim, I hope you're right, because you're being very—

Hon Mr Wilson: I know Hydro prided themselves on energy self-sufficiency.

Mr Conway: That's right.

Hon Mr Wilson: But I tell you, when you owe that much money, you're not self-anything.

Mr Conway: It didn't work out as intended. But my question to you is this: where's the generation going to come from? Yesterday there was a discussion here about reserve. We have 25,000, and we need 28,000. We're growing at 0.9%, according to the IMO, for the next few years.

I have a constituency which has about a dozen hydro-electric dams. You couldn't build any of those today. I'd love to see you try draping a big cement curtain across the Ottawa or the Madawaska Rivers. We built one as recently as 1973. Every time I look at it, I think, "Wow, can you imagine doing that?"

We're going to have to build thousands of megawatts. The tacit assumption of the current policy is simply this: that we are going to meet most of our new demand with gas-fired electric. Is that a fair assumption, Bryne, of what the basic assumption is? Give the minister a rest, Deputy.

Hon Mr Wilson: I think it's an observation. When people are making announcements about planned new generation, they're mostly combined cycle or natural gas.

Mr Conway: All right. Is there a piece of that that I'm missing? What else? Is it going to be natural gas? I'm not complaining about that. That does seem to be the operating assumption of most people: that a very large percentage of the new capacity is going to be gas-fired.

Hon Mr Wilson: Yes, some, but—

Mr Conway: The assumption is not "some"; the assumption is a very large percentage.

Hon Mr Wilson: The largest piece coming back on-line, though, is nuclear.

Mr Conway: That's right, but those nuclear plants—

Hon Mr Wilson: It will have the greatest effect on the market in the early days.

Mr Conway: But the average age of those reactors is probably over 20 years now, and certainly for some of those Pickering units, assuming a 40-year life cycle, we're getting into a period of time when we're going to have to start planning for replacement, presumably, and there are significant lead times required for most of these power plants.

Can you help me understand? From the ministry's point of view, looking as best you can into the short-term, intermediate-term future, by generating source, where do you see that future coming from? If you were doing a pie chart, Bryne, what would it be? Would it be 50%, 75% gas-fired? How much hydroelectric capacity do you see around? I see that we've got a fetching little windmill down at Pickering. Somewhere in the Ministry of Energy there's a study that was done some years ago that the only commercially viable wind power in this province is up on the James Bay coast, and for obvious transmission reasons it's not likely developable, but then I may be wrong.

Dr Purchase: I think, Mr Conway, that there are more wind sites, and we may be able to get you that information. I know there's a Wind Power Task Force looking at that. I believe there are at least perhaps five megawatts of wind power available in the province. Maybe it's even more than that.

Mr Conway: You would agree with me that gas is going to be big—

Dr Purchase: Perhaps 100 megawatts. In fact, I may have seen a number like 100 meg. That's minor. In the great scheme of things, when you're talking about roughly 30,000 megawatts of capacity available now, 100 megawatts or even 500 megawatts is not going to be—you're pointing to a really important issue, not over the next 10 years but certainly beyond 10 years. The question of the future mix of electricity generation in the province of Ontario is an important issue.

My guess is that we will renew the licences on the existing nuclear plants. There's no question that gas is going to—because it is an environmentally preferred fuel at this stage. Maybe coal will have sufficient research to overcome some of the problems associated with the burning of coal. Beyond 10 years, perhaps even sooner, although I doubt it, we are going to have to address this question of, where is the next generation coming from? It won't be just all gas.

Mr Conway: But my experience with the private sector in this business—I go back 10 years, and one of the questions I want you to think about is the NUGs, the non-utility generators, which 10 years ago were going to be a big part of the brave new world. The last time I heard—what are we counting?—about \$4 billion worth of the stranded debt is now the NUG account.

One of the things I learned in the NUG agreements, if you go back and look at that Beauharnois case, is that for anybody who wants to get into this business, it is capital-intensive. They need a couple of things. Boy, are they going to want some long-term contracts. They're going to have to get them to get the financing unless they are an Enron or a Duke, a big corporate player.

One of my questions is, we are expecting private players to come into this market and do a lot of things: make those investments, take those risks and save government harmless from anything that might go wrong, like it did with Beauharnois—great engineering story, fascinating story. The market went south. Poor old Bob Swezey was left holding the bag. He did what they'll all do. They will run to Sacramento, they'll run to Queen's Park, because it is about energy and electricity.

What I want to know is, what confidence do you have that you're going to be able to get the market in terms of new generation, given the risks that are associated with that and given the minister's oft-repeated claim that he does not want the taxpayer to be saddled with any of these obligations like the bad old days?

The Acting Chair: Just over a minute to respond.

