



ISSN 1180-5218

**Legislative Assembly
of Ontario**

Third Session, 37th Parliament

**Assemblée législative
de l'Ontario**

Troisième session, 37^e législature

**Official Report
of Debates
(Hansard)**

Thursday 20 June 2002

**Journal
des débats
(Hansard)**

Jeudi 20 juin 2002

**Standing committee on
general government**

Reliable Energy and Consumer
Protection Act, 2002

**Comité permanent des
affaires gouvernementales**

Loi de 2002 sur la fiabilité
de l'énergie et la protection
des consommateurs

Chair: Steve Gilchrist
Clerk: Anne Stokes

Président : Steve Gilchrist
Greffière : Anne Stokes

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
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Thursday 20 June 2002

Jeudi 20 juin 2002

The committee met at 1535 in room 151.

**RELIABLE ENERGY AND CONSUMER
PROTECTION ACT, 2002**

**LOI DE 2002 SUR LA FIABILITÉ
DE L'ÉNERGIE ET LA PROTECTION
DES CONSOMMATEURS**

Consideration of Bill 58, An Act to amend certain statutes in relation to the energy sector / Projet de loi 58, Loi modifiant certaines lois en ce qui concerne le secteur de l'énergie.

POWER WORKERS' UNION

The Vice-Chair (Mr Norm Miller): We'll call the standing committee on general government to order for public hearings on Bill 58. Is there a representative of the Power Workers' Union here? Please come forward and state your name. You have 10 minutes. You can either use it completely for your talk or leave time for questions, whatever suits you. Welcome.

Mr Don MacKinnon: I am Don MacKinnon, president of the Power Workers' Union. I'll begin by saying that the Power Workers' Union supports the objectives of Bill 58 and commits to working with other stakeholders and the government to help ensure these objectives are realized. In particular, we commend the bill's inherent long-term vision of a strong, reliable, efficient and responsible electricity network for generations to come. In fact, our most important message to this committee and, through you, to the people of Ontario is that we must take the long view when deciding electricity system issues.

Physics and economics—intersecting realities. When the ice storm of 1998 destroyed much of eastern Ontario's electricity network, it opened everyone's eyes to the obvious fact that the system is vulnerable to catastrophic natural forces. No one complained about spending money to rebuild the system as quickly as humanly possible. We had no choice.

What is not publicly visible is the system's vulnerability to deterioration and breakdown because of the silent but steady action of far less dramatic natural forces. Very few people understand the need for careful, continuous and comprehensive system maintenance and refurbishment. Unless there is a power interruption,

maintenance gets no public attention. The only choice we really have is when we spend the money, not if.

For Hydro One Inc, we are at the stage where the money needs to be spent. For several years, because of a long-term rate freeze, Ontario electricity customers have not been paying enough to fund adequate maintenance and refurbishment of the electricity delivery system. This is the legacy of our intense focus on the price of electricity service.

We must not only address neglected maintenance and technological upgrades of the existing system, but also expand it to keep up with changing economic realities. We really have no choice, and Bill 58 provides the flexible framework the province needs to achieve this.

New investment, market discipline and consumer protection: Ontario's electricity network requires a significant infusion of capital for upgrading and expansion. This is recognized by the government in one of the purposes of Bill 58: to provide the necessary capital for infrastructure improvements with respect to the transmission and distribution system in Ontario.

Where will this money come from? It will still be many years before the debt from the former Ontario Hydro is retired. No political party is proposing that Hydro One go deeper into debt. It is simply a fact that private investors who do not require public guarantees are the only other source of this necessary funding.

This fact dovetails with the next stated purpose of Bill 58: to bring market discipline to Hydro One and prevent any possibility of the recurrence of staggering debts such as the \$38-billion debt, while at the same time eliminating it.

Once again, there is consensus on these objectives. There is no disagreement with subjecting Hydro One to market discipline because that is in the interests of consumers. Nor is anyone suggesting that the former Ontario Hydro debt not be paid down as quickly as possible, because that is in the interests of taxpayers and consumers. The question is how market discipline can best be brought to Hydro One and how the debt can be paid down sooner rather than later.

The final purpose of the bill is to ensure consumers are protected. This means fair and reasonable prices and high levels of reliability and customer service. Here again, there is no argument that this is a necessary and desirable objective. The question is, how can it best be achieved?

Bill 58 provides all the powers needed to fulfill all the government's purposes, but while there is no real dis-

agreement with these purposes, there is significant disagreement on how the government should use the powers in Bill 58 to pursue these purposes.

Hydro One IPO—still the best approach. To address this, the PWU asked John Todd, a noted regulatory expert, to review the relative merits of ownership models. He concluded that the analysis indicates that the investor ownership option—IPO—is superior to both the status quo and the creation of an income trust with respect to three of the objectives of the Energy Competition Act.

1540

Private investment is superior to the status quo with respect to one additional objective stated in the act: ensuring that Ontario Hydro's debt is repaid in a prudent manner and that the burden of debt repayment is fairly distributed.

In terms broader than the objectives of the act, the analysis concludes that investor ownership has the following advantages over public ownership.

The public trading of equity securities would provide capital market discipline on the management decisions of Hydro One that would enforce the pursuit of commercial interest that is expected by the capital markets to result in increased value. Among other goals, the company would be disciplined to pursue increased operating efficiency, which would keep the prices charged to customers low, given the performance-based regulation—PBR—regime used by the Ontario Energy Board to set rates.

Hydro One's commercial attitude under investor ownership would discipline the company to manage risk prudently in commercial undertakings, such as expansion, that are part of Hydro One's current strategy. Management would be focused on profits without being confused by political goals.

The proceeds from the IPO would permit the immediate paydown of a significant portion of Ontario Hydro's stranded debt. With lower carrying costs, this debt reduction will accelerate the rate at which the remaining stranded debt will be paid off.

Commercialization would not result in abuses such as discriminatory system access or compromised system safety, service reliability and service quality. There are IMO market rules that will require the investor-owned utility to meet the same standards as it would if it is crown owned.

Furthermore, the financial consequences around system safety, reliability and service quality implemented by the OEB in its PBR framework will provide an even greater discipline under investor ownership than under crown-ownership.

The risks associated with Hydro One would be transferred from Ontario citizens to the private investors.

The analysis indicates that the creation of an income trust has several disadvantages as compared to transferring Hydro One to private ownership through an IPO, such as limited market potential, the lack of market discipline of management and limited access to new capital.

Considering the disadvantages of not undertaking the IPO approach for all the shares, we recommend that

whatever portion of the company that is to change ownership be done under a partial IPO model.

It is clear that in the latter years of the 20th century public ownership of the electricity system led to government interference that helped create some of the problems we are now trying to solve. For example, the many political delays of the Darlington nuclear station construction and the economically damaging, but politically popular, price freeze beginning in 1993 significantly pushed up the Hydro debt and starved capital and maintenance budgets. It would be naive to believe that political interference in the operation of a publicly owned electricity system could be avoided in the future any better than it has been in the past.

We have been very vocal about the need to ensure that the transmission and distribution functions currently combined in Hydro One's wires business remain integrated. To us, with our detailed experiences in the wires business, the wires integration found in Hydro One makes good business sense for the following reasons.

First, the primary effect of separating Hydro One into transmission and distribution companies would be to weaken it as a commercial enterprise in terms of its attractiveness to investors. This consideration is relevant regardless of the mechanism used to raise capital in the future: an IPO, an income trust or further debt issues.

Second, the decision to separate the company into two entities should be based on operational considerations, not academic theory, taking into account the specific and unique characteristics of Hydro One. It would be premature to assume that the benefits that would be lost are not significant.

Third, the viability of the separated entities should be carefully assessed before proceeding. There is a very real risk that without the unifying transmission backbone, the geographically diverse distribution company would no longer be economically viable. If separation were to result in a further disassembling of the successor distribution company, the result would work against the goal of rationalizing and improving efficiency in the Ontario electricity distribution sector.

Fourth, the process of separating the distribution and transmission assets is not straightforward. As well as easily separable assets, there are significant shared assets that would have to be assigned to one entity or the other. Separation could lead to significant inefficiencies, as compared to the current process of allocating the cost of the integrated entity to transmission and distribution services.

The actual division of assets would have to be carefully reviewed by the OEB in order to ensure that the separation is done in accordance with regulatory principles and does not skew the costs borne by each entity. Given the board's backlog, completing the necessary regulatory processes could take two to three years.

The delay in any advance with the refinancing of Hydro One would be inconsistent with the province's objectives of protecting the interests of customers, promoting economic efficiency and maintaining a

financially viable electricity industry. We appreciate your consideration on our views.

The Vice-Chair: Thank you very much, Mr MacKinnon, for coming before the committee today. We appreciate it.

Mr Sean G. Conway (Renfrew-Nipissing-Pembroke): Do we have time for any questions?

The Vice-Chair: No, I'm afraid we used all the time up.

JANICE MURRAY

The Vice-Chair: Is Janice Murray here? Welcome. You have 10 minutes to use as you wish. You can either use the full 10 minutes or allow time for questions, as you desire.

Ms Janice Murray: I just have a very brief statement to make today.

My name is Janice Murray. I ran in the riding of Etobicoke-Lakeshore in the last provincial election as an independent candidate, and I ran in the federal election in 2000 as a candidate for the Marxist-Leninist Party of Ontario and of Canada, which is an urgent need of our times. While I am here on my own behalf, the views I am expressing here are shared by many of my fellow workers, activists in our area and people I have spoken to at their doors and in the community. That view is that the government has no authorization from the people of Ontario to sell off our assets, in part or in full, now or in the future, and that this sell-off must stop.

In the Lakeshore, we live and work in the shadow of the four sisters, the four smokestacks of the Lakeview generating plant in southeastern Mississauga, and are acutely aware of the pollution it already generates through the burning of fossil fuel, in this case coal. This area already has one of the highest levels of air pollution in southern Ontario, outside of Hamilton.

Far from the market opening encouraging green alternatives, the electricity market opening and the prospect of increased exports of power to the US threatens to result in much increased burning, whether of coal or, in the future, natural gas, with attendant damage to the environment and the health of the people.

For years there has been a fight waged to have this plant closed down and modified in favour of more healthy and environmentally sound sources of electricity. Even under government control of these utilities, we who live and work in the area are not the ones who decide what will happen to our public assets. What we need is tighter public control, not fragmentation of the public power system and the operation of market forces.

The fundamental question which comes to light, whether in our area or in the whole question of the sell-off and privatization of our public assets, whether electricity or water, is, who will decide what happens with these assets which belong to the people of Ontario, and in whose interests are these decisions being made?

In my view, it is the responsibility of the provincial government, as representative of a modern society which

is responsible to its members, to act in the interests of that society. A government which does not do so is not fit to govern. Most of us in Ontario and in Canada live in large cities and towns. We depend on our society to provide us with clean water, electricity and heating oil. Any interruption in the provision of these is dangerous, as we have limited alternatives, particularly in the winter.

In Ontario, as is generally the case in Canada, public utilities have supplied that electrical power, in this case since the time of Sir Adam Beck at the beginning of the 20th century. It is that public power which has been at the basis of the industrial development of Ontario.

The question is whether this industrial development has been based on serving the needs of the working people of Ontario. It has not. However, if the economy of Ontario is to be renewed on a modern basis, it must be done on a planned basis, on the basis of a pro-social economic and political program which will stop paying the rich and increase funding for social programs.

