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Lundi 9 août 2004

Standing committee on social policy

Comité permanent de la politique sociale

Electricity Restructuring Act, 2004

Loi de 2004 sur la restructuration du secteur de l'électricité

Chair: Jeff Leal
Clerk: Anne Stokes

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON SOCIAL POLICY

Monday 9 August 2004

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DE LA POLITIQUE SOCIALE

Lundi 9 août 2004

The committee met at 1003 in room 151.

The Vice-Chair (Mr Khalil Ramal): Good morning, everyone. Welcome to the standing committee on social policy and the public hearings for Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts.

SUBCOMMITTEE REPORT

The Vice-Chair: Our first order of business is the report of the subcommittee on committee business dated Thursday, July 22, 2004. First, I think my colleague the MPP from the Ancaster area is going to read the subcommittee report and hopefully move it for adoption.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Your subcommittee met on Thursday, July 22, 2004, to consider the method of proceeding on Bill 100, the Electricity Restructuring Act, 2004, and recommends the following:

(1) That the committee meet for the purpose of public hearings on Bill 100 on August 9, 12, 23, 24, 25 and 26, 2004, from 10 am to 5 pm. (Times are subject to change and based on witness response and travel logistics.)

(2) That the committee meet in Toronto on August 9 and 12, 2004, and that the committee travel to Clarington, Windsor, Sudbury and Ottawa the week of August 23, 2004. Times and locations are subject to change and based on witness response and travel logistics.

(3) That an advertisement be placed for one day in all the English dailies and the one French daily, and also be placed on the ONT PARL channel and the Legislative Assembly Web site.

(4) That the deadline for those who wish to make an oral presentation on Bill 100 be 5 pm on August 5, 2004. That the deadline for written submissions on Bill 100 be 5 pm on August 26, 2004.

(5) That the Minister of Energy—I'm pleased to see he's here with his entourage—be invited to make a one-hour presentation before the committee on the morning of August 9, 2004, followed by a one- to two-hour technical briefing by the ministry staff.

(6) That opposition critics be allocated 15 minutes each to respond to the minister's and ministry staff's briefing on August 9, 2004.

(7) That the clerk be authorized to schedule groups and individuals in consultation with the Chair and that, if there are more witnesses wishing to appear than time available, the clerk will provide the subcommittee members with the list of witnesses, and each caucus will then provide the clerk with a prioritized list of witnesses to be scheduled.

(8) That expert witnesses be allotted 30 minutes in which to make their presentations (if possible on the afternoon of August 9, 2004). That the Chair, in consultation with the research officer and clerk, will determine the expert witnesses.

(9) That organizations and individuals be allotted 15 minutes in which to make their presentations.

(10) That the research officer provide the committee with a summary of witness presentations prior to clause-by-clause consideration of the bill, and that the research officer prepare a summary of recent developments in electricity legislation announcements over the last five years. As members know, that's been done.

(11) That amendments to Bill 100 should be received by the clerk of the committee by 3 pm on Friday, September 10, 2004.

(12) That the committee meet for the purpose of clause-by-clause consideration of Bill 100 on September 15 and 16, 2004, in Toronto.

(13) Finally, that the clerk of the committee, in consultation with the Chair, be authorized, prior to the passage of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

I will move the report of the subcommittee.

The Vice-Chair: Is there any discussion?

Mr John O'Toole (Durham): Just one comment. In item (4), he mentioned the date, when he was reading it, as August 4.

The Vice-Chair: Oh, August 24. Are you talking about a cancellation? Which one?

Mr O'Toole: The deadline to make oral presentations on the bill be 5 pm on August 5, it says in our notes. Didn't he say the 4th?

Mr McMeekin: It reads the 5th here.

The Vice-Chair: It says the 5th here.

Mr McMeekin: I must have read it wrong.

The Vice-Chair: Are there any other questions? All in favour? The motion is carried.

Before we listen to the Honourable Dwight Duncan's briefing and all the technical support from the ministry, I'd like to mention that on August 24 there is some kind

of technical problem for the meeting in Sudbury. Because of a lack of responses to attend the meeting and do briefings and also because of logistic problems, we cancelled that meeting on the 24th, so we'll move to Toronto. If there are any questions, please ask. Also, every member of the committee will receive a letter concerning that matter.

ELECTRICITY RESTRUCTURING ACT, 2004

LOI DE 2004 SUR LA RESTRUCTURATION DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

MINISTRY OF ENERGY

The Vice-Chair: I would like to welcome the minister for his briefing.

Hon Dwight Duncan (Minister of Energy, Government House Leader): Thank you, Mr Chair, and good morning, everyone. It's a pleasure to be here today to discuss a piece of legislation which, if passed, will chart a new and positive direction in the history of Ontario's electricity sector.

I'm very pleased that this bill, the Electricity Restructuring Act, will be undergoing public hearings and that it will be travelling to several communities across the province.

There's no doubt that this legislation and its technical regulations are very complex. Very simply, we want to ensure that we get it right the first time.

Hearing from the public and from stakeholders on important legislation such as this is a crucial part of government business. It's important that we hear the points of view of Ontarians with respect to how best to meet the challenges we face.

I will be speaking to you for roughly half an hour and then I'll be prepared to take questions from the committee. I'd also like to introduce Rick Jennings, director of energy supply and competition, and Rosalyn Lawrence, director of consumer and regulatory affairs, who will also be here to help answer your questions.

1010

Bill 100, the Electricity Restructuring Act, proposes a plan for the electricity sector that will encourage the development of new, reliable supply, promote a culture of conservation, lessen the environmental footprint of our undertakings, produce stable prices for small consumers, afford large consumers the benefits of a competitive market and enhance Ontario's competitiveness in electricity pricing. This legislation is not bound in ideology but rather by what works. Pure and simple, this legislation establishes the foundation for Ontario's energy future.

For more than 10 years, our citizens have witnessed our electricity system decline from being the envy of the world to a point where, if we don't act quickly and prudently, we will find ourselves in very serious trouble.

There's no doubt that we're facing a daunting challenge in Ontario. The numbers speak for themselves. Ontario now has about 30,500 megawatts of generation capacity. Between now and 2020, factoring in the growth of our economy, approximately 25,000 megawatts of electricity capacity is due for retirement or refurbishment. To put that in context, that's roughly 80% of our current generating capacity.