Dr Purchase: The essence of the market is that the risk is on the private generator. The way they're dealing with that now, for the most part, is really clearly to build capacity which has relatively low capital costs upfront. It is gas, so that they immediately pass on the price of gas in the marketplace. If that particular fuel source goes up in price or down in price, the market reflects that. That's the strategy that's in the marketplace now. They're minimizing risk by building—you can build 500 or 300 megawatts of combined-cycle gas at a very competitive rate relative to other generation sources. That's one thing.

I wanted to correct the record. The potential for wind apparently, according to the Wind Power Task Force, is about 2,000 megawatts in the province of Ontario.

Mr Conway: The American experience on wind, however, is very clear that unless there are very generous tax incentives—using the American experience, Texas and a variety of places—it is a non-starter. If you look at the congressional debate around this, there are some very interesting things happening in the US with new wind capacity. But as I understand the literature, without very generous federal tax incentives, most of it wouldn't or won't happen. Is that your understanding?

Dr Purchase: I think that's true, but the discussion around net metering is a very interesting one. I think with some regulatory change and so forth, which we will get to in the fullness of time, you're going to get a lot more distributed generation in this marketplace. There are lots of those technologies which are going to be a lot more

important once people can effectively use the system, if you like, to store electricity when they're not capable of generating it.

1710

Mr Tony Martin (Sault Ste Marie): I don't have a whole lot of questions, but I want to come down from some of the bigger issues that have been discussed here with Mr Conway, and I'm sure the leader of our party when he was here, to focus on some local stuff for a minute.

I've been trying for a bit of time to get a meeting with you about an issue that concerns Wawa. I don't know if it ever got to you or not, but I've not been able to achieve it. I've been pushed off to the Ministry of Finance, suggesting that that's where it should be dealt with more effectively. It is a question of the change that was made in taxation for hydroelectric facilities. Great Lakes Power up in Wawa were given relief. Communities were promised that there would be a grant in lieu. I'm happy to say here today that they did in fact get their cheque. Mind you, it was quite a ways down the road and they had to finance a lot of their expenditure, which created some extra costs for them in interest with banking institutions.

I've been talking to them, and they're concerned about a couple of things; first of all, that they didn't get the same level of money they used to get from Great Lakes Power because apparently the property that transmission lines cross now is no longer counted. So they're losing some thousands of dollars to the community in property tax because of that. It is not significant if you look at a budget for a city like Toronto or Hamilton, but for a town like Wawa, where there are 4,000 people and they've been hit with the closure of Algoma Ore and the impact that has had, a shortfall of any money is really difficult on a community.

Since this bill was driven by your ministry and the change happened, if I remember questions asked or comments made by Mr Conway, in order to make for an easier transition to the private sector because there's no longer this requirement to pay property taxes by hydro facilities—it is impacting this community in a serious and significant way. First of all, they're not getting the money that they used to get for the transmission lines. They're short now because the cheque didn't come when they needed it and they've had to go out and finance. What am I to tell those communities? What kind of support should they expect from perhaps you in their effort to get what they were told they would get?

Hon Mr Wilson: I don't know. We are all shaking our heads. We don't know. You were well directed to go to the Ministry of Finance. I'm not familiar with those changes. I'm not trying to put you off. I don't even want to go down the road, because I don't even know what to say about it. We'd be happy to look into it for you. Somebody did mention to me you'd called—staff—and, “Did you call finance? They'd answer it.” But if you bring it in here, we will endeavour to look into it.

Mr Martin: I appreciate that. I'm sure that the municipal council up there will be happy to know that you are going to do that. I take you at your word that you will.

There are two issues here. One is the fact that it took so long and the financing that the municipality had to do to carry the load, given the other difficulties they are experiencing.

The second, and this is an important issue for them because it has long-term ramifications: if they're not recognizing the transmission lines any more as property that was taxed and they are no longer getting money for it, then that will be an issue that will need some looking into and some responding to, because they'll be short.

Hon Mr Wilson: I'm just wondering, why Wawa and not the other 450 municipalities? I don't have any complaints. Whatever we did tax-wise for transmission lines would have applied across the province. I do have to look into it, because I don't know what the particular problem is.

Mr Martin: I can tell you, maybe it is because of the other pressures on that community.

Hon Mr Wilson: I have small communities too, and I'm sure I'd hear about it, but I'll look into that.

Mr Martin: I don't know why the other communities wouldn't be coming after you about it. I know that Wawa didn't get that cheque until about a week ago, and I know they didn't get recognition in that of the transmission lines as something they used to be able to tax Great Lakes Power for. Great Lakes Power was always a good corporate citizen, paid their tax bill on time and covered the cost of transmission lines as well as everything else. The community didn't raise a big—as a matter of fact, I didn't raise a big hoopla. I don't know if you remember or not, but this was a battle that went on for quite some time.

As a matter of fact, it affected my own community as well, because there were some properties in Sault Ste Marie too where Great Lakes Power felt they were being taxed at a higher rate than they felt was appropriate. They took it to the courts and they lost. I remember, when we were government, meeting with the finance ministry on this issue and Floyd Laughren dealing with it. At that time, the ruling was that they were taxed in the right category. The downside of that would have been a tremendous hit to the communities and the school boards at that time in the Michipicotin area and also in my own city of Sault Ste Marie.

