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**Official Report  
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**Tuesday 9 December 2003**

**Journal  
des débats  
(Hansard)**

**Mardi 9 décembre 2003**

**Standing committee on  
justice and social policy**

Ontario Energy Board  
Amendment Act  
(Electricity Pricing), 2003

**Comité permanent de la  
justice et des affaires sociales**

Loi de 2003 modifiant la Loi  
sur la Commission de l'énergie  
de l'Ontario (établissement  
du coût de l'électricité)

Chair: Kevin Daniel Flynn  
Clerk: Susan Sourial

Président : Kevin Daniel Flynn  
Greffière : Susan Sourial

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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
JUSTICE AND SOCIAL POLICY

Tuesday 9 December 2003

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DE LA JUSTICE  
ET DES AFFAIRES SOCIALES

Mardi 9 décembre 2003

*The committee met at 1006 in committee room 1.*

## SUBCOMMITTEE REPORT

**The Chair (Mr Kevin Daniel Flynn):** It's a few minutes after 10. We do have representatives from two parties here, so I'm going to suggest that we start the meeting.

We've got a report of the subcommittee, dated December 8.

**Ms Kathleen O. Wynne (Don Valley West):** I'd like to move the report of the subcommittee before us. It's titled "Summary of Decisions made at the Subcommittee on Committee Business."

**The Chair:** Thank you, Kathleen. Does everybody have a copy before them? OK, you need to read it into the record.

**Ms Wynne:** The whole thing?

**The Chair:** I'm afraid so.

**Ms Wynne:** Your subcommittee on committee business met on Monday, December 8, 2003, and recommends the following with respect to Bill 4, An Act to amend the Ontario Energy Board Act, 1998 with respect to electricity pricing:

(1) That the committee hold one day of public hearings at Queen's Park on Tuesday, December 9, 2003, and one day of clause-by-clause consideration on Wednesday, December 10, 2003.

(2) That a notice of the committee's business be posted on the Ontario parliamentary channel and the committee's Web site.

(3) That the minister be invited to make a 15-minute presentation followed by 45 minutes of questions and answers (to be divided equally among the three parties).

(4) That members of the subcommittee provide the committee clerk with lists of who they would like to appear as witnesses.

(5) That the New Democratic Party be invited to submit the name of one organization or individual they would like to appear as a witness by 10 am on Tuesday, December 9, 2003.

(6) That witnesses (groups and individuals) be allotted 20 minutes each.

(7) That the clerk be authorized, in consultation with the Chair and the subcommittee as necessary, to schedule witnesses from the lists of names submitted by the three parties.

(8) That the committee clerk be authorized to schedule any other groups that may request to appear on a first-come, first-served basis.

(9) That the research officer prepare a summary of the testimony heard.

(10) That the parliamentary assistant, the opposition critic and the third party critic each have five minutes for opening statements at clause-by-clause.

(11) That amendments be filed with the clerk of the committee by 7 pm, Tuesday, December 9, 2003.

(12) That the committee clerk be authorized to send a copy of the subcommittee report to the NDP member of the committee.

**The Chair:** Any debate?

**Mr Frank Klees (Oak Ridges):** Unfortunately, I wasn't able to attend the subcommittee meeting that was held. The question I have is, why are we having only one day of committee hearings on a piece of legislation that is so far-reaching? It certainly affects not only an industry but every consumer in this province. Particularly in light of the commitment on the part of the government to ensure there's an open process, a new focus on democracy and giving people in this province an opportunity to air their concerns and provide input to the government of the day, I find it most interesting and most disappointing that the first piece of legislation we have in the committee is so restricted, and I'd like to know what the rationale is.

**The Chair:** Let's go to Kathleen and then to Caroline.

**Ms Wynne:** Caroline, go ahead.

**Ms Caroline Di Cocco (Sarnia-Lambton):** I believe it was agreed, by your party as well as ours, that we would have this length of time. There was an agreement as part of the programming motion, and therefore we have one day of hearings.

**Mr Klees:** Let me put it this way: You know full well that the opposition has very little say about whether it's one or two or three days. Let's be fair to the public who observe these proceedings that it's the government of the day with the majority that sets the agenda. My question isn't whether there was agreement or whether it was through the twisting of arms or whatever. My question, very simply, is that a government which throughout an entire election campaign was very clear that they intended to do the business of government differently and be very open and consultative would propose only one day of hearings on the first piece of legislation, as far-

reaching as it is. Maybe I should change my question: Who proposed the one day to which final agreement was given? Was it the government that proposed one day?

**The Chair:** Minister, would you like to answer that?

**Hon Dwight Duncan (Minister of Energy, Government House Leader):** A representative of your House leader's office proposed the two days for this bill.

**Mr Klees:** Two days?

**Hon Mr Duncan:** He agreed to it, and I believe he voted in favour of it.

**Mr Klees:** Let me go on record that if that was the case, I'm disappointed that the government, with its majority, didn't insist on overruling that. I certainly don't agree. I think we should—

*Interjections.*

**Mr Klees:** Well, it is. Stick around.

If I could just finish my comments, I've been a strong supporter of opening up the process. In the last number of years, members who sat with me in committee know full well the attitude I've taken in the past that I was not happy with how the business of committees was being conducted. I often argued for a more open process. I often argued for members to be given much more independence in this place, and I was hopeful that this new government would set an example, with the massive majority it has, particularly given the legislation the Attorney General introduced yesterday purporting to give that much additional empowerment to individual members of the Legislature, and this is not a good example. To try to blow this off on the opposition, as the minister has, I think is once again sidestepping an issue that he wears and that the government wears.

**Mr Cameron Jackson (Burlington):** As a former Chair of a committee, it's my understanding that the committee should order up its business, and I look for guidance to the Chair and to the clerk who supports this committee. I respect that in the briefness of time we have to deal with this bill, we have time for one or maybe one and a half days of public hearings. My concern is why we weren't given greater notice that the period for the hearings was to start this morning as opposed to this afternoon, and that we've not participated in the process of inviting the public here today. That would be my major concern. I accept that some latitude should be given—it's a new government and a process that's unfamiliar to all but one member of the government party present today. However, it begs the question: Have we really been able to secure sufficient people to come and present to this committee to make it a meaningful experience? Secondly, have we given sufficient notice? It's hard to believe we can have given sufficient notice to the public when my colleague and I have only recently received notice about timing and the agenda. That is a question I lay before the Chair and the clerk. I'm obviously subbed into this committee, but I suspect I'll be subbed in from time and time, and I would hope that the Chair would be able to realize that deputants are, in a loose way of saying it, negotiated. All parties bring forward suggestions.

I think it would have been a matter of courtesy to have consulted the NDP to determine if there were any individuals who they feel would be helpful to the process in terms of providing input in this public hearing. I think that would be a courtesy, and it's not an uncommon courtesy in this Parliament; from my 19 years here, it has been done quite frequently.

Again, there should be some latitude for a new government, with a new minister, with a new Chair, with a completely new committee; I understand that. But we have an experienced clerk and we have a process, and we have a long history of how we do things. The very first public hearing of this government will not be complete, nor will it be as far-reaching. Quite frankly, one scans the crowd, looking at the number of staffers here, and one can clearly determine that the public is unaware that we're having this public meeting.

So I just want that on the record. Those are my concerns. I suspect they'll be resolved under your chairmanship in future meetings, but this is not a really great start.

**The Chair:** Let me attempt, as the new Chair, to tell you what my perspective is on this. The issue, as I understand it, is here in the way that the House deemed it should come to us. The subcommittee meeting was held yesterday. Members of your party were here; members of the government party were here. The NDP did not attend the meeting yesterday, did not attend the organizational meeting and did not attend the subcommittee meeting to provide any input. In the absence of all that, members of the two parties, Ms Munro and Mr Gravelle, prepared a subcommittee report that's before you today. As Chair, I understand that there is perhaps a perceived shortness of time, but I think that was dealt with when the decision was made in the House.

**Mr Jackson:** I have taken no exception to how the House directed the committee. I was very clear in my comments not to take exception to that. I do take exception to the fact that a Chair failed to ensure that a subcommittee member of this committee should have been designated and was not. The fact that a staff member was sent was done without the knowledge of my colleague and I, and I will investigate that further as to how a clerk would order up a subcommittee meeting without an MPP present, because in my 19 years, that's never happened before. Now, I will look into that, Mr Chairman, but I would just suggest to you that in future subcommittee meetings—those are between members of this committee, and staff are not members of this committee. These are elected individuals.

**The Chair:** The staff member being who? I'm not following you.

**Mr Jackson:** Julia Kwazinski was in attendance.

**The Chair:** That was for your party?

**Mr Jackson:** The permanent members of the committee were Mr Wilson, for this committee, and Mr Klees. Neither one of those was notified to be in attendance.

**The Chair:** Julia Munro subbed into the committee—

**Mr Jackson:** Just for the subcommittee meeting.

**The Chair:** —for the subcommittee meeting and the organizational meeting, and agreed to what's before us here today. Obviously, I proceeded on the understanding that I had concurrence of your party that this would be—

**Mr Jackson:** Fair enough, Mr Chairman.

**Ms Wynne:** I just wanted to make the point that there are people here who want to hear the business that has been sent to us by the House. I think that if there are these internal issues that we need to deal with, they should be dealt with another time, because I think we should get on with it, given that there are members of the public here. That would be my suggestion.

**The Chair:** Any further debate? If not, all those in favour of the committee report? Opposed? Carried.

1020

ONTARIO ENERGY BOARD  
AMENDMENT ACT (ELECTRICITY  
PRICING), 2003

LOI DE 2003 MODIFIANT LA LOI  
SUR LA COMMISSION DE L'ÉNERGIE  
DE L'ONTARIO (ÉTABLISSEMENT  
DU COÛT DE L'ÉLECTRICITÉ)

Consideration of Bill 4, An Act to amend the Ontario Energy Board Act, 1998 with respect to electricity pricing / Projet de loi 4, Loi modifiant la Loi de 1998 sur la Commission de l'énergie de l'Ontario à l'égard de l'établissement du coût de l'électricité.

**The Chair:** We'll move on, then, to the Minister of Energy. The Honourable Dwight Duncan will give us a presentation of approximately 15 minutes. Then there will be time equally split after the presentation for questions.

STATEMENT BY THE MINISTER

**Hon Mr Duncan:** With this proposed legislation, our government is taking a responsible approach to electricity pricing that better reflects the true cost of electricity. The price freeze of the former government did not reflect the true cost of electricity and has contributed to the \$5.6-billion deficit threatening this province.

The previous government changed its position on hydro privatization 11 times over the course of its mandate and finally imposed a cap at 4.3 cents. Since that cap was put in place, it has cost over \$800 million. The 4.3-cent price freeze was simply unrealistic. Ultimately, Ontario taxpayers are paying the price for this bad decision.

It would be irresponsible for the province and taxpayers to continue to subsidize electricity consumption, because this subsidy jeopardizes our ability to invest in health care and education. The days of using energy as a political football are over. We owe it to the people of Ontario to ensure that our government lives within its means and puts the public interest first.

Our plan will take the politics and politicians out of electricity pricing and give that responsibility to an

independent regulator, the Ontario Energy Board. The OEB has been directed to assume this responsibility as soon as possible and no later than May 2005. Through this plan, we are delivering on our commitment toward fiscal responsibility and fair and responsible government for the people of Ontario.

Consumer protection is an important component of our policy. Consumer protection will be the hallmark of our government's electricity policy. The proposed legislation will ensure Ontario electricity consumers have fair, predictable and stable rates that better reflect the true costs of this important commodity.

Our plan protects residential and low-volume consumers from the volatile price spikes we saw in the summer and fall of 2002, when the Conservatives were in power. Should the proposed legislation pass, we would have stable and predictable pricing so families and small businesses and other low-volume consumers can better manage their energy costs. The price would be regulated by an independent body, not by politicians. The OEB would be the price regulator and would develop a clear and transparent way of setting prices as soon as possible, and no later than prior to May 1, 2005.

Electricity prices in Ontario would be regulated on the basis of what is in the public interest. Even after the removal of the cap, electricity prices in Ontario are expected to be competitive with most nearby jurisdictions and, in fact, lower than New York, Illinois, Massachusetts and Michigan.

We are committed, through this plan, to treat consumers fairly and according to the public interest. If the interim price turns out to be higher than the true cost, all eligible consumers would receive a credit for the difference once the OEB implements their pricing mechanism.

In our plan, there's a strong incentive for conservation. Our plan includes this because it's critical to ensuring the sustainability of our supply. Conservation also makes good environmental sense because it will reduce our reliance on coal-fired generators, which will help us meet our commitment to phase out coal-fired generation by 2007. The fact that consumers have been shielded from the true cost of electricity has encouraged consumption instead of encouraging conservation.

Starting April 1, 2004, the first 750 kilowatt hours consumed in any month would be priced at 4.7 cents per kilowatt hour. Consumption above that level would be priced a higher rate of 5.5 cents per kilowatt hour. A typical suburban home in Ontario consumes approximately 1,000 kilowatt hours per month. Conservation measures could help reduce that consumption level. Since the proposed plan would not take effect until April 1, consumers would have a chance to review their energy use, take conservation measures and, as a result, limit the impact of the price change on their personal bills.

We will be reinforcing our message about conservation in many ways. For example, the government will be taking action to improve its own conservation performance. In the coming weeks, the Chair of Management Board will be announcing a new plan to make a notic-

eable reduction in the government's overall energy consumption. The Minister of Finance recently announced that the current provincial sales tax rebate for energy-efficient appliances would be extended in order to encourage and support energy efficiency and conservation.

We will also expand efforts to educate consumers about steps they can take to conserve electricity and use other forms of energy with information designed for households and businesses. To ensure our energy future, the Ministry of Energy and the Ministry of Education will work together to build conservation awareness in the curriculum for kids in school.

As of March 2005, local distribution companies would be allowed to achieve their full commercial return, but only on condition they reinvest the equivalent of one year's worth of these additional monies in conservation and demand-management programs. This represents an investment in new conservation initiatives of approximately \$225 million, one of the largest investments in conservation of its kind in Ontario's history.

As citizens of this province, we all have a responsibility to conserve energy and protect our environment.

Our government's plan promotes a safe, reliable and sustainable supply of energy for the future. This plan is a major step toward attracting new electricity supply to Ontario and to sustain our future needs. We're sending a clear signal that Ontario intends to deal with electricity issues in a practical, sensible and transparent way.

The former government didn't create any new supply in their years in office. Because of the failure to keep Pickering properly maintained, the former government was forced to take 4,600 megawatts of nuclear power off-line in 1997. These problems are now expected to cost us \$3 billion and have put Pickering A years behind schedule. Supply shortages have been the result of this.

This bill and our plan reaffirm our commitment to modernize our electricity system by attracting new supply, encouraging conservation and delivering cleaner energy to the people of Ontario.

Finally, I found it almost laughable that the official opposition, a party that did not send one bill to committee in the last year of its mandate, is sitting here complaining. The member Mr Klees voted in favour every time on time allocation. I'm astounded they didn't realize they had a member at the subcommittee—I was certainly aware of that—and that that member agreed, not only to this process but to the delegations that are here and was invited to provide names.

The final point that needs to be made is that, again, it's almost laughable, but this bill was subject to agreement in terms of the number of days of committee hearings, the delegations, and that party voted in favour of it. Coming from a group that did their budget at Magna instead of the Legislature, to lecture us using a new parliamentary tool, which both the government and the official opposition agreed to, is almost laughable.

Your record, Mr Klees, I would suggest, is the worst in the history of this province when it comes to democracy. I would like to have a lot more hearings on this

bill. I think everybody would. We have to get on with this. We're providing third reading debate, something your government never did using time allocation—never. And when it did, it was limited usually to 20 minutes. We've got third reading debate here. Last night something happened in the Legislature. Not many of your members were there when this happened, but I'll relay it to you.

**Mr Jackson:** On a point of order, Mr Chairman: The Minister, in his zeal—it's unparliamentary to discuss attendance. He knows that. If he'd like me to put on the record those members of his government who were not in attendance last night, I'd be pleased to do that.

**Hon Mr Duncan:** I withdraw that, Mr Chairman.

**Mr Jackson:** It's not appropriate, nor is it necessary.

**The Chair:** It's been withdrawn.

**Hon Mr Duncan:** Absolutely right. I shouldn't have said that. What happened last night was that for the first time in eight years a minister was able to do a reply to his bill. Why has that never happened before in the last eight years? Because the previous government used time allocation.

Let me put it in context for you. The previous government used time allocation on almost 95% of its bills. The closest to that, prior to that government, the Harris-Eves government, was the Bob Rae government, which used it on about 6% of its bills, and the David Peterson government, which used it on about 3% of its bills overall. The previous government sent budget bills to time allocation with no committee. The previous government sent budget bills with no third reading debate.

We think this new programming motion, which the member's party agreed to, supported, negotiated, sat down with, agreed to the number of days of hearings, is a very good way of proceeding in the future. It was a pilot project, and we're hoping this can be done in more cases in the future. As I say, my understanding coming in here was that Ms Munro participated in the subcommittee and that everything brought forward was agreed to.

With that, I've used, I think, 10 of my 15 minutes. I'll be happy to take questions for 50 minutes on whatever issues you choose to raise. This is an important step forward, in our view. We think it's important. It will help address the deficit. It will help address conservation. We think it's a giant step forward in making sure we have a safe, reliable, sustainable supply of energy in Ontario's future.

One other thing: In eight years as a member of committees here, very few bills got to them. I don't remember once a minister coming to committee to open it up.

**1030**

**The Chair:** We intend to hear from the public, beginning at 11 o'clock this morning, so we've got about half an hour left. The intent was to divide the question time between the three parties; however, we only have representatives of two parties here.