We estimate that in order to meet the looming supply-demand gap, an investment of $25 billion to $40 billion will be required to keep the lights on over the next 15 years. This will be one of the largest peacetime investments in Canadian history. It sounds like a lot of money, but this we know for certain: If Ontario's system were to continue on the course it has followed, it would cease to serve us, cease to power our economy and cease to support our province's continued prosperity. There is no more time to waste. It's clear we must act quickly, responsibly and prudently before the challenge in front of us becomes even greater.

For more than a generation, our electricity sector has been buffeted between extremes and fraught with reversals, indecision and malaise. No one is without blame. Successive governments too often wavered when presented with an opportunity to institute real change in Ontario's electricity sector. This has produced a system straining under the weight of years of neglect and second-guessing. But now we are presented with a real opportunity to put our electricity sector back on solid ground, and to do it, we must learn from the lessons of the past and move forward with confidence. No more extremes, no more reversals, no more indecision, no more malaise.

Before I go on to discuss the direction we've chosen with Bill 100, let me tell you what we've rejected. We looked at the old public monopoly model, but that put us $38 billion in debt. Some wanted to move back to that model, but I reject that. I want to move forward, and this legislation, if passed, will allow us to do so.

We also looked at moving to a fully competitive market, but we couldn't find one that worked anywhere. We studied other jurisdictions. We benchmarked best practices. Do you know what we found? We found that there's no silver bullet. There's no magical solution. Every jurisdiction we looked at had different rules, different regulations and a different mix of public and private.

So we've chosen what we think is the best approach for Ontario: an approach that addresses the critical need for new supply, increased conservation, consumers' desire for price stability, the importance of public leadership and the need for private investment; an approach

that includes a strong public leadership role, clear accountabilities and a coordinated planning approach to address the growing gap between electricity supply and demand in order to keep the lights on now and far into the future; an approach that would reorganize the institutional structure in a way that will best suit the people of Ontario over the long term; an approach that will begin to make up for over a decade lost in Ontario's electricity sector.

We have acted decisively already. One of the first things we did as a government was to address the unrealistic cap on electricity prices that was threatening our fiscal integrity and sending the wrong signal to electricity consumers and investors. The previous government's 4.3 cent per kilowatt hour price cap was lifted in favour of an interim pricing structure that more accurately reflects the true cost of electricity. At the same time, we signalled that prices should be set by markets, not by politicians, with the true cost of electricity passed on to consumers through an independent regulator. We also sent a strong message that it's time for Ontarians to be smarter about their electricity use and gave them a strong motivation to conserve.

The cost of the artificial price cap to Ontario taxpayers reached almost $1 billion net, not to mention the fact that it scared away much-needed investment in Ontario to build new generation. I would argue that as part of a sustainable energy policy, Ontarians and indeed all electricity consumers must pay the true cost of electricity.

These early actions sent a clear signal that our government intends to deal with electricity issues in a practical, sensible and indeed a transparent way. We're confident that the message is coming across loud and clear.

To set some further context for this legislation, I'd like to highlight some other actions our government has taken to set a new direction in Ontario's electricity sector. We've demonstrated that we're serious about conservation. We will cut overall demand by 5% and the government will cut its own consumption by 10% so that we can help Ontario become a leader in conservation.

We've encouraged local electricity distributors to implement community-based conservation programs by removing the current financial penalties they face when they help customers conserve energy. We recently announced that they may begin to invest approximately $225 million in new conservation initiatives, one of the largest such investments in this province's history.

We've announced an ambitious plan to install a smart electricity meter in 800,000 Ontario homes and small businesses by 2007 and in each and every Ontario home and small business by 2010. The Ontario Energy Board is currently looking at ways to implement a pricing mechanism that will allow consumers to take advantage of time-of-use rates so that they would have the opportunity and incentive to shift consumption from periods of high demand and price to periods of lower demand and lower prices.

We remain committed to replacing coal-fired electricity generation in this province. In so doing, we will never put Ontario consumers in jeopardy and will be totally satisfied that adequate alternatives are in place before we shut down the coal plants.

We applied freedom of information and public sector salary disclosure to Ontario Power Generation and Hydro One. We shone the light of transparency because we believe ratepayers have a right to know how their money is being spent. We announced that we are seeking proposals for 300 megawatts of renewable generation which will help us meet our target of 1,350 megawatts of renewables by 2007. This is just a first step in what will be an extremely important part of our energy future. We have seen extensive interest in the RFP: 90 proponents have expressed an interest in participating and have identified approximately 4,400 megawatts of potential renewable energy capacity. As a result of this interest, it's clear that we will meet or exceed our targets with respect to renewable energy. The RFP will be just the first of many future opportunities to bring new renewable generation into Ontario's supply mix.

We also announced a request for proposals for 2,500 megawatts of new electricity capacity through either generation or demand-side management initiatives. We're the first government ever in Ontario's history to put demand management—that is, conservation—on an equal footing with generation. We will see as enthusiastic a response to this RFP as to the renewable RFP. The ministry had a technical consultation session on July 6. It was attended by over 500 participants from around the world. We were truly overwhelmed by the response.

We've announced the Niagara tunnel project, which will increase the amount of water flowing to existing turbines at the Sir Adam Beck generating station. This project will produce an additional 1.6 terawatt hours of clean, renewable electricity per year, enough power to meet the annual needs of 160,000 homes, or a city twice the size of Niagara Falls.

And we've accepted a recommendation from Ontario Power Generation to restart a unit at the Pickering A generating station. This project will generate 515 megawatts of electricity and will deliver enough affordable electricity to power 350,000 Ontario homes, or a city the size of London. In doing so, we have directed OPG to report regularly to the public on the progress of this project and have put in place an independent auditor to help ensure the project stays on track.

These are just some of the first steps we've taken to move quickly and prudently to stabilize Ontario's electricity sector.

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I would now like to outline for you the reforms we are proposing through the Electricity Restructuring Act.

As with the electricity grid itself, which precisely balances supply and demand, reforms to the sector must be a matter of finding the right balance between our goals. Therefore, the legislation we have introduced reflects a balanced approach. It's a made-in-Ontario approach that balances the need for prices that reflect the true cost of electricity and consumers' needs for

affordable and predictable prices. It's an approach that balances the need for private investment and supply and the recognition that electricity is a fundamental public need. And it's an approach that balances the best of a fully regulated electricity sector and the best of a competitive electricity sector.