It was through discussions then, I believe, with your ministry around the bill that was passed that has us on the road we are now, with the deregulation of Hydro in the province, that gets us to a point where Great Lakes Power no longer has to pay those fees. Our community, or Wawa in particular, finds itself in some financial stress because of the issues I just raised, so I'll be happy to go back to that municipal council and tell them that you have given your word that you'll check into it and see what the circumstance is.

Hon Mr Wilson: Absolutely. You've more than piqued my interest, believe me.

Mr Martin: The other problem they indicate they're having as well, and this may be helpful to you in terms of dealing with perhaps some of your own small commun-

ities, is their fear that this foot-dragging that's gone on this year in terms of actually paying the bill will continue. What guarantee is there—in fact, in five or 10 years the government might just turn around and say, "We're not paying that grant in lieu any more." Any assurance you can give the communities—

Hon Mr Wilson: No. I just can't comment. I don't know the issue. No one on the ministry side even wants to guess, so you'd better let us look into it, Mr Martin, and see what it's about, because I don't know. As I said, they may have had some unique arrangement with the private company, Great Lakes Power, a franchise agreement or something we'd have to delve into that they were getting fees for or something. I don't know. I shouldn't even guess. So we'll find out.

Mr Martin: That's all the questions I have.

The Acting Chair: Thank you. The rotation will move to the government side.

Mr Wettlaufer: I'd like to pick up on something that Sean Conway jogged my memory on when he was talking about wind power and the only area in Ontario that it's considered sustainable, that being in James Bay. Four years ago, a parliamentary delegation went to Kiel in Schleswig-Holstein in Germany and we visited one of the world's largest manufacturers of windmills for wind-driven energy. Since that time, of course, we've seen numerous windmill operations set up in Alberta, in the foothills of the Rockies, and of course in several states this is taking place. But I recall at the time mentioning to one of the chief engineers there that it was unlikely in Ontario that we would have high enough winds to justify the investment it would entail to install these windmills. He scoffed at that. He said there's enough wind almost anywhere in the world to justify the investment. I wonder if you or the ministry staff would have any knowledge of that, whether that could be justified for commercial use or for residential use in Ontario.

Hon Mr Wilson: I'd make one comment, though. We have some very good people on OPG's board, and they're there to run it like a business. In fact, they've made significant progress in turning it into more of a business environment over there, and business decisions. When they build a windmill at Pickering, in partnership with the private sector, they don't do it lightly. There had to be a business case to convince the board that eventually this thing would pay for itself. It's the same with the investment they're making in the Bruce. You insult some of the best business people, the most successful business people, who came forward when asked to sit on the board, to think they didn't give proper scrutiny to these projects. We're not building them for social purposes; they're building them for business purposes. Part of that isn't always the bottom-line dollar case but also a slight mix of—they want to have green power to offer to customers, because the whole part about competition is to give people choice. People are going to demand more and more choice because of the environmental disclosure stuff this government has put in place. They're going to become more and more conscious of the emissions created in the production of the electricity they buy.

That would be my general comment, and then I know Judy wants to say a few words.

Ms Hubert: Yes, there are greater winds in the Rockies and on that western side; they are able to take advantage of those winds. However, we do have, on the leeward side of the Great Lakes, some good winds. The Wind Power Task Force is proposing to have their report out at the end of November, early December, which will be going through and highlighting for us what their analysis is on this whole wind issue. We're looking forward to seeing that report because they will be tying that in to the wind availability, the costs of putting up the windmills and just what they feel is needed in order to further advance this part of the industry.

Mr Wettlaufer: I wonder if I can change streams. If you don't want me to, you can say so. I'd like to talk about technology a little bit. It's a little near and dear to my heart, coming from Kitchener-Waterloo, the Technology Triangle of Canada. We have had tremendous technological growth in our area, high-tech companies like Research In Motion and Open Text and Descartes etc; it goes on ad infinitum. There have been some recent endeavours that I think we were going to take part in or did take part in, notably at Wilfrid Laurier University and the University of Waterloo. I know that Conestoga College has been trying to develop something. I wonder if you could comment on what we did there, in an encapsulated version so I could take that back to the riding.

Hon Mr Wilson: You're calling on my memory. I can remember that one of the earlier announcements at Waterloo and Wilfrid Laurier—we'll start in Waterloo while the director figures out what we did at Wilfrid Laurier. This was a couple of years ago that we made that investment in the challenge fund. Waterloo's a world leader in encryption for the Internet, which I didn't know, actually, until becoming minister. In fact, they've done work for US military and highly information-sensitive organizations around the world. I know we invested in an institute that they were establishing there. I would have to get my list to refresh my memory. Do you know? You were at most of the announcements.