**Mr Klees:** I thought there were only two parties.

**The Chair:** Mr Kormos is not here, would probably be the better way of putting it. Mr Kormos was to be

allocated an even share of the question period time. I'm going to suggest that for the time being we just divide that in two, which would leave us approximately 15 minutes for each party, if the opposition would like to start.

**Mr Jackson:** Minister, could we go over some of the increased cost factors that were contained in your report? Specifically, I want to inquire further about the LDCs. Your narrative in the House indicated, as of March 1, 2004, there would be deferred asset recovery in the amount of \$750 million that LDCs would be allowed to charge back. These are pre-approvals from the Ontario Energy Board, correct?

**Hon Mr Duncan:** That's correct. Is it 2004 or 2005?

**Mr Jackson:** There are two tranches of LDC—

**Hon Mr Duncan:** It's 2004 for the first tranche, yes.

**Mr Jackson:** So there are two tranches here. The first one is the \$750 million over four years. Will the OEB be allowed to accept new applications in the next four years under your bill?

**Hon Mr Duncan:** New applications for?

**Mr Jackson:** From the LDCs for further cost recovery.

**Hon Mr Duncan:** That provision is not provided in this bill, but we will be coming forward with that as part of the regulation under the bill.

**Mr Jackson:** Allowing them to do that?

**Hon Mr Duncan:** Rosalyn, do you want to join in here just to make sure I don't give the wrong information?

**The Chair:** Could you identify yourself for Hansard, please.

**Ms Rosalyn Lawrence:** My name is Rosalyn Lawrence. I'm the director of the consumer and regulatory affairs branch.

Under Bill 4, there are provisions that will remain in place until they are repealed that will require utilities to seek prior written approval of the Minister of Energy before proceeding to the board with rate applications.

**Hon Mr Duncan:** That's until such time as the board—

**Ms Lawrence:** Until they're repealed.

**Hon Mr Duncan:** Yes, exactly.

**Mr Jackson:** I'm still seeking an answer to my question. Can an LDC in the next four years make a further application to the OEB for a recoverable?

**Hon Mr Duncan:** Yes.

**Mr Jackson:** OK. So now there's the potential for three or four increases for an LDC in the province over the next—there's the \$750 million, which is the cost recoverables already approved by the OEB. The second tranche of money that consumers who now have to—is the return on investment, the guarantee that they can make 9.8% profit, even though they're owned by most municipalities. That will generate a further \$220 million. Is that correct, or does that \$220 million represent the one quarter?

**Ms Lawrence:** The third tranche of the return on equity is estimated to be about \$225 million across the sector.

**Mr Jackson:** That's almost a billion dollars that consumers will have to pay. What's the—

**Hon Mr Duncan:** I think it needs to be said that consumers are paying that now. Number one—

**Mr Jackson:** Could I finish my questions, Mr Chair, and then the minister can respond?

The return on investment: The incremental revenue is \$220 million. This is a not a one-time, whereas the deferred recoveries of \$750 million are one-time. They just spread that over four years. We've established now that the distribution companies can then go in and make applications on top that could, in theory, be an equivalent amount. But I'm not going to speculate on that.

At the end of that pay-down period, that ceases and then there's another round of recoverables that then have to be—it's not like rent control where it becomes the base and you just keep paying at that base each year; is that correct?

**Ms Lawrence:** The utilities will have variance accounts, as do the gas distributors currently, and they will—

**Mr Jackson:** I'm not talking about gas distributors; I'm talking about the LDCs, the local distribution companies: Burlington Hydro, Toronto Hydro. They are recoverables. When they invest money into their infrastructure, they get to reclaim it. On top of their recoverables, they get their profit margins. Those two combined are \$1 billion for consumers.

What I wanted to establish is that it's possible for an LDC to begin another rate application during this period. So in no way are you freezing, or protecting consumers from further applications. In other words, will there be a period of stability? You're completely opening up the recoverable rate applications to all distribution companies across the province. I call them companies; they're mostly municipal.

**Hon Mr Duncan:** Under this regime, I have prior approval of that until such time as the OEB takes over.

The second point I wanted to respond to is that the consumer is paying for those charges anyway. They're landing on the balance sheet of these LDCs, which is again why I suspect AMO, the Consumers' Association of Canada and others have supported this bill.

**Mr Jackson:** Are you investigating, for example, that LDCs are engaged in allied businesses but not necessarily direct businesses in the delivery of hydroelectricity and power to people's residences and that they are blending those into their—I'm trying to determine a degree of consumer protection in your regulatory framework, which is not before us, which is understandable. I don't expect you to have the regs ready, but at some point we would like to see the regs before they go.

**Hon Mr Duncan:** That's a valid concern, number one. Number two, this bill does not address that; you're absolutely right. Number three, we will be looking at all of those issues once we're through this. I should say that the structure we have set in the interim, until such time as the OEB comes up with a reg, we believe affords a much greater degree of consumer protection in the context of a

price that better reflects the market price of producing electricity than has been present certainly since the cap was imposed retroactively last November.

**Mr Jackson:** I understand the mantra that you're presenting. Not once throughout this process, since the day you tabled it in the House, have you talked about the mitigation strategy. You've brought staff here today who can address some of the issues of the mitigation fund, because with new energy coming on stream—

**Hon Mr Duncan:** Sorry, what do you mean by the mitigation fund?

**Mr Jackson:** You have indicated, according to the comments of your consultant, Erik Peters, that we're going to show an \$800-million loss this year. When our government brought in the legislation for consumer protection that placed the cap differently from where you're going to place the cap—

**Hon Mr Duncan:** Eight hundred million is the net figure?

**Mr Jackson:** Yes.

**Hon Mr Duncan:** You're referring to the mitigation figure on OPG's books, correct?

**Mr Jackson:** That is correct.

**Hon Mr Duncan:** OK. That's not dealt with in this legislation.

1040

**Mr Jackson:** I know it's not, but the reason this legislation is before us is because you're suggesting it's in the consumers' best interests to pay a rate that is much higher. We're suggesting that the mitigation strategy was always going to be, at the front end, very costly, and at the tail end, by 2006, it would be revenue-neutral as new supply comes on. That was confirmed by your staff yesterday in our briefings: that there are some 2,000 extra megawatts of power on stream now that have had a chilling effect on price. As more supply comes on the market, we will move that price progressively lower.

It strikes me that there's been no effort to look at the projections. My understanding and information is that there was a net profit made, that there was less in the month of October and that in fact there was not a net loss in the mitigation strategy, that it had reached a position of revenue neutrality. So it would be misleading in the extreme to suggest that each and every year between now and 2006 it's going to cost us \$800 million. That's my point.

**Hon Mr Duncan:** No, and what we said was, for the balance of this year, it would have been about an additional \$240 million. Projections that we had said it could have cost a total of another \$1.6 billion to \$2.4 billion depending on the market price; you're right about that.

There is not a credible analyst who suggests that by 2006 this thing would not be adding to the provincial deficit, either our finance ministry and the Ministry of Energy or by the former Provincial Auditor, Mr Peters.

**Mr Jackson:** I asked that question of your staff, which used to be our staff.

**Hon Mr Duncan:** They said that was your plan. The problem is, your plan wouldn't have worked.

**Mr Jackson:** Those numbers were generated by the Ministry of Energy.

**Hon Mr Duncan:** Your plan wasn't going to work. That's why we had to get rid of it.

**Mr Jackson:** That's fair enough when you say that. I am simply suggesting that the plan was developed and the numbers were crunched out by the Ministry of Energy, and—

**Hon Mr Duncan:** We would submit—

**Mr Jackson:** —if I may finish—there is evidence in the month of October of its revenue neutrality. That's what I'm saying—as more supply comes on board. If we take the microscope up and we can agree that caps are inherently wrong, if you embrace that principle, you've simply moved the cap.

**Hon Mr Duncan:** In the interim, yes, we have.

**Mr Jackson:** In very simple terms—

**Hon Mr Duncan:** And that is the major consumer protection piece in this.

**Mr Jackson:** I don't want this to be a debate. I'd like to raise a question.

**The Chair:** Let the minister answer the question.

**Hon Mr Duncan:** I've been listening intently—

**Mr Jackson:** I haven't asked a question yet.

**Hon Mr Duncan:** Yes, you did.

**Mr Jackson:** I was proposing—

**The Chair:** Answer the question. It's your time, obviously, but I heard a question. If you'd like to answer it—

**Hon Mr Duncan:** I'll try to keep it brief. Your government's numbers simply had no credibility. There's not an independent analyst who agrees with them. That's number one.

Number two: Yes, there is an interim price until such time as the OEB can come up with the regulation and implement it. This government decided that, recognizing that we have to better reflect the cost of energy, we need to give consumers a period of time, which will expire no later than May 2005, to prepare—unlike what you did to them, when you sent them to the spot market in the spring of 2002, which forced your government to abandon its entire policy and then move to a cap price. We think this does afford an element of predictability, number one. Number two, you raise a very valid concern, and I share that: market price as well. There are projections that say market price is going down this year. However, as I think your government learned the hard way, these predictions are notoriously inaccurate. So we've erred on the side of caution.

I need to point out two things. If by chance the price we set is higher than the market, consumers will be credited back on their bills. If it turns out to be lower than the market, then the OEFC will eat whatever the difference is. So I think we've put in very good protections for consumers, giving them a time to adjust to the new pricing regime that the OEB will come up with.

**Mr Jackson:** I think we've established—



**The Chair:** You've got about two minutes left, just so you know.

**Mr Jackson:** Minister, yesterday your staff indicated that the OEB may contract out their responsibilities in accordance with your direction. That's the first time we've heard that. Could you share with us under what circumstances you might consider who this group might be?

**Hon Mr Duncan:** They said, "if that's the direction." I can tell you, we haven't even begun to discuss those issues at this point.

**Mr Jackson:** I've got several more questions. One of the reasons that we proposed 2006 for the cap to come off was that it would give consumers sufficient time to modify their metering requirements, because the technology hasn't caught up with consumer demand, and consumer demand is going to increase rather rapidly under the fact that they're going to pay more for hydro under your plan. Therefore, the ability to deliver the discount on 750 versus the 1,000 in terms of the rate break doesn't help people in a variety of circumstances.

I'll give you an example: an apartment building with 200 units that doesn't have individual metering in each individual apartment. Can we find a way and can we secure in regulation the protection that they'll get the 750 break to the higher break in all circumstances?

**Hon Mr Duncan:** Yes, we can do that.

**Mr Jackson:** Then can we agree that we will do that in retirement homes?

**Hon Mr Duncan:** Can I get back to you on that? I'd like that to be the case. I think you raise a valid concern. Let me get back to you on that.

**Mr Jackson:** Thirdly, even though it's the government paying, it is the not-for-profit sector who have about 30% of the Ontario market for nursing homes. Would they as well apply?

**Hon Mr Duncan:** I will undertake to get back to you on that.

**Mr Jackson:** I have rather extensive lists.

**Hon Mr Duncan:** Well, the bottom line is—

**Mr Jackson:** Let me finish: student dormitories in universities, a whole host of locations. I would like to ensure that the regulations will cover and protect these individuals so that they get this minimal break, but it's a substantive break when you multiply it times 200 units.

**Hon Mr Duncan:** Many of these are already designated, I've just been told by my officials, and already covered. If you'd like to give us that list—and I should point out, Chair, one thing I did forget to make note of. The critic for the official opposition did ask to have the opportunity to be briefed by my officials in the lead-up to this. We were very delighted to provide that. That was never offered to us when we were in opposition. I did want to make that point.

**Mr Jackson:** I was a minister. Mr Klees was a minister. Not only—

**The Chair:** Your time has expired.

**Mr Jackson:** On a point of order, Mr Chairman: The minister is being quite unparliamentary here. We've

tolerated a fair bit of it, but I'm not going to sit here and get a lecture from him when routinely not only did we provide briefings well in advance—you shake your head. You weren't my critic. I just think—

**The Chair:** Your point is made.

**Mr Jackson:** —it's a little boorish and it's a little inappropriate and I think we shouldn't be rewriting history here.

**The Chair:** Would you like the minister to withdraw his remark?

**Mr Jackson:** Yesterday, the minister couldn't even deliver the material. We couldn't even begin the comments in the House because he didn't deliver the material on time.

**Hon Mr Duncan:** It turns out it was in the desk.

**Mr Jackson:** That's a fabrication.

**The Chair:** Order.

**Mr Jackson:** Dwight, get some class.

**The Chair:** Cam, I'm new in the chair. I could use your assistance; I really could.

**Mr Jackson:** I apologize.

**The Chair:** Thank you.

Are there any members from the Liberal side, the government party, that have questions for the minister?

**Mr Brad Duguid (Scarborough Centre):** Just a couple of questions.

Minister, you mentioned the need for this bill from a conservation perspective, with regard to preserving supply and the environmental benefits, and I think both of those are very real. But from a financial perspective, you didn't talk too much about the need for moving forward with this initiative in a rapid manner. Would you outline the impetus for this bill from that perspective?

**Hon Mr Duncan:** The net cost of the cap is at \$800 million for the first year. Our concern was that, going forward, that couldn't be sustained. It contributed to the \$5.6-billion deficit that the Conservative government left. We felt that in the context of health care and education, most Ontarians would believe they should be paying the market price for their electricity. I think most people understand that nothing comes free. Ontarians were in fact paying for the cap through their taxes. Not only that, but with the previous government's deficit, that money was being put on to the province's books, borrowed and added to the province's debt, and we're paying interest on it.

**1050**

What we've tried to achieve is a pricing mechanism in the interim that will allow consumers to make relatively modest adjustments to their consumption that will help them absorb whatever increase they're potentially faced with, recognizing that if we don't do this, it will compromise the province's ability to move forward in other important areas like health care, education and the environment. This year alone, we would have added \$200 million to the debt. Projections range, again depending on what the eventual average market price of electricity would be, between \$2 billion and \$4 billion by the end of 2006, when the cap was originally supposed to come off.

**Mr Duguid:** You mentioned as well when you were speaking that the OEB will be the price regulator rather than politicians. Could you maybe expand as to why there's an advantage to having that?

**Hon Mr Duncan:** Most potential new energy suppliers have told me that the regulatory environment under the previous government was completely unstable and that, in effect, they said one thing and did another. For instance, in Sarnia—I see the member for Sarnia here—there's a new TransAlta gas plant coming on stream. Nobody is willing to make investments when governments come in and artificially set the price, because obviously the ability to make an investment is contingent upon a future stream of revenues, and if governments of whatever stripe show a desire to artificially influence that, it causes great nervousness from the investor's perspective. But more interestingly, the big banks have told us that they won't backstop financing on anything in Ontario because of the nature of the previous government's flip-flops on their energy policy.

We're trying to create a stable environment, because we do believe there's a role for private generation in Ontario selling into a public system. There has been virtually nothing done in the last five years with the problems we've confronted in our nuclear system and elsewhere. It's important to create an environment where both banks and potential private producers feel there's a stable regulatory climate in order to make the kinds of investments—these things have, as I understand it, a long-term payback. There's a high up-front capital cost and the payback doesn't come for quite some time down the road. The price cap was harming our ability to generate new supply.

**Mr Duguid:** Given the information we received last week regarding Pickering, the financial picture to me is even more dramatic than it would have been in the past. How does the information we received last week impact on the need to get this bill through?

**Hon Mr Duncan:** They're separate but related issues. Number one, Pickering really addresses the larger question about OPG in the future, the future of nuclear and what we call our balanced portfolio of energy sources. This bill is only a first step in terms of ensuring a long-term supply. If this cap is allowed to stay on—and I've met with most of the large private generators in the province—there's no incentive for them to come and build new supply. Given the condition of Pickering and given the risk associated with redevelopment, which we are in the process of assessing, we're going to be stuck with no new energy at a time when our demand is growing at about 1% per year, at a time when we know we've got very little breathing room on the hottest and coldest days of the year, when we are importing power, and when you're importing, you're always importing it at the highest cost.

Now, we've got some good news coming down the road. Bruce A is coming on, two reactors. But again, historically, we don't have a large enough margin of safety in the context of our peak demand times. So a

combination of conservation and—what Pickering points out is just how vulnerable we are. What we're hoping to establish is an environment where there will be more natural gas plants coming into Ontario to produce what is a relatively clean form of energy so we're not on the bubble all the time, if you will. Failure to do that, in my view, would leave this province in a position—I can tell you, for instance, I met with the vehicle manufacturers yesterday. Even though electricity is about 2% of their operating costs, the nervousness around supply is an impediment to them getting product mandates—that is, new investments—in Ontario.

**Mr Duguid:** A final question: Aside from the political critique of the bill, I've heard nothing outside of Queen's Park from stakeholders suggesting that this is not the way to go. In fact, what I've read of comments from stakeholders is that they're fully supportive. Have you been in consultation with stakeholders to date, and what's your take on that?

**Hon Mr Duncan:** First of all, yes, we've had a lot of endorsement of the policy. We have to be fair about this. There are going to be segments where there is going to be a substantial price increase. The two communities I'm concerned about—you'll hear from them later today—are the small business sector and farms. In both cases, they have concerns. They've also offered some other ideas, and I would invite you to question them about other areas where we can look at going forward to help them. But obviously they're not going to be happy. They are going to be looking at, in some cases, anywhere from a 14% to 17% increase, depending on the volume of usage, and I don't think we can paper over that. I think we have to be straight up. I think we have to be honest about it. I think they recognize, being people who participate in and believe in markets, that you don't get anything for free.