Let me give you an example. One of the biggest challenges we face as a province is balancing the needs of small- and large-volume electricity consumers. Residential and small business consumers make up the vast majority of ratepayers in the province, but consume only 50% of Ontario's electricity. Their priority is stability. My constituents in Windsor neither know nor likely care about the subtleties of electricity markets, but they do know that they want a price for electricity that they can depend on, and they deserve no less. There are far fewer large-volume consumers, but they consume the other 50% of electricity in the province. Their priority is flexibility, so they can organize themselves to be as competitive as possible. The Electricity Restructuring Act meets the needs of both groups of consumers in Ontario.

With regard to rates, the Ontario Energy Board would approve an annual rate plan for low-volume and other smaller consumers, who would pay a blended price based on regulated, contract and forecasted competitive prices. Fixed prices for a large part of the energy consumed in the province would keep the overall blended price for electricity fair, stable and predictable. Consumers who do not wish to participate in the regular rate plan would have other options, such as purchasing their electricity from energy retailers. Our aim is not to limit options, but to in fact improve them. No one will be forced to put up with the gross instability of the market, but at the same time the annual rate plan option would not be forced on people interested in taking advantage of other opportunities.

Medium and large businesses would continue to have the flexibility to pay the market price for electricity, or could use retailers or financial hedging instruments to manage electricity costs. This flexibility includes having the opportunity and information to pursue cogeneration or distributed generation opportunities. Distributed generation, which is also attractive from a security perspective, holds significant promise for the environment, as it suggests an electricity system that minimizes massive transmission networks and focuses resources only where they are absolutely necessary. Our desire is to help Ontarians unlock the potential for efficient electricity generation that is around them. We will remove barriers, free up resources, and bring new thinking and new ideas to the challenges that lie before us.

Bill 100 recognizes that changing the way electricity is priced is simply not enough. Given the long lead times required to bring new capacity on-line and the need to create stability in the sector, we need to reorganize our institutions in order to ensure efficient management of the sector over the long term and to attract new investment to Ontario.

To that end, Bill 100 proposes to establish a new independent body called the Ontario Power Authority to ensure long-term supply adequacy in the province, a mandate that no existing institution in Ontario's sector now fulfills. It would ensure that never again will we find ourselves in the predicament we are in today. The power authority would assess adequacy and reliability of electricity resources and forecast future demand. It would also prepare an integrated system plan for generation, transmission and conservation to be reviewed by the Ontario Energy Board.

In addition to its planning functions, the authority would have the power to procure new supply and demand management initiatives, either by competition or by contract. When necessary, it would use a competitive and transparent procurement process which would foster innovative and creative approaches to meeting our supply needs. In other words, the request for proposals which our government has announced for 2,500 megawatts of new capacity or demand management initiatives and 300 megawatts of renewables would be just the first of many future opportunities for the private sector to help us close the looming gap between supply and demand in the province. It's crucial that private investors be allowed to enter Ontario and support the construction of the thousands of megawatts of electricity we need to build over the next 15 years. If this legislation is passed, Ontario's electricity sector will become a great place in which to invest and earn a fair return.

Having a fully functioning electricity sector is not only about generating raw power; the province must also be concerned with conservation, the use of renewable energy and the security and diversity of our electricity supply. Therefore, through Bill 100, explicit directive power would be given to the Ministry of Energy with respect to targets for conservation, the use of renewables and the overall supply mix of electricity in the province. The Ontario Power Authority would be charged with achieving these and other targets set by the government and would include them in its system planning.

Competition of that supply will be the subject of an announcement later this year. In it we will lay out the government's view on where our supply will come from.

With respect to conservation, Bill 100 will help build what I have often referred to as a culture of conservation, which I believe to be a cornerstone of our long-term energy future. After all, a megawatt saved is every bit as good as a megawatt built. Therefore, a new conservation bureau headed by a chief conservation officer would be established as part of the power authority. The conservation bureau would lead Ontario's efforts to engage and empower consumers across the province and would develop province-wide programs that provide real incentives for Ontario's homes and businesses to conserve and to save money. It would also monitor the progress we are making.

It should be clear to everyone that our government doesn't see conservation as a flash in the pan or a fad of the moment; we see it as a real opportunity to help Ontarians prosper and as a valuable strategy to enhance the competitiveness of our province. As Premier

McGuinty has stated, we're committed to creating that conservation culture in Ontario. The Premier made rebuilding of our electricity sector and conservation cornerstones of his government's agenda. He believes strongly, as I do, that our success in this endeavour will be an important component of this province's future economic development.

Under the proposed legislation, the wholesale electricity market would continue to operate, but there will be several changes to the oversight mechanisms. The Independent Electricity Market Operator, or IMO, would be renamed the Independent Electricity System Operator, continue to operate the wholesale market and be responsible for the operation and reliability of the power system. Responsibility for the Market Surveillance Panel would be transferred from the IMO to the Ontario Energy Board. The OEB already has oversight powers to guard against abuse of market power. The transfer of the Market Surveillance Panel to the board is consistent with the board's consumer protection responsibilities and will consolidate and strengthen this mandate.

Under the proposed legislation, the Ontario Energy Board would continue to have a strong role in protecting consumers through licensing and rate regulation, and would ensure economic efficiency, cost-effectiveness and financial viability of the elements of Ontario's electricity sector.

The changes I have just described as part of Bill 100 will be a major step forward in delivering positive change to Ontario's electricity sector; however, this is no easy undertaking. As part of Bill 100, there are many complex and technical regulations that need careful and thorough attention. Accordingly, I am bringing the legislation to this committee for full study and evaluation over the coming weeks. We are hopeful that it will receive passage this fall.

We know that we will need the ongoing benefit of the ideas, expertise and dedication of those in the electricity sector and of all Ontarians to meet the immense challenges that face us. I'm confident that by working together we can ensure that Ontario will continue to benefit from an electricity sector that stimulates the growth of our economy, the competitiveness of our businesses, the success of our schools and the innovation and compassion that mark our health care system.

Thank you for listening to me, and I'll be pleased to take your questions.

The Vice-Chair: Thank you, Minister. We still have half an hour. I guess we can open the floor for questions. We're going to start with the opposition. Mr Hampton, do you have a question? Or we can move it to Mr O'Toole.

Mr O'Toole: Thank you very much, Minister, for a start to a very interesting and important group of decisions over the next while for all of us in Ontario.

I sort of see electricity as basically an economic tool of the province. As such, I see the role of elected members as far more important than perhaps you've alluded to today.