Mr Wettlaufer: But I can't remember them either. I need something of an encapsulated version.

Hon Mr Wilson: The S&T side of the ministry is scrambling at the moment. As I said in my opening remarks, we've done over 300 tripartite investments with the private sector, good institutions like Wilfrid Laurier, the University of Waterloo and Conestoga College, and the government through the Ontario research and development challenge fund. There are quite a few programs. In total, since we established these initiatives, really over the last three years because we went through the government processes and getting people in place like Dr Cal Stiller and others to judge the research to make sure it was worthy of public investment and private sector investment, \$220 million has gone into the triangle area, and there's a whole raft of programs here which I'd be happy to provide you. It's a lot of stuff. You've given me

a great opportunity to brag about it. A lot of announcements have gone in from all our programs: PREA winners, Ontario research and development challenge fund, telecommunications access partnerships. In fact, when we announced its successor, that was at Waterloo with GeoSmart and Connect Ontario, because the city itself, in terms of its portal access to all the services, was very advanced and had taken advantage of the telecommunications access partnership fund in the early years of that. Again, I think it would be best to provide you with the list of grants and we could discuss any particular projects that might come to mind.

Mr Wettlaufer: I appreciate that. Thank you very much.

Hon Mr Wilson: I just wish I had such a good local member, because I can tell you in Simcoe county there hasn't been \$220 million worth of research money invested, or in Grey. You're fortunate. I think the great thing about Waterloo—

The Vice-Chair: About a minute.

Hon Mr Wilson: If I could just praise them for a minute—oh, I'd better let you guys—

The Vice-Chair: Correction: that was 11 minutes.

Mr Wettlaufer: It's OK. You can finish.

Hon Mr Wilson: They have created over 100 different spinoff companies. Really, we took a page from their book in setting up ministry programs, I think it would be fair to say, trying to encourage the commercialization of research, which they have done so many times in creating companies, and making sure, as I said, that public dollars were well spent. So you should be very proud of that area of the province, and I know you are or you wouldn't be the member. That's all I have to say at the moment.

Mr Miller: Following up on my colleague's comments to do with green power, I think in Ontario, and certainly in my riding of Parry Sound-Muskoka, green power, green electrical generation, is something that people are becoming much more aware of. The environment is something that people are becoming much more aware of. I'm interested especially in how the opening up of the electrical markets might affect green power and wind, solar. We were talking the other day about biomass producing methane gas. How is green power electrical generation going to be affected by the opening up of the electrical generation markets in Ontario?

1730

Hon Mr Wilson: It's a whole new era in terms of green power industry. Correct me if I'm wrong, but the green power industry or alternative sources of power—the committee would know better, for the committee members who are looking at alternative fuels, I would think—but it's a very small percentage of the old monopoly system that we inherited. I think it's about 1.7% or something of power. I always use the example that the fellow who had a windmill on top of Blue Mountain in my riding could never make a deal with Ontario Hydro to sell his little bit of power into the grid, even though he thought he was making a terrific contribution. They weren't interested. He finally did

make a little bit of a deal with the local distribution company, Collingwood utilities, and whatever he didn't use for his house and his gentleman farm he would sell into the grid. The way they did it was that they took it off his net metering; they took it off his electricity bill that he otherwise would have had to pay them for power that he used above what the windmill generated.

It's a whole new era. It's an excellent question. There already are investments that have been made. I talked about biomass the other day. I don't know why we're centred around Waterloo; I'm sure there are great things in Muskoka and I'll brush up on that shortly. I never saw such a great plant. You could eat off the floor. When we officially opened the city of Waterloo-Toromont Industries private-public partnership—and that's the one where they're taking the methane gas off the city's landfill. You wouldn't even know it's a landfill on the other side of that berm. It's amazing. They will produce enough power, when they're up to full speed there, for about 8,000 residential customers, 8,000 homes. Otherwise, that gas would have just gone up in the air and hurt the ozone and been bad for climate change.

Mr Miller: That certainly sounds like a win-win situation. Is that actually an economic project? Is it going to pay for itself?

Hon Mr Wilson: I think it is. Certainly when you had the peak in natural gas prices, free methane looked pretty good—relatively free. That one's a go. They've had a few problems in Sudbury with distributing energy in terms of making a go of some of those projects, but the long and short of it is—and I'm sorry I'm sort of choppy at the moment but I'm dying of a cold. I would just say that it's a whole new era. The act has been written that nothing is prohibited at this point. If you can pass our tough environmental standards and get a licence to generate electricity from the regulator and one to get that electricity to your customers, then anything is possible.

Mr Miller: So there's a lot more opportunity for green power, for smaller operators, than there was in the past.

Hon Mr Wilson: Absolutely. I invite people to go to the Web sites. There's rather an incredible amount of projects. Of the \$3.6 billion, we listed all the announcements to date, and you've got biomass-wood waste, Thunder Bay, by Boralex, hoping to produce 22 megawatts—rather large. Let me just do the ones that are biomass—KMS Peel, Brampton, 2.3 megawatts, a \$25-million project. By the way, the biomass-wood waste project in Thunder Bay is \$35 million.