What I've said to them in the interim is that you are paying for this, one way or the other, either through your taxes or through the bill. Our hope is—and particularly the farming community has some tremendous ideas around conservation. One of the things I learned as part of this process is that in farm communities now, just to get bank financing you have to have backup diesel generation on your farm. So I think there are going to be a lot of opportunities going forward to assist the rural communities, recognizing that this is going to be a hard hit for them, as well as small business. But I think everybody is resolved that we've got to do the right thing in terms of generating long-term supply.

We have a choice: We can bury our heads in the sand or we can acknowledge a challenge and address the challenge going forward and encourage everybody to work together on this. But I don't want to try to pretend that there aren't going to be people affected by this. There will be.

**The Chair:** There are two other questioners on the list and we've got about six minutes remaining. Kathleen, then Caroline.

**Ms Wynne:** There are two areas that I have some concerns with. It actually follows a little bit on the oppos-

ition question around people living in large buildings. I'm worried about low-income seniors in high-rises. I'm also worried about seniors in another context, and that is people who are on a fixed income and may be living in a big, inefficient house, but who don't have a lot of flexibility in their income. I'm just wondering, how do we protect tenants, particularly senior tenants, in those large high-rises, and seniors who are living in a house that they really probably couldn't afford to buy today and whose appliances and heating systems are inefficient? How do we protect those people?

**Hon Mr Duncan:** We have dealt with apartments in the regs. It will be 750 times the number of units, so that protection is built in there. That's number one. The 750 cut-off wasn't done arbitrarily; there's a certain amount of art and science to it. The average household in Ontario uses about 1,000 kilowatts. About 48% of households use 750 or less. In terms of apartments, the 750 will be applied by the number of units in a building. So that's number one.

You raise an interesting dilemma with those seniors who are in their homes. I think of my mom and dad, for instance. They're both quite on in age. My dad's still in the house, and they've got the Kelvinator in the basement. The notion of him at 82 years old going out and doing all these things is a challenge. Families are going to have to help out. Where there are no families, we're hoping there will be a community response on this thing.

One of the things we'd like to see happen, and we'll be having more announcements around conservation going forward involving small homes and individuals—we do need a change in attitude. I liken it to the waste system we had in Ontario prior to about the mid-1980s. Remember the old days? We just threw all our garbage into a Glad bag. It took time. Hopefully, the price thing—for instance, I went and got all those energy-efficient lights, put them throughout my dad's house, things like that. But you raise a valid concern.

1100

**Ms Wynne:** I think we're talking about shifting the culture here. The reason this is so difficult is that we haven't stepped up to the challenge for the last 40 years. Now we really are having to play catch-up.

I'm just asking us to consider that we look at what those would be. That would be my second question, which is about public education. Jennifer Mossop raised it in the House. When electricity was being developed, there were road shows that went around the province getting people to use electricity, and we've got to do the reverse now. I know it's not part of this legislation, but we need a very extensive public education campaign, and we probably need to start with how we can help that community response with seniors and what we can do. I just raise that.

**Hon Mr Duncan:** I think that's a valid concern. We are going to have a conservation initiative, beginning in January. I'm not yet quite in a position to announce its entire makeup. It will be led by my parliamentary assistant.

You're right, there's a cultural shift that has to happen. It happened in the waste system. Part of it is the curriculum in the schools. We've already spoken with the Minister of Education. They're looking at incorporating this into the curriculum at schools. When my son comes home, he's much more cognizant of these things than people of my generation because they're learning them in school. I believe the schools are an important part of that. We're going to have more announcements around the curriculum on that. But you're right, there's a cultural shift that has to occur.

**The Chair:** Is there one brief question? The 11 o'clock delegation is not here yet, so Caroline, if you'd like to take one brief question and answer, then as a committee we can decide what to do after that.

**Ms Di Cocco:** Minister, you mentioned TransAlta. You may answer this or give me a follow-up later on. TransAlta is the largest cogen in Canada that has built there. As you know, Sarnia, in particular, is one of the largest users of electricity because of the petrochemical industry. What I found quite astounding is that about half of TransAlta's energy supply that it generates is for its industrial customers. The other 50% or 60% it has in excess it can't sell in Ontario until after all of the US imports have been exhausted when there is a peak period. They brought this to my attention, actually. I found that we're generating capacity in Ontario, and yet we're unable to use the cheaper—whatever that wattage is. I don't know if maybe you have a response to that. I just found that quite incredulous, actually.

**Hon Mr Duncan:** Well, I don't, and I find it incredulous too, so let me undertake to look into that further for you.

We want to create a climate where companies like TransAlta want to invest in private generation, and if those impediments are there for no good reason, then we need to get to the bottom of it. I'll undertake to write back to you with a better response than I've given you today.

**The Chair:** Our 11 o'clock has just arrived. Good timing.

#### CONSERVATION COUNCIL OF ONTARIO

**The Chair:** Mr Winter, if you would have a seat, you have 20 minutes, of which we've used about two or three already. You can use that time any way you like. Leave some time for questions, if you'd like, at the end.

**Mr Chris Winter:** My apologies for the delay. I think it's a new security system at the front and it takes a bit of time to get through now, especially if there's a bunch of school kids ahead of you.

Thank you very much, everyone. It's a pleasure to be here.

**The Chair:** Could you identify yourself for Hansard?

**Mr Winter:** Yes, I will indeed. My name is Chris Winter. I'm the executive director for the Conservation Council of Ontario, which is a 50-year-old organization with 25 member organizations, 50 individual conserva-

tion leaders and over one million constituent members, ie the members of our member organizations. We represent the interests of conservation in Ontario, and in this instance the interest of conserving energy through demand management, efficiency and renewable power alternatives.

I don't think anyone will deny the importance of conservation as a first step in creating a secure electricity system, an efficient economy, a healthy environment, comfortable homes and reduced energy bills. I doubt if anyone will deny either that it is the most cost-effective means of addressing our current power crunch. The question is, if we all agree conservation is so important, then why is the financial support for conservation so abysmally low?

On August 14, the blackout reminded us all of the importance of conservation. We heard our political leaders utter the word "conservation" more times in the space of one week than we had heard over the past eight years in total. It was just absolutely incredible. We saw opinion polls that said that over 80% of the public wanted to conserve more energy, and that this was more than just the immediate reaction to the blackout. It was a deep concern for energy conservation and they were looking for leadership from their government.

The Conservation Council released a four-point energy conservation action plan shortly after, and that combined pricing, subsidies, public outreach and standards. It is a simple yet comprehensive approach. A full copy of the plan is attached to these remarks. The key points of it are to price energy to promote conservation; establish an Ontario green energy and conservation fund; support community-based conservation outreach and education campaigns; and improve standards for renewable power and energy efficiency in appliances, homes and urban design.

Bill 4 addresses the first point admirably. The 0.8 cents per kilowatt-hour gap between the conservation and over-consumption rates sends a very clear pricing message to the public in Ontario. My congratulations for that measure.

Now to the problem, and yes, there is a problem. I think Bill 4, as it is currently written, effectively eliminates the province's ability to generate revenue for an effective provincial energy conservation program.

The first problem is that the price may still be too low. With an average price of at least five cents per kilowatt hour, about half of Ontario's residential users will still be paying a highly subsidized rate of 4.7 cents per kilowatt hour for their electricity.

Second, section 12 of the bill requires that any revenue from the new pricing structure will be returned to consumers via reduced rates. This effectively eliminates any possibility of using the revenue from over-consumption to offset any price gap for conservation and renewables. It eliminates the possibility of establishing a provincial green energy and conservation fund. It effectively eliminates the role of the Ministry of Energy as a lead advocate for conservation.

In essence, it means the only option for promoting conservation is through utility-driven conservation programs. While I wholeheartedly support the involvement of local utilities in demand management as a provider of goods and services to the public, I believe we still need strong provincial leadership in conservation outreach, subsidies and support programs. Why is this important? Let me give you an idea of what is needed to rebuild conservation capacity in Ontario.

We need a province-wide challenge program, a partnership of provincial, municipal and federal governments, and of retailers, utilities and non-governmental organizations to promote energy conservation. It should focus on energy conservation, but link electricity security, economic savings, home comfort, clean air and climate change as motivating factors. No matter where you come from on this picture, all roads lead to energy conservation as a first step.

We need a one-window information Web portal and 1-800 numbers for conservation and renewable energy resources. The public is asking for information. I get at least one call a week saying, "Where do I get something? Where do I find a solar heater? Where do I find wind power? I want something for my home." They need access to that information. Even basic stuff like that we don't have.

We need a kit of community-based project ideas to promote energy conservation, one that can be adapted to any community across Ontario. There are some excellent models of community-based projects that have been developed. We need to package and put them together and roll them out to communities across Ontario.

#### 1110

We need to build the capacity of major organizations to provide support services, groups like the Green Communities Association, EnerAct, Ontario Sustainable Energy Association. There are a number of very good organizations, and in fact, as an aside, I sit on the board of GreenSaver, which is the Toronto Green Community, and I can tell you the problems that GreenSaver and other green communities are having right now to ramp up to deliver the EnerGuide for Houses program are tremendous. We're going to run into that same capacity problem with other conservation programs, so we need action right now to start rebuilding the conservation movement in Ontario.

We need community demonstration centres for conservation and renewables. People need to have a place to go wherever they live where they can see this stuff in action.

We need community open-house workshops in neighbourhoods so that someone opens their house and we do a run-through and everybody gets a chance to see this is what it would look like of you change light bulbs, if you do draft-proofing, if you do a home energy audit.

We need door-to-door contact programs. We've got kids out there selling chocolate bars and useless home products. Instead, they should be out there selling energy-efficient light bulbs and handing people information about what we can do.

We need conservation ambassadors. There was an amazing program done through the Toronto Chinese Health Education Committee, TCHEC, that created ambassadors who went out to community events and educated people about environmental issues. We need to replicate that program across cultural and municipal communities.

So Ontario needs to take immediate action to begin the rebuilding process for meaningful conservation programs. We need to rebuild the conservation movement in Ontario. Our estimate, which I would be glad to go into in detail any later time, is that it will require about \$20 million a year for developing community networks and outreach programs and an additional \$15 million for developing provincial outreach and support programs within the NGO community.

The other key point is that we need to set aside sufficient funds to eliminate the price gap between conservation solutions and the conventional polluting option. These funds need to flow directly to the individual as rewards for conservation activities.

We think Ontario needs to identify at least \$250 million a year to subsidize and promote conservation and renewable energy programs. For example, a 25% subsidy on 100,000 solar roof installations, which was recommended in the select committee on alternative fuel sources, would cost up to \$100 million to implement. Ontario needs to act immediately to source this funding.

This may seem an unreasonable request with a \$5.6-billion deficit, but I ask you to compare it to the cost of refurbishing Pickering or building new polluting capacity in Ontario. One billion dollars over four years to obtain up to 4,000 megawatts of saved capacity is an extremely good investment.

Therefore, in conclusion, I would ask you to take the following actions:

(1) Amend section 12 of the bill to allow for the creation of an Ontario green energy and conservation fund that would disburse all net revenue back to consumers via conservation and green power subsidies.

2. Require the OEB to set a price for electricity that includes revenues of up to \$500 million per year for the green energy and conservation fund.

3. Take immediate steps to begin rebuilding conservation capacity and the conservation movement in Ontario.

I thank you for your time.

**The Chair:** Thank you, Chris. You've conserved about eight minutes of your time for questions. I'm going to propose that that be split between the two parties.

**Mr Jackson:** Chris, thank you for an excellent presentation. I was struck by your notion that Ontario needs to act immediately. As you know, in Bill 210, when the first cap was placed, there was a green power initiative which was detailed with an investment by the provincial government of the day. It also had tax subsidies for individuals and corporations that would conserve. You make reference in here to conservation outreach subsidies and support programs. Am I to

understand that both those that I've just mentioned are just some of the ones you're referencing?

**Mr Winter:** I think what we've seen in the past is just scratching the surface.

**Mr Jackson:** That wasn't my question. My question was, is that the category that you are promoting?

**Mr Winter:** There are two categories. One is building the human infrastructure, the outreach services.

**Mr Jackson:** No, I get all that. The point is the tax incentives—

**Mr Winter:** The taxes would be part of the second part—

**Mr Jackson:** Very good.

**Mr Winter:** —of subsidies to eliminate the gap between conventional and alternatives.

**Mr Jackson:** And it drives down utilization.

**Mr Winter:** Exactly.

**Mr Jackson:** Which is what you want to happen.

**Mr Winter:** Yes.

**Mr Jackson:** The point I'm getting at is that the government has seen fit not to do any conservation measures in this first round of its discussions. It's only going to use the pricing mechanism. We feel that this is an opportunity lost, given that there is a tremendous amount of good work going on. It was organized through the Ministry of Energy at the time and it was beginning to do some extensive work. That apparently has all been put on hold. You're suggesting that that not be put on hold and that you've enhanced the notion by suggesting that a fund be established that can drive that even further.

**Mr Winter:** Yes, and what I'm suggesting is that this bill may make it even more difficult to implement some of those measures because it is taking out the possibility of identifying and targeting revenue from pricing and the surcharge, or systems benefit fund if you prefer, taking away that capacity to apply it to conservation because it is regulating or requiring that that money be put back into rates in the form of subsidized rates. That, I think, is a serious problem.

**The Chair:** I've got Jim, Kim and Donna and we've got about four minutes. Jim, would you like to kick off?

**Mr Jim Brownell (Stormont-Dundas-Charlottenburgh):** Yes. Thank you very much for your presentation. I found it very enlightening, meaningful and certainly some good food for thought. As a retired educator, it was always the idea and experience that had youth out there promoting conservation. Back in the 1980s and early 1990s, in my classroom it was reduce, reuse, recycle, and they did a great job on that.

That brings me to the conservation programs that you've alluded to. You talked about the immediate action and the process, and you had estimates and costs—this will require \$20 million per year for developing. Could you elaborate on that a little more, how you came to those figures?

**Mr Winter:** The way we came to the figures is that there are 446 municipalities in Ontario. Not all of those municipalities will need organizing, because there's overlap between them, but essentially we need to identify

funding, make available to each municipality a matching base of funding for developing a community network, a community action plan, priorities, to build the capacity within the community so that we can plug a provincial energy campaign into those communities that want to get involved in doing that. It would dovetail as well with work that utilities might be doing through utility-driven conservation programs. But it essentially is addressing the public outreach and support services for the public through a community-based program.

The way I came at that cost would have been looking at the former green communities program, which I think was \$250,000 per community. I don't think we need anywhere near that amount; \$50,000 to \$100,000 per community, depending on the size of the community, would be adequate, and then scale it over a four-year period to build up capacity in communities to make that funding available. So that's the community capacity-building component.

I think you could dovetail that in very easily with the Trillium Foundation and the role of the Trillium Foundation to build community capacity. So there are some ways that you can look at that and look at existing funding that you have within the government to use it more effectively. But if we're talking about Trillium, I think you also need to look at augmenting the Trillium budget. I believe about 5% of gaming revenue goes to Trillium. I'd prefer to see 25%, but I'll settle for 10%.

The other aspect of that is the \$10 million to \$15 million, which would include about \$2 million to \$3 million for developing the provincial campaigns with organizations that are leaders in conservation and renewables, and then the rest of it would be for implementing that, again at the community level. So the main thrust of this is community-based outreach.

1120

**The Chair:** The next question is from Kim.

**Mr Kim Craiton (Niagara Falls):** I'll pass, thank you.

**Mrs Donna H. Cansfield (Etobicoke Centre):** I have a question. You had indicated earlier, I think, that there's an issue around culture change and that you had to have the time to build the capacity. I'm interested more in the concept around sustainability. The minister previously indicated that there will be a very comprehensive approach to conservation that will be starting in January, the details of which he wasn't at liberty to discuss at this time. But the concept of sustainability is the balance amongst society, environment and economy—you can't swing one way, you have to have that balance—and yet I don't notice that in your discussion here. It just seems on the conservation side. I wondered if you enlighten me on your thoughts around the concept of sustainability.

**Mr Winter:** It's interesting. The Conservation Council of Ontario is 50 years old. We were set up to promote conservation. In the 1980s, with the sustainable development movement, we found ourselves drifting into promoting sustainable development, and then in the 1990s it was pollution prevention and the green plan, and along

the way you get the natural step, you get eco-action, you get various terms that are basically saying the same thing. It's something we found too with climate change, with energy security, with smog—all these starting points lead to the same thing: we need to cut back the amount we consume. So whatever language you're putting on it, the actions are pretty much the same.

I think what we realized is that we need to get back to that core mission of promoting a conserver society but at the same time embrace all these different aspects and manifestations of it. So sustainability is definitely a big part, and has been a big part, of our approach to conservation—and also the link between economic and social factors. We're a founding member of the Ontario Healthy Communities Coalition. We embrace and support that kind of holistic approach to conservation. The key thing is, though, that we have lost the conservation or the environmental part in the last 10 years. I would not say it is entirely a political issue; it has been a social issue. Society drifted from an awareness and support for the common good and the commons, being the environment. It was very much a me-centred decade. I think we're seeing a shift back to that, back to an awareness that we need to have a healthy environment, we need to support communities. So I am extremely encouraged by what I have seen on the ground in the last six months to a year in terms of a shift and an awareness.

What we need to do is capitalize on that and rebuild—or build where there never really was—the social movement that says conservation and environment are a priority for us. If you look back over 20 years, 30 years, we never really have had that movement in the way that we are talking now about how we need to build it. It needs to be on a par with the social movement, with social justice, with health, with economic development. It needs to be on a par. We have never, never even been close to being on equal footing. That's my view on sustainability and the balance between the three.

**The Chair:** In order to keep everyone on equal footing, everyone gets a fair share of time, and you've used yours up, unfortunately.