I just have a couple of concerns, and I'll raise those generally. You stated that about 50% of the consumption has a residential base. Really, it's the customer who sees it on the bill at the end of the day. They don't have many hedging tools or other instruments at this time. I pose that as a question: Is residential not closer to 30% or 35% or 40% on the total demand of electrons?

1030

Hon Mr Duncan: The numbers I stated in my speech are accurate and up to date. They're, what, 98% of the consumers' meters, and they consume 50% of the power?

Mr Rick Jennings: Yes, the 50% refers to all the people who are low-volume and designated consumers, which would include—

Mr O'Toole: Which could include some commercial.

Mr Jennings: Well, it includes commercial under 250,000 kilowatt hours a year and all the MUSH sectors.

Hon Mr Duncan: That includes small businesses, John.

Mr O'Toole: Yes, it's up to the 2,500.

Mr Jennings: Yes.

Hon Mr Duncan: The 50%—that small group that consumes—it's usually those over 250,000 kilowatt hours, which is essentially large operations.

Mr O'Toole: I'm more or less thinking of the residential side, which is the household.

One other thing too: The Ontario Power Authority, under Bill 100, is not a crown agency. It means its credit-worthiness is a concern going forward, in terms of a signal to the investor. Can you respond in a general sense? Is this all a regulatory response? The key is, how are they going to be funded?

Hon Mr Duncan: Well, they're funded through the rate base, but they'll be an arm of the government of Ontario, and their credit-worthiness will be well established.

Mr O'Toole: It'll be underwritten by the province of Ontario, the taxpayers?

Hon Mr Duncan: What do you mean by "underwritten"?

Mr O'Toole: In terms of their liability, in terms of their commitment—

Hon Mr Duncan: Ultimately, we're all on the hook for everything, no matter how we structure it. For instance, the mistakes resulting from Bill 35 that didn't reduce, shall we say, the stranded debt: From the province's perspective, it's back on the books and we're on the hook for it.

Mr O'Toole: Yes, that's the market power of a mitigation agreement.

Hon Mr Duncan: No, no, that's a separate thing. What I'm talking about is the fact that the plan between 1996 and last year to reduce the stranded debt and what consumers have been paying on each bill—we haven't reduced the stranded debt. It's exactly where it was; in fact, it's gone up slightly since 1999. We're on the hook for that at the end of the day.

Mr O'Toole: I don't want to sound negative. I commend some of the initiatives: the Beck project is extremely important; the idea of giving some sort of control

to the consumer with some sort of technology and metering, some of which is available today. I just want to be on the record as saying that I honestly see that most of the signals here, whether it's paying for the new power authority, for smart meters or for the RFP and the uncertainty of renewable sources, are going to show up in the bill.

You know yourself, without being overtly political, that you supported the 4.3-cents-per-kilowatt price. We ended up, when the market opened, in a very tenuous situation with high demand and short supply. You've outlined today that you're going to see some reduction of 80% of potential generation capacity over the next period of time. Your deliberations on coal—the 7,500 megawatts there—are a challenge. I put to you, do you think you can honestly commit today that those five coal plants, in total, will be off-line by the time of the election in 2007? That's your commitment.

Hon Mr Duncan: Yes.

Mr O'Toole: That's done. What's your plan to replace the generation capacity? Besides conservation and the RFPs in renewable, what's the plan?

Hon Mr Duncan: Well, you can't "besides" those. That's central to the plan. First of all, we've got a call for proposals for 2,500 megawatts out now; 500 have already come on stream, in terms of the new plant in Windsor. There are all kinds of other opportunities. We put out a call for proposals on renewables at 300 megawatts. We've had a response of close to 4,400. So you can't just say, "Besides those." The RFPs are an essential part of that, as was Beck 3.

There are other opportunities that we're looking at, going forward. The refurbishment of Pickering A, unit 1, adds another 515 megawatts. So we believe we have a prudent and responsible plan for replacing the coal-fired generation.

In your calculations, when you're talking about coal, you have to talk about childhood asthma. You have to talk about the weather forecast in my community last week that advised people to keep their elderly parents or children indoors because of air quality. You have a lot of these things, and you have to factor in that cost. What does the OMA say—some 1,900 premature deaths a year resultant from air quality? We know that coal plants contribute to CO_2. We know that the so-called—

Mr O'Toole: I don't have a problem—

Hon Mr Duncan: Let me finish. I listened to your question; let me finish.

We know that the so-called clean coals don't get the CO_2, they don't get the particulate, they don't get the mercury, so we have a very clear plan. The RFP for the renewables will be wrapped up and I expect we'll be signing deals in November for at least the 300 we called for. The 2,500-megawatt RFP should be wrapped up, I would think, and we'll be signing deals by January, I think it's fair to say. So that's an integral part of what we're doing.

You raised the question of energy prices. I think we all have to look at several very real factors. Last week the price of oil hit $44 a barrel; therefore, the price of natural gas has gone through the roof. Your government's whole policy was predicated on a stable natural gas price, which at the time wasn't an unreasonable assumption. That's just not there.

I attended the conference of energy ministers two weeks ago in Iqaluit, and the whole Western world is going to have to contend with rising energy prices and their impact. I remind you that the last two major recessions that our economy has been put into arguably resulted, at least in part, from energy price shocks. So we're all going to have to get used to that. Even the price of coal has doubled in the last 18 months.

So the question of how we manage the system—the inputs we put into it and their relative importance—is a very important one, and you're absolutely right: The price at the end of the day will be affected by the decisions we make on the inputs.

Mr O'Toole: I appreciate your candour, because I attended many sessions over the summer dealing with the availability and access to gas or liquefied natural gas. It's as volatile as any energy or fuel source that you've mentioned. Can you give the consumer any assurance that you will intervene in a real market to make sure that price is affordable for consumers? I'm talking about primarily those who have no smart meters; they have no response mechanism other than to pay the bill. Have you any way of assuring the consumers—my constituents and yours, all of the members' constituents?

That's the same problem, Minister, that we got into when the market opened. All the driving forces you've mentioned—the shortage of and adequacy of supply—what assurance are you giving the consumer beyond the current price increase of 4.7 and 5.3 per kilowatt hour? Is there anything in here to protect the residential consumer?

Hon Mr Duncan: Yes. The basis of the bill is a regulated price for small consumers that will reflect costs. We can't set up a system like we had where the government is artificially subsidizing price. That will discourage development, discourage conservation. What we can do, however, is use our so-called heritage assets and the regulator to ensure that consumers have a stable and predictable price.