The mechanisms must be put in place so that the people of Ontario decide what infrastructure is to be developed and how to develop sustainable sources of electrical power from the starting point of what is required by the society and of the development of a truly strong and self-reliant economy. The starting point cannot be the dismantling of an infrastructure which has been built up by the working people of Ontario over close to a century.

No matter how you look at it, the essence of Bill 58 is to open the door to the sale of all or part of Hydro One. If the government had not opened the electricity market and had no intentions to sell off our assets, there would be no need for this bill. The "consumer protection" being offered by this bill is protection against the market forces which the government has let loose on the consumers of this province. The turning over of the hydro rights-of-way to the crown does not eliminate the possibility of the government also selling these off.

Further, based on information in the press it appears the government has already put arrangements in place to sell off 40% of the utility to a single private partner who will run the utility. The response of the government to the ruling of Justice Gans that the province has no legal authority to sell our assets has been to change the law and appeal the court decision, with the costs of the appeal being paid by the people of Ontario. Whose interests does this serve? It seems to me it serves the interests of the financiers who make their millions in the most parasitic way, without producing anything but by speculating in the market. It serves the interests of a US market hungry for a secure source of electrical power. A privatized Hydro One would be integrated into the north-eastern US regional grid, with customers in Ontario competing for electrical power with US consumers, with the resultant fluctuations in prices based on demand. It is part of the annexationist plans of the US against Canada.

1550

In 2000, the World Trade Organization initiated negotiations on a General Agreement on Trade in Services, or GATS, through which the international

financiers want to open up to a worldwide tender over 160 services, a form of international privatization, with these services including electricity and water. Their date for requests for market access under the GATS was set for June 30, 2002, with initial offers of market access by March 2003 and the agreement to be in place by 2005. There was a very definite schedule in place. The push to privatize services, whether electricity or water, is part of this worldwide anti-social offensive aimed at making these all commodities to be bought, sold and speculated upon in the international market rather than services that meet the needs of the people. It does not serve the interests of society, neither in Ontario, in Canada, nor worldwide.

It does not serve our interests, and we are marginalized from making these decisions which deeply affect our lives, the nature of our province and our future. In 1998, the Ontario government passed the Energy Competition Act, which divided Ontario Hydro into a number of companies and put these on a commercial footing; that is, it restructured them for future privatization. These included Hydro One and Ontario Power Generation.

Who set this direction? Where was the broad public discussion then about the future of public utilities in Ontario to authorize such legislation? On December 13, 2001, as one of his last acts in power, Harris introduced the bill which led to the market opening and to the preparations made to sell Hydro One. Where was the public discussion on this market opening which has now been implemented by the current government?

Bill 58 was introduced in the Legislature on May 29, 2002. Only on June 14, 2002, were public hearings announced—which was last Friday—with the deadline for signing up for the Toronto hearings being 3 pm on the next business day. The hearings are being rushed through in less than a half-dozen cities in one week. We are told that it is a matter of fact that Bill 58 will become law on June 27, 2002.

Not only are the consultations a sham, as the government has already openly decided how to proceed, but one of the most disturbing aspects in this is that there is no basis in the lives of the people of Ontario for such legislation to be required. There is no one in Ontario, no section of the working class and people, or even Ontario industry, that is coming to the government demanding that the government should sell off our public utilities. A recent poll indicates that 87% of people in Ontario oppose this course of action, and there is no factual evidence to show that such action is in the public good. So why is this legislation being pushed through the Legislature?

What is required is a broad discussion, not only on the future of public utilities but on the direction of the economy, which must start from the question, what are the needs of a modern, self-reliant, provincial economy within a sovereign Canada? In the meantime, in my view Bill 58 must be withdrawn. The market opening must be suspended and a hold put on all leasing or sales of power generating stations. All of these belong to the people of

Ontario, and law or no law, the provincial government has no authority to sell off these assets against the will of the people.

In my view, the production, price and distribution of all utilities must be under strict public control and ownership to guarantee the safety and well-being of the people and their society. No third party investments or trading of utility commodities should be allowed whatsoever. No interference with the distribution of utilities, whether electricity, water or heating oil, can be tolerated. All utilities should be returned to the public under the strictest of public regulation.

The Vice-Chair: That allows us a couple minutes for a question. The third party, Mr Prue, would you like to—

Mr Michael Prue (Beaches-East York): I didn't think there was going to be time, but yes. You talked about the four sisters. I just want to zero in on a little local concern here. The pollution there: can you tell me—I know exactly where it is, I've lived in Toronto all my life, but you live right underneath the smokestacks.

Ms Murray: We live right underneath it, yes.

Mr Prue: They're fairly tall. Doesn't it all blow away?

Ms Murray: No.

Mr Prue: Tell me about it.

Ms Murray: I can tell you about it from personal experience in the sense that there's a layer of dust. You get a very large concentration of dust there. I don't have the figures on me; I know there has been a lot of work done by a group called GASP in Etobicoke on the whole question of pollution from the generating plant. I think it's been instrumental in that they are going to convert it to natural gas at a certain point.

With the market opening, the concern is one of the things that happens is the push or the impetus is to sell more power. So right now it's being used at times when there's peak flow, when they need more power generation. Under conditions of market opening, there is a very good possibility, and even an expectation, that the amount of time that plant will be in use will increase severely, with all the attendant risks inherent in that.

Mr Prue: The community wants it converted sooner rather than later?

Ms Murray: Yes. I think 2005 has been indicated as a time. I know all fossil generation involves a certain amount of pollution. I don't know what the difference will be in terms of natural gas. I'm not an expert on that.

The Vice-Chair: Thank you very much for coming before the committee today.

PROVINCIAL COUNCIL OF WOMEN OF ONTARIO

The Vice-Chair: The Provincial Council of Women of Ontario representative? Welcome. Please state your name. You have 10 minutes to use as you please. You can speak the whole time or allow time for questions, whatever suits you.

Ms Gracia Janes: My name is Gracia Janes. I'm the immediate past president of the Provincial Council of Women of Ontario.

The Provincial Council of Women of Ontario urges the provincial government to retain Hydro One and Ontario Power Generation in public ownership and control, as they have been for over 75 years.

In light of the extremely short timeline for Bill 58, which allows for the sale of Hydro One, and particularly the hasty closure of debate after just one week of consideration in the Legislature, it's unlikely that our submission will change the government's mind. We would have hoped to have as lengthy a public consultation and as thorough an examination of the issues as those provided by the standing committee on alternative fuel sources, which we presented to.

Nevertheless, given our concern in these matters and our very long history of expressing PCWO policy regarding these valuable assets—Hydro One and Ontario Power Generation, formerly part of Ontario Hydro—we will use this opportunity to go on record as opposing Bill 58 and then outline our reasons for doing so.

PCWO was established in 1923. It represents many thousands of Ontario citizens from a significant diversity of backgrounds through its 14 provincially organized societies—for example, the Older Women's Network and the Farm Women's Network—and its six local councils of women in London, Ottawa, Hamilton, St Catharines, Toronto and Windsor. We have acted in the public good as long as, or in some cases longer than, our hydro systems have been providing the citizens of Ontario with reliable power for home and industry, school and hospital, rich and poor, in rural and urban centres, from the populous cities of the south to the sparsely populated areas of the north. As evidence of this, we cite the work of the Toronto Council of Women who, as early as 1910, lobbied successfully for clean water and proper sewage disposal.

In the same fashion, and for the public good, PCWO has long advocated for improvements in the hydro system, focusing on the dangers of the aging nuclear plants, particularly Pickering A and Bruce A. At every opportunity, we have called for a long-term plan to promote energy conservation and a far greater use of alternative forms of energy, as evidenced by our extensive brief to the committee on alternative fuel sources in February of this year. We have pointed repeatedly to the extraordinary costs of nuclear plants and the costs to come, which could be close to \$100 billion, if one includes the enormous costs of waste disposal, retirement of the stranded debt, and the decommissioning or rebuilding of unsafe older plants.

What we have not advised or advocated for is the sale of Hydro One and Ontario Power Generation to the private sector and a move to a market-driven electricity system. This would not be in the public interest and could well lead to great costs and risks for the citizens of Ontario. Our views regarding the government's original plans to privatize Hydro One and then parts, or the

whole, of Ontario Power Generation reflect broad public sentiment, as seen also in the opposition expressed by citizen and municipal petitions presented in the Legislature over the past several weeks; presentations to the minister in his consultations by industry leaders, farmers, local public utilities and individual citizens; letters of concern to the minister and Premier from many municipalities across Ontario; and the successful union-led challenge in the court. In the words of one electric utility board chairman, "If you are already in the hole, stop digging."

1600

While the Premier has very recently responded to such widespread and vehement public resistance to the sale of Hydro One by promising to retain control of at least 51% of this valued public system, Bill 58 assures us that the government can indeed sell 100% of Hydro One if it so chooses. In fact, the inclusion of an expectation of over \$1.5 billion in revenues from the sale of public assets in this week's budget speech hinted strongly at such a sale. The beneficiaries in this case would only be the private sector, given that the public will still be responsible for the paying off of the debts incurred to date and predicted for the future and that the large profit-driven private sector companies will be protected from public challenges regarding environmental degradation or government attempts to regulate through section 11 of NAFTA.

It is mainly the private sector who have been advocating the radical move from a publicly owned, operated and regulated electricity system to a privately owned, stock market approach to hydro provision, and it is some private companies that have been intrinsically involved in the sad hydro disarray in states such as California, which had to take back public control of its system at considerable cost.

As early as 1997, PCWO cautioned in a letter to the select committee on Ontario Hydro nuclear affairs that the Macdonald commission plans for privatization of our system were quite revolutionary, that few jurisdictions had tried this system and that there had been some major disruptions attributed to this.

Very recently, in a letter to then-Minister of Energy Jim Wilson, we warned that the government's move toward deregulation of the electricity market "is putting its goal of running the system on a business model, with the inherent opportunities for privatization and profit, ahead of long-term environmental sustainability and safety for the citizens of Ontario."

We are not alone in warning of environmental damages. We note the cautions of the Toronto Environmental Alliance that the sale of coal-fired generating stations would lead to increased use of these plants and a concurrent increase in air pollution, hospitalization and deaths of Ontario citizens. Similarly, an expansion of privately owned transmission lines to serve the lucrative northeastern USA grid and private ownership or leasing of nuclear plants will serve to extend the life of aging plants, with all of their inherent risks to health and safety.

With respect to the claim that a privatized, de-regulated, market-driven system will enhance the use of

green energy options, we would note that given the lack of interest by the larger private sector companies in these options to date, it is quite likely that green energy sources will continue to be an afterthought. In contrast, a publicly owned and regulated system could, using many of the recommendations of the alternative fuel sources committee report, take a leadership role in the speedy implementation of a “green first” strategy for the benefit of Ontario citizens.

Claims are also made that in the end, after we get used to the stock market free-for-all approach, the prices will come down substantially and calm will prevail. This is contradicted in a recent Toronto Star report, where David Freeman, chair of the California Power Authority, said, “the promise of lower prices failed to materialize and, on average, electricity bills are now 40% higher for California residents and 70% higher for industry. As well, private utilities spend little on maintenance, which in turn contributes to power outages and supply troubles and leads to higher prices.”