A wind farm by OPG, as you know, was part of it getting ready for the competitive market, a \$15-million project up in Kincardine; the \$3.5-million Pickering windmill; Otonabee Hydroelectric power in Peterborough, 100 megawatts, combined-cycle natural gas is 50 megawatts, and biomass is another 50 of that.

Landfill gas again in Suncor/Conestoga-Rovers, Brantford, a \$6-million project; biogas, Toromont Canada, composting in Newmarket, 1.6 megawatts; some natural gas, Waterloo and Toromont Industries—again,

the combined capital value of their landfill gas there is about \$12 million; wind, again by the Toronto Renewable Energy Co-operative—a \$1.3-million investment times two, because there are going to be two projects; TransCanada Power Services in Hearst—a \$120-million biomass project for 35 megawatts; Vision Quest in Prince Edward county—a \$50-million project for a 30-megawatt wind farm.

The simple point I would make is this certainly wasn't encouraged in the past. I have said on occasion, and I'm technically wrong, that it was almost illegal because if you aren't part of the clique—what did the president who stepped down call it? What was his name? Who was that? Anyway, if you weren't part of the electricity generation clique in this province called the old Ontario Hydro, they didn't want to see you and they sure as heck weren't going to let your electrons on their wires.

Mr Miller: Would there also be cases where industry ends up producing electricity—they're in the business of producing something—and they end up producing electricity as a by-product that they can now sell under the system? Is that something that's more possible now with the markets opening up where there might be I don't know what kind of industry, but maybe Alcan, which uses a lot of energy in producing aluminum, might be able to sell power back into the system or other manufacturing plants that also end up with excess energy that they can sell into the system? Is that something that's easier to do now?

Hon Mr Wilson: A good example of that would be in terms of cogeneration possibilities at the Sarnia plant. TransAlta's building a \$450-million, 400-megawatt—have I got that backwards?—plant that's well on its way. It's not the only one that's been announced, but they're building. They are in business with seven petrochemical companies down there, and they will use some of the fumes coming off the petrochemical process to combine that with the natural gas and burn it to heat the water to run the turbines. They're very excited.

As we go around the province, we don't have the naysaying that one particular political party keeps doing in the Legislature, which might tell you why they're at less than 10%. People are very excited about the possibilities. Really your imagination is the limit in terms of the technologies and that that will come on-line.

Mr Miller: It's very exciting and I'd better pass it on to these guys here, my cohorts.

Mr Frank Mazzilli (London-Fanshawe): I just have a couple of minutes.

The Vice-Chair: One.

Mr Mazzilli: One minute. I guess I will make it short. I want to thank you, Minister, for coming to London and taking the initiative for the biotech incubator, along with some other investments. We're all there for those types of things and probably this is something—do we have time tomorrow?

The Vice-Chair: Next Tuesday there's lots of time.

Mr Mazzilli: Next Tuesday. Perhaps if I can just ask: it would be nice to know, as members of this Legislature,

what discoveries are made with some of those investments, whether it's the Premier's research funds, the Lawson Research Institute, the biotech incubator. It would be nice to know. I know a lot of it is research money, but how much better off are we today for these investments than we were yesterday? If at some point we could get an update, that would be great, and I will stop with that comment.

The Vice-Chair: Yes. I know the minister will take this on notice and then, of course, on Tuesday respond to that.

We'll now go to the Liberals.

Mr Conway: Minister, does it concern you that our company, OPG, is getting into the wind business to the extent they appear to want to get into it?

Hon Mr Wilson: No.

Mr Conway: It doesn't concern you.

Hon Mr Wilson: No, given that it's not the taxpayers backing their investment.

Mr Conway: Well, the shareholder, but independently operated. The reason I say that—I mean, again, the green power point that's been made, there's no question there's a market out there; how much of a market, who knows? The evidence seems to be clear that to get a lot of this green power up and running you need very attractive incentives.

1740

Byrne, am I wrong? Do you guys read that differently than I do? Again, there has been lots of stuff written in the United States in the last year about some quite dramatic developments that appear to have occurred with wind. You know, we were into the wind thing 20 years ago, and it didn't go any place. Now we're into it a new round of it and it seems to be actually happening, a substantial capacity. I didn't bring the list. I think Texas alone is about 2,000 megawatts either on line or coming on line. But my memory of reading the material, and there was lots of stuff, is that virtually everyone on both sides of the fence said, "Without ongoing significant tax incentives, this stuff is not going to happen."

Is that your understanding of the American experience and does that give us any kind of indication of what might be required to get it up and running here?

Hon Mr Wilson: Yes, exactly. It's a very good example. The way I've dealt with it to date is I have not ruled out anything. In the future, if a government down the road wants to give greater tax credits to a particular green energy, then they can do that.