**Mrs Cansfield:** It's identical to mine, thank you.

**Mr Winter:** Excellent. I look forward to working—

**The Chair:** I'd like to thank you for coming, Chris. It was a pleasure having you at the committee.

#### ONTARIO CLEAN AIR ALLIANCE

**The Chair:** Our next delegation is Jack Gibbons, from the Ontario Clean Air Alliance. You have 20 minutes to use as you wish. Any time at the end will be used for questions, split evenly between the two parties that are present.

**Mr Jack Gibbons:** I'm Jack Gibbons and I'm chair of the Ontario Clean Air Alliance. Mr Flynn, members of the committee, thank you very much for the opportunity to talk to you today about Bill 4.

The Ontario Clean Air Alliance strongly supports the government's decision to raise the electricity price cap

and we also strongly support the government's decision to permit Ontario electric utilities to raise their rates by three tenths of a cent per kilowatt hour to finance energy conservation and efficiency programs.

Energy conservation and efficiency programs provide multiple benefits for the province of Ontario. First, they can reduce customers' bills; second, they can help make Ontario's industries more competitive; and third, they can help phase out the dirty coal-fired power plants. Energy efficiency is the best way to phase out the coal plants because it creates no pollution and it reduces customers' bills and makes the economy more competitive. So everyone gains from energy efficiency when those dollars are spent well.

According to the Ministry of Energy, the proposed surcharge for energy efficiency, three tenths of a cent per kilowatt hour, can generate a \$225-million energy efficiency fund. That's a lot of money, and it has the potential to provide very large bill savings. If the electric energy efficiency programs are as effective as those of Enbridge Gas Distribution, they could be reducing customers' bills by \$1.8 billion. There is a potentially huge payoff for Ontario from this proposal.

But the problem is, at the moment, given the Ontario Energy Board's status quo rules for regulating the electric utilities, the promotion of energy efficiency is not in the economic self-interest of the electric utilities, be it Toronto Hydro or Hamilton Hydro or Hydro Mississauga, now called Enersource. The way the OEB regulates the utilities, their profits are linked to how much electricity they sell, so their profits go up when they sell more electricity and their profits go down when they promote energy efficiency. That's why none of the electric utilities in this province have serious energy conservation programs.

If that perverse incentive isn't corrected, what are the utilities going to do? Just remember, under the status quo rules, it will be in the utilities' financial self-interest to spend this \$225 million in a way that leads to no reduction in electricity consumption. To be totally crass, their narrow financial self-interest will be to waste this money, because if they promote it effectively, they are going to reduce their profits. So it's absolutely essential that, before they're given this money, changes must be made to the regulatory framework.

First of all, a lost revenue adjustment mechanism must be created. That mechanism will ensure that when the utilities promote energy efficiency, their revenues and their profits don't go down. That's an absolute essential. You can't penalize them for promoting efficiency if you want them to do it seriously and cost effectively. So a lost revenue adjustment mechanism is needed to reduce the existing penalty for promoting energy conservation. But that's not good enough if we want to get the maximum possible bang for that \$225-million buck, because the lost revenue adjustment mechanism just reduces the penalty; it doesn't give them a financial incentive to get the biggest possible bang for their buck, to get the most effective and the most aggressive possible energy conservation programs.

So what we also have to do is change the way electric utilities are regulated so that energy efficiency becomes their most profitable course of action. If you make it their most profitable course of action, yes, they'll do a very good job. What we need is what we have on the gas side for Enbridge Gas Distribution: a shared savings mechanism, which gives the utilities a percentage of the total bill savings they achieve for their customers. For example, the shared savings mechanism could give 5% of bill savings to the utilities as a shareholder bonus and 95% of the bill savings would stay with the customer. That means the vast majority of the benefits go to the customers. The customers are better off and the utilities are better off. The utilities have a motive to actually develop good energy conservation programs. The municipal utilities shareholders, be it the city of Burlington or Aurora, will have extra revenues and profits for municipal services.

This is a mechanism that, again, is win-win for everyone, and it's absolutely essential. If this money is to be spent wisely, they have to have an incentive to do it right. For example, under the previous government, the Ontario Energy Board established a shared savings mechanism for Enbridge Gas Distribution in 1998. As a result of that financial incentive mechanism, Enbridge gas has developed the best energy conservation programs in Canada. Before that incentive was in place, they always failed to achieve their targets. As soon as the incentive was in place, they hugely overachieved their targets. Enbridge's energy efficiency programs are reducing their customers' bills by \$680 million, and the shareholder profit bonuses so far have been \$12.9 million. So the vast majority of the benefits goes to the customers, but the utility is also rewarded, and they are therefore very keen about doing a good job.

That is the absolutely key message that I implore of you, to make sure these incentive mechanisms are put in place before the utilities get their hands on that \$225 million.

#### 1130

There are two other recommendations I would like to make for you. To get the biggest bang for the buck in terms of energy conservation for their customers, you must insist that all this \$225 million is spent on energy conservation programs on the customer's side of the meter. If you don't say it has to be on the customer's side of the meter, the utilities will come before you with all kinds of ways of how they can make their own system more efficient, how they can install new meters, which are good. They are going to be giving you all kinds of reasons to divert all that money to their traditional line of business. Those traditional things are good, but you've got to remember that under the existing rate structures, they have all the money they need to do those traditional activities of installing meters, of saving energy in their own buildings, on their own distribution lines. You don't need to give them an extra penny for that. They've already got a financial incentive to do that. It's already part of their business. You've got to make sure all that

money, though, is spent on the customer's side of the meter to give the biggest possible bang for the buck for your constituents.

One final thing: The proposal from Minister Duncan allows the electric utilities, the distribution utilities to raise their rates to finance energy efficiency programs. But there's also Hydro One, which has two parts. One is a distribution company; it serves all kinds of rural customers and customers in Brampton. But Hydro One is also a transmission company, and as a transmission company, it serves the largest industrial customers in this province, like Inco and Stelco, directly. Minister Duncan's proposal is silent on Hydro One being able to put a conservation surcharge on the large industrial customers to finance industrial energy conservation programs, and that's something that needs to be added to help make those industries more competitive and help to reduce their pollution.

Thank you very much for your attention. If you've got any questions, I'd be glad to answer them.

**The Chair:** Thank you, Jack. You've used up about seven minutes of your time, so we'll split the remaining 13 as closely as we can. We'll start this time with the government side. Are there any questions?

**Ms Di Cocco:** Thank you for the presentation and for the advice that you have provided to us. You're talking about the metering and the incentive for the \$225 million to budget, to somehow be directed to the customer in providing this new metering. Can you just expand a little bit on that?

**Mr Gibbons:** I'm saying that none of this \$225 million should be used for metering.

**Ms Di Cocco:** OK. None of it should be.

**Mr Gibbons:** None of it. Because electric utilities have been installing meters for over 100 years. As long as there have been electric utilities, there have been meters. They have a budget for meters. That's a traditional activity of the utilities. They've got enough money for meters in their regular rates. What they do is they make their capital investments, they put in their rate base and they recover the costs over the expected life of the meter. So there's a traditional way to finance meters, and you don't need to devote any of this money to meters, though I'm sure you're going to hear electric utilities saying, "Oh, we need these fancy new meters, and we need to divert all this money to meters and none of it for the customers."

I just say beware of that. There are already existing procedures to recover the costs of meters. The money should all be for programs in your constituents' homes and offices and factories to make those homes and offices and factories more energy-efficient.

**Ms Di Cocco:** I guess the reason I go to that point is because I understand. I certainly asked my own utility what it costs to put, let's say, a meter—is it time?—I can't remember the name.

**Mr Gibbons:** Time-of-use or interval meter.

**Ms Di Cocco:** Yes, time-of-use metering. They cost \$350. They already have a cost recovery for that in place.

I had understood that you had said it should go to the metering, so I was—

**Mr Gibbons:** No, I was trying to say all money on the customer's side of the meter, which is sort of industry lingo for in the customer's house or office or factory.

**Ms Di Cocco:** It was my understanding. Thank you very much.

**The Chair:** Any other questions from the government side? If not, we've got about seven or eight minutes left, Cam and Frank, if you'd like to use that time up.

**Mr Jackson:** Jack, thank you. In a very brief time you've covered a lot of area and you've stimulated us to raise some pretty significant questions. I want to get right at this one about where the utilities might sit and spend this quarter of a billion dollars. I raised the questions yesterday with the staff whether technically, under your guidelines, if I was Burlington Hydro, I could convert all of the vehicles, including the executive director's chauffeur-driven car, I could get that converted to natural gas and that would qualify, and they said yes. So I think your point is a very valid one.

However, we all have a whole series of scenarios. It's the metering that intrigues me. Right now, it's a fallacy that you're really saving money by putting your dryer on at midnight. You're using less costly energy because of a blended rate, therefore you're increasing the profits of your utility, is essentially what you're doing. The public doesn't get that part of it. I'm interested in the notion—and I'm sure the person who spoke before you, Chris Winter, would agree—where we're trying to move to an area where someone can use solar power and wind power in their backyard or their farm or in a rural area. But they need a meter on their house that says, "When I have excess wind power at 2 o'clock in the morning, I'd like to be able to put that back into the grid and I'd like to have my bill reduced accordingly." You'd implied something about the metering. But would you not agree that there's an example of that kind of connect in the full context of allowing the consumer to actually reduce consumption and contribute green energy back into the grid, that in that sense those kinds of metering would be appropriate? However, there's not a lot of technology on it and the resistance, the gate is that there's no real financial incentive for the utility to buy back energy from a consumer. They sell energy, they don't buy energy at cheap rates. Well, they mark it up when they buy it at cheap rates.

Can you comment specifically about that example? Because we're going to be doing regulations about this process and we need to have a fine-tuning of it. And I have a question about tax incentives.

**Mr Gibbons:** Yes, Mr Jackson, I certainly agree with you. Basically, you're talking about running the meter backwards so you can export your green power to the grid when you don't need it. That's an excellent example. It definitely should be done. It was something that Toronto Hydro used to do; I'm not sure they still do. I know Minister Baird was proposing to do that. Yes, it should be done. Please don't interpret my remarks to be



against sophisticated meters—absolutely not. Those types of meters are good, as are time-of-use, as are interval meters. My point is simply that meters are a capital expenditure, they're a traditional utility activity. What utilities do with meter costs is that they make the capital investment. They rate-base it, as they call it. They invest in their capital stock and they recover the costs in their rates over the life of the meter. The point I'm trying to make is that there is an existing mechanism for them to recover their costs of meters. And these new meters will be more expensive than the old simplistic ones. Yes, they will have to spend more money on meters, but there is an existing mechanism to recover those costs, and I'm suggesting that mechanism should be used so that we don't have this \$225 million diverted to meters or to fancy natural-gas-powered Jaguars for their president or something.

**Mr Jackson:** There are a couple of examples that I raised the other day, and I have concern in this area. Earlier today the minister confirmed that it's possible for the local distribution companies to actually claim and recapture the recoverables that OEB has already approved and that is on standby, plus get the three cents so that they are guaranteed their 10% profit. Then there can immediately begin the process of a third application to OEB for another rate increase—the other one is retroactive. My concern is that some utilities could create companies within their own company, which I know a few have, so that they control the market, so that they create a secondary profit centre on the market they control, doing the metering and doing those other activities. So it's an inflated price that they present to the OEB. Because they're subcontracting, there's a huge number of games that can be played here, all under this umbrella of the \$225 million that's allegedly for "conservation measures."

1140

I'm going to run out of time, so I want to put on the other issue. I'm glad you raised—we haven't had much input yet, and I'm hoping we will get more input—the fact that even though they're only 2% of the total consumers, the large industrial consumes half the energy. I'm glad you raised the issue about why all these mechanisms are in place for senior citizens and consumers and small business but the legislation has been silent on the industrial side. I'm sure the committee will be pleased to ask the minister why it was silent on the conservation surcharge that would affect the large industrial. I have an inkling when you look at the pricing system. These people are buying hydro at a very cheap rate, in bulk, which the consumer cannot. If anything, their profit ability is extended and the consumer's ability to pay is compromised. You may want to expand a little further on that second suggestion of yours about Hydro One's direct customers in the industrial sector, because they have not presented in any fashion to us. Maybe that's why.

**Mr Gibbons:** The first issue you raised, about whether these utilities would contract out to subsidiaries and buy back the services at inflated costs, that's an

affiliate transaction, and yes, I think you're very correct to be concerned about that. That is a potential for abuse. The Ontario Energy Board does have an affiliate transactions code which says that when they buy from affiliates it must be at market price, so that is in theory supposed to deal with it. I think some people could be cynical and say, "How well can the OEB deal with that?"

**Mr Jackson:** It's a monopoly market.

**Mr Gibbons:** So you might want to make the provision that all the energy efficiency expending cannot be done through affiliates, if you are really concerned about that and don't think the OEB can properly police it.

In terms of the large industrial customers, I think there's tremendous potential for a cost-effective energy efficiency there. In terms of the gas utilities, they found the most cost-effective energy efficiency investments are in the industrial side, by far the most cost-effective, and so I think it's really important that money be created for Hydro One to develop energy efficiency programs there if we want to get the biggest possible bang for our buck.

**The Chair:** Our 11:40 is on the subway and is almost here, so I'm just going to let Donna ask maybe one more question and then we'll end.

**Mrs Cansfield:** I have a couple of comments and then a question. Most large industrial customers currently pay market price for energy and most of them also use interval metering at this point, so when you look to the issue around conservation, I would be really interested in what you think those kinds of initiatives could be. I appreciate that may be a discussion that will occur next January.

The one thing that I was interested in is the issue around interval metering. Time-of-use metering appears to be outdated. Interval metering can also read water and gas at the same time as dealing with electricity. Do you not think that there would be an opportunity with the customer and the distribution company to sit down and look at alternatives other than just—that type of meter would benefit because you're not having three people come out to read meters as opposed to one. You probably have a better use of the metering in terms of the time you use it. You could look at peak times, which is what I think my colleague across the way was suggesting, which we currently don't have, so that sometimes you would have a lower cost for doing your dishes at midnight as opposed to at 6 in the evening, and currently it's the same price regardless of when you do your dishes. Have you got any thoughts about why that couldn't be part of a broader discussion with the customer and the LDC and the multiple use of the interval meter?

**Mr Gibbons:** No, you're absolutely correct. Much more sophisticated meter technologies are being developed, and they provide huge benefits, as you mentioned, in terms of pricing varying by the time of day or by every 15 minutes, and in terms of being able to read all the meters electronically—gas, water and electricity. There's no doubt there are huge potential benefits. It definitely needs to be investigated.

I would just warn you, it's a very technical subject. There are lots of different metering companies out there, lots of different metering salesmen. To figure out exactly what is the best technology, is not a simple question and it needs a lot of study. It will probably vary across this province. This is a huge, diverse province. I don't think there will be one metering solution that's best for all the province or all types of customers.

**Mrs Cansfield:** I concur. I wasn't suggesting that. I was just suggesting that there might be an opportunity for discussion within the different municipalities, because the needs are different. You go in the far north, it's a little bit different from the eastern or the southern parts of this province. Thank you very much.

**The Chair:** Thanks for attending, Jack.

**Mr Gibbons:** Thank you very much, Mr Flynn, and members of the committee.

**The Chair:** Did you have a final question, Frank?

**Mr Klees:** If you've got time.

**The Chair:** We seem to have some time to kill, unless there's a lady named Fiona Oliver who walks in that door. Would you answer one more question, Jack?

**Mr Gibbons:** I can answer as many questions as you fire at me, or try to.

**The Chair:** We should use the time wisely, I think. Go ahead.

**Mr Klees:** Thanks for your presentation. There are some excellent recommendations.

You're well familiar with the industry. You've seen the functioning of the OEB over the years. I think the proposal here is to put a great deal of onus on the OEB to regulate the kind of issues that you're referring to in terms of this \$40 million. Are you comfortable that the OEB should be left with that responsibility, or do you see a more proactive role for the government of the day to provide some clear direction to the OEB as it's charged with making its decisions on these things? I know that in the past there have often been conflicts with the OEB's mandate being very specifically focused. Often the perhaps expressed or implied policy will of the government of the day ends up not being implemented because of that disconnect. I'm concerned that perhaps a very well-intentioned policy may not in the end be implemented because of that disconnect. I'd be interested in your comments.

**Mr Gibbons:** Mr Klees, you're absolutely correct. The previous government, in my opinion, gave a number of very good policy directions to the OEB. I was very frustrated because I didn't believe the OEB was following them nearly as aggressively as they should have. The OEB is a little subculture. It's a bureaucracy. Many people have been there for many years and have very strong opinions about how the world should work, and often those strong opinions are contrary to those of the government. So it's absolutely essential that it be a very clear policy directive, and you have to watch them very

carefully to make sure they're actually doing what you told them to do.

So I would suggest to the new government that they must send a very clear direction in terms of the electric utilities promoting energy conservation. Despite all the things the former select committee on alternative fuels said, despite the amendments to the OEB act made by the previous government that clearly said they should promote energy efficiency, despite the fact that this government is now giving a \$225-million budget for energy conservation, there are still people at the OEB today—I just came from an OEB meeting—debating whether the electric utilities should promote energy conservation. It is unbelievable how out of sync they are with the wishes of all three political parties in this province. So yes, the government must give very strong direction. Even with the \$225 million, a lot of people still don't get it. You have to hit them over the head with a hammer or a sledgehammer to make it perfectly clear what you want. You've got to watch them and make sure they do it.

Give that policy direction. The OEB is the economic regulator. It does have expertise. Then they can hold the utilities accountable and make sure that the utilities actually spend this money wisely.