Can I assure consumers that prices won't go up? No. That's a mug's game. They're going up everywhere; not just Ontario. In fact, they've gone up faster in many jurisdictions. If you look at a price comparison across jurisdictions in North America, you'll see that Ontario is right about in the middle. On the one end you have California, you have New York, you have some of the bigger US states, and at the other end you have Quebec and Manitoba. They're blessed. They have an abundance of hydroelectric power that's easy to produce and inexpensive. Our demand exceeded our ability to supply it by strictly water renewable, hydroelectric, about 40 years ago. We think we can squeeze a little more juice out of our rivers and streams in an environmentally responsible fashion, but certainly not enough to keep the

power on. So I don't think anybody anywhere can promise that we will hold prices down. We did that last year. We made a mistake in supporting that. It was a bad mistake, a bad error in judgment. We got over it and we're moving on, and we're trying to produce predictable, stable pricing.

The previous government's regime put small consumers on the wholesale spot market and their prices skyrocketed, for a whole variety of reasons. In an effort to mitigate that, they brought in a price cap, which cost the treasury a gross of $1.8 billion, a net of close to $1 billion. It's not sustainable.

1040

In this bill, we believe we will create for small consumers a predictable, stable pricing regime. I think most consumers understand that they have to pay the cost of what they use, but they just want some predictability and stability. The pricing at the end of the day will be a factor of the inputs, a factor of world markets, and a factor of how we manage the sector. We believe Bill 100 will minimize price impacts to both small consumers and large consumers.

Mr O'Toole: I have one small comment and one question.

The Vice-Chair: Mr O'Toole, some other people want to ask questions. We'll come back to—

Mr O'Toole: Yes, OK. Just one, and then I'm finished.

The Vice-Chair: A quick one. OK.

Mr O'Toole: Thank you. I do feel that, at the end of the day, it is price here. I believe that your election promise was an irresponsible promise. You and I both know that the whole issue of electricity—it's an essential product, and it's an essential consumer product. That is, essentially, the consumer today, the residential side, has no tools to respond to price, except to pay.

One last comment—and this is the question, as well—In your latest RFP, you excluded areas such as Durham, which is an electricity generation area within this province, from qualifying under certain incentives. I've sent you a letter on this, a resolution from the regional municipality of Durham, and I believe it's unfair and unwarranted that they were not included in the new RFP. Perhaps you could, for the record—I'll be sending it to them.

Hon Mr Duncan: First of all, what would be irresponsible is to continue on with the previous policy: to produce no new generation, higher prices, a deficit of $1.8 billion. To do nothing would lead, in my view, to economic ruin. So I don't accept your premise.

With respect to the Durham exemption, I'll ask Rick to address that.

Mr Jennings: That was specifically the RFP. There are a couple of areas in the province that have been identified by the Independent Electricity Market Operator as particularly, for reliability reasons, needing new capacity, one of those being the area of downtown Toronto—basically, there is a limited number of options for bringing power in there from the transmission system—and, similarly, the area west of Toronto, the western GTA, Mississauga and Etobicoke. That is in part because of the closure of the Lakeview generating station, but also there have been transmission congestion and voltage problems there already.

Those two areas have been identified as particularly needing, for reliability reasons, new capacity. So it isn't really that any other part of the province is being treated as if we don't want the supply from there. It's just that, as part of this RFP, we particularly need short-term capacity in those places. We're talking about in the near term, the period up to 2007.

Hon Mr Duncan: If I can, I think the final point on that is that Durham has 25% of the province's generation capacity now, and only 6% of the province's load. Finally, in terms of Pickering, in particular, we're investing another $900 million there.

The Vice-Chair: Mr McMeekin.

Mr McMeekin: I think it was Bobby Kennedy who once said that good judgment is based on experience, and experience invariably on bad judgment. I remember when I asked my mother what that meant, she said, "Well, son, it means keep making mistakes, but at least make new ones. Don't repeat the ones that you've done."

My dad, the business guy, explained the difference between risk-taking and risk management. So I want to begin by complimenting you on what I think is, from appearances and what I have heard, the ability to manage the risk, finally to get into the planning that I think even a partisan observer would probably conclude wasn't as adequate as it needed to be.

I hear the words. I like the word "balance." I like the words "culture of conservation," and I noted—and I was watching for this—a series of what I call the "S" words that you went down, Minister. You talked about system planning and fair, stable and predictable electricity. You talked about the need for enhanced supply. You talked about stability and sustainability. But you mentioned another "S" word that really caught my attention, and that was your reference to security considerations, particularly in the context of, I think, the distribution network. It may have been around the RFP. I wonder, sir, if you could just elaborate a little bit on what you mean by "security considerations."

Hon Mr Duncan: Security deals with the fact that last year we imported a blackout. It started in the US and, because of the way the systems work, it worked its way up here.

Security has to do with reliability, and that is, not only do we need enough electricity generation capacity, we have to make sure we get it to households and businesses. We're proposing to remove the impediments to distributed generation through things such as net metering and other undertakings of that sort. That was the context in which I was referencing it. Let me tell you what that means.

Ontario, for the past 50 years, has had an over-reliance on these big mega-projects, whether it's nuclear power plants or generating stations and so on. We believe there

is a lot of opportunity in distributed generation. We see examples of it already in cogeneration. There are real regulatory barriers to those things happening. This will be particularly important to some large operations—for instance, pulp and paper and steel—in their manufacturing processes, which can, through their own by-products, create their own electricity. That will help them to manage their electricity costs in a better way than they are able to do now. This will be particularly important, in my estimation, to the north of Ontario. The pulp and paper industry in particular has a tough time with electricity costs, which can range anywhere from 28% to 37% of their overall operating costs, just on electricity.

By having a system of distributed generation, number one, there will be more opportunities in the event of a situation like last year for firms and individuals to operate in the absence of the central. But more important, it will give those larger operations, and even small households, the ability to manage their own affairs and their own electricity costs a little bit better. It will, in a sense, spread out the electricity generation across the province. The more diversified that is, the more secure the system will be over time.

Mr McMeekin: There's a story around the blackout that when we called upon Hydro-Québec to provide some supply, the system was set up in such a way that to get to Ottawa it had to be routed all the way around and back up through the province rather than simply across the river. Is that the kind of thing that you're talking about, supply in place? You mentioned Durham in passing as having a huge and important role to play currently, but there are other places that need the power. If we want to do the generation in place, is that part of it?