Mr Conway: In fairness, the American experience is national, federal tax incentives, not state and local.

Hon Mr Wilson: Yes, I know. I have been to about three major wind farms in the United States and they are very impressive. I would also note that much of the technology comes from Ontario. The new lightweight blades that will move with less wind are made in Ontario.

Mr Conway: I am personally very concerned and skeptical—not about wind power. I hope it works. I hope a whole bunch of this green power works. I expect a goodly number of people are going to want it and they

will be willing to pay a premium price for it. But I've got to tell you that when I hear that OPG is getting involved, I get very worried, because quite frankly the evidence of the last few years is we simply could not operate what we had. I'm not interested in encouraging—

Hon Mr Wilson: That's the mindset prior to establishing them as new companies. We're not backing them any more. They take their own risks. We're trying to run them like businesses. I can tell you that they're not making willy-nilly decisions. They're investing in the company. While they are obligated by agreement with the government to vacate the dominant position in the domestic market, our vision has been to not let them wither on the vine either, but don't give them an artificial hand up.

Mr Conway: Minister, I understand what you're saying but, God, I hope we've learned something. One thing I know for sure is that for as far as I can see, Her Majesty in right of the Ontario government is going to have a very real significant stake in Ontario Power Generation. As long as that is the reality—I'm not going to complain about that, because I envisage a marketplace in generation where there are a number of generators. To get a competitive marketplace you're going to need at least four or five significant players in an environment this big. I have no problem with OPG being one of those players, being a significant player.

I expect that we're going to have, as we've had for decades, private operators like Great Lakes, like Gananoque Light and Power, and a variety of others. If you're going to have a marketplace, you're going to have a marketplace, and you've got to bring new people into that market. I presume that a number of public utilities are going to want to get back into generating electricity, as they did for many years before we went Ontario Hydro monopoly some decades ago.

But I've got to tell you, I am very concerned, on the basis of past experience with OPG. When I saw Minister Witmer, I thought, "Isn't this perfect? Here it is again, another minister, another photo op, a great big something or other," and on that day of course the wind didn't blow. I thought maybe there was more in that little image than I want to understand.

My other questions have to do with the market in this sense. Somebody mentioned earlier the environment. Let's talk a little bit about that. What I want to know is, how does this market, as you see it, properly calibrate and factor in environmental considerations? For example, in the short and intermediate term one would not have to be Albert Einstein to come to the conclusion that cheap coal from the Ohio Valley is a relatively fast way to get electricity. The problem with that of course is it produces some not very nice side effects that people like the Ontario Medical Association have warned us about.

What specific measures would you say to the general public that your department and your government will have in place when this market opens, presumably in six months, to ensure that the people particularly of the Golden Horseshoe are not choking and gagging on air

that is increasingly polluted with fossil-fired electric plants?

Hon Mr Wilson: It's not true that it's increasingly—we've spent over \$2 billion in our time in government improving the air quality at our plants. We've made the commitment to convert Lakeview. We are a small percentage of the smog problem, but we were the only industry that actually had to report, that was capped, with the announcement of last week from the Minister of the Environment. You'll now be able to compare industries in this province and it won't all fall on the shoulder of the five fossil fuel plants.

Most of the smog problem in Toronto comes from automobiles and it comes from the United States. We're less than 10% of the problem, but we get 100% of the blame.

You mentioned the Ohio Valley. There are 205 coal plants versus our four and a half—or four, I guess; Lennox is natural gas and oil—in our air shed. You fly into the airport as often as anyone, and—

Mr Conway: No, I don't, actually.

Hon Mr Wilson: You might have at one time in your life. Maybe you're just completely blind to the whole thing, but the fact of the matter is you can see the prevailing winds. When Lakeview is running it's going across the lake and up the other side of the lake with the US smog coming up. Also, our emissions—

Mr Conway: My question is a specific one.

Hon Mr Wilson: It's very specific. Those are specific measures. We have said as a government, and measures were introduced, again, last week by the Minister of the Environment to bring in the toughest emission standards in North America for those plants. I'm so grateful that the Environmental Protection Agency keeps making speeches, but Mr Clinton didn't pass any legislation during his eight years. So we have said—the Premier has said it, it's the policy of the government—if that's the belief out there, we will meet or exceed anything that the EPA throws at us. They may be a while yet before they do anything, but we're actually doing it. As you know, SCR scrubbers were also announced as part of the announcement last week to make a further improvement, and then there's the Drive Clean program.

To make it absolutely clear, because one of our principles of the market opening that has to be met in environment, we're putting in place the toughest regime in North America for electricity production. We have the cleanest electrons as a mix. A lot of that has to do with a practically zero-emission nuclear plant.

The fact of the matter is that when I go to these conferences, people don't say in the room what they like to say in the media. They realize that our emission standards are the toughest. They just got tougher, and we'll continue to do that because we care about the air quality in this province.