The uncertainty of supply and demand is underscored by a June 8 report in the Calgary Herald that stated that three new plants would flood the electricity market. While this would lower prices dramatically, it is giving pause to generators as to whether they will make the massive outlays needed to finance their projects. This in turn could lead to a shortage of supply and higher prices. The government’s initial Hydro One prospectus certainly confirmed the potential for such price increases after an initial cap on rate increases through 2003.

Uncertainty of supply is also an issue, as evidenced by the California experience and by predictions of Ontario’s independent market operator, whose report stated that it believes Ontario has adequate supplies to handle normal weather and likely economic activity. But over the next 18 months, it says, there will be extensive periods during which Ontario won’t have the full electricity reserves it calculates are needed.

A NAFTA Commission for Environmental Co-operation report has also warned that this is a “very fast-changing, dynamic energy market” and that electric utilities cut their spending on conservation and efficiency to \$1.4 billion in 1999 from \$2.4 billion in 1995.” As well, the report notes that “the electricity sector is already the single largest source of reported national toxic emissions in Canada and the USA.”

In a May 8 letter to the Globe and Mail, Premier Eves stated—and Mr Stockwell reiterated this when he introduced the bill—that in the generation, transmission and distribution of power, the four provincial goals are to (1) ensure an efficient supply of energy that is competitive in the international marketplace, (2) provide necessary capital for restructuring the generation and distribution of power in Ontario, (3) bring private sector discipline to Hydro One and prevent any recurrence of the current \$38-billion debt, and (4) achieve these goals while protecting consumers. These goals again reflect an intention to sell or lease the transmission system, to continue with the restructuring of the generation system and then to sell the generating stations.

It is our firm belief that this is not in the public interest. Rather, we feel the public would benefit from the following goals, many of which were reflected in presentations at recent public hearings by a very broad cross-section of citizens:

(1) Protection from the international markets, whose energy suppliers and transmission companies will eagerly snap up our systems, act in the interests of their shareholders, and then through section 11 of GATT override provincial, federal or municipal moves to protect their citizens.

(2) Public ownership of the valuable provincial transmission and generation system assets with improvements in the system—for example, rural services; attribution of the debt to the proper source, the costly expansion of the nuclear stations—by the way, there’s the same problem in the USA with the private sector; they have old, aging nuclear plants and they’re deteriorating and cost a lot—a gradual paydown of the debt through surcharges on hydro bills and the profits from transmission and generation of power; a halt to the very costly plans to internationalize operations through the acquisition or construction of transmission lines in the US and elsewhere; and a stop to the accumulation of staggering debt caused by rebuilding nuclear plants and then a phase-out of aging plants at the end of their life spans.

(3) Protection from the discipline of the marketplace, for example, the failures in California, with the private sector able to manipulate the market, causing shortages and outages.

(4) Assurance that our systems will operate for the public good rather than for private shareholder profit, will be operated safely and will be sustainable through a growing use of renewable sources of power. This latter goal will be greatly enhanced through the government’s acceptance and follow-through on many of the recommendations of the committee on alternative fuel sources.

Only in a publicly owned and regulated system can these needs be realized. The Provincial Council of Women of Ontario urges you to listen to the people of Ontario, who feel they have been well served by publicly owned hydro systems—systems that, while needing improvements and a move away from nuclear power toward sustainable sources of energy, have ensured a safe, reliable and affordable source of hydro for many years.

In conclusion, we ask you to withdraw Bill 58 and initiate a far-reaching public consultation. This will signal better than anything else to Ontario citizens that the threat of future privatization of Hydro One and Ontario Power Generation is truly off the agenda and that the government of Ontario is listening to its citizens. Only in this way may the government show that it has the foresight and wisdom to avoid the uncertainty, volatility and environmental and health risks that we feel are inherent in a privatized system, and that it is willing to invest in the safety, certainty, stability, environmental sustainability and affordability that publicly owned, managed and regulated hydro systems can provide for the citizens of Ontario.

The Vice-Chair: Thank you very much. We don't have any time for questions on that, but we appreciate your coming in and making that statement.

HOLY TRINITY PARISH
SOCIAL JUSTICE COMMITTEE

The Vice-Chair: Is Daniel Heap here? Welcome, Daniel. You have 10 minutes to use as you please. You can speak for the whole time or allow time for questions, whichever suits you.

Rev Daniel Heap: Honourable government members of the committee and listeners, I thank you for allowing me the time to speak with you today on the subject of Bill 58.

I am the Reverend Daniel James Macdonnell Heap, often known as Dan Heap or Don Heap, a retired priest of the Anglican Church in the Diocese of Toronto and an honorary assistant curate at the Church of the Holy Trinity on 10 Trinity Square in downtown Toronto. I'm speaking for the social justice committee of that parish, which considered this matter at its meeting on Sunday, June 16, 2002, and authorized me to speak with you on this day.

I have only one point to make. This government has no moral right to sell the Ontario electrical industry, as proposed in Bill 58. I say to you that if you do so you will be morally guilty of stealing, because as a minister of the Christian Church I have a duty to warn you of this. I am not speaking of legality, of whether your action would be illegal by the Constitution and laws of Ontario or of Canada, because I have no legal training or authorization in that field. I am speaking of morality, one of the principles traditionally declared by Moses in the biblical book of Exodus, chapter 16, verse 15, "You shall not steal." This moral duty, presented as a commandment of God, the creator of the universe, has been honoured and respected by Jews, Christians, Muslims and many others for most of the recorded history of our civilization.

No matter how often it is evaded and broken, by persons or by governments, the principle remains: "You shall not steal."

1610

Why do I say you will be guilty of stealing? This industry was built by the labour of all the people of Ontario, not only by the hundreds of thousands or millions of workers who, during a century, physically built the generator plants and the distribution networks, but also by the greater number whose labour in other industries produced the capital surplus and the taxes with which this industry was financed. They and their descendants have the moral ownership of this industry.

Second, this industry is indispensable for all the people of Ontario, not only for major essential industries such as communication, transportation, agriculture and the manufacturing and distribution of the necessities of life, but our very homes have been built in the universal expectation that electricity, which we need, is available at moderate cost from the vast resources of our province. If

our electrical industry is sold to persons and interests who have no responsibility for the life and work of the people of Ontario, we will be plunged into hardship, chaos and disaster.

Third, you have failed to give the people of Ontario reasonable time and information to be able to decide whether you are acting in our best interests in this sale, or whether it is necessary to choose a different government which would act more honourably. Even the federal government had to abandon the measure of protection for Canadians' health from harmful additives in imported US gasoline.

Your action, as proposed in Bill 58, will deliver the work of five generations of Ontario citizens and 10 million presently living people of Ontario into the merciless hands of arrogant persons and corporations of the United States of America. We've seen it in other provinces, such as my home province of Manitoba and in another province where I've lived, Quebec, where the whole economy of the province is distorted by the opportunity—so-called—of selling power and destroying the river systems of those provinces.

Therefore, I say that if you pass this bill, or one like it, in this session of the Legislature, you are guilty of stealing.

Please, ladies and gentlemen, reconsider.

The Vice-Chair: That allows five minutes for questioning. It's time for the government side.

Mr R. Gary Stewart (Peterborough): I'd only make one comment. I have a great deal of difficulty with a man in your position, sir, and your professionalism, who accuses somebody like myself of stealing. Possibly some of the things you're suggesting that I am, maybe, possibly, one should consider for oneself as well, because when I listen to some of the comments you make in here, possibly there is some exaggeration and non-factual things which make you go somewhat over the line.

I have great difficulty with what's been happening here the last few days, with people coming in and making some comments that don't seem to have a great deal of backup. It was interesting yesterday when a member mentioned that in the last month, in the particular community he lives in in northern Ontario, there have been outages 23 times extending from two minutes to 48 hours. Now, could you explain to me, how do you go and tell the people of that community that the way we're operating the hydro system now is the way to go, especially when some of the businesses that are supplying jobs for the community, the hospitals etc, would have to go on alternative supplies? How do you tell them it's a functionally well-run operation?

Mr Heap: Since I wasn't here yesterday and I wasn't privy to the comments—

Mr Stewart: That's a fact, sir, what I'm telling you.

Mr Heap: I'm not able to speak for the person who spoke yesterday.

Mr Stewart: Again, I'm saying this person says that in his particular community there have been outages 23 times, from two minutes to 48 hours. How do you

explain to me or tell me that I could pass on to that community that Ontario Hydro is being run well right now?

Mr Heap: If it's not being well run, we need a public inquiry into how it's not being well run rather than transferring ownership to strangers who, as the financial interests in the United States have shown, have no care at all for the consumer.

Mr Stewart: It doesn't necessarily mean, sir—I don't want to be argumentative—that it's going to be sold to people in the States. Who has said that is going to be done? It's my understanding that one of the thoughts is that we would hold it open to Ontarians, for those who wish to invest. Unfortunately, there are some Ontarians who don't like to invest in their own province.

The Vice-Chair: Thank you, Mr Stewart. We'll go to the official opposition. Mr Conway?

Mr Conway: I will prudently pass.

The Vice-Chair: OK. Mr Prue?

Mr Prue: When you were giving this, I think you skipped the fourth page.

Mr Heap: I'm sorry.

Mr Prue: I think you did, and I just wanted to draw your attention to that, if there was anything within the next minute or two that you might want to say from that page.

Mr Heap: I appreciate that very much. Yes, in my hurry I stapled them wrong. What I failed to say was that you members of this government and Legislature did not build this yourselves, nor did your predecessors. You were authorized to act in good faith as their agent and ours. You neglected to tell the people and voters of Ontario during past elections that this was your plan. Even now, you've refused to put the matter to a referendum, however skimpy and hasty that might be.

Your lack of willingness to be questioned on it in a public way, rather than in a hurried two or three days of a few deputations, is evidence of your lack of possible good faith in dealing with the people, who are the true owners. You have refused to put the matter to a referendum, however skimpy. Such action without public knowledge or consent is irresponsible, but on such a grave matter which can affect the lives and even the deaths medically of many people, it will be stealing. I say it's a grave matter of life and death because the sale of this industry, as proposed by this government, will deliver it into the hands of persons and corporations who do not serve the interests of the people of Ontario, and we cannot make them do so when they are not even residents or having head offices in Ontario.

The person who questioned me before has chosen a tiny example of something that's wrong with the present system, but he ignores the huge damage wilfully done by such investors in the state of California. The same financial interests have many more billions of dollars to spend in capturing foreign assets, such as the power sources of Ontario, to use for their purposes somewhere in the United States. They will do it, not only because of their naked financial power but also by the terms of the North American free trade agreement, which gives

foreign investors immense power to force so-called equal treatment—equal for those who are strongest—bringing no protection to those who are financially weaker.

I ask you please to remember that the government of Ontario under previous administrations abandoned a long-standing commitment to bring in publicly owned and publicly administered auto insurance. They turned and ran from it for fear that US finance would use NAFTA against our interests. I've already referred to the federal government's failure to protect the health of people from unhealthy additives in gasoline—

The Vice-Chair: Thank you very much, Mr Heap. We've gone a few minutes over in extra time. We appreciate your coming in today to make your points well known.

Mr Heap: Thank you.

The Vice-Chair: Is Energy Probe here? How about the Canadian Union of Public Employees, or Clement Babb?

1620

CLEMENT BABB

The Vice-Chair: If you want to go now, Mr Babb, that would be great. Welcome to the committee today. You have 10 minutes to use as you please. You can talk the whole time or allow time for questions, whichever suits you.