Hon Mr Duncan: Smaller generation closer to home, essentially. That will provide for greater security over time.

But you raise another important issue, and that is import and export of electricity, trading in electricity between jurisdictions. What is interesting is that even jurisdictions such as Quebec and others that have a had long, proud history are starting to run into problems in terms of generation. This is a continent-wide phenomenon; indeed, I would argue it's certainly a Western world phenomenon. The Italians, for instance, are in the process of installing 30 million smart meters. That puts our four million to shame. Why? Because they don't have the generation capacity. They are largely dependent on imports from other countries and, again, they've got to manage.

If you go to western European countries, you'll see a much different culture. You'll see most rooms equipped with motion sensors that automatically turn lights on and off. You won't have rooms cooled the way this one is to accommodate television equipment and so on. The lighting system in my office was one of those systems that was done in, I think, the late 1960s or early 1970s—the only thing missing is the orange shag carpet on the floor—but we can't remove it because it's a heritage site.

So there are lots of changes we can make in a responsible and practical way that will allow us to do better, and one of them is to allow folks to produce their own electricity closer to home. If they produce more than they use, they can sell it into the grid and that will help all of us. And it's cleaner, generally speaking.

Mr McMeekin: Mr Minister, that makes sense.

One final: Coming in today, somebody quoted a verse from the Eskimo Bible, where they said, "Many are cold but few are frozen."

1050

Mr Howard Hampton (Kenora-Rainy River): I want to ask the minister a couple of questions. In the run-up to the election campaign and during the election campaign, you and your leader, the now Premier, said over and over again that it was absolutely essential to maintain a price cap of 4.3 cents a kilowatt hour on electricity. I think within about four or five weeks after the election, you immediately reversed yourself on that. Some would call that a broken promise—a pretty big broken promise for consumers, who saw their bills escalate rather significantly. Can you explain this sudden about-face: that before the election and during the election it was absolutely essential to retain the price cap, but then, almost overnight, after the election, "No, the price cap is not sustainable"?

Hon Mr Duncan: I guess it's like public auto insurance.

Mr Hampton: I still believe in public auto insurance.

Hon Mr Duncan: Yes, but you didn't do that when you were in government.

Look, we were wrong before the election. We made a mistake. It cost the treasury $1.8 billion gross, $1 billion net; it wasn't sustainable. You've talked about power at cost, yet you advocate a subsidy that doesn't pay the cost. So that inconsistency—

Mr Hampton: I didn't support the price freeze.

Hon Mr Duncan: Yes, you have. You've always talked about power at cost.

Mr Hampton: I didn't support the price freeze.

Hon Mr Duncan: You've always talked about power at cost; you haven't said what the cost is. What do you think the cost is?

Mr Hampton: Well, there would be a big difference in cost between private generation and public generation, because private generation—

Hon Mr Duncan: Why is it, then? I guess I would submit—

Mr Hampton: But I'm asking you.

Hon Mr Duncan: What are you asking?

Mr Hampton: The question is, before the election it was absolutely essential to maintain the price cap at 4.3 cents a kilowatt hour.

Hon Mr Duncan: We were wrong.

Mr Hampton: Then after the election, suddenly, "Oh, we can't do this." We knew during the election and before the election—I see members of the press gallery here who were reporting monthly that the price cap was costing $800 million in subsidies on an annual basis, then $900 million, then $1 billion. You knew during the election campaign that it was costing the treasury of Ontario

$1 billion on an annual basis to maintain the price cap, yet, knowing that, you said, "It's absolutely essential to maintain the price cap." What changed? The financial information didn't change. You knew that financial information before the election campaign, during the election campaign and on election day. What changed?

Hon Mr Duncan: That information was not known. In fact, the government of the day argued that it was revenue-neutral and that it would pay for itself over time. It didn't and it wasn't. It was well on its way to going down.

What's important in my view is that we reject a policy that hasn't worked. We've laid out a plan here, and I'd invite your comments on that going forward. I believe that prices—by the way, the price of electricity is down about 19%, year over year, as a result of new generation, good weather and so on.

I believe what's important moving forward is that we have a system that will work and serve people reliably and be transparent. That's why, by the way, we put Hydro One and OPG under freedom of information, which they weren't before, so that none of this could be hidden again. The plan that projected revenue neutrality over four years, I think it was not seven years, wasn't working, wasn't even close. When the books were opened and Mr Peters went in and audited, we found the gross cost to be $1.8 billion, with no probability of it being repaid. So we were left with a choice, and we made the choice.

Mr Hampton: All of that was known before the election.

Hon Mr Duncan: It's like public auto insurance. I don't need a lecture from you on consistency between campaigns and after campaigns.

Mr Hampton: I'll be happy to raise the issue of public auto insurance going forward. It seems to me that's another promise your government has had problems with in terms of lowering the cost of auto insurance.

You said that you wanted to get the government out of setting hydro rates. In fact, I believe in one of your speeches earlier this spring you said your government was going to end that. You said that as of April 30, 2005, government would no longer be setting hydro rates, that they would be set independently by the OEB. Cabinet and government would have no role. Yet I read your legislation, and it would in fact re-enact section 79.4(1)(a) and (b) of the Ontario Energy Board Act. In fact, it says that rates will continue to be set by regulation until some future date. In other words, despite your speech this spring, some of the rates will continue to be set by cabinet. Isn't that another reversal?

Hon Mr Duncan: No. The rates will be set by the Ontario Energy Board once the legislation is passed. We can't presume the legislation. We can't presume the Legislature. There are mechanisms. The government still appoints the members of the Ontario Energy Board, but what we're trying to do is remove situations where members of Parliament are constantly having to do this, so that what we're left with is a regulator which is as independent as possible from the government. That involves not appointing former politicians to the Ontario Energy Board, like Mr Laughren, for instance, and others. We're trying to remove politics from—

Mr Hampton: Mr Laughren was criticized by the Conservatives for letting the rates go too high.

It strikes me as a contradiction: You said in your speeches that the government would no longer be involved in setting hydro rates, yet I read the legislation and you are re-enacting section 79.4 of the Ontario Energy Board Act and giving cabinet the power to continue to set hydro rates.

Hon Mr Duncan: You're reading that wrong. My recollection of 79.4—Rosalyn, do you want to go a little more into that?