Anyone who wants a licence to generate electricity is going to have to meet the tough new standards—note speeches given by some bureaucrat at the EPA—standards that are being introduced in legislation in this

Legislature that will hopefully be passed by this Legislature.

Mr Conway: So it is your submission to this committee that going forward the rules already announced will be sufficient to ensure that any existing or new entrant into that marketplace will have to produce electricity against the backdrop of the most rigorous environmental protection rules in continental North America?

Hon Mr Wilson: That's the direction we are headed and we think—

Mr Conway: That's not the direction—

Hon Mr Wilson: I'll put our electrons against anyone's in North America.

Mr Conway: I'm reading the fine print here. What's the policy here?

Hon Mr Wilson: That's the policy.

Mr Conway: The market is going to open next May; next spring, let us say. If I'm the ABC Electrical Generating Co and I'm looking at the Ontario market, do I now know all that I need to know about the standards that I'm going to be required to meet?

1750

Hon Mr Wilson: The good news is—

Mr Conway: The answer to that was yes, in detail?

Hon Mr Wilson: You know all the standards? You have—

Mr Conway: No, this is not a trick question. I just want to know the rules.

Hon Mr Wilson: They've been posted on the EBR, the environmental registry. We've had a couple around, some of them. Environmental groups, government, the private sector: we've been meeting for the entire time I've been minister, constantly. The Ministry of the Environment has been doing their part to improve the sector. We've also been spending the dollars.

Mr Conway: What is the current plan at the Ministry of Energy for the disposition of the wastes that are generated at Darlington, Pickering and Bruce NGS?

Hon Mr Wilson: The ministry has to be guided by the federal government on that. I wouldn't pretend to think what they're doing about it in Ottawa.

Mr Conway: But if you met a constituent on the main street of—

Hon Mr Wilson: I always tell them there was a proposal—I don't know why the federal government won't approve it—to deeply bury nuclear waste. It had been approved and passed the federal environmental assessment but they didn't have the political courage to do it. The same thing happened in the United States on a Colorado mountain. They were hoping Clinton would do it on his way out, and he didn't want to do it either. So I don't know how many environmental assessments and how many decades you have to go through this.

Mr Conway: Just calm down; the question is a straightforward one. We operate the biggest nuclear system in the country. We are generating a very substantial amount of nuclear waste. Going forward, we certainly plan to rely on those baseload plants to carry a

very substantial portion of the load. So my question is a simple, straightforward one.

Hon Mr Wilson: And I gave you an answer, period.

Mr Conway: So it is the plan or the expectation of the Ontario Ministry of the Environment that the federal government will move forward with a—

Hon Mr Wilson: It's not our call, Sean; we'd have done it. It's the federal government's call. It's the government and the regulator. I'm just giving you my opinion on it, which is all I can legally do.

Mr Conway: Can anybody in the panel there give me a late report as to what the current thinking, as you understand it, of the federal regulator and the federal government is on that matter?

Hon Mr Wilson: The federal government has gone out and set up a nuclear waste management board or whatever they're calling it now. The deputy will fill you in. Ralph Goodale gives me his personal assurances that this isn't just another bunch of road trips for another couple of decades, that they will eventually come to a conclusion. I suspect they'll come to a conclusion very similar to the one that preceded my time as energy minister. But there is a process in place. They did bring in a new act that put that process in place, and more power to them, because I think people want to know there is a solution. I would say we're not unique in the world. More and more plants are being built all the time, as you know. Japan and China and other parts of the world are in the same boat. That's probably all I should say about it.

Mr Conway: Can I move quickly? There's very little time. I appreciate the answer.

I want to move quickly to a couple of final items. One, the non-utility generators: can the deputy or someone there give me an update on what the current state of affairs is with the so-called NUG account?

Hon Mr Wilson: I can tell you the general policy and I think fill in the details.

Mr Conway: One of the things that astonished me, when we looked at those dead assignment numbers a few months ago, was that there was a figure that I think was something in the neighbourhood of \$4 billion to \$5 billion assigned to the so-called stranded debt account because of the NUGs. I've been hearing through the grapevine that there have been interesting debates going on between the owners of the those NUGs and Her Majesty's government, through the Ontario Electricity Financial Corp. Since that was something of a panacea 10 years ago, after being around a while, just every 10 years you get the chance to look back on the last round of unalloyed goodness. This one certainly appears to have laid a few eggs along the way that weren't advertised. Just for my information, could somebody give me an update as to what the current situation is? How are we showing that on our books today? What kinds of negotiations that you could comment upon have been going on? What, if anything, have we learned from the NUG experience?

Interjection.

Mr Conway: That's a serious question because, boy, we're a bunch of generalists on the jury and we're buying a lot of good faith here. This was the good faith of 10 years ago and it turns out to be something other than advertised.

Hon Mr Wilson: I'm going to give you the general policy—no. You go ahead.