Mr Clement Babb: Fine. Thank you very much. I intend probably to take about five minutes of your very valuable time. I have a couple of, to me, important things to say. My name is Clement Babb. I live in Burlington. I'm here today representing myself.

I want you to know that I think Bill 58 stinks, as well as the whole process on electricity which led up to today, from November 1995 on. I want to speak of three things. I'm sure I'll have time for two, and maybe a third if there is also time.

First, I want to tell you about three of my neighbours. Willard runs a small plumbing business, works hard and pays his taxes. Then there's Mary, a quite elderly widow who gets by on a modest pension. She pays her taxes; she pays her electricity bills. Floyd is a good man who works for Canadian Tire. All of these people are good people, and including myself, we pay our taxes and hydro bills.

We got together recently, and sadly only now just have begun to recognize how deeply we the people of Ontario are being put upon by the royals who run the provincial government. By "royals," I don't mean you people here; I mean the past and present Premiers, and ditto for the energy minister. We the people who live on our street are going to be hit with horrendous increases in hydro rates. How do I know? We did a poll and we hired a consultant and we know.

The second item I want to relate to you is that the present government has been such a monumental sucker for the public-private partnership thing. Actually, PPP, public-private partnership, is a terrible disease which is spreading across our land. Public assets and services

atrophy and the private sector cancer spreads. I have absolutely no problem with private enterprise etc. It is very necessary to our nation; it's wonderful. But private enterprise, especially major companies and multi-nationals, has its place, and we the public have our place. I don't like to see the private sector moving over, abetted by public officials, into gobbling up public assets and services. We the real people don't need the privatization of hydro. We don't need some British or German or American firm to "save" us; no, not at all.

I am thoroughly disgusted with the way the present provincial government has dealt with the future of electricity. You do know what's wrong, so just get out of the way of the people of the province and leave us alone. The people in Hamilton got amalgamated, and woe to those poor people. They got amalgamated because the provincial government would not stay out of the way, would not quit monkeying with something they had no competence in.

I urge you to recommend rejection of Bill 58.

The Vice-Chair: All done? That allows time for questions. Official opposition, it's your turn, if you would like to ask a question.

Mr Conway: In the time available, I don't think I'll begin something I can't conclude, so I will pass.

The Vice-Chair: You have a reasonable amount of time.

Mr Conway: I will pass.

Mr Prue: I hate to bite, but I'm going to. You said you conducted a poll and hired a consultant in order to come to the facts that you now hold to be true. Can you tell me who conducted the poll and who was the consultant?

Mr Babb: I'm not so sure I want to divulge that. That's a rather private matter. In the spirit of business discipline, I prefer not to divulge that.

Mr Wayne Wettlaufer (Kitchener Centre): Mr Babb, I'd like to follow up on what Mr Prue said. I think in the interests of us here in the committee trying to arrive at a solution, for you to come and say that you have conducted a poll and that you have hired a consultant—in public business it is only prudent that we would expect that you would be able to divulge your source. Failure to do so would be like me making an allegation of an opinion which I hold and saying, "I have received all kinds of support for this but I'm not going to tell you where I have the support."

Mr Babb: Yes, I understand that. It's a private poll. It's a private consultant who did the work. I don't feel I'm obliged, as is the case in many situations where persons are seeking information from government and that information which the public person thinks is important is not divulged.

Mr Wettlaufer: What I'm trying to impress on you is that your failure to reveal this, whether or not it's a scientific poll, a scientific consultation, destroys your credibility with the committee.

Mr Babb: So?

Mr Wettlaufer: That's not fair to you.

Mr Babb: I think I have to live or die with what I do and say, and I certainly agree with you, but I don't really feel that I would be—I'm just an ordinary person. I wasn't so sure that I would be received with a great deal of affection in the first place.

The Vice-Chair: Thank you very much, Mr Babb, for coming in to speak to us today.

CANADIAN UNION OF PUBLIC EMPLOYEES

The Vice-Chair: Is the Canadian Union of Public Employees here? Welcome. You have 10 minutes to use as you please. If you would please state your name, and then you may use the full 10 minutes to speak or allow time for questions, whichever suits you.

Mr Sid Ryan: My name is Sid Ryan. I'm the president of CUPE Ontario. With me is Judy Wilkings, the legislative liaison for CUPE Ontario. I hope you're not going to berate me the way you did the previous speaker just because he voiced an opinion that's different from yours. You will find that I too will make a presentation that completely differs from yours and I welcome the opportunity if one of your MPPs would care to try and berate our presentation.

CUPE Ontario welcomes the opportunity to present our views on Bill 58, An Act to amend certain statutes in relation to the energy sector. CUPE Ontario is the voice of almost 200,000 workers in this province, people who work for municipalities, utilities, hospitals, long-term-care facilities, schools, universities and social service agencies. I am also here representing the views of CUPE National, the largest union in Canada, representing over 500,000 workers across Canada, many of whom work in the energy sector.

This bill makes a number of amendments to statutes relating to the energy sector so that this government could manoeuvre around the successful court challenge to privatization by CEP and CUPE. The proposed amendments will, in essence, allow this government to sell off Hydro One. Additionally, they take away the power of the Ontario Energy Board to review the proposed sale of securities in a transmission or distribution company.

All of this flies in the face of the decision of Mr Justice Gans, which stated that this government did not have the authority to sell Hydro One, and it certainly shows this government's contempt for the justice system when they can't even wait for the decision of their appeal—just heard yesterday, by the way—before they change the laws to get what they want.

1630

Worse still, section 50.3 gives the Minister of Finance considerable discretion to grab large portions of money raised by the sale of Hydro One and divert it into general revenue.

With that in mind, I draw your attention to Monday's budget where Minister Ecker refers to increased government revenue for this year in the amount of \$2.4 billion from sales and rentals. Critics were quick to point

out that much of the increase would come from the sale of Hydro One assets. Since then, Minister Ecker has publicly stated that a portion of this \$2.4 billion will accrue from the sale of Hydro One.

I would like to begin by saying that I believe these committee consultations to be a sham, given yesterday's announcement that the Tories plan on selling off at least 40% of Hydro One in the near future by arranging either a strategic partnership or an income trust with private sector partners.

That being said, I am compelled to remind you that this government has no mandate to sell off any of Hydro One, that the vast majority of Ontarians are opposed to any form of privatization and that fully 87% of Ontario citizens believe an election should decide the future of public electricity in this province.

CUPE is warning Ontario residents they should not be fooled by promises by the Eves government that they will retain public control of Hydro One. We believe government plans to privatize all of Hydro One have simply been put on hold, not abandoned.

Public ownership of Hydro One is vital to the continued economic and environmental well-being of Ontario. We've heard this from prominent business leaders throughout Ontario since Mike Harris first announced the proposed sale of Hydro One.

Conservative electricity policies are already a proven failure. Deregulation is costing school boards, hospitals, businesses and individuals tens of millions of dollars in higher hydro bills.

Let me draw your attention to a recent statement by Frank Dottori, CEO of Tembec, a major forest sector company across Canada and in Ontario: "The cost of electrical energy in Ontario is one of the highest in Canada. The May 1 privatization has raised the cost of base power by as much as 15% to 20%. For a mill such as Spruce Falls or Kapuskasing this raises our costs by \$15 million to \$20 million per year."

Consumer Reports, which is one of the most respected consumer magazines in North America, recently slammed electricity deregulation, saying, "Broken promises, deceptive marketing and dreadful service have become accepted business practices." The report went on to contradict claims that private power is cheaper power.

Who hasn't heard the horror stories coming out of Alberta, New York and California? Rates tripling with deregulation, constant brownouts and governments having to pour billions into consumer rebates.

Similarly we saw all that happened just a week ago Tuesday when warmer temperatures caused hydro prices in Ontario to shoot up 1,630% from pre-May levels. Here's how it went: for a few hours on Tuesday, June 11, the price of electricity jumped to \$701 per megawatt hour. Later that day, the price fell to somewhere in the \$70 to \$80 range. Compare that to the \$32 per megawatt hour price of electricity between May 29 and June 4.

Need I remind you that before electricity deregulation Ontarians never had to worry about prices going sky high on any given day or hour? We never had to gamble on

the price we paid for electricity because we had a publicly controlled, regulated market.

What assurances do we have that continued deregulation coupled with the sell-off either in whole or in part of Hydro One will not cause these types of fluctuations to become a common occurrence in this province?

Let me also tell you about a situation that happened just recently here in Toronto, when a family who could not afford to pay their hydro bill had their services cut. Forced to cook on their apartment balcony using an outdoor barbecue, their apartment caught fire. Their six-year-old daughter who was trapped inside burned to death. This tragic accident should never have happened. That it happened in a relatively stable energy market should give us all pause for thought.

Across Ontario, elected councils representing nearly 5 million Ontarians have passed resolutions urging the province to stop the sell-off of Hydro One and to re-regulate the industry.

Similarly, farmers, small business owners and plant managers have all said that privatizing our energy system will destroy their livelihoods.

Additionally, seniors, retirees and those on fixed incomes are calling for a halt to privatization before they are pushed on to the streets. They are not talking about an IPO versus a 99-year lease versus an income trust. They are clearly saying, "Stop the sell-off of our electricity system. Close the market and re-regulate the industry."

Over the past several decades, Ontario's electricity sector has been the subject of dozens of public inquiries, including a royal commission, special legislative committee hearings, various advisory committee reports and several in-depth environmental reviews. At no time was it discussed, let alone recommended, that public ownership and control of Hydro One be abandoned to private investors. In fact, all evidence points against this.

I urge you to instruct this government to abandon its plans to sell off Hydro One, to commit itself to re-regulating the industry and to take up a call for a new, accountable public power system to ensure price stability, reliability and protection of the environment.

With that in mind, I will now take a bit of time and talk about each of these issues.

Accountability: At present, the province of Ontario is the sole shareholder of Hydro One, with the authority to appoint all of its board of directors. No statutory qualifications exist for board members, hence the government is free to appoint whomever it likes.

We believe that a board of directors appointed by the government but subject to review by a standing committee of the Legislature should govern Hydro One. Further, the qualifications of board members should be established by statute and reflect a diversity of interests, including those of consumers, environmentalists and labour groups as well as business.

At present, Hydro One has only an ill-defined mandate and is virtually free to set its own strategic direction and priorities. According to the vision of its current manage-

ment, those priorities involve aggressive expansion into US markets.

Hydro One must have a clear mandate that is firmly fixed on meeting the energy needs of all Ontarians on a not-for-profit basis.

In addition to its statutory mandate and a more representative and democratically appointed board, Hydro One's accountability should be assured by effective regulatory oversight by the Ontario Energy Board, which must be given an expanded mandate to not only review and set transmission and distribution rates, but also the authority to periodically review Hydro One's strategic plan.

Public ownership: Because of its critical importance to the well-being of every Ontario resident and business, Ontario Hydro must remain under firm public control. Moreover, public ownership is the single most reliable safeguard against foreign takeovers by the likes of Enron, which once courted Hydro, or Duke Energy, which is now patiently waiting its turn. Once privatized, any attempt to restrict foreign ownership would be vulnerable to challenges under free trade rules.

Currently, Ontario's electricity is exempted from NAFTA rules because it enjoys certain rights as a public monopoly. However, the sale of Hydro One will throw those rights out the window. Once we lose those rights, what guarantees do we have that Ontarians won't be forced to export our electricity to the south when there are shortages here in Canada? What guarantees do we have that Ontarians won't be left in the dark? Why should it be illegal to sell electricity produced in Ontario at a preferred rate to Ontario consumers?