**Mr Klees:** Mr Gibbons, I wanted to get you on the record on that issue, and I thank you. This goes to a statement that the minister made in his opening remarks, when he said, I'm sure with all good intentions, "We want to take the politics and politicians out of energy policy."

I maintain that there is a very strong role for politicians to play in setting energy policy and ensuring in fact that it is implemented. To your point, we want to be helpful to the government in achieving their objective. I believe very firmly that this issue of having the OEB firmly on side, if you will, with the policy of the government of the day is absolutely critical, and I urge the minister, the ministry, to look at this very carefully, to consult with the industry, who know full well what happens at the OEB. Because they appear before them day in and day out, the industry often understands what the intent of the government's policy is, and the industry is frustrated with the end result and the directives that are given by the OEB. Thank you very much for your input.

**The Chair:** Thank you for attending, Jack. It was a pleasure having you here.

1150

#### CANADIAN ENERGY EFFICIENCY ALLIANCE

**The Chair:** Our 11:40 delegation has arrived, Fiona Oliver from the Canadian Energy Efficiency Alliance. Please state your name for Hansard.

**Ms Fiona Oliver:** I'm Fiona Oliver, and I represent the Canadian Energy Efficiency Alliance.

**The Chair:** Typically, we allow 20 minutes for delegations, including any time you leave over at the end for questions.

**Ms Oliver:** I probably will be shorter than that.

**The Chair:** That would be wonderful. Thank you.

**Ms Oliver:** Among the items we want to cover today is to give you a sense of what the alliance is and then speak to Bill 4, which has been introduced by the Minister of Energy, Dwight Duncan.

The Canadian Energy Efficiency Alliance is the leading independent voice in Canada to advance energy efficiency and its related benefits to the economy and to the environment. The Canadian Energy Efficiency Alliance has been advocating for energy efficiency for over seven years. We represent leading utilities, manufacturers, energy consultants, consumer and environmental groups, including Enbridge Gas Distribution, Consumers Council of Canada, Pollution Probe, Ontario Power Generation and many others.

Our main objectives are to engage with provincial and federal governments to develop and maintain energy efficiency policies, programs, codes and standards; to monitor and report on government activity—we do this through our annual report card, which many of you may have seen over the past four years; assist members in the development, delivery and promotion of their energy efficiency initiatives; and raise the public profile on energy efficiency.

I'm going to skip over some of our clarifications on terminology and just go straight to our thoughts on Bill 4. I'd first like to say that we're very pleased that the government, within only a month of being in office, has moved so quickly on the issue of electricity. We feel that Energy Minister Dwight Duncan's Bill 4 is a step in the right direction to accurate reflection of true electricity costs and therefore gives consumers the right signals for energy efficiency and conservation. This is good for consumers' bills and for the environment.

The Canadian Energy Efficiency Alliance sees Bill 4 as a step in the right direction because it is transitional and short-term. The government defined the new pricing as an interim plan until the OEB develops new mechanisms for setting prices in the future. We think this is good because it does take the processes out of the government per se and puts them into more objective mechanisms.

We feel that two-tiered is effective because it helps encourage people to take advantage of the lower rate should they be using an appropriate amount of energy and then a higher rate if they're not conserving or they're using more than their fair share. It's more reflective of true market costs and provides investment for energy efficiency initiatives. However, it's not the perfect answer; there is still more headway to be made in Ontario for energy efficiency.

I'll start off with talking about building codes as well. Even if the price of electricity was as high and accurate as it should be, there are still barriers to energy efficiency; for example, the builder versus owner-operator

situation. Builders will typically build as cheaply as possible. This leaves owner-operators with the high operating costs resulting from minimum standard building. Ontario has been a leader in codes and standards in the past and should continue to make strides on this front by raising regulated codes and standards for commercial buildings, residential buildings and appliances.

I'm just going to briefly explain our model of energy efficiency as a house. It's quite an interesting model and I think it represents very nicely two aspects of energy efficiency. We all essentially live in the house of energy efficiency. Consider that there's a roof and there's a floor. The roof is the opportunities for people to become more energy-efficient; for example, the putting in place of R-2000 homes, Energy Star-qualified appliances, and other incentives to show and help people be the most energy efficient they can, with the opportunity. The floor provides the regulations. Basically, what we're trying to do is move up the house, and we see that there are two aspects to that, not only with the money that's been provided for energy efficiency, which we think is an excellent short-term step, and we'd like to see that investment into energy efficiency continued long-term, but also raising the regulations around codes and standards. That continues to move us up in our house of energy efficiency.

To conclude, Ontario must recognize energy efficiency measures as a top priority for cost-effective reductions in emissions, new sources of supply and job creation. We do have reports on this if anyone is interested, on how energy efficiency can lead to job creation.

These investments into energy efficiency should be sustained and long-term, regardless of the government in place. This is raising the roof. Codes and standards for buildings and appliances need to be continually raised and assessed, and that's lifting the floor. The price cap should be removed in 2006, or sooner if possible. Pricing should be close to true market cost to make the market work more effectively by giving consumers the right price signals. Thank you.

**The Chair:** Thank you very much. I'm going to suggest we give each side five minutes for questions. Cam or Frank, do you have any questions?

**Mr Jackson:** Yes. Do you have a written submission or a list of your coalition members that you can share with the committee?

**Ms Oliver:** Yes, we do. I don't have one here with me now but I certainly can provide that.

**Mr Jackson:** Do you have a Web site we can check?

**Ms Oliver:** We do. It's [www.energyefficiency.org](http://www.energyefficiency.org). I'm not sure if the Web site lists all of our members or not. I'm not sure how updated it is in terms of that because I know we've gained a couple of new ones in the past few months.

**Mr Jackson:** Fiona, what is your current title with this organization?

**Ms Oliver:** I'm the operating officer. The executive director's away all day at a conference on renewables.

**Mr Jackson:** Could you just give us a list of who you represent? You said it was leading utilities, distribution companies—Hydro One gives funding to you?

**Ms Oliver:** I think Hydro One is on our list of members. Yes, I believe they are; and manufacturers such as Owens Corning, Honeywell, Consumers Council of Canada, Consumers' Association of Canada and other NGOs as well—AQME in Quebec and Pollution Probe here in Toronto.

**Mr Jackson:** Mr Chairman, perhaps this a question for you. Are we then to assume that Fiona Oliver is the only person who will be coming before this board representing the utilities, the distribution companies, Hydro One and the commercial infrastructure for hydro in this province? Is that what we're to assume from this list?

**The Chair:** From this list, I think you should assume that.

**Mr Jackson:** Frankly, I'd prefer to look at the list of who they represent, and we'll leave it at that.

1200

**The Chair:** Frank, any questions?

**Mr Klees:** Just one, if I might. We've had representation here about the funds that are going to be potentially generated to address conservation issues. Have you drawn any conclusions about the appropriateness of that program and how those monies then will ultimately will be allocated? Do you have any sense of whether the government should be more or less proactive in ensuring that those funds are in fact used for the purpose intended? I'd just be interested in your views as to whether you've gone down that road.

**Ms Oliver:** We definitely think that the LDCs, the local distribution companies, should be able to apply for funding as soon as possible. I believe there are currently some in-depth analyses going on about what's the best model for delivery of demand-side management programs. I think they're looking between two models: the central agency model and the different distribution companies, looking at that as another model. I would not be able to say on behalf of our members that we would prescribe a certain viewpoint out of those two. But I know that we are involved with the process and the analysis that's going on at the moment.

**Mr Klees:** Do you have any representation in your organization from the retail sector of the electricity or energy industry?

**Ms Oliver:** Meaning OZZ Corp?

**Mr Klees:** People who sell natural gas or who sell electricity to the consumer. Do you have representation—

**Ms Oliver:** We don't have Direct Energy. We do have the OZZ Corp, which is somewhat of a retailer. So yes, we do.

**Mr Klees:** Do you see a role for the retail sector in terms of either delivering conservation programs, perhaps adding conservation programs as a value added to their energy products? Is that something that you're looking at in terms of encouraging distribution? It's one thing to

have a program, the other is how you get it to the consumer.

**Ms Oliver:** Yes. I think you have a good point. I do think they have a role. The more comprehensive you can make energy efficiency plans, the more inclusive you can make them across different segments of our community, they will be a lot more successful. The more players that you can get involved with energy efficiency initiatives the better.

**The Chair:** First from Jim and then Brad.

**Mr Brownell:** Having served as a councillor in a municipality for a number of years, I've been very involved with building codes and whatnot. I was very interested in what you presented here about builders building often as cheaply as possible and that code should be assessed and improved. Very briefly, what success have you had in the past with regard to your alliance improving codes or encouraging the improvement of codes?

**Ms Oliver:** The Canadian Energy Efficiency Alliance is the main shareholder of EnerQuality Corp, which runs the R-2000 in Ontario, so we are very involved with codes on that front. We have people in our office who are always talking to builders about blower door tests and various things like that. I couldn't tell you specifically in terms of raising the regulations. I know that we always put in submissions when there are opportunities, but R-2000 would be my most specific example of where we're trying to—that one would be more raising the ceiling, but where we're involved with codes and standards.

**Mr Brownell:** How long has your alliance been—

**Ms Oliver:** Over seven years.

**Mr Duguid:** My questions are along the same lines. You talked a fair bit about codes and standards; you talked about building codes. Were you referring to building codes for residential to be built in the future? Is that what you were talking about?

**Ms Oliver:** Yes. I think there is also place for renovations, but I was specifically referring to new builds. There's also room for opportunity in renovation codes, but very specifically I'm talking about new technologies, new appliances, new buildings, whether they be residential or industrial.

**Mr Duguid:** What kind of improvements would you be looking for?

**Ms Oliver:** Which? Sorry.

**Mr Duguid:** What kind of improvements to the building code and standards would you be looking for?

**Ms Oliver:** I guess just more airtight buildings that would be more energy-efficient, improvements in furnaces and different things. I couldn't speak specifically because the person who deals specifically with codes and standards is not with me. I apologize. I can take any questions on that front and get back to you with a more in-depth response.

**Mr Duguid:** Do you have any idea in terms of codes and standards for built housing? How would you address that problem?

**Ms Oliver:** I couldn't speak to that directly, but again I can provide you with a response, if you like.

**The Chair:** Thank you, Fiona. You will then provide us with a list of the members of the alliance?

**Ms Oliver:** Yes, and response to the comments.

**The Chair:** You can do that in short order?

**Ms Oliver:** Yes.

**The Chair:** Thank you for attending. We appreciate that.

This meeting is now recessed until 4 o'clock this afternoon.

*The committee recessed from 1206 to 1602.*

#### CANADIAN FEDERATION OF INDEPENDENT BUSINESS

**The Chair:** We can call back to order, ladies and gentlemen. Our next delegation is the Canadian Federation of Independent Business, Judith Andrew and Satinder Chera. Would you like to come forward?

If at the start of your presentation you could introduce yourselves and the organization you're from for the Hansard record as well, that would be great. Each delegation has been allocated 20 minutes. You're free to use that any way you like. If there is any time left over at the end, we'll be using that for questions. That time will be allocated amongst the three parties.

**Ms Judith Andrew:** Thank you, Mr Chair. I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. I'm joined today by CFIB's Ontario director, Satinder Chera. I appreciate the opportunity to appear today and, first, would like to congratulate all of you on your election. I haven't had a chance to do that personally. It's nice to have this early opportunity to appear before a committee of the Legislature.

We have distributed a kit for your information today. The presentation I'm going to speak to is in the left side of your kit. The right-hand side of your kit contains some useful information, including CFIB's Ontario Small Business Primer for 2003, an information piece that we've been circulating to our members dealing with electricity and our efforts to give input to the process dating from considerably prior to the market opening in 2002, and a short report dealing with the impact of the power blackout in August of this year.

For our agenda today, I'd like to give you a brief glimpse of small and medium-sized enterprises in Ontario, who they are and why they're important; and then talk about meeting the future energy needs of the small business sector, what we feel we've learned from the past and what can help with planning for the future; and make some comments about Bill 4 and whether indeed it meets the needs of small and medium-sized enterprises, or SMEs, as they're called.

Page 3 of the presentation shows the profile of Ontario's business sector. As you will see, the profile shows that it is overwhelmingly small businesses that make up Ontario's business sector. Almost three quarters of the

firms employ fewer than five people, and 95% of businesses in this province have fewer than 50 employees.

Page 4, entitled, "It's a 'Small Business' World After All," gives some breakdown on how the employment is distributed among businesses in Ontario. As you can see, small and medium-sized businesses, which are the two blue parts of the pie, show that businesses employ more than half of workers in Ontario. So SMEs are the predominant employer in the province.

The next chart shows some history since 1991 dealing with job creation in the province. In 2002, of the 196,000 jobs that were created in this province, nearly 85% were created in small and medium-sized business enterprises. The history—the blue bars are the small business share—shows that our sector provides a lot of resiliency in periods of economic recession. They attempt to hold on to their valued employees, rather than shedding jobs, as happens in larger players in the economy.

The next page deals with our own membership. If anyone thought that we were predominantly retail or a particular type of business, that certainly isn't true. Ours is a very diverse group. We have large numbers of manufacturing, construction firms, services, and really are a diverse representation of the business population in the province.

With that brief opening, I want to turn to some issues around meeting the future needs of the small business sector in the electricity arena—first, the need for fair and consistent policies. On page 8 you will see some data dealing with a study we conducted after the market opened in 2002. In fact, the study results were delivered in the fall of 2002, about a year ago. The May 1 market opening and the hot summer actually produced high prices, as many of you will recall, and that was certainly borne out in our survey results. Those summer prices hurt small and medium-sized businesses.

This past summer, in August 2003, the blackout cost our sector somewhere between \$1 billion and \$2 billion. The full study is in your kit, as I mentioned. The impacts were many and important. In terms of the power blackout and its aftermath, many firms had employees unable to work. They lost production; they lost orders and sales; there were a variety of difficult impacts for small business to deal with.

The market opening produced not only fluctuating prices, but there were also formerly hidden charges that became visible in the businesses' unbundled bills. So when we asked our members, "Have you encountered any new or significantly enlarged fees associated with the new electricity system?"—other than the debt reduction charge, which everyone was complaining about—a big chunk of our members had made note of new fees and charges.

As for security deposits demanded of them by the local distribution companies, the former utilities, the survey finding was that roughly two thirds of the respondents said no to the question of whether that deposit was geared to their firm's creditworthiness. There were clearly problems on these kinds of side issues but nevertheless very important issues for our sector.

**1610**

Now a word about energy conservation and demand management. We certainly know that in the short term, CFIB members are able to take measures to reduce power consumption, because they did so after the blackout. They did all the things that were asked of Ontarians: reduced air conditioning, lighting, office equipment, business operations. In some cases, they shut down or had all their employees stay home. Despite taking a hit of \$2 billion across the Ontario economy, small businesses certainly did their part to help conserve in those days after the blackout.

The next page, page 12, deals with some other tools for demand management. We've asked in a couple of different ways about the use of metering, interval metering and the like. We found that our sector had a lot of trouble getting anyone to pay any attention to them in terms of giving them these sorts of tools to manage their use of electricity and essentially take charge of the commodity usage. We figure, based on our results, that about one fifth of the respondents say they can't use a meter of some type, but the other 80% really haven't got an opportunity to use those tools.

Page 13 deals with something else, which may seem a side issue to the whole thing, but it's the bill. Essentially, education on one's usage and understanding one's own consumption patterns and managing them and helping with conservation starts with the bill. Most of our members prefer a more simplified, easily understood bill. We made these points within the former government's review, undertaken by consultant Salvatore Badali. Mr Badali made it clear in person with us and in his report that his recommendations would apply to small and medium-sized enterprises. We don't believe the Ministry of Energy or anyone else has put a lot of effort into applying Mr Badali's recommendations to small and medium-sized enterprises. He called for a review of the fixed and variable charges. Small businesses obviously need to know what is fixed, what is variable and what they can actually control on a day-to-day basis. That is not apparent in the bill.

Looking now at meeting Ontario's long-term electricity needs, about a year ago we asked a number of questions about what our members felt would help offer secure, reliable power at the lowest possible prices in Ontario. There are a number of issues canvassed there. I think the key thing that one can take from this survey is that this time around, in terms of electricity industry reform, the interests of consumers and not the industry players must be the top priority.

Page 16 contains some finding dealing with the Ontario Energy Board. CFIB certainly supported the passage of Bill 23. The changes therein give ordinary Ontarians a bigger voice in shaping the future of Ontario's electricity market. We certainly look forward to participating in consultations on the future rate-setting regime. The energy board needs to respond to consumers, and not in a way that really makes it the preserve of experts and consultants whose only business is to appear before the

energy board. We're making the case that this time around, the programs and services need to be tailored to the needs of small and medium-sized enterprises and, for that matter, the small consumer. There must be real choice and just-in-time information to allow small consumers to take responsibility for the electricity they use. Our finding in the prior survey was that there wasn't really much happening in terms of choice, and in fact most businesses remained under the standard supply service with their former utility.

Tying this all into Bill 4, does Bill 4 meet the needs of small and medium-sized enterprises? Certainly when we had meetings with the minister and officials recently, we've argued these points: the need for fair and consistent policies. The key market players—the Ministry of Energy, the Ontario Energy Board, the local distribution companies—must respond to small and medium-sized enterprises on things like charges, security deposits, billing formats, information and resources. These are not small issues, but in some respects, they're put to the side and nobody deals with them directly, but they feed right into the energy conservation and demand management challenge. So that's a big X there, because nothing really has been happening on that front, and in fact the local distribution companies have been granted an increase and an ability to recoup prior costs, and there's not a specific direction for small and medium-sized business.