Dr Purchase: I think the NUG contracts are really a good example of what was wrong with the old system that we were involved in, where the government ran the monopoly and the monopoly entered into contracts with generators that were clearly, by anybody's standard, perhaps even then but certainly in retrospect, way too generous. The reason we have stranded debt associated with those contracts is that under just about any forecast of future prices of electricity in Ontario, these contracts would be in excess—

Mr Conway: But am I right on that? Is part of the problem that they were overly generous? The only way those developers could get financing was fixed, long-term contracts with a utility, but particularly a big one. Is that a fair statement?

Dr Purchase: Historically? Because you couldn't sell power to anyone except Ontario Power Generation.

Mr Conway: What I remember about the NUGs is people saying to me—because I talked to a number of these; some of them were bigger than others. Invariably they said, "The financial institutions won't talk to us unless we get a long-term contract from Hydro." In that sense, it was Beauharnois 50 years later. The banks just wouldn't look at those. The reason I'm interested in the NUGs is that they were small and it was then. The assumption today is that we're going to have new players who are going to be able to go to the financial institutions and answer those questions without anybody from big government signing on, directly or indirectly. That's why I'm interested to know, am I right in remembering that that was a real issue, that they couldn't get the money to develop the projects from the financial institutions unless and until they got long-term contracts? It was those contracts they took to the bank.

Dr Purchase: I have no doubt that the banks would prefer such contracts. But I honestly don't know whether everyone was in that situation where they had to get a long-term contract, otherwise they couldn't develop the generation capacity. My understanding is that some of the generation capacity was already there and devoted to other purposes and then became available to Ontario Power Generation.

Mr Conway: And the current status of the NUGs? We've got about \$4 billion in stranded debt. How is that being managed, generally speaking?

Dr Purchase: There are a number of features to those contracts that don't make sense in a market environment. They refer to some features that are going to be history now with respect to the relationship that these non-utility generators had with the old Ontario Hydro. So there have to be and there are ongoing negotiations with those contractors to get changes to the contracts. The government is committed to honouring the contracts, but there are

some details, perhaps even more than details, that need to be ironed out.

Mr Conway: Last question, because my time is out, and I appreciate the answers: somebody here earlier today was talking about the Wall Street Journal. I was really struck by an article this summer in Barron's called "Too Much Power?" I don't know whether anyone has seen this; it was August 6, 2001. It was a very lengthy article. The position is put that a lot of this merchant power that's being talked about is not going to be built. Again, what comment do you have at the ministry level, looking ahead over the next few years, as to what likelihood there is that there's going to be excess capacity on our borders and places like New York and New England and Michigan?

The Vice-Chair: A very short comment, because your time is nearly up.

Dr Purchase: I think certainly in the Michigan market and related areas, ECAR I think it's called, there looks to

be developing a surplus or excess supply. In a number of US markets, people have rushed in as a result of high prices or anticipated high prices, and suddenly prices are going down dramatically in those markets and probably will go down dramatically. Even in California there's been a substantial addition to supply in a fairly short period of time. Coupled with conservation measures and some good weather, they have a much-improved supply situation there as well.

My sense of the marketplace is that a lot of people are beginning to have second thoughts, if they have not already put the shovel in the ground, given the current economic climate and so forth. Those are more iffy projects, if you like. Anything with the shovel in the ground is most likely going to go ahead.

The Vice-Chair: Thank you, Deputy. We stand adjourned now until Tuesday.

The committee adjourned at 1800.

CONTENTS

Wednesday 31 October 2001

Ministry of Energy, Science and Technology E-253

Hon Jim Wilson, Minister of Energy, Science and Technology
Dr Bryne Purchase, deputy minister
Ms Judy Hubert, assistant deputy minister, business planning and corporate services division
Mr Jay Young, general manager, Ontario Energy Board

STANDING COMMITTEE ON ESTIMATES

Chair / Président

Mr Gerard Kennedy (Parkdale-High Park L)

Vice-Chair / Vice-Président

Mr Alvin Curling (Scarborough-Rouge River L)

Mr Gilles Bisson (Timmins-James Bay / Timmins-Baie James ND)

Mr Alvin Curling (Scarborough-Rouge River L)

Mr Gerard Kennedy (Parkdale-High Park L)

Mr Frank Mazzilli (London-Fanshawe PC)

Mr Norm Miller (Parry Sound-Muskoka PC)

Mr John O'Toole (Durham PC)

Mr Steve Peters (Elgin-Middlesex-London L)

Mr Wayne Wettlaufer (Kitchener PC)

Substitutions / Membres remplaçants

Mr Sean G. Conway (Renfrew-Nipissing-Pembroke L)

Mr Howard Hampton (Kenora-Rainy River ND)

Also taking part / Autres participants et participantes

Mr Tony Martin (Sault Ste Marie ND)

Clerk / Greffière

Ms Susan Sourial

Staff / Personnel

Ms Anne Marzalik, research officer,
Research and Information Services