Financing and debt: The province has said it would use the net proceeds from the sale of its shares in Hydro One to pay down Ontario Hydro's debt. However, as Mr Justice Gans stated in his decision, and as we now know, this government plans to use the proceeds of its sale of Hydro One to balance its budget.

Mr Eves says the money invested by new partners will go to pay down part of the \$21-billion debt hanging over this province. Not to be forgotten is the fact that this government created the debt problem it now claims to be solving when it liquidated Ontario Hydro. In its place, it established a maze of corporations, among them Hydro One and Ontario Power Generation. In the process, the government wrote down the value of Ontario Hydro's assets from \$38 billion to \$17 billion, leaving \$21 billion in stranded debt uncovered by assets.

It needs to be said that Hydro One always has and still continues to pay its own way. If the debt were really this government's major concern, they'd be much better off keeping Hydro One as an asset that generates hundreds of millions of dollars in revenue each year, which could then be used to pay the debt. When the debt is finally retired, they could use the revenue generated by Hydro One to pay for health care, education etc. In fact, this was what the government claimed it would do when it introduced legislation that created Hydro One.

The second major argument of this government for privatization of Hydro One is that the sale is necessary to

raise capital for system maintenance and expansion. We know expansion plans include expanding Hydro One's transmission system into the US markets. I ask you, how does this type of expansion serve Ontarians' needs?

In reality, the capital needs of Hydro One can be met by issuing bonds and debentures, which was the historical practice of Ontario Hydro and subject to a provincial guarantee. We all know the cost of capital is so much cheaper when borrowed by the public sector.

The Ontario Clear Air Alliance has said Ontario can get cleaner air by closing the remaining 50% of its coal-fired electricity generation stations. However, this means abandoning any plans to export power to the United States. Unfortunately, this government's privatization agenda means cranking up the coal plants to sell more power to the US. Our return is higher prices and dirtier air.

1640

CUPE would like to know what assessment, if any, has been carried out by this government on the environmental impacts associated with private ownership of Hydro One. At present, only publicly owned corporations are subject to Ontario's environmental assessment laws. Will private owners be free to site transmission lines and build new facilities without having to take into account environmental impacts?

We are surprised and alarmed that there has not been a major discussion about the privatization of Hydro One and the issue of climate change. We know that environmentalists have found it difficult to be heard on this issue. I ask you, will this government commit to this kind of consultation process?

We all know that the performance and reliability of Hydro One requires a highly trained workforce and adequate capital spending on maintenance. We also know that the typical way private corporations seek to generate better returns for their shareholders is by cutting staff, salaries and corners.

In conclusion, I would like to say that an issue of this magnitude requires extensive discussion across Ontario over an extended period of time, with a decision made by a vote of all Ontarians. After all, it was the people of Ontario who first voted to make Hydro public. As such, it should be left to the people of Ontario to decide through a vote on any move to change that public status.

The Vice-Chair: Thank you very much, Mr Ryan. We went a couple of minutes extra so there is not time for questions, but we appreciate your coming in today and making your statement.

TORONTO AND YORK REGION LABOUR COUNCIL

The Vice-Chair: Good afternoon. Could you introduce yourself, please. You have 10 minutes to use as you please, to speak, or if you want to leave any time for questions, feel free as well.

Mr John Cartwright: Thank you very much, Mr Chair. The Toronto and York Region Labour Council

represents 180,000 working women and men in the greater Toronto area. I am John Cartwright, president.

Our affiliates represent everything from public employees to construction workers, aerospace workers, teachers, manufacturing workers and hotel workers. We are concerned with Bill 58 for a number of reasons.

The first reason is one of principle, that is, the disturbing record of this government. Every time a law gets in their way or they feel they want to break that law, they merely come back to the Legislature and bring in another one that contradicts the law that's been before us. The notion that in a civilized society we would have a rule of law seems to be something that is no longer of any interest to those people running the show in this House.

The second piece is around the orgy of deregulation and privatization that's been imposed on the people of Ontario in the last number of years. On May 1, we got deregulation of the generation side of electricity and immediately public sector organizations in this city that provide thousands of jobs and provide services to millions of residents had to start budgeting for major increases in their electricity and utility costs.

The city of Toronto, for instance, recently had to budget a 15% increase in their hydro costs to deal with the anticipated rise in rates. The school board is in a similar position. Yet yesterday there were a thousand parents in front of the school board, talking to not only their trustees but also to members of the provincial Parliament from Toronto, asking them to do the right thing and stand up for the rights of kids so they can have programs and services, when one of the impacts that is affecting that board is an increase in utility and electricity costs that is coming on.

When you come back to that notion that there's only ever one taxpayer, it's very hard to understand how people who are so busy beating their breasts about cutting costs are merely passing costs from one pocket to the other, while passing on significant profits to the stockbrokers and those houses which will be handling any privatization of this asset or any others.

We look at some of the records that have been in front of us before—the secret deals at Bruce and the secret deals of Highway 407—and it's no wonder that working people have very little faith that this government is interested in doing the right thing on any of these kinds of issues.

There is no mandate. This government has never gone to the people saying they want to sell off Hydro One or the transmission lines, and in fact when we look at the idea that the money is not going to be used to pay off the debt Hydro had accumulated before but is going to be used to balance the general budgets, and we look at the squandering of billions of dollars in corporate tax cuts that have taken place and are going to take place after the brief lull and I suppose the election is over, then we understand very clearly that you've burned half the furniture in the house now for heat to keep up with your budget, and as soon as there's an election and it's over this government would very gladly go back and sell the

rest of Hydro One in order to raise the revenues it needs to squander more money on corporate tax cuts.

The basic industrial needs of this province require stable electrical prices. So for those workers who work in the manufacturing sector the idea that their employers would be facing double-digit increases in hydro costs is yet one more pressure that will be added to make it harder for them to have decent jobs with decent wages and security of those jobs. That's not usually an issue for this government either, because one of the elements of changes of labour laws of course has been to try to drive down salaries and incomes of ordinary working Ontarians. It's interesting that the United Way of Greater Toronto recently put forward their study, *A Decade of Decline*, where they looked at the incomes of people in Toronto over the last 10 years. In spite of the huge economic boom that we had in Ontario in the late 1990s due to the auto industry and the US economy, the average income of two-adult families dropped 14%—\$7,700—and the average income of single-parent families dropped 17%. Those are very real realities, and it actually happened even in Scarborough as well as downtown Toronto, as well as Rexdale.

The element of this is that the same people who are telling the public this, be it your government or your members of provincial Parliament or some of the Bay Street folks who are more than anxious to get on with this orgy of privatization, are the same folks who told us some time ago that free trade was going to bring up the standard of living for all. On the other side, the labour movement and popular movements that were objecting to the privatization of Hydro One were, back in 1988, predicting that the kinds of measures that were being brought in through a free trade agenda were going to decrease the standard of living of ordinary people—men, women and children.

On the question of what this government wants to do, I'm not sure that anybody who sits here is going to persuade this government to move from its agenda. I don't think that's what this government has ever done. The fact that 70% of Ontarians oppose privatization, and specifically the sale of Hydro One, doesn't matter. We've come to a situation in Ontario where we have an election and then we have four years of dictatorship, and that has been what working people have seen around labour relations changes; employment standards changes; what has happened with the forced amalgamation of municipalities against their will; time and time again the downloading on our schools, which is not acceptable; the downloading on our municipalities; the arbitrary reduction of vital funds for transit; the gutting of environmental protection and the policing of environmental laws. All of that adds up to an agenda which quite frankly is something that does not work in a modern society and something which people are starting to draw their own conclusions on.

The final conclusion that was presented in the excellent brief just before me by the Canadian Union of Public Employees, requesting that this bill not be passed but

rather that the issue be put to a public vote, is a very sound suggestion.

Back at the turn of the last century, when people from all walks of life, including humble construction workers and industrial barons, realized that public power at cost was an essential piece of any kind of industrial strategy, we had the wisdom to go to the people and ask them if they thought that was useful or not useful. This government, although they'll probably spend millions of dollars of our own money on partisan advertising beforehand, one of these days should go to the people on a specific issue like this and ask whether or not that is in fact the will of the people of Toronto.

1650

From the point of view of the Toronto and York Region Labour Council, we'd have to say that this bill is wrong, that this government should obey the rulings of the courts rather than trying to undo laws that it decides it doesn't like, that the completion of the privatization of the hydro system will bring greater costs and greater hardship on to our industrial and manufacturing base, which is not helpful just when the Auto Pact is being removed and medicare is under attack. That's not helpful.

In terms of the consumer, when we see that after the initial offering is made and the rest of Hydro One is sold off in order to pay for your squandering of money in corporate tax cuts, then consumers will be looking at massive increases themselves, as they have in many other locations. As the newly privatized corporations will seek to sell hydro to the highest bidder, and at this point in time it's all south of the border, it will leave the people of Toronto and Ontario with a not very bright future. That's my presentation. Thank you.

The Vice-Chair: Thanks very much, Mr Cartwright. That uses pretty much all the time up, so thank you for coming before us today.

CENTRICA NORTH AMERICA, EPCOR AND ONTARIO ENERGY SAVINGS

The Vice-Chair: Are Union Energy, Ontario Energy Savings Corp and Direct Energy here? Welcome. You're using your time together, so you have half an hour. If you could please state your names for Hansard, use the time as you wish. You can use it all in your speech or you can leave time for questions.

Mr Deryk King: Thanks, Mr Chairman. We would aim to make brief submissions individually and leave adequate time for questions at the end, if that's the way you want us to deal with this.

The Vice-Chair: That's great.

Mr King: I'm Deryk King. I am president and chief executive officer of Centrica North America, which is the parent company of Direct Energy Marketing Ltd. Direct Energy is one of several energy retailers that have submitted a joint proposal for amendments to Bill 58, and we welcome this opportunity to give input to the standing committee.

We are concerned about the haste with which these consultations have been conducted. In our view, the

absence of more extensive consultation is unfortunate, because we believe passionately that proper consultation would lead to a better bill and better regulation.

Our recommendations are incorporated in the retailer group proposals, which we've submitted separately, and there's no need to reiterate them in detail here. But I would like to add a few comments from the perspective of my parent company, Centrica, which has very extensive experience of market opening and deregulation in the UK, Europe and North America.

I want to say that we clearly recognize the role of fair and transparent regulation in reinforcing customer confidence in the opening of the markets and in paving the way toward a strong, viable retail energy industry. We've seen numerous instances where the regulatory regime, for better or worse, was the deciding factor in the success of managing market openings. But we believe that the bill as it stands would run counter to the interests of Ontarians. The bill would undermine consumer confidence in the market and be detrimental to the functioning of the retail energy sector.

I'd just like to spend a few moments elaborating on why we think that's the case. First, the vast majority of customer contracts in this industry have been solicited in an ethical manner, with the customer's full knowledge and understanding of the contractual terms and conditions. So in our view, the burden of reaffirmation stipulated in Bill 58 would confuse and in some cases irritate Ontario consumers and potentially cause many of them to doubt the wisdom of the decision they've taken.

Second, many of these contracts were consumer-initiated; in other words, the consumer approached the retailer through its Web site or through one of its booths in a shopping mall, or by telephone or in response to a mailing. In such instances, where a consumer has taken the initiative, they would find it extremely strange to be asked to reaffirm a decision taken independently by them, and would probably lead them to ask themselves, "If the contract I signed was legal and proper, why am I being hounded and asked to sign yet another document reaffirming it?"