Ms Rosalyn Lawrence: What we have done in the draft is to allow for a fuller exit from the Bill 210 legislative framework. Section 79.16, which I believe is the section you're referring to, simply allows us the mechanism to actually continue to make the transfer over to the OEB. The firm intent is not to extend it beyond May 1, 2005, but in fact to enable an earlier exit, potentially this fall. But we actually need the ability to transfer over. So if 79.4 is repealed, we would still have 79.16 as the legal mechanism.

Hon Mr Duncan: Essentially it's a transitional mechanism that will in fact allow us to exit sooner if that happens. If we're able to get the power authority up and running, it should allow us to exit sooner. It's a transitional mechanism.

Mr Hampton: So you're saying that as of April 30, 2005, by the latest, the energy board will be setting all hydro rates independent of cabinet and government?

Hon Mr Duncan: Yes.

Mr Hampton: OK. I want to go back to a question that Mr O'Toole asked. He asked you if all of the coal-fired plants will be taken off-line and shut down by the end of 2007. I believe your comment was, "Absolutely."

Hon Mr Duncan: I said yes.

Mr Hampton: So they will be off-line. Can you tell me why, then, when you look at your own request for qualifications for the first 2,500 megawatts of replacement power, it doesn't say that bidders have to be ready by 2007? It says on page 4 that you will accept bids which have the new plants starting up in June 2009. Your own bid document doesn't say you must be operating by the end of 2007. Your own bid document says you don't have to be up and running until June 2009, and that's just for the first 2,500 megs. There are another 5,000 megs from coal-fired plants that have to be shut down. If your first document says 2009, and the other 5,000 that come later aren't even addressed, how do you shut down by 2007?

Hon Mr Duncan: We're on very tight time deadlines, there's no question.

Mr Hampton: It seems to me that no matter how you play with it, June 2009 doesn't equal December 2007.

Hon Mr Duncan: I believe that at least a good portion of the projects coming out of this RFP will be ready to

run by the time of our deadline. We're moving as fast as we can. We'll be closing down Lakeview next summer, on schedule. We're planning each one of them individually, and I believe we're going to be there.

1100

The Vice-Chair: Mr Hampton, the time for the minister's briefing is over, unless the committee decides to extend it and have more questions.

Mr O'Toole: I agree to extending it. Mr Chair, I move that we extend the question period another 15 minutes.

Hon Mr Duncan: I've got about 10 more minutes.

The Vice-Chair: Is everyone agreed? Carried. Mr Hampton.

Mr Hampton: It strikes me as very strange that your document says you don't have to be ready until 2009, and you're saying they'll be ready by 2007. In other words, you're operating on a hope and a prayer. Legally, if they don't have to be ready until 2009, and there's likely to be slippage on that, all you've got to offer the people of Ontario is a hope and a prayer, because there's nothing legally binding.

Hon Mr Duncan: We have already moved substantially to begin to replace the coal, and it's hardly a wing and a prayer when we're talking about a multibillion dollar investment. Multibillions of dollars may be a wing and a prayer to you; they're not to us.

The range, by the way—you didn't read your document entirely; you took it out of context and misquoted—is 2006 to 2009. It's a shame that you choose to read things out of context and don't read the whole thing. You ought to get it straight in your own mind before you start passing that on. We believe that most of the 2,500 will be in place by 2007. Perhaps your briefing note doesn't adequately cover it. It's a 150-page document, I believe, which you may not have taken the time to read or be briefed on. My officials will be happy to do that shortly for you.

Mr Hampton: Does this document not say on page 4 that you will accept bids that have the new plants starting up in June 2009?

Hon Mr Duncan: It also says we'll have a range of 2007 to 2009, yes. There are also things we can do in the transmission system to help redirect power into areas where it is needed. There is lots of flexibility and there has to be flexibility, Mr Hampton. The only thing that's more flexible than that has been your position on coal. During the election, you were going to shut them down and then in January you were quoted on CBC as saying we couldn't do it or we shouldn't do it. You've been more flexible on coal than you were on public auto insurance or you were on labour—

Mr Hampton: Mr Duncan, you look after your own record.

Hon Mr Duncan: I am looking after ours and we're going to make sure we achieve that goal. If I slowed down because people like you and others don't believe it so much—but we're moving toward that goal in a prudent, responsible fashion.

Mr Hampton: I told members of the media, some of whom are here, that the goal of 2007 was already too ambitious. I told them that during the election campaign.

Hon Mr Duncan: That's not how it was reported.

Mr Hampton: Now it appears that you're going to accept bids for power in 2009 and you're telling people it's going to come on stream in 2007.

Hon Mr Duncan: Mr Hampton, as I said at the outset, we're going to be dealing with replacement up until probably—we have to replace 80% because governments like yours didn't do anything except open Darlington.

Mr O'Toole: I want to be on the record as well that it's a laudable goal. But is it an honest commitment on the coal issue? It is laudable for health and other reasons. We should be looking at clean coal technology and other solutions, but that's just a statement.

With respect to the bill that is before us, Bill 100, I see this as a bill that is drawn up pretty much as a regulation bill and it doesn't provide much certainty for the direction. For example, the Ontario Energy Board will be responsible for fixing the rates, as I understand it, but much of that direction is under government regulation, which isn't available yet. So there's a great deal of uncertainty on price and the fact that this is a heavily regulated bill.

On a very technical area, I'm concerned about the relationships between some of the authorities—the Ontario Energy Board and the OPG. I mentioned the uncertainty of it not being a crown agency and its creditworthiness. That is a longer-term market question. But the real question I have is the requirement in the bill for the Ontario Energy Board to provide certain commercial information to the energy board. It's understandable for them to determine price. This is very commercially sensitive information.

The Vice-Chair: What's the question?

Mr O'Toole: My question there is, what precautions are going to be taken in a very volatile market dealing with energy or fuel sources, technically? Is there going to be anything in the bill that protects this commercially sensitive information?

Hon Mr Duncan: I'm going to address part of it and I'm going to ask my officials to address the balance. First of all, you're right, John. There is a lot left to regulation, and there's no doubt about it. We will be consulting about the regulations before they're gazetted as well. By nature, it's heavily dependent on regulation. What we've attempted to do is set up a system of checks and balances within, which wasn't there before. Frankly, just relying completely on a free and open market did not provide those. We believe that this so-called hybrid that we produced does a little bit more of that.

I'm going to ask my officials to address the more technical nature of the question.

Mr Steve McCann: I'm Steve McCann, from the legal services branch of the Ministry of Energy. Just addressing your question about information supplied to the Ontario Energy Board, the Ontario Energy Board is a tribunal that operates under the rules of natural justice.