On the energy conservation and demand management front, we are arguing that small businesses, which account for a big chunk of the power consumption in the province—we were told, at one point, nearly half—should be given the tools to manage and conserve electricity, whether it's metering or other approaches. They need those tools to be able to keep control of this cost item. The rate change itself—when the former government brought in the 4.3-cent cap on rates, this was really the first time anyone had paid attention to small and medium-sized business. I know it's universally felt not to have been a good policy, but frankly, we need transitioning out of this by April of next year, to have some good directions for small and medium-sized business, because it will hurt, with the increases happening and small businesses not having an ability to manage it.

Finally, in terms of meeting Ontario's long-term electricity needs, we are supporting and I think other groups are supporting as well a new market arrangement that allows low-volume consumers some protection from the uncertainty and volatility of the spot market. This could be through contracts for future supply which would support the financing for them. Part of this involves mitigating the dominance of the big generator in the province, OPG; obviously, tax incentives for alternative sources; distributed generation. They are all pieces of the puzzle, but it is clear that what was most problematic about the May 2002 market opening was that small consumers were exposed to the volatility of the spot market directly through the pass-through, and that did not help. So that's a big question mark, and we urge policy-makers to address that.

We would be pleased to attempt to answer your questions.

**The Chair:** Thank you very much for your presentation. We've got about five minutes left. We'll start with the government side, then move to the Progressive Conservatives and then on to the New Democratic Party in this rotation. Brad?

**Mr Duguid:** We have five minutes left for all of us?

**The Chair:** I'm afraid we do, yes.

**Mr Duguid:** OK. I'll just ask a quick question, then. I was looking at page 19, the need for fair and consistent policies, and I didn't quite get specifically what you're referring to. Are you referring to this particular bill, that there are some unfair or inconsistent policies within this bill, or were you referring to energy policy as a whole?

**Ms Andrew:** This presentation is a broader presentation dealing with energy policy as a whole. I know that when the 4.3-cent cap went on, we weren't expecting that to remain in place forever; I don't think small businesses were. But transitioning out of it, we need to have policies that address these issues. It's not simply a question of consumers paying something closer to the cost. I know that raises \$700 million and is beneficial from the standpoint of the provincial deficit, but that's not where it ends. We need to have these other policies as well.

**Mr Duguid:** Just very quickly, does CFIB have a policy in terms of encouraging or discouraging governments from running deficits?

**Ms Andrew:** Our members are very strong in terms of governments running deficits and debt. They see those as tomorrow's taxes. So it is very important to address the \$5.6 billion. I suppose there might be some debate on how that should be done. We're not disagreeing that there needed to be changes in the electricity arena, but these issues that will provide an appropriate transition to a new regime must be addressed; it cannot be just a price increase without anything else.

1620

**The Chair:** Michael, do you have a brief question?

**Mr Michael Gravelle (Thunder Bay-Superior North):** Just as to what your thoughts are, Ms Andrew, in terms of—once the fixed rate was put in at 4.3 cents, this \$800 million obviously has been the cost. Did the CFIB take a position on that? That was a clear cost to taxpayers in terms of the real cost of electricity.

**Ms Andrew:** The 4.3 cents, of course, was presented as being self-balancing, in the sense that the market power mitigation agreement was supposed to produce a fund that would even out over the long term. That's what we were told. We now are told that that's not the case. Our members don't want to see the electricity system subsidized by taxpayers. Our members, when we asked them about the debt, opted for ratepayers to pay it. It's almost the same thing, of course, but still an important distinction.

**The Chair:** Kim, do you have a brief question?

**Mr Craitor:** I sat on the chamber of commerce for 10 years as the city representative, so I'm accustomed to working with small businesses. It doesn't sound like

you're opposed to the bill; it sounds like what you're saying is you're looking for some kind of a transition for small business. What is it? What's the transition that you're looking for? Just tell me what it is.

**Ms Andrew:** Hopefully by April 1 there would be some clear direction to address these issues. The extra charges are all over the map. The terminology for items on a bill is quite varied. The Badali report got into all of the deficiencies. There is a small pilot project going on in Hamilton to address these in respect of residential consumers, but no one is paying attention to these billing issues for small business. The LDCs have made the case for more money, but they're really not moving on these. So we would argue that the government should insist that the LDCs address these things to their satisfaction.

**Mr Craitor:** What do we do, bundle them back up again?

**Ms Andrew:** No, there needs to be some revamping of the bills so that the fixed costs are evident, the variable costs are evident, there isn't such a widespread difference in the terminology so that people can understand what their bill says—there are a number of things that kind of sound small, but they are big irritants and big concerns when it comes to a small business owner who wears many hats trying to focus on managing this piece of their bottom line which they never really had to manage before.

**The Chair:** Thank you. I'm afraid our time is up. We didn't get to questions from the other parties, but we are changing the rotation.

**Mr Jackson:** That's quite unacceptable.

**The Chair:** It may be unacceptable. I thought we established the rules at the start. We can go on forever if you like. How long do you want to stay here?

**Mr Jackson:** I think the rules were established with a higher degree of fairness and efficiency in the Chair. That is essentially the point. You started by saying it would be divided equally among the three of us, and then you proceeded to, "Are there any further questions? Are there any further questions?" That's transparent, Mr Chairman. If you're going to be fair, be fair.

I hasten to add, Mr Chairman, that we have someone who even has indicated they are not in favour of a substantive part of this bill, and you're not allowing the opposition to ask the questions. That's fine. If that's the way you're going to run the committee, that's fine.

**The Chair:** I think that's a little unfair, Mr Jackson.

**Mr Jackson:** No, I clearly put on the record what happened.

**The Chair:** This morning I went out of my way to be fair to you, I think, in the time. We exceeded the time limit. I went out of my way to prove that I was going to be a fair Chair.

**Mr Jackson:** Is the next deputant here? Are the next two deputants here in the room?

**The Chair:** The next one deputant is here.

**Mr Klees:** I'd like to speak to this, Chair. On a point of order: With all respect, I'd like to speak to this as well. In all the time that I have ever been a member of a

standing committee, sir, never before has there been this kind of allocation of time. It has always been understood that whatever amount of time is available at the end of the presentation, that time would be divided equally unless it is set out prior to the hearing commencing that there would be a rotation.

I just leave that with you. I realize it's the first time in the chair for you. I just want you to understand that that has been the precedent.

**The Chair:** I apologize for not being clear this morning. I thought we had set out that rotation.

**Mr Peter Kormos (Niagara Centre):** Mr Chair, if I may speak to that point of order: With respect, Chairs have shown a great deal of flexibility in the course of utilizing the remnant of time, the balance of the 20 minutes. From time to time it's so short that it can't be meaningfully shared. Chairs will say, "This time around it belongs to the government"—it used to be the Tories, right? "This time around it belongs to the official opposition. This time around it belongs to the New Democrats." So I have no quarrel because, as I understand it, you were democratically elected by this body. I understand it was an acclamation, so clearly members of this committee expressed their support of you, their confidence in you, upon your election. This is only your first day chairing a committee.

Cut the Chair some slack. He's showing good judgment and, after all, you chose him democratically. Support the man you put in the chair.

**The Chair:** I think we're starting to have a little bit of fun here.

Michael?

**Mr Gravelle:** I'll let Ms Wynne go first.

**Ms Wynne:** I was just going to make a suggestion. Instead of spending the next 10 minutes having this delightful exchange, could we possibly—because it looks from the agenda like there is some time at the end; we don't go right to 6 o'clock, as far as I can tell—ask the people who are next if they would mind giving us another five minutes and letting the opposition members ask their questions? Would that be possible?

**The Chair:** Ms Cutler, would you mind that? OK, if that's the pleasure of the committee. Michael?

**Mr Gravelle:** I think it's a great idea, Mr Chairman, just in terms of defence—and Mr Kormos is quite right, and Mr Klees should know this, and he does know this: When this situation occurs, it's not uncommon at all for the Chair to decide that one party will get their turn that time, with a short period of time, and it's made up to the opposition or the government next time. That happens frequently in committee.

**Mr Jackson:** I'm not arguing that, Mr Chairman. The Chairman said, "I'm going to rotate this five minutes between the three." He said that. It came out of his mouth. That's my objection.

**Mr Gravelle:** We're trying to come to a conclusion. I think Ms Wynne has come up with a lovely solution.

**The Chair:** OK, if you have questions—

**Mr Jackson:** If you're going to say it, then do it. If you're not going to do it—

**The Chair:** Cam, I did say it. Maybe you didn't hear what I said.

**Mr Jackson:** I heard exactly. That's why we have Hansard here.

**The Chair:** Well, we can go back to it.

We have a delegation before us who wants to give us some information. It is the pleasure of the committee that those questions be asked, so we're going to extend it for a period of time.

**Mr Jackson:** Ms Andrew, welcome. Thank you for your presentation. Can you indicate, do your members support the \$140 million that businesses predominantly and consumers particularly are paying for the GST on the debt service charge?

**Ms Andrew:** We haven't surveyed directly on that one—

**Mr Jackson:** This isn't a big stretch, right? What would your answer be?

**Ms Andrew:** —but we've had a lot of comments complaining about it.

**Mr Jackson:** My next question is, has your membership guided you in terms of issues around the security deposits? You've eloquently placed on the record that everything in this bill is stacked in favour of the LDCs. Interestingly enough, they're not making a presentation to this committee to respond to the issues. But we also found out this morning in committee hearings that the LDCs are now in a position to make yet another application to the Ontario Energy Board once this bill takes effect. So they'll be paying three cents on the old application, which is \$750 million, a quarter of a billion over four so they can guarantee their profit at two cents, and now they're going to be allowed to go back at the membership again. Your concerns—have you got a more substantive list of changes you were seeking to balance out the kind of wholesale capitulation to the agenda of the distribution companies?

**Ms Andrew:** We would like to see an implementation of the Badali recommendations in small business. We've made strong submissions on an OEB committee dealing with security deposits. That's been a very hard-fought committee. I could certainly supply this standing committee with copies of our recent submission, but we're now haggling over whether the LDCs will retain a deposit for up to seven years, which seems a very long time. I think a bankruptcy can be excused after a period of time like that.

**Mr Jackson:** I might yield some time to my colleague, Mr Chair.

**Mr Klees:** Thank you for your presentation. You no doubt have done some analysis of the implication to your membership, the small and medium-sized businesses in Ontario, during the transition period, where there is protection for residential users, effectively, but there's a major exposure to the small and medium-sized businesses. Can you share with us what your analysis has shown in terms of the potential impact to this very important sector of our economy?



1630

**Ms Andrew:** We're actually about to do that analysis, Mr Klees. We know that 150,000 per month will not go very far in most small businesses. When we argued for an increase of the 150,000 kilowatt threshold to 250,000 kilowatts, we had a lot of members calling us or writing us frantically, saying how desperate they were to have some rate relief, so 150,000 kilowatts per month won't go far at all. That's why we're very serious about seeing some concrete measures in place before April 1 next year.

**Mr Klees:** I think the caution to the government on this is that there will be serious consequences. We went through this when we put the mitigation in place for small businesses the last time around. There was a reason for the cap. The reason for the cap was that during the transition period it would provide protection for small business. I think it behooves you to ensure you get that information in to the government sooner than later, because what we don't want is after the fact, when those bills start rolling in, when small and medium-sized businesses can't pay their energy bills, which is guaranteed it's going to happen. Better that the government has a heads-up in advance, and hopefully they'll listen to ensure those protections are put in place while this exit strategy is being worked out.

**The Chair:** We still have a minute left. Mr Kormos?

**Mr Kormos:** Whoa, whoa; wait. How many minutes did you allot to that slot?

*Interjection.*

**The Chair:** The committee agreed to extend the time. Probably, if you asked a question, the Chair would exercise some latitude, or you and I could argue about it. I'd prefer to hear the question.

**Mr Kormos:** I feel abused. Ms Andrew, it's always a pleasure. Do you share my sense of irony? Here we are in this committee discussing this bill, and what's plugged into the wall but an energy hog, an electricity pig, an electronic space heater, one of the most inefficient ways of producing heat that's ever been concocted and one of those real drains on scarce electricity supply. I can't for the life of me think why this government wouldn't be more committed to demonstrating how to do it, rather than just talking about it.

**The Chair:** Thank you once again for attending.

Let's get this clear before we have our delegation up here. Last night at the subcommittee meeting we agreed to some rules. Obviously those rules aren't working. People are taking a good portion of their 20 minutes to make their presentations, which is leaving very little time for the questions. Before we bring somebody up here, is there any desire to change those to extend that period of questioning?

**Mrs Cansfield:** What I might suggest is that the Chair have some flexibility and discretion and in essence wing it a little. Some of the presentations were really about 13 minutes, and then you had some time; others were only seven or eight, and then you had more time. If in fact the presentation takes that 15 or 17 minutes and it leaves

little time, then I'd use your discretion to ask the next person for the leeway of another 10 minutes; if not, stick to the rules. It just permits you the flexibility, Chair.

**Mr Jackson:** I'm a big fan of flexibility, partially because, as we know, people get caught on streetcars or subways or by the weather or in traffic or a dozen other reasons. Second, when you tell a deputant that they have 20 minutes, it would be helpful to the committee if you could confine that to no more than 15 minutes, leaving time for questions etc. For many people this is the first time they've been in the building, let alone present to us. That still gives you some flexibility. I have no problem with the rotational rule. I do have a problem that people have come a great distance to present to us, and they're deserving of some feedback other than something they could have sent in the mail.

**Mr Kormos:** The Chair is doing his best. It's his first day as Chair of the committee. Cut him some slack. These things shouldn't be discussed on the record. Let's deal with them in camera after midnight tonight.

**The Chair:** He's my new friend.

**Ms Wynne:** I would just suggest that I think it makes sense to share the time. If it's a short time, whatever you determine the time, I suggest that you do share it among the three—

**The Chair:** The problem I've seen is that we've been sharing six minutes. Some of the questions have been taking more than two minutes to ask.

Are you still glad you came, Ms Cutler?

**Ms Judy Cutler:** I'm fascinated. I'm wondering how you ever get anything done.

#### CANADA'S ASSOCIATION FOR THE FIFTY-PLUS

**The Chair:** OK, Ms Cutler, thank you for coming. Could you identify yourself for our Hansard. We're finding with the microphones that if you don't speak directly into them, Hansard is picking up some gaps when you turn your face away from them. You have 20 minutes. Apparently I have some latitude and flexibility, but if you would leave some time at the end for questions; there appear to be more questions than time.

**Ms Cutler:** I think I'll be brief.

I'm Judy Cutler. I'm director of communications and co-director of advocacy at CARP. Thank you so much for this opportunity to express our views today.

Let me just begin with a few words about CARP for those who don't know us. We're Canada's Association for the Fifty-Plus, a non-profit organization with more than 250,000 members in Ontario and 400,000 right across the country. Our mission is to promote and protect the rights and quality of life of older Canadians. Our mandate is always to develop practical recommendations for the issues we raise. We like to say we don't just carp about things.

Given the short notice that we had to prepare this presentation, and our limited expertise in the area of energy and electricity, the message I'm bringing to you

today is based on our very deep and serious concern about the impact of your amended act on poor and low-income seniors. Although there are many other Ontarians who should be given the same consideration, today I'm speaking on behalf of older citizens.

Bill 4 is limited to situations defined with respect to amounts of electricity used and times when electricity is used. In our view, this should be extended to include differential fees for poor and low-income seniors who can come under the category, we suggest, of "designated consumers." In other words, our recommendation, and indeed our request, is that you create differential fees for poor and low-income seniors—not a rebate or tax credit, but a lower price, pure and simple.

It's essential that we as a society, and you in particular as the government, of all Ontarians recognize the realities facing many seniors. Poor seniors actually account for 16% of all Canadians. Poverty affects their physical and mental well-being and in the end creates a financial burden on our health care system.

What about quality of life? Let's go beyond the usual silos that exist in government and communities with a more holistic or integrated perspective in terms of the needs of seniors.

Inadequate pension levels do not keep up with real inflation but are based instead on a very unrealistic formula. More and more seniors, not only those who are homeless, are having to access food banks. There's a lack of affordable rental housing; there are increasing user fees in the health care system, including for prescription drugs, especially for those not on the formulary.

Recreation, continuing education, transportation, telephone, cable, all these things contribute to quality of life but are not always affordable for seniors. Too many of them are already having to choose between eating properly and taking adequate medications. We have to recognize that everyone has to pay rent, property tax and hydro, but the other essentials are often left out. The truth is, even though we hear otherwise in the ageist myths around, that only 5% of seniors are rich enough to be clawed back entirely in their public pensions.

#### 1640

Many seniors tend to remain at home, either by choice or by condition, and they're not in a position to lower thermostats at the suggested times without endangering their health and well-being. Forcing them to do so can result, again, in increased costs to the health care system.

Do we know that these people will be able to limit their consumption to under 750 kilowatt hours per month at any time? Shouldn't we undertake a study first to find out, before we impose this on them? It's important to note that many seniors—I suggest most seniors, actually—can't afford to invest in more effective and cost-efficient furnaces and appliances. In fact, government grants, not loans, for this purpose should be made available in such cases.

Many seniors are paying very high rents, up to 80% and even 90% of their fixed income. Their rents may or may not include charges for electricity. Either way, tenants could be paying more out of their meagre incomes.

Findings of a recent Stats Canada study show that many seniors own their own homes. However, as with many farmers, all this could mean is that they are asset-rich and cash-poor. They've lived in their houses for many years—30 or 40—during which time they've paid off their mortgages. But their property taxes and other living expenses have increased, as we all know, and often well beyond their retirement incomes, whether private, corporate or public pensions. Their incomes are fixed and, in many cases, even greatly reduced because of current market conditions.