Third, this need to reaffirm, in writing, a legal customer contract is entirely outside the normal experience of Ontario residents. When we sign an apartment rental lease, a mortgage, a car lease or a deed of sale, there is no need for further validation. To single out the energy sector for such further validation will sow doubt as to the strength and integrity of the original contract. It might raise concerns about the company with which they entered into it and might cause consumers to question the integrity of the open market itself.

Fourth, we believe these proposals will increase costs considerably for retailers, costs that will squeeze our already thin profit margins and force retailers to consider raising prices. No one emerges a winner in that scenario because these are costs that are not associated with a value to the consumer. This is an unsustainable situation and will lead to a loss of business. In the end, more people will be encouraged to play the market with energy

prices and stay with a utility. Those with lower incomes stand a chance of being disproportionately hurt by extremely volatile prices.

Finally, Bill 58 raises risks for homeowners, because those who signed contracts did so with the expectation that they would receive price protection for the term of the contract. If that contract is subsequently voided because they neglected or forgot to reaffirm it in writing, we might have a situation where many customers, in the expectation of stable prices, budget accordingly and then find themselves at the mercy of the market. Customers generally are not accustomed to having to ask twice for a service when they've made a decision.

We believe our retail group proposals address these concerns and also achieve two further important goals. We think they provide a distinction between contracts initiated by the customer and those that were not, and we think the proposals also make it simpler for a customer to reaffirm their contracts in a manner that is more familiar to them and consistent with their experience in other industries. For example, customers switching long-distance telephone companies generally do this through a validated telephone system, with their responses being taped and becoming the official record of the reaffirmation. That telephone model works extremely well and is familiar to millions of residential phone customers who switch suppliers.

We have taken independent advice on our proposals. We asked John Todd, president of Econalysis Consulting Services, to vet our proposals. John Todd is a distinguished regulatory economist who has frequently given evidence, usually on behalf of consumer groups, to regulatory tribunals. John Todd's conclusions are captured also in a letter that we've submitted. His conclusions are that the retailer group proposals are reasonable and appropriate.

He states that "the proposals provide a balance between costs and consumer protection that leans much more in the direction of consumer protection than comparable requirements in other industries in Ontario, or comparable requirements in the natural gas industry in other jurisdictions."

Centrica has invested over \$2 billion in financial and human capital in Ontario. We employ more than 2,000 Ontarians full-time, with a total payroll this year of over \$100 million. This investment reflects our deep commitment to the success of the province's energy market. That's why we're here. We believe the legislation, as proposed, will impair not only our confidence in the market but also the confidence of other businesses that may be contemplating significant investment here. We urge the government to accept the retail group proposals regarding the proposed consumers' bill of rights. We believe this will yield better legislation all around: better for the consumer and better for the retailer.

1700

Mr Mike Andrews: Good afternoon. I am Mike Andrews, vice-president of retail energy with Union Energy Inc. I am pleased to represent Union Energy,

EPCOR Utilities Inc and Ontario Hydro Energy, as well as Onsource. EPCOR Utilities, our parent company, is a Canadian-owned integrated energy company with assets of \$4 billion and 1.6 million customers.

There are four key points I would like to make today. While we fully support the government's goal of seeking the best protection for consumers and the best solutions for an open and healthy energy market, in our view the consumer protection measures being proposed by the provincial government in Bill 58 will not achieve the desired results. In fact, they will dramatically increase the complexity of retail energy contracts for consumers; substantially increase retailers' costs, leading to higher consumer prices; discourage future investment; and ultimately decrease competition to the extent that the Ontario retail market could deteriorate.

Before proceeding, though, I would like to acknowledge and applaud the government's success in introducing competition to the Ontario electricity market on May 1. Deregulation and competition work.

As you know, the gas market in Ontario has been open and deregulated for 10 years and has worked extraordinarily well to protect consumers from commodity price swings. If you looked at consumers who signed a fixed-price contract in July 1999, they would have saved an average of \$600 to date. If you look at the 1.5 million consumers who have signed up for fixed-price contracts, that adds up to millions of dollars saved for Ontario consumers.

However, the consumer protection measures in Bill 58 will, as I've said, obstruct market development, reduce the benefits and choices available to consumers and scare off investment.

The proposals in Bill 58 are too complex for consumers and retailers. For example, when a customer signs a new contract, it is rendered invalid unless "reaffirmed" by the consumer. Essentially, they re-sign the same paperwork they have already signed and send it to us again. They have 30 days in which to reaffirm, but they cannot reaffirm until after they've had the signed contract in hand and waited for 14 days. If they want to "not reaffirm," they can do so at any time within this 30-day period, although it's not clear from the bill whether they need to sign anything to not re-affirm, or if they can just forget to mail back their re-signed contract and automatically be "un-reaffirmed." It sounds more like a Laurel and Hardy "Who's on First," as I read that.

Mr Prue: That was Abbott and Costello. I'm a fan.

Mr Andrews: Abbott and Costello? I'm sorry; I apologize for that.

The margin for error and confusion this creates is obviously unmanageable, costly and unprecedented in any other industry. The complexity could lead to higher consumer energy prices and consumer confusion that is a further disincentive for consumers to participate.

The 30-day waiting period on new contracts creates more uncertainty in the volumes of power the retailer must hedge. Added uncertainty demands added protection in managing their supply portfolio. They need to

protect against an ambiguous market. It increases their expenses, eventually leading to higher prices. It also inhibits the effective operation of a competitive market.

Added confusion will also mean that a significant percentage of customers, believing they have signed up for the protection of a fixed price, will inadvertently fall through the cracks by not specifically reaffirming their decision within the designated time slot. Far from supporting competition, this will result in higher volumes of consumers defaulting back to LDC supply, increasing the volume and cost of transactions at the utilities and, again, leading to higher prices for the consumer. Management of utility supply portfolios will become more complex, with increased uncertainty, and therefore more expensive.

A key goal in opening the Ontario market to competition is to stimulate investment in infrastructure and attract investment from other market participants. Markets are most efficient when they broaden and include more participants. The broader the participation, the better the market. The proposed new measures will compromise this goal and actually decrease competition by making Ontario's energy system far less attractive to investors and stifling incentives to new participants.

To date, EPCOR has made a significant investment in Ontario: \$177 million to purchase Union Energy, recently the purchase of the retail assets of Hydro One, as well as an option to secure a 50% interest in 650 MW of power cogeneration in Sarnia.

Like any prudent investor, we assessed the value of these investments based on known economic conditions in the market. Certainty with respect to government policy direction and the regulatory framework are key factors for any long-term investment in this market.

If the proposed new legislation were already in place when we were making these assessments, I believe our decision easily could have gone the other way. These new measures could create barriers to entry for future market participants that may cause them to take their investment elsewhere. The unusual and onerous requirements they would face in the Ontario market compared to other jurisdictions simply make Ontario a far less attractive place to invest.

The power of the proposed legislation to undermine the viability of the open market has far-reaching implications. In EPCOR's view, the unnecessary costs and uncertainty that will result from the proposals in Bill 58 jeopardize the viability of a competitive retail market and a competitive generation market.

There is, however, an alternative to this onerous legislation. Retailers, representing the vast majority of Ontario energy customers, are jointly proposing alternatives that enhance consumer protection, provide greater choice and flexibility and support the government's objectives at an effective cost.

Our proposal, attached to this submission, deals specifically with the issues that arise from door-to-door sales, meets contemporary consumer requirements for convenience by providing choices and provides a higher

level of consumer protection than in other industries. The proposal also has the endorsement of John Todd, a well-known consumer advocate with years of experience in the energy industry.

We would urge you to consider these proposals in the light of consumer interest and undertake a more open consultation process regarding Bill 58 before the potential to impair this evolving market happens.

In conclusion, I would like to stress that EPCOR and its subsidiaries are committed to working with the government, the Ontario Energy Board and our peers in the industry to ensure the continued successful evolution of the competitive market in Ontario to the benefit of consumers. In particular, we make ourselves available to participate in the development and drafting of all regulations to be issued after Bill 58 is passed. A strong, competitive electric market is the foundation to providing choice for consumers, attracting investment and creating jobs in the province.

Ms Rebecca MacDonald: Good afternoon. My name is Rebecca MacDonald and I am president and CEO of Ontario Energy Savings, the second-largest marketer in the Ontario natural gas industry and a recent participant in the deregulated electricity market. I am pleased to share this panel with our competitors, Centrica and EPCOR.

First let me congratulate this and past Ontario governments of all three political parties. I have operated in the natural gas deregulated industry in Ontario since 1989. Our gas market is a worldwide model for the effective deregulation of the residential commodity market. I have operated in the United Kingdom and have seen attempts to deregulate in the United States and Australia. There is no market where the small consumer has seen greater benefit or where they have been provided with greater true choice.

As we move carefully toward a similar deregulation of electricity, I would like to compliment the process which has seen the basic framework evolve very similar to that of natural gas. Bill 58 reinforces the commitment to the deregulation process and will contribute to the protection of consumers as the market grows.

My company, Energy Savings, has approximately 400,000 residential and small commercial customers in Ontario under contract and we add more than 10,000 new customers every month. Why do so many people choose to sign long-term contracts? There are two reasons: security and savings.

Our customers gain peace of mind in knowing that their gas commodity cost will not increase over the term of their contract. When our first customers signed about five years ago, the Consumers Gas floating price was 6.5 cents per cubic metre, and the proposed price for July 1 is 20 cents a cubic metre, which represents a triple increase in less than five years. Commodity prices, especially electricity prices, are extremely volatile. Prices can go up sharply during spikes, and deregulation provides the opportunity for the small consumer to protect against these increases. They can easily budget their energy

costs, knowing that a large expert company bears the risk of purchasing gas or power on their behalf, taking advantage of price options they could not access. Like a fixed-rate long-term mortgage, they face no risk of price spikes over the five-year period.

1710

We buy the vast majority of our gas from an affiliate of Shell, perhaps the only AAA credit-rated company in the energy field today. Whether gas prices go up or down, our clients have a completely secure gas supply at a predictable price they can manage, and they have saved. As is highlighted in our annual report, our gas customers saved \$51 million during 2001 by switching to Energy Savings, away from their local utility's floating rate price. This was a saving of more than \$248 per customer, an amount that is obviously very material to the average Ontario family.

The customer can only continue to reap these benefits if the system allows the cost-effective provision of a long-term alternative. While we fully support consumer protection, regulation with good intent can add so much to the cost that the customer is in fact hurt by their enforcement.

I would like to briefly describe to you how Energy Savings protects its customers today.

(1) The industry and the OEB have developed recommended disclosure, included in all our contracts, which clearly spells out what the customers are buying and what they will be paying. The customer must sign the contract.

(2) Over and above this signed contract, we then require that all customers sign the acknowledgement we have attached to this submission, which again spells out in the clearest possible terms what they have bought and whom they are buying it from.

(3) Within 10 days of signing, we call every customer to ensure they signed the contract submitted and that the agent did not use misleading or high-pressure sales tactics.

(4) Prior to flow, we send a letter to the customer again explaining the contract and clearly providing our phone number if there are any questions or concerns.

(5) At the same time, the local utility sends a separate letter indicating that the customer is leaving the utility floating rate and signing on with Energy Savings, again including our number for any questions.

(6) Finally, the first bill after the flow clearly spells out that we are now the supplier and again gives our number. Following receipt of that bill, if any customers believe they did not understand what they signed up for, it is our policy to release those customers from their contract at that time.

If this is the case, the question is, why does it seem that we are having so many complaints? I understand from the OEB that in the last year they received 4,800 calls that were registered as complaints. In my view, that is 4,800 too many. At the same time, our agents alone contacted more than a million residential gas customers, and the industry as a whole contacted probably many times that number. That places the complaint-to-contact ratio at less than one tenth of 1%.

As part of our package, we are proposing that all agents be subject to industry standard training and accreditation. This should further reduce complaint levels.

Our industry has proposed a framework going forward for reconfirmation and renewal of customers which is attached in my submission. I think the proposal is entirely consistent with the protective intent of the bill and will reduce the volume of complaints received. What it will also do is limit the additional costs that must be borne by customers from that protection. These costs were highlighted as the bill's greatest weakness, both by the Toronto Board of Trade and the Ontario Energy Association in their submission to the committee. I understand that the intent of the government is to ensure that the new electricity market will be as effective for the customer as the natural gas market has been. Energy Savings is committed to any steps that will reasonably move us in that direction. Thank you very much for your time.

The Vice-Chair: Thank you very much. That allows time for questioning.

Mr Conway: I thank the presenters. This certainly takes us to the core of a very important aspect of not only Bill 58 but the entire electricity marketplace. My submission has been from the beginning that electricity is a commodity that is qualitatively different from the gas business. Not everybody agrees with me, and I don't expect they will.

I don't know how to say this politely, and I'll try to be polite. I have been in this business a long time and I'm fairly close to my constituents. I have had some pretty good experience and I think I can understand varying degrees of anxiety, upset, frustration. What I have personally encountered over the last number of months about the kind of retailing of electricity products in my part of eastern Ontario is remarkable, because if 10% of what I'm hearing is true, we have a bigger problem and you have a bigger problem than any of us might like to imagine. I hope I'm wrong.

One of the things I would like to do, quite frankly, is to park this until about the middle of September, because we will know a lot more in August and early September, when those post-May 1 retail bills get out there. I hope I'm wrong. They're not all bad, I think it's fair to say, but the behaviour of these marketers has been outrageous.

I've got a colleague from down the highway in eastern Ontario who tells me and tells the Legislature that he and his wife not once but twice have been subject to out-and-out forgeries, and several of his constituents in that part of southeastern Ontario have had the same problem. I've got an 85-year-old father who signed a deal with Ontario Hydro who's not very happy now to find out, a few weeks after he signed the deal, that the contract was sold to somebody he's never heard of in Edmonton. Now it may very well be that that turns out to be an OK thing for him, but he's not very happy to think that a crown company did that to him. His trust in the efficacy of this whole operation has been substantially diminished.

As I say, how big a problem we've got I don't know. Are all the marketers bad? Clearly not. I'm assuming that of the 750,000 to 800,000 contracts for electricity that have been entered into—and I'm discounting it by 15% or 20% for the duplicates and triplicates that are out there—I'm guessing that 150,000 to 200,000 are bad-news bears. If I'm right and those 150,000 or 200,000 bad-news contracts are aggregated in 30 or 40 or 50 electoral districts, I don't want to be the minister of consumer protection or the Minister of Energy, or I don't even want to be the local MLA in September, in October, because that will probably mean 3,000 or 4,000 or 5,000 people in suburban Ottawa or suburban Toronto are not very happy. We won't know until those contracts actually land on the doorstep.

1720

I understand entirely the government's desire to tighten the consumer protection aspects of the current situation. We were warned that we had better go about this retail competition with great care: make sure that you not only license these marketers but that there's a standard contract that everybody understands, that there's a very tough regulatory oversight, that the bad-news bears are nailed early to discipline the market. Most of that didn't happen. I'm now reading in the financial press and elsewhere some very high-priced mea culpas.

The Vice-Chair: Mr Conway, are you getting to a question here?

Mr Conway: Well, I guess I'm going to just end with this. You've provided us—

Mr Steve Gilchrist (Scarborough East): I'm prepared to give Mr Conway our time—seriously.

Mr Conway: I hope I'm wrong, and I appreciate what you've brought to us today. I'll look at it very carefully. My problem? My problem is, I'd like to wait for the jury to come in three months from now. I'm really, really nervous about doing very much until I find out the nature and the extent of the problem I've got out there. I hope and pray it's a lot less than I think it is.

Ms MacDonald, your submission around what your company's done looks very good. I would that that had been going on elsewhere. It appears from my anecdotal experience, and I've had more calls and visits—the number of older people who have been hoodwinked, the stories, particularly from senior citizens in my area, are just unbelievable. That we haven't had more real trouble is beyond me—people walking in at dusk wielding scissors, going up to 75-year-old widows and saying, "Give me that bill." Snip, snip, snip, and out the door they go, some of those people representing the crown corporation, the old Hydro One.

My sense is a lot of people won't know exactly what they've done until August and September. I certainly will look at this submission very carefully. I appreciate your coming here. But let me tell you, the aspects of this bill that you are concerned about didn't happen by accident. There has been a scandalous misconduct in the marketplace by too many ruthless, unscrupulous marketers that our energy board licensed, the results of which are yet to

be fully understood by this Legislature. So I appreciate the submission. I will look at it carefully. I just hope you understand the problem that many of us have, not yet knowing just how big a time bomb sits on our front porch on this matter.

Here endeth my comments. I have no real question. I might want to talk to these people afterwards once I have a chance to look at what they've provided.

Ms MacDonald: We'd be happy to answer any of your questions later, if you'd like to ask them.

Mr King: May I have time to respond to that, Mr Chairman?

The Vice-Chair: Yes, you may.

Mr King: Mr Conway makes his points eloquently and comprehensively. I just want to make three brief points in response. First of all, the vast majority of consumers who have signed electricity contracts in this province will benefit from fair, stable, attractive prices—the vast majority.

Second, however, we recognize the need for improvement in direct sales agent behaviour, significant improvement, and all of us and other competitors have been working very closely with the OEB to draw up a code of conduct and make it live in reality so that we don't get the level of complaints that we've had.

Third, we all have a passionate desire to root out dishonest and fraudulent behaviour as soon as we become aware of it. In our case, and I think my colleague's case here, we refer all cases of fraudulent or alleged fraudulent behaviour to the police and deal with it in that way.

Mr Conway: Maybe a quick response to that would be—and I haven't had a chance to look in some detail, but I quite like the submission that you made, Ms MacDonald, where people, if they feel there was some confusion or misrepresentation, there's an option for the customer just to bail out. How does the panel feel—and perhaps your detailed recommendations touch on this; I haven't had a chance to look at them—about some kind of an amnesty for people who just feel that they didn't understand or that there was some confusion and they're just not comfortable and they want the right to exercise the kind of option that obviously one of you has provided in the past?

Ms MacDonald: Yes, I would just like to clarify. My company has only been involved with natural gas deregulation. We just entered the electricity market. We made a choice not to do any pre-signing, so I'm not going to make a comment on electricity. I really believe it would be worthwhile looking at our proposal because we have addressed very comprehensively how we would deal with the customer on an ongoing basis, electricity and gas customers, who feel that they have not been properly informed after a number of steps that we propose to take with the customer, even after they receive their bill. I think that has been addressed in a very similar manner to the way my company operates today.

Mr Conway: Again—I'll use you, Mr Andrews—you bought 195,000 electricity contracts from Hydro One.

Mr Andrews: Correct.

Mr Conway: One of my questions is, I wonder how many of those people would have signed, knowing they were about to be flipped to another company. I don't doubt that many might have, but I know for several the only reason the marketer got in the door was that they were wearing the old Ontario Hydro insignia. It may very well be that it's going to be an OK deal, but I'm telling you, I just look at people and some of them—my father is not a very happy man because he thought his deal was with Ontario Hydro, and several like him, I suspect, although I don't know. That's at the very moderate end of the problem. With some of these other people I've talked to, if anything of what their complaint seems to suggest is true, then I'm going to want to have some kind of option for them or I am going to have some pretty unhappy constituents around about election time, I might add.

Mr Andrews: My belief is that EPCOR brings experience to the marketplace. It has experience in the Alberta deregulation market. Because of our size and experience, we'll be a benefit to Ontario and to the Ontario consumers who signed up.

Mr Conway: But you got those fish in the pot under a set of circumstances that, from the point of view of people signing, weren't altogether clear and fair. I don't doubt what you've said, but I'm looking at it as a customer. I signed a deal with Hydro—

Mr Gilchrist: I think they've been given a right to opt out, have they not?

Mr Andrews: We're in the process of communicating with our customers at this time with a welcome letter explaining the transfer in ownership and the options they've made. Customers are being given a 15-day period to terminate their contract without cost if they so choose.

Interjection.

Mr Conway: Go ahead and pursue that.

Mr Gilchrist: Sean, I thought it was important because you have raised the example of your father on a number of occasions. I think it was fair to EPCOR to allow them to put on the record that for people like your father, clearly the message has been heard. Presumably he will have an opportunity to reflect now on the options facing him and whether or not someone other than Ontario Hydro would have the faith that he needs to have in his supplier.

I would just say as a very brief comment, because we did say we would give our time to Mr Conway, that we are sympathetic, as a former retailer, to the demands that this process, as articulated in Bill 58, would place on you. I think there have been some good suggestions offered here today and also in our meetings with folks like Toronto Hydro and other retailers. We will certainly reflect on those. If there's a way to find a balance that still protects against the behaviour that Mr Conway and his colleagues have certainly seen in eastern Ontario—I must admit, Sean, I have not seen the same thing in Scarborough.

Mr Conway: That's good. I'm glad to hear it.

Mr Gilchrist: But I'm not going to be blind to it. It may be that we just haven't heard about it. But I think we need to find a point of balance that recognizes the ability to use the most up-to-date technology. Maybe there's fax or e-mail or other electronic means to accelerate and facilitate any kind of confirmation, while at the same time ensuring that if there are instances of any kind of inappropriate behaviour, people have an opportunity to reflect on that, and not when it's too late. So I appreciate your comments here today and those of your colleagues that have been made directly to the ministry. We certainly will be reflecting on them these next few days.

The Vice-Chair: Thank you very much for coming in today to speak to our committee.

Mr Conway: Steve has raised a good point. Norm, just for the record, can we get the rep from Direct Energy to speak to their policy on a cancellation provision? They've given us important testimony that we're going to have to consider. I appreciate the clarification from EPCOR on their policy. I'd like to know what the Direct policy is on a similar matter for an opt-out provision.

The Vice-Chair: We can take one minute to do that and then we have our next person ready.

1730

Mr King: I'm happy to answer that question. Our policy is that consumers can cancel their contracts within 10 days of signing for any reason whatsoever. Beyond that, we regard the contract as binding. I want to make two points about this proposition that customers should be given an "amnesty," I think was one word used. First, I think it is frankly irresponsible to implicitly or explicitly encourage customers to opt out of fair, reasonable, protective contracts of the sort that have been signed. Second, Direct Energy signed up over 600,000 customers. We have bought the electricity for the next three years to supply those customers. If we provide an amnesty and 100,000 opt out, what am I supposed to do with that electricity? Is the government going to compensate me for the losses I will sustain?

For those two reasons, I think this is a dangerous and slippery slope that we should not go down.

The Vice-Chair: Thank you very much for coming in today. We appreciate it.