Unlike non-seniors—except for children, of course—seniors generally are unable to earn sufficient additional income, even if they do return to work, and that is not easy to do.

Who are the seniors we're describing? Poor seniors can be identified through the guaranteed income supplement, the GIS. They represent 40% of all seniors identified by Ottawa as having incomes below the low-income cut-off line, which is about \$16,000 for singles and about \$24,000 for couples—not very high. The largest percentage is women, with annual incomes of around \$13,000, derived from OAS, GIS, Gains and perhaps a widow's or survivor's benefit, but of course men are included in this too.

The Ontario government actually identified poor seniors when it introduced the two-tier charges for prescription drugs for seniors covered under OHIP. This was made possible because Ottawa provided the Ontario Ministry of Health with the appropriate list, which is permissible under the privacy provision of the GIS regulation. Low-income seniors can also be identified. The greater Toronto council did that when it exempted them from property tax increases caused by actual value assessment.

So CARP strongly recommends the following: Amend the bill to include poor and low-income seniors in the category of designated consumers. Charge these seniors the current basic price of 4.3 cents per kilowatt hour, regardless of usage or time. Develop plans for conservation by seniors, taking into account health implications and impacts, as well as other specific conditions. Create government grants to enable seniors to take conservation measures. Commission a study to determine electricity usage patterns of seniors. For example, when the energy minister, Dwight Duncan, said that approximately 60% of Ontario households use less than 1,000 kilowatt hours per month, does this apply to seniors?

We would like to see this government being senior-friendly in all areas, and this is certainly one way to start and a step in the right direction. Thank you.

**The Chair:** Very good. Thank you, Ms Cutler. You used up eight minutes, which would leave 12 minutes to be split evenly, so why don't we make that five minutes each? We'll start with the Progressive Conservatives, move to Mr Kormos and the New Democrats and then move back to the government side. Everybody's happy.

**Mr Jackson:** Judy, thank you for coming today on short notice. As someone who has worked with CARP

ever since it was formed, please give my best regards to Lillian and to Murray and the rest of your crew down there.

**Ms Cutler:** I will.

**Mr Jackson:** You have presented and captured the essence of the concerns, and that is that this bill is about increasing the price and bringing it closer—it's still got a cap, but it's bringing it closer to what the government refers to as the actual cost of electricity. You've indicated that there isn't a kind of consumer protection in this bill.

My question to you is: Have you given some thought as to how we could designate and identify lower-income seniors for purposes of adjustment on their bill?

**Ms Cutler:** Yes, I thought that I had stated that clearly. You can do it through HRDC, in terms of people who are getting GIS, for example. That would cover a lot of people.

**Mr Jackson:** But you're suggesting that the price be less as opposed to a rebate?

**Ms Cutler:** Yes, just because these people don't have the money to put out and then wait for it to come back.

**Mr Jackson:** Are you aware that this bill changes rather dramatically the costs being borne by consumers and small businesses, that it doesn't include the half of the energy grid which is going to industrial users?

**Ms Cutler:** Yes, I am.

**Mr Jackson:** You are aware of that. OK.

This morning, the minister was asked at least one question with respect to the cohort that you've identified today: low-income and poor seniors. His response, and I paraphrase and I encourage you to seek a copy of Hansard because you'll get the exact quote—his reference was that "In these cases family members are going to have to pitch in," was the words he used, and that "there are other charitable organizations and other groups in the community that might be called upon to help out." Is that how you envisage that being helpful at all to those seniors who are living at or below the poverty line?

**Ms Cutler:** No, not at all. I think families are already burdened in terms of helping their loved ones with home care, with nursing homes, with all kinds of things. It's just shifting the load to another part of the elephant, so to speak. It's not dealing with the situation at all.

Asking seniors to find organizations to help them is demeaning, for one thing, and it's putting a burden on them that they may not be able to deal with. We already know how hard it is for people to access things that do exist because they don't know where to go. This is just creating more stress.

**Mr Jackson:** Your organization is very sensitive to the basket of costs that a senior has to confront. You've identified many of them in your presentation. Concern has been expressed by organizations like yours that in the first two weeks of this government's mandate, we have seen a repealing of the seniors' property tax credit which applied to seniors in apartment buildings to reduce approximately one quarter of the cost of the property tax as in the form of rent or in their properties. You've identified seniors who are house-rich and income-poor

and can barely make ends meet without being forced out of their home.

The second bill is the energy one. The third one that's coming down the pipe is the income testing of the drug plan and the bold statement that they need to recoup about \$2.2 billion in the seniors' drug plan.

In your view, do you feel that the government should at least, out of those three, be trying to make some amendments to this act to protect low-income seniors, given that they're not protecting them by repealing their tax credit and rent credit and because they will be proceeding with the income testing of their drug plan?

**Ms Cutler:** Well, we've been told that the income testing is not a—I'd love to find out, because we keep hearing about it, but I've been told by several ministries that it's not happening, so I hope we're not being lied to. We were actually against the education tax rebate. We would much rather see that money go into home care, which your government promised—and so did yours—and we're waiting to see what's happening, because so far nothing is.

Home care is in dire straits. If we have to wait very long, we won't have a home care system. Nursing homes are in dire straits, and people are in nursing homes who could be at home if they were given proper home care. If you're announcing something that is being taken away, at least explain that the money will go to something else that is perhaps more important, like the education tax rebate being used to go into home care, for example.

1650

**Mr Kormos:** Thank you, Ms Cutler, for coming today. A good submission, a valuable submission. I want you to let your membership know that they've been well served.

This morning, Mr Duncan—he's the minister—was in here and he again talked about how when you shield consumers from the true cost, you encourage consumption instead of encouraging conservation. I hear him, but the seniors I know—down where I come from, Welland, Thorold, Pelham, south St Catharines, Port Colborne, places like that—have cut to the bare bone already. They've got the 25-watt bulbs in instead of the 60s. Is that a pretty accurate perception? Have I somehow got some sort of unique group of seniors down there, or is that pretty reflective of the whole province and seniors in general?

**Ms Cutler:** Yes, seniors have cut back, partially because they can't afford it and partially because they have a sense of value in terms of doing that. But I think that a lot more could be done, as I said, in encouraging them and providing funding to allow them to transform to conservation appliances and all kinds of things; also an awareness program of what they can do to conserve more energy.

We just keep hearing, "Conserve, conserve, conserve." How? What do I do? Do I just turn the lights off? Do I stop cooking? Do I sit in the cold? Obviously we know that there are other ways to do it, whether it's in the summer with air conditioning or in the winter with heat-

ing. The government should have a really good awareness campaign that CARP can actually help with in terms of developing and also disseminating in our magazine, on our Web site. I'm sure that all the seniors' groups, through the seniors' secretariat, would be willing to do the same thing.

**Mr Kormos:** You made reference to the fact that seniors don't have some of the same flexibility around reducing electricity. I mean, gosh, I certainly don't want to speak for all seniors, but my old grandmother, it'd be 80 degrees and she'd still be cold. That's just the nature of it. You can't expect seniors to do some of the things that you can expect you and me to do in terms of turning the thermostat down to 65 and stuff like that, can you?

**Ms Cutler:** No, you can't. I'm going through an experience now where I look after my brother. When I leave my home, I turn the thermostat down. When I go to sleep at night, I turn it off. He is not well; he can't walk. He's lying in bed; he's not moving to keep the juices flowing. I can't ask him to sit in a cold room with the lights off. So I don't know. Hopefully it's temporary, but meanwhile, I've got to be compassionate. I can't say to him, "You're wasting energy." We have to be a little flexible in terms of specific needs.

**Mr Kormos:** OK, the final thing: I simply want to apologize to you, because you indicated that you were given short notice and that made it difficult to prepare. Trust me, we did our best to keep the time allocation motion—so I apologize.

**Ms Cutler:** I wasn't complaining; I was just pointing it out.

**Mr Kormos:** But it's difficult. People work so hard and then governments do things like restrict public hearings and give such short notice.

**Ms Cutler:** Well, we're very happy to be included, and if that was the price to pay, we're happy to pay it.

**Mr Kormos:** I know. You shouldn't have to jump through hoops. You did; I appreciate it very much.

**Ms Cutler:** Thank you.

**Mr Kormos:** Thank you kindly.

**The Chair:** Donna, you had a question.

**Mrs Cansfield:** I had two questions. I just wanted to ask, when you refer to seniors, what age are you referring to? Are you just referring to everybody 50-plus or a specific age?

**Ms Cutler:** Our membership is 50-plus. I guess I'm referring to older seniors who tend to be frail. When I talk about 50-plus, I'm referring, I guess, to the families who are looking after their loved ones.

**Mrs Cansfield:** That's fine. I just wanted to understand.

The other was that you spoke about an opportunity to identify those who might in fact benefit from a subsidy or a word of that description. Currently, there's in place a rebate for your taxes; I think it's up to \$1,000. Could you use that same sort of mechanism, do you think, to help in terms of finding a way other than through a federal means test? That is a provincial formula that's in place now. Have you looked at those—

**Ms Cutler:** Are you talking about the formula or the idea of a rebate?

**Mrs Cansfield:** Both actually. I'm looking for a mechanism, and since we already have a mechanism for the tax rebate in place, could that type of formula be used? Because it's based on income.

**Ms Cutler:** We're really against the idea of a rebate because people still have to come up with the money at the beginning, and if they are living on a fixed income, that's not very easy for many of them. That is one idea. What we would like to see is a round table, a consultation with seniors' groups, so that something very practical for both sides can be developed instead of assuming that we already have all the options. Something that's more viable for the government and practical for seniors could possibly be developed that way.

**Mrs Cansfield:** I just share with you because it was this morning and not this afternoon when the minister was here, but he made a very strong commitment that there will in fact be a very comprehensive approach to energy conservation that will be very inclusive in dealing with consultations. He'll announce something very shortly and that will occur in January and onwards.

**Ms Cutler:** Oh, great. I just add that I really am serious when I talk about a senior-friendliness. Ontario can lead the way and should lead the way in the country. I think we have a really good minister responsible for seniors, and I would just like to see him and his ministry being involved in policy in other ministries to make sure that seniors are considered.

**Mrs Cansfield:** Thank you. I think that applies to so many ministries: education, environment—

**Ms Cutler:** Every one. There is hardly any actually that—absolutely.

**Mrs Cansfield:** I think some of us have a vested interest; we're seniors too.

**Ms Cutler:** If not, we'll all get there, right?

**Mrs Cansfield:** We are there.

**The Chair:** Kathleen, do you have a question? We have about three minutes left, two and a half minutes.

**Ms Wynne:** I raised this issue this morning, actually, with the minister for seniors, particularly tenants. But as I read the act—I just want to be clear what you're asking—the designated consumers, as it's outlined here, it seems to me it's payments. It's sort of a rebate to those people, but that's not what you're asking for. You don't actually just want to be included in this category. You want it to be arranged differently.

**Ms Cutler:** To be included and taken a step further.

**Ms Wynne:** Right, OK. When you're talking about poor, are you talking about seniors with a Gains certificate, who can produce a Gains certificate? What's the threshold? The asset-rich poor senior—that was the situation I raised this morning with the minister, the widow living in the big house who was on a fixed income and couldn't afford to retrofit her house or whatever. How are you defining poverty?

**Ms Cutler:** We're talking about those below the cut-off line obviously, and they can be identified through

GIS, for example. We're also talking about low-income seniors, many of whom, for example, are having to pay the equivalent of two rents because they're paying their own rent or property tax and a nursing home fee for a spouse. Low-income people have as many expenses as higher ones do, with less income to pay for it. We have to do it including the low; I'd even include modest. There has to be a study to determine where that line is because there are so many things to consider in a holistic way in terms of having to pay for home care and nursing homes, all of that.

**Ms Wynne:** So probably a simple amendment of this bill is not going to do it. Probably the round table and what Donna was referring to is what needs to happen because we have to have this conversation about vulnerable seniors across a bunch of fronts.

**Ms Cutler:** I would like to see a round table, a consultation process with Minister Gerretsen and other ministers who are dealing with issues of concern to seniors to develop a package that goes right across the board and that is interrelated, so it isn't taking from one and giving to another and they end up with nothing.

**The Chair:** Thank you, Judy. It was a pleasure to have you here today.

**Ms Cutler:** Thank you so much.

1700

#### ONTARIO FEDERATION OF AGRICULTURE

**The Chair:** We can move on then to the next delegation, and that's the Ontario Federation of Agriculture. I understand that Ron Bonnett and Ted Cowan are here. Do you have any idea of the approximate length of your presentation?

**Mr Ted Cowan:** About two and a half or three pages, so that might be 1,000 words.

**Mr Ron Bonnett:** Might be in that neighbourhood.

**Mr Cowan:** Approximately 1,000 words or 1,200 words, something in that neighbourhood.

**Mr Bonnett:** Do you want me to count fast? Is that what you're saying?

**The Chair:** No, I'm just trying to establish the rules so we don't spend time arguing while we should be asking you questions.

**Mr Bonnett:** OK. Good enough.

**The Chair:** Do you think your presentation will be under 10 minutes?

**Mr Bonnett:** Oh, yes. I think I can keep it under 10 minutes.

**The Chair:** OK. Why don't we hear the presentation and go through the same rotation again, with five minutes for each of the parties.

**Mr Kormos:** I'm going to try to use all my five minutes.

**The Chair:** You didn't. I noticed you used four. Apparently, you can't bank the time, though.

Welcome. Would you identify yourselves also for Hansard. You'll find that you need to speak directly into the microphones.

**Mr Bonnett:** Usually I don't have trouble being heard. My name is Ron Bonnett. I'm president of the Ontario Federation of Agriculture.

**Mr Cowan:** Ted Cowan. I am with staff at the Federation.

**Mr Bonnett:** First of all, I'd like to thank the committee for taking the time to hear our views on Bill 4, the Ontario Energy Board amendment act on electricity pricing.

For those of you who don't know, the Ontario Federation of Agriculture represents about 40,000 individual farm families across the province, as well as a number of commodity organizations. We advocate on their behalf and on behalf of rural Ontarians to secure a sound, workable energy system and marking pricing.

Farmers rely extensively on technology, which in turn requires a dependable and affordable source of electricity. In the interest of positive progress and building and improvement in the agricultural and rural sectors, the OFA wishes to document this critical electricity pricing issue and suggest a process to address this matter.

The OFA has met with the Minister of Energy. We advised him we will continue to identify short- and long-term steps that are essential to make the market work for farm and rural customers. Initiatives are now underway with our commodity partners to develop courses of action on demand-side management, conservation and new generation. OFA will contribute these proposals with a view to improving the provision of hydro for all of Ontario.

OFA recognizes the new government's efforts in addressing the pressing energy needs of our province. Until there is a satisfactory electricity market, the OFA strongly recommends that farmers continue buying electricity that is reflective of the actual cost of power used by farmers of Ontario.

For farmers, market prices for power from May to November 2002 were unpredictable and high. Prices in the summer of 2002 caused many farmers in horticulture to re-examine what they could afford to grow in 2003. For greenhouse growers, the market caused time-of-use meters to be withdrawn. For livestock producers, high costs were incurred in keeping herds and flocks alive and healthy. The 4.3 cents per kilowatt price cap was more costly for these farmers than the old mix of peak and off-peak power with time-of-use metering.

With the coming of the market, thousands of farmers were reclassified from farm to commercial for hydro purposes, and made to use demand meters. As a result, they went from a pre-market frozen price of 9.4 cents per kilowatt, energy and delivery included, to floating market prices and demand charges that took the whole cost of power from the 12-cent to the 20-cent range, depending on peak demand in the month for the farmer.

The 4.3-cent price cap did not protect them from high demand charges. Nonetheless, the 4.3-cent rate allowed farmers to plan ahead and enter into sales contracts for

2003 and now 2004 with some sense of what their costs would be.

As the average price of power has been 4.978 cents per kilowatt, budgetary constraints suggest that the 4.3-cent price cap should be replaced. There are several options for considering how farmers should be treated under regulated pricing while markets are being reworked to remove their present failings.

There are fundamental reasons why farmers should be given careful consideration with respect to power pricing. The OFA argues that based on evidence, farmers pay more for service and use proportionately more off-peak power than other customers. So the power that farmers use actually costs less than average. With respect to service costs, OFA believes farmers pay an appropriate share of rural distribution costs in Ontario. As mentioned, this cost is above average, although rural rate assistance reduces service charges to an acceptable level for residential users. However, farmers pay 30%, or \$12.5 million, more than their share of costs for transmission. Farmers had effective transmission prior to development of high voltage service. The high voltage service, installed to serve urban and industrial growth, created a higher cost to farmers and rural residents who did not need it.

For the costs of power the following facts support OFA's views that farmers use lower-cost power.

Farm power use on weekends is almost as high as it is on weekdays, while power use for virtually all classes of customers is much higher on weekdays than on weekends. Accordingly, farm use draws more heavily from this low-cost period than other users.

Farm power use starts earlier and ends later in the day than in many other kinds of business. This broader distribution of use through each day reflects work patterns.

The ratio between the base level and the peak level of farm use is lower for farms than for other kinds of users. This indicates that farmers contribute less to peak demand than other users, and hence they are using less-costly power. Farmers do not have a summer seasonal peak use at all. In fact, farm use falls in the summer, whereas it is the major peak for almost all other Ontario users. Farmers have a winter usage peak, which is the only time when our usage coincides with the usage by others in Ontario.

In comparing farm power use by price group with all of Ontario for the period of the market, farmers used more low-cost power and less high-cost power than Ontario as a whole. These considerations strongly indicate that farmers do not contribute to expensive usage spikes, and the power they use costs less than average. Based on the 4.9-cent average power cost, OFA contends that a farm price in the range of 4.3 to 4.6 cents accurately reflects the cost of power used by farmers. In addition, as indicated, farmers are already paying at least the full cost of the distribution service plus an inordinately high portion of transmission costs.

Farm businesses in Ontario have faced very severe times over the past four years. OFA's farm members do not have the luxury of passing sudden increases in

electricity costs to their customers. Farmers typically take a price and, quite frankly, those prices are already insufficient across the spectrum of commodities we produce. Farmers need to pay the value of the electricity they use in order to honour existing contracts for fruits and vegetables with high storage or greenhouse growing costs. Ontario farmers pay hydro costs in excess of \$250 million annually. Each one tenth of a cent increase in the energy price costs farmers an extra \$3.5 million. In three of the past five years, farming in Ontario has had net incomes of about \$350 million. Therefore, each one tenth of a cent increase takes one per cent from that income. The proposed change in the regulated price will eliminate \$42 million from Ontario's net farm income, and that's coming right out of our pockets. How will it be replaced?

The OFA is not suggesting that farmers be treated preferentially. Rather, we recommend an amendment to Bill 4 that would provide a two-tiered price with a summer top-up that would apply to commercial and residential users. The first tier would be in the range of 4.5 cents and would be for off-peak users such as farmers, residential, electrical and electronic manufacturers. The second tier is a price just over 5.5 cents per kilowatt average and would apply to users on ordinary metres that use more costly power. The summer top-up would have an 8.5-cent price for commercial and residential power use over 10,000 kilowatts in the summer months. The government's lower cost to 750 kilowatts per month for all users should be retained, as it addressed conservation efforts and those on fixed incomes. This approach can be made financially viable by fixing OPG prices for power from its nuclear and large hydro units over 100 megawatts to OPG's cost plus an 8% return. There would be no further subsidy in this price and no further contribution to Ontario's debt. Users would pay the full price based on their use patterns, and OPG would still have a profit. Quebec and British Columbia use this approach now for their baseload power plants.

#### 1710

In closing, the current electricity plan, as it is framed in Bill 4, is unfair to those in the business of farming. It reflects an increase to average consumers of around \$6 a month but over 10 times that amount for individual farmers. We have proven that farmers use cheaper power than the rest of our economy. Farmers are simply cross-subsidizing the average user on power costs and transmission costs and will do so to the tune of almost \$55 million out of net farm income.

Farmers and the OFA are asking that hydro be priced to reflect farmers' real costs. It is essential that the needed short-term rate adjustments do not unfairly penalize the agriculture sector at a time when it is most vulnerable. We ask that the amendment reflecting the two-tier approach, as we have set out in this document, be considered and passed on by this committee.

**The Chair:** Thank you, Ron. Starting with Mr Kormos, five minutes.

**Mr Kormos:** Thank you kindly, gentlemen, both of you. You know I'm from down Niagara way.

**Mr Bonnett:** Yes.

**Mr Kormos:** The cattle producers took a beating, of course, across the board this summer. We've got a lot of poultry producers. Those would be high electricity consumers, right? The poultry farms?

**Mr Bonnett:** Yes.

**Mr Kormos:** And then we've got a lot of the flower greenhouses; that's the big growth industry. That's got to be real high electricity consumers, huh?

**Mr Bonnett:** All of those—predominantly the greenhouse and the livestock barns would be high energy users, yes.

**Mr Kormos:** So this is bang on for the folks down where I come from.

**Mr Bonnett:** That's right. If you look at most modern farm operations, whether it be livestock operations or greenhouse operations, a lot of those have adopted, as we said, new technology, and that new technology utilizes energy. But the other thing you have to remember, as we presented in our brief, is that that power consumption is very stable and does not contribute necessarily to those high peaks.

**Mr Kormos:** You're not creating those peaks; if anything, it's to the contrary.

**Mr Bonnett:** We're not creating those peaks. It's baseline load. Actually, if you look at the summer use, our summer use is less than our winter use. If you were to flatline—some of the power we're saving in the summer is available to other consumers.

**Mr Kormos:** I trust that part of what you're saying is that the balance is so delicate for farmers—because that's what the guys and gals down where I come from tell me—that it's a matter of implementing the recommendations you make right now; not waiting.

**Mr Bonnett:** That's right. The other thing is that a lot of the farm businesses now are forward-contracting a lot of the product they sell; they factor in what their costs are going to be, and that's part of the long-range planning that takes place. So if power bills do go up, there's only one place it can come from, and that's out of the farmer's pocket. That's why it's so dramatic, like we said in our brief. If you take the averages, the average farmer is going to take 10 times more out of their take-home pay than the average consumer, and that's where it's going to really hit.

**Mr Kormos:** Was the OFA consulted in the course of preparing this legislation?

**Mr Bonnett:** We have actually been working with both governments over a long period of time. We've been quite involved. We were involved with the Conservative government before. We've been involved with the new government. These are not new concepts. We've been pushing and refining these concepts for some time.

**Mr Kormos:** The concept you're proposing in this submission today?

**Mr Bonnett:** Yes.

**Mr Kormos:** Yet it's not found in the legislation. What's going on?

**Mr Cowan:** We did meet with the minister approximately three weeks ago and presented a proposal very

similar to this. That was prepared on short notice. We've refined it a bit. It has an average price, a below-average price and an above-average price. It more than covers the total cost of power. People who use expensive power pay for expensive power. People who use less expensive power pay less.

**Mr Bonnett:** In fairness too, the minister has set up subsequent meetings, and we've been meeting with different people along the way. But one of the things we'd like to reinforce in this time frame between now and April 1—which is an interesting date—is that it's time to make sure we get it right. This committee could take a look at the recommendations, which lead toward a pricing formula that really contributes to consumers recognizing what the cost is and that they be rewarded if they use lower-cost power versus having a flat price. A flat price doesn't address some of the conservation issues and those other types of issues that need to be addressed.

**Mr Kormos:** Did your talks with the minister show promise? Do you expect the parliamentary assistant to produce the amendments that you're proposing?

**Mr Bonnett:** Part of the reason we're here today is to put these amendments forward to this committee, and we would expect that she would be carrying forward our views.

**Mr Kormos:** Thank you kindly. I'm looking forward to that as well.

**The Chair:** We go to the government side for questions.

**Mr Gravelle:** Thank you very much. I appreciate your being here. It is fascinating in terms of the use of off-peak and peak hours, which probably a lot of people wouldn't understand unless they had a pretty good understanding of how the farming world works.

I'm from northwestern Ontario, Thunder Bay, and we don't have a lot of farmers up there.

**Mr Bonnett:** You have quite a few. I'm from Sault Ste Marie.

**Mr Gravelle:** I'm from Thunder Bay-Superior North, and I must admit that in Thunder Bay-Atikokan, in the South Gillies area and going west to Fort Frances, there are more; in Thunder Bay-Superior North there aren't as many.

Having said that, I know a lot of farmers, and I know how much this means to them as well. But I was interested in and pleased with the fact that you have had meetings with the minister and with the ministry, and it does sound like you're somewhat encouraged about the process that you're part of now in terms of the discussions that are going to be going forward in the next couple of months. Is that an accurate reflection? Do you feel you're being listened to?

**Mr Bonnett:** Yes, actually. We've heard the words that we're being listened to, but I think we'd like to have it reflected in the pricing formula. As you're going through and putting the pricing formula in place for this new bill, I think it would be appropriate to take a look and see if that is the best solution, just establishing a new cap. Our position has been that that's not necessarily the best solution and it should be looked at before you go

down that road, because once you start down a road, then it's hard to retrack and try to get it right.

**Mr Cowan:** We've also been involved in the conservation and new generation task force that has just recently started its work, and we've also been very active on the Ontario Energy Board's demand-side management and demand-response panel. For roughly the past six weeks it's been going, we've been there all the time. We are putting forward to Hydro One, which is our main PUC, if you will, a range of proposals for conservation and line-loss management and so on which we think could reduce bills. So we're working on all sides of that. We do believe people are listening to us.

**Mr Bonnett:** I should mention that this presentation is very specific to the pricing side of the argument. We have a complete policy paper outlining some initiatives on the conservation side, initiatives on the generating side, we've identified some of the obstacles there, and that is available to any committee members who would like to have that. But it's a much more complex paper, and there wasn't time to go through the detail of that at this time.

**Mr Gravelle:** It would be interesting to have. You have some very strong advocates, of course, on the government side and you know many of them well. I appreciate your being here to put this forward.

May I also say—and the new members will get to learn this—I think the OFA is one of the best organizations in terms of keeping members informed of the issues. I receive material on a regular basis in terms of all the issues, and it's much appreciated. We're grateful to have you here today.

**Mr Bonnett:** Thank you.

**The Chair:** Jim, you have about three minutes left.

**Mr Brownell:** It's probably more of a comment than a question. As a former educator, and I mentioned that this morning, in working with students you always work with conservation, and that information is taken home. You just mentioned here that you had been working on conservation. I'm very pleased to hear that you're willing to share that information with us. I think it's important that we get it. I'm always interested in finding out as much as I can what the other side or the general public is doing with regard to conservation and what concepts they have.

Governments can do all they want with regards to pricing and whatnot, but if conservation isn't a big part of it, it's not going to work. You having said that, I really appreciate and look forward to receiving any information from you regarding that.

**Mr Bonnett:** On a lot of the conservation stuff, we're looking at replacing different types of motors, a different way of managing our farms. Some of the conservation is trying to shift peak loading periods even more, using switching equipment to have some of the heavy drawing equipment use power at off-peak times. There are all kinds of measures that can be taken on that.

1720

On the generating side, we just had some discussions with the conservation side of OPG on the use of wind-

mills. There are a number of land use policies that need to be addressed around that. There are also some issues around what the connection costs are.

One of the other things that came out as part of the discussions that took place last summer, when we were getting really close to a balance in generation capacity after the blackout, was the fact that there's a lot of generating capacity on-farm that, if necessary, could be brought on line to service those farms, if there was some kind of mechanism for rewarding those farmers who generated that power. Our figures show that the farmer can generate that power for about 20 cents on-farm. If you're buying power from the grid during peak periods at \$1, it would maybe make sense to have that farmer go off grid and produce their own power for a short period of time. There are all kinds of innovative things like that that can be done to address some of short-term needs from the generating side. On the long-term side, I think it's a lot of conservation efforts and making sure those conservation efforts are rewarded with a pricing system that recognizes those efforts. That's where we have to go as we work our way through this.

**Mr Jackson:** One question, and then I'll yield to my colleague the agriculture and rural affairs advocate, Mr Hardeman.

Gentlemen, thank you for a very comprehensive brief. In your pricing, were you aware that it's not only the price that will be going up to the new cap but also about \$1 billion of additional charges that will be allowed for the LDCs, the local distribution companies? We also found out earlier today that once the meter begins for the payback for OEB-approved increases, they can apply again within any period of time and not just after the four-year cycle. Have you costed that into your projections?

**Mr Cowan:** No. The \$55 million you look at there is the energy cost for \$42 million; what we believe is a 30% premium we pay on transmission, approximately half a cent a kilowatt hour. But as to the point you've indicated, approximately \$129 million in unrecovered profit has been put into a suspension account by the energy board for Hydro One. The rural and farm share of that we think will be in the vicinity of \$18 million or so, I gather, spread over four years, potentially. In addition, there are some other costs which have not yet been approved which will likely be allowed to be recovered. Again, that charge will come through. The numbers we gave we believe are firm and cautious. We'd have to add in some of the—

**Mr Jackson:** But only on the half which is the energy cost as opposed to the upcharges and all the other half of the bill.

**Mr Cowan:** You're quite right. In addition to the \$55 million, there is somewhere between another \$5 million and \$15 million for farmers, but because it's between \$5 million and \$15 million, I didn't really want to say whatever that number averages out to—I guess \$10 million.

**Mr Bonnett:** Just for clarity, you brought up a bit of an issue about the high-voltage transmission. I don't



know if there's a really good awareness in the general public, but if you take a look at power consumption in the GTA and the Horseshoe area, that's where a lot of the high-voltage power has to travel. It's basically a high-speed pipe, taking it from the generating facilities, whether it be Bruce Nuclear or whatever, to bring that power down to service those centres. The cost of that high-voltage transmission is not just spread around the GTA customers who are using that power; that high-voltage transmission cost is spread out to all rural users. They actually do not get a benefit from that, because their power predominantly is generated locally anyway. So they don't draw from that grid; that grid is feeding directly into the centres. That's one of the reasons we say there is an unfair charge put on rural residents for that high-voltage transmission cost.

**Mr Cowan:** If I could add just a little to the arithmetic of that, there is 1.55 cents per kilowatt hour for transmission on every kilowatt hour used in the province, but the power from, say, the Ferndale windmill, up on the Bruce Peninsula, never goes near a transmission line. It's all used before it gets near a transmission line. Transmission shouldn't be charged. There's 1.5 cents being taken there that is discouraging windmills all over the province.

**Mr Ernie Hardeman (Oxford):** Thank you very much for your presentation. I just want to go to the principle of how we got here with this bill. I'm sure we have a lot of good federation members too in Oxford that I talk to quite regularly. To them it was quite a surprise that this bill came out in the first place. I hear there was some consultation with you, but I guess this consultation didn't get to the people who live in Oxford, because my farmers were quite concerned. They had been assured that they would not have a price increase until 2006, and all of a sudden, as you mentioned, they don't have the ability to incorporate extra cost in their cost of production as they sell their product. So they can't get it back. All of a sudden they find themselves in this dilemma where their costs are going to go up and there's nothing they can do about it, when they were assured it wasn't going to happen.

Did I hear you right that you were consulted prior to this bill coming out that we were not going to stick with the cap, as had been promised by the government; that they were going to have a new bill that was going to change the cost for you?

**Mr Bonnett:** We were consulted right after the election. Basically, they were looking at the whole issue of hydro costs and how they were going to deal with it. At that meeting, we made the same type of presentation we had made on a number of occasions. We were never supportive in the long term of a price cap. At the time it came out, we fought very hard to have fairness. If somebody else was going to be paying for 4.3, we wanted to be paying 4.3. But even if you go back to our

position papers before that, we were always talking about getting a pricing system in place that would reward those people who did things like shifting power to off-load periods or using low-cost power, and other people who use high-cost peaks would pay.

**Mr Hardeman:** The farmers who live in Oxford who have been talking to me, did they know that the federation's position was not to maintain the price cap?

**Mr Bonnett:** They knew that our position was to have a pricing formula that would have them pay the fair price for power, which in our calculations was around 4.3, 4.4, 4.5. They were aware of that, but they were not aware that there was going to be a sudden lifting of caps. I don't think anyone was aware of that.

**Mr Hardeman:** That's really what I was trying to get to.

**Mr Bonnett:** There are two separate issues here. One is the fact that the cap is to be lifted with this bill. I don't think anyone had anticipated that. But the other issue of OFA policy and position has been, for several years now, that we have to have a pricing mechanism that works; not only the pricing mechanism on the farm side or on the consumer side, but there also has to be a pricing mechanism on the market supply side as well. Some of that information is contained in our paper. If you set up a market system where generating companies are bidding, it has to be set up so that it's a fair type of market.

Right now what happens is the highest bid is the established price for power to be sold. I'm a livestock farmer. That would be actually a great situation for me if I could ship my cattle and, whatever the highest price for the cattle base was that day, everybody would get that price. But that system is not sustainable. If you want the market to work, you have to set up the market properly. Just the same, if you want the pricing—

**Mr Hardeman:** I'm not debating whether the present system was sustainable. The people I represent talked to me at great length that they were promised and guaranteed that this price would be there at 4.3 cents until 2006.

**Mr Bonnett:** And I think that's the premise for our presentation. The calculation has been made on the costing that it was going to be at 4.3—

**The Chair:** This will have to be the final answer.

**Mr Cowan:** We understood that the 4.3 was through till 2006. The new legislation changed that. We've had to face this reality and we've put together what we think is a rock-solid approach to pricing power for everybody in Ontario in the short term.

**The Chair:** Very good. Thank you very much.

Before we adjourn, just a reminder for members that the deadline for amendments to the bill is 7 o'clock this evening, with the clerk of the committee.

OK, we're adjourned. Thank you for your co-operation.

*The committee adjourned at 1730.*



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Mr Ernie Hardeman (Oxford PC)

### **Clerk / Greffière**

Ms Susan Sourial

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Ms Anne Marzalik, research officer,  
Research and Information Services

# CONTENTS

Tuesday 9 December 2003

<b>Subcommittee report</b> .....	J-3
<b>Ontario Energy Board Amendment Act (Electricity Pricing), 2003, Bill 4, <i>Mr Duncan /</i> <b>Loi de 2003 modifiant la Loi sur la Commission de l'énergie de l'Ontario</b> <b>(établissement du coût de l'électricité), projet de loi 4, <i>M. Duncan</i></b> .....</b>	J-5
<b>Hon Dwight Duncan, Minister of Energy</b> .....	J-5
<b>Conservation Council of Ontario</b> .....	J-11
Mr Chris Winter	
<b>Ontario Clean Air Alliance</b> .....	J-14
Mr Jack Gibbons	
<b>Canadian Energy Efficiency Alliance</b> .....	J-18
Ms Fiona Oliver	
<b>Canadian Federation of Independent Business</b> .....	J-21
Ms Judith Andrew	
<b>Canada's Association for the Fifty-Plus</b> .....	J-25
Ms Judy Cutler	
<b>Ontario Federation of Agriculture</b> .....	J-29
Mr Ted Cowan	
Mr Ron Bonnett	