TOM BAXTER

The Vice-Chair: Our next presenter, Mr Tom Baxter, is coming via video conferencing from Thunder Bay. Tom, can you hear me?

Mr Tom Baxter: Yes, I can. Can you hear me?

The Vice-Chair: Good stuff. You have 10 minutes to use as you please. You can either deliver your message the whole time, or if you want to allow time for questioning as well, all three parties are represented here. So feel free to either use the full 10 minutes or allow time for questions.

Mr Baxter: I have about five minutes' worth. I'm Tom Baxter. I'm a citizen of Thunder Bay. I have lived in Ontario all my life.

I'd like to pick up a few points from the written submission I faxed this morning. I'd like to draw attention to those and elaborate on them, not necessarily in the order in my submission.

I want to restate what I said this morning. In my opinion, Bill 58 needs to be rewritten to ensure exclusive ownership and control of transmission by Ontarians.

The second point is that all existing components of the generation system need to be retained, contrary to the direction in which we've been heading, and reamalgamated with Hydro One to recreate Ontario Hydro.

I believe that any provision for private contributors to enter the grid must be done in a way that meets the needs of Canadians and Ontarians by having those who own these operations and contribute be Ontarians by residence and citizenship. We need to exclude all foreign involvement in any possible way.

I feel that past abuses need to be punished without loss of public ownership or control. I believe that a long history of fiascos has been documented by different people, going way back to the Fidinam affair. These things require some measure of redress to help deal with the needs of Ontarians, particularly the money that was lost through a number of these activities.

In my opinion, the marketplace does not have discipline, as is so commonly claimed in this process. I think it has manipulation, greed and winner-take-all. As I said in the written submission, my experience in watching what happens is that individual companies do very well and become very wealthy, and the alternative is that many others lose. The victims in the process are usually the consumers or the users.

Furthermore, I believe we should eliminate foreign borrowing, which had a lot to do with the debt load that created the present issue. I think there have been a lot of attempts to ignore the facts behind foreign borrowing and the money that was used to create nuclear power development in the first place. It totally undercut the financial stability of this whole process and of this agency that was called Ontario Hydro.

So I believe this has to be reversed. There are a number of creative ways you people in the Legislature are able to use in terms of developing internal sources of funding: various debentures, bonds, tax credits. A number of these were used in different forms by the Whitney government, when Ontario Hydro was created by Conservatives in the first place. I think it's time that some history be appreciated by members of the Legislature and that there be a serious attempt made to rediscover some of those facts that were important at the time.

My concern is to reduce the cost of nuclear power. We need to get rid of that high cost, high risk.

I see my time is going on. I just want to emphasize two or three key points as I continue. One is that the system worked in the past for Beck. It made a profit. From the material I've read, I understand that it still makes a profit in transmission. It would pay down the existing debt if it were allowed to continue with the process of redress that is presently going on, but it needs

to be done from within the public sector and public ownership.

The bill talks about a number of changes to several other acts, existing legislation, including the Lakes and Rivers Improvement Act. There are both pros and cons of doing that, so my feeling is that there needs to be some comprehensive planning that involves a variety of things. This needs to be put into Bill 58 to say that the whole process is going to be reconsidered before this bill goes through the final reading, that there would be some major rewriting going on, some amendments, and particularly that there needs to be a balance between the interests of private contractors who want to build operations versus those who are making money from the service end to their own benefit and I don't believe to Ontarians'.

Ultimately, further hydroelectric development has to take into account the effect of dams on waterways, on the fish population, on ecology and recreation. There is an opportunity to make new dams and to provide more hydroelectric power, as was done around 1900 with the Beck process. At the same time, there is a high risk of environmental damage, and people who seem to have some knowledge should be involved in working with that.

Finally, I wholly endorse the idea of wind farms and solar as alternative power sources, but I believe the bulk of that needs to come from within the public hand. Keep the public hand on the switch, as Sir Adam Beck said.

Those are my main points of emphasis.

The Vice-Chair: Thank you very much. It's time for the third party to question.

Mr Prue: In your document, in number 10, you talked about, "Invest in research in Ontario, by Canadians, into safe usage of nuclear generation," and it goes on from there.

Many people are attempting to get out of nuclear power due to the costs. I guess probably the reason that Ontario Hydro, Hydro One, is in debt to a large extent is because of the nuclear experiment in the last 20 years. Do you still see this as an appropriate tool whereby we should be investing in additional nuclear power in Ontario, or should we be running away from this as fast as we can?

Mr Baxter: As I said a minute or so ago, and also it's in the same document there further up, I actually believe the future is primarily in hydroelectric power and in alternate methods like wind and solar where investment can be relatively low-cost and the returns can be higher. I would agree with you that nuclear power is suspect. It's high-risk and high-cost. I also fully endorse the fact that it put us into debt to develop nuclear. So I'm not endorsing the idea of spending more money on nuclear. I'm suggesting money needs to go into research to see if the existing system can in any way be improved and made more safe. I have my doubts, but I put that point in to acknowledge there is a possibility that nuclear could be made more safe with new science that has not yet been done.

The Vice-Chair: On the government side?

Mr Gilchrist: Thank you, Mr Baxter. I appreciate your availing yourself of this process. We're very pleased that we can get as far as Thunder Bay in the nanosecond or two that it takes to send the message back and forth, and at considerable saving to you as a taxpayer rather than having 13 of us fly up there to listen to your comments. I sincerely appreciate your taking the time to be a part of this.

I too am reflecting on your 10 different points. I would give you some comfort, hopefully, by telling you that in number 5, the actual transmission rates continue to be regulated by the Ontario Energy Board. There's nothing in this legislation or any other plans the government has to change that, so the actual profit level that anyone would have in owning the transmission grid is not something they control. They can control their costs, but they can't control their revenue. That would continue to be fixed by the OEB.

I too am struck by your references to nuclear power and I would encourage you, if you get a chance—you've prepared a very thoughtful presentation here—to go on to the Legislative Assembly Web site. You may be aware that we had a select committee on alternative fuel sources and that we were up visiting Thunder Bay, in fact, just a few months ago. One of the recommendations we put into that report was that the two coal plants in your part of the province be closed almost immediately and replaced with a wind turbine farm, possibly located on that plateau just outside of Thunder Bay, where I'm told the wind loading is fairly significant.

When you see there are initiatives out there to increase the access to green power and to take us away from some of the traditional coal and other fossil fuel generation, hopefully that would give you some comfort that Bill 58 certainly is not standing in isolation.

As a general point, I thank you for your comments there and I can tell you we will certainly take them under consideration over these next few days as we consider the final steps of this bill.

Mr Conway: Thank you, Mr Baxter. Just a quick comment. I don't have the daily in front of me, but at the present time, if we were to replace our existing nuclear capacity and our fossil capacity, we would probably need, I don't know, 12,000 to 15,000 megawatts of hydroelectric power. I'd like to know, where are we going to get that? In your part of the province, one of the things that strikes me is that we should probably be revisiting our Manitoba connection. Whether or not they'd be interested in selling us their hydroelectric power might be another matter, since Minneapolis and Chicago might be a more attractive market.

But you make some very good points. One of the things that always concerns me around this business is that as the operator of a utility in a jurisdiction where we need 24,000 megawatts, I've got to find those 24,000 megawatts. So if we get rid of the nuclear and we get rid of the fossil, I've got to quickly find a big whack of base-load electricity as well as some other things, probably in

the range of 12,000 to 15,000 megawatts minimally. Where, oh where, do I find the headponds for that?

Mr Baxter: My response goes back to the idea of comprehensive planning. I wouldn't say you shut off the nuclear power plants today. Back when the PC government of Bill Davis was in power, there was a lot of money spent on nuclear power development, and when your government came in, that continued to proceed. Now, all through that time there was the opportunity to look for other options, including developing wind and solar. It's been known for over 30 years that these things could be developed. That wasn't done, and there was no incentive taken by any of the governments that held office to actually go anywhere with that seriously. So I think there's an even blame that can be placed across the parties for what was not done at that time.

Mr Conway: I certainly agree with that.

Mr Baxter: I'm not advocating dropping anything like a stone. I'm saying let's retain public ownership, spend some money to rethink the process, involve people—and Manitoba might be the answer. Thunder Bay happens to be a spot that gets a tremendous amount of sunshine as well, very high for the country's overall average. So places like this could be used to develop other operations. I just want to stress that point, comprehensive planning, which I don't think has been done at all.

Mr Conway: Mr Baxter, my final comment is that you make a lot of very good observations. My only problem, as a potential utility operator, is that I have to find the stuff and I've got to have it ready. For example, this summer we're going to need probably, if we ever get a regular summer, about 24,500 megawatts, and I've got to have it when I need it. I want the best planning and I want everything else, but I need it when I need it and I want it to be as easy and as painless and as cheap as possible. It just seems to me that talking about it is always a lot easier than delivering it to the hospital, the mill or the homestead when they expect to get it.

Mr Baxter: I guess if you could supply it last summer, you're going to be able to have it this summer.

Mr Conway: We're going back to the US for that, then.

Mr Baxter: Then that's the short run and a poor solution, but that's the short run. But the whole idea is to turn the process around to correct the mistakes of the past. It's going to take a few years, but at the same time I don't see any reason why we should be out there allowing other operators to come in and siphon off the profits that could be taken by the province and re-invested.

The Vice-Chair: Thank you very much, Mr Baxter, for taking the time to connect with us today. We appreciate your points of view.

That concludes this afternoon's proceedings, so we'll adjourn to Kingston at 9 am tomorrow.

The committee adjourned at 1744.

CONTENTS

Thursday 20 June 2002

Reliable Energy and Consumer Protection Act, 2002, Bill 58, <i>Mr Stockwell</i> / Loi de 2002 sur la fiabilité de l'énergie et la protection des consommateurs, project de loi 58, <i>M. Stockwell</i>	G-91
Power Workers' Union	G-91
Mr Don MacKinnon	
Ms Janice Murray	G-93
Provincial Council of Women of Ontario	G-94
Ms Gracia Janes	
Holy Trinity Parish Social Justice Committee	G-97
Rev Daniel Heap	
Mr Clement Babb	G-98
Canadian Union of Public Employees	G-99
Mr Sid Ryan	
Toronto and York Region Labour Council	G-101
Mr John Cartwright	
Centrica North America, EPCOR and Ontario Energy Savings Corp	G-103
Mr Deryk King	
Mr Mike Andrews	
Ms Rebecca MacDonald	
Mr Tom Baxter	G-108

STANDING COMMITTEE ON GENERAL GOVERNMENT

Chair / Président

Mr Steve Gilchrist (Scarborough East / -Est PC)

Vice-Chair / Vice-Président

Mr Norm Miller (Parry Sound-Muskoka PC)

Ms Marilyn Churley (Toronto-Danforth ND)

Mr Mike Colle (Eglinton-Lawrence L)

Mr Garfield Dunlop (Simcoe North / -Nord PC)

Mr Steve Gilchrist (Scarborough East / -Est PC)

Mr Dave Levac (Brant L)

Mr AL McDonald (Nipissing PC)

Mr Norm Miller (Parry Sound-Muskoka PC)

Mr R. Gary Stewart (Peterborough PC)

Substitutions / Membres remplaçants

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

Mr Michael Prue (Beaches-East York ND)

Mr Wayne Wettlaufer (Kitchener Centre / -Centre PC)

Clerk / Greffière

Ms Anne Stokes