Most of its processes are open, in the sense that parties can ask questions, cross-examine and so on. It has provisions for information to be provided in confidence and to be dealt with in confidence and the public to be excluded from the discussion, although the parties would still be represented.

I think it's a good point that as the OEB regulates the prices of generation assets, which is really a new role for it, it's going to have to look at its confidentiality procedures and determine whether and when there's a good case to be made for certain commercial information being dealt with in a closed hearing and that kind of thing. But I guess the basic point—

Mr O'Toole: So it is a new role for the Ontario Energy Board to have price information, which is really in conflict with its function, technically. How can it set price without knowing the costs on the other business risk assessments?

Hon Mr Duncan: I guess the best example would be the way it regulates natural gas prices. As a quasi-judicial panel, they will have the right to certain information, as it's worked for years and years in Ontario with respect to natural gas. Indeed, we think that that's fair and prudent.

Mr O'Toole: Well, we dealt with that in the House on natural gas, the retroactivity provisions under the Ontario Energy Board ruling on repatriating or recapturing costs when they look at an annualized performance of price, which they have fixed. They fix a price; the industry comes in and says, "It has cost us more than that," and they accept the commercial information and roll it back to the customer.

Hon Mr Duncan: I'd remind you, though, that your government made changes to the process last year which, at the time, resulted from a huge public backlash to retroactive pricing.

Mr O'Toole: This whole debate is really about price. There's no question that price, and who regulates the price, is the most important signal, both to the investor and to the consumer.

I have two little questions here. Is this going to be a genuinely competitive market, through the RFP process, the Ontario Power Authority, where you have commercialization and investment from private investment and generation? New generation is going to be commercial and private, for the most part, right?

Hon Mr Duncan: Yes, but the so-called heritage assets—water, hydroelectric, nuclear—all remain in public hands. Right now I think gas is about 8% of our consumption. New renewables, non-water renewables—there's interesting growth there, and a lot of stuff going on in the private sector. So there will be lots of opportunity there.

But as the electricity supply task force indicated, the model is a regulated price for small consumers, using our base assets. Right now, at Niagara Falls, I think we're producing electricity at about 1.7 cents a kilowatt hour. We're using that to help stabilize price and make it predictable, knowing that the other sources are volatile, no matter what. Even if people didn't want to get rid of coal, coal has doubled in a year and a half, in terms of its price.

But to answer your question, yes, a portion of the market will be wholly competitive.

Mr O'Toole: You spoke last Friday—

The Vice-Chair: I'm sorry, Mr O'Toole. We'll have another questioner before the time expires. Mr Craitor.

Mr Kim Craitor (Niagara Falls): Just a couple of questions. One has to do with conservation of electricity. Just to share with you, I think a lot of my colleagues know that my daughter lives in the Cayman Islands. The first time I visited her, I remember clearly when she explained to me about making sure the lights are turned on or off, not using the washing machine and the dishwasher at a certain time, and she explained to me how the mentality down there was conservation. Of course, being on an island, they know the value of electricity and how it should be used and when it should be used. So I just wondered if you might expand a little bit on the role and responsibility of the conservation bureau, because that is one of the key focuses of this bill.

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Hon Mr Duncan: In Ontario, we are the second-highest per-capita consumers of electricity in the world, second only to Quebec.

I want to begin by saying that conservation doesn't involve a terrible change in lifestyle; it just means using our electricity more wisely and more efficiently. I often compare it to what we had to do with the blue box in the 1980s.

Up until about the early 1980s, we just took our garbage, put it in a bag, and sent it to a landfill. We had to change our whole culture, everything from how we teach kids to how we landfill, how we recycle—the three Rs. We're nowhere near that in Ontario. In fact, our growth and consumption have gone up so much compared to other jurisdictions. I think California's consumption has gone up 1% since 1977. Ontario's has gone up 25%. Now, 60 to 70 years ago, when most of our electricity came from Niagara Falls and through our hydroelectric system—inexpensive, cheap—there wasn't the urgency.

Hydroelectric accounts for about 25% of our electricity generation today, and all the other sources are more expensive. There's no question. Whether it's nuclear, coal, gas, new renewables, they're all more expensive. So we think that a more prudent use of our existing supplies is in order, and that involves a cultural change. Anybody who has spent time in Europe or other jurisdictions, like your daughter, knows that, because of our history and the relative abundance of inexpensive electricity until about 40 years ago, we're a bit behind in that.

So we've created the conservation bureau, and we're going to have a chief conservation officer. This came from the recommendations, again, of the electricity supply conservation task force, saying that there had to be a champion of conservation and it had to be more than a passing fancy.

Donna Cansfield, my parliamentary assistant, is heading up our conservation action group. You can expect a fairly substantial piece of legislation later this year dealing with conservation across not only government but dealing with various ideas in the whole conservation area, which we will, of course, send to public hearings as well.

We do have to change our way of thinking, and part of that is we've announced our smart meter initiative. In order for somebody to save money by doing their dishes later in the day, you have to have a meter that measures the time of day you do it, and you have to have a rate structure that does the same thing. We don't have that.

Those electricity meters you have in your house today—the same technology was in place almost 90 years ago. It hasn't changed. We're way behind the times, and as I say, we think that these initiatives, taken together, will allow us to make better use of our electricity resource without curtailing our lifestyle. I don't think anybody's suggesting for a moment that we can't continue to lead the quality of life we've had up until now. Just make better use of the electricity we have.

The Vice-Chair: Thank you for the briefing. Now, I guess the time's expired.

We can move on to the technical briefing from Rosalyn Lawrence, director of consumer and regulatory affairs, and Rick Jennings, director of energy supply and competition.

Ms Lawrence: We are here to provide a bit of a detailed walk-through of the structure and order of the act and to highlight for you where the specific amendments are.

As the minister touched on in his speech, this act principally sets out the institutional framework to ensure reliable supply, stable pricing and an enhanced focus on demand-side management and conservation activities. In addition to establishing new institutional responsibilities, it streamlines existing mandates among some of the existing structures and entities in the electricity sector to minimize potential for overlap and duplication.

It is comprised of three schedules. The amendments are largely contained in two: schedule A, amendments to the existing Electricity Act, 1998, and schedule B, amendments to the Ontario Energy Board Act, 1998.

Slide 2 highlights some of the features of schedule A, the Electricity Act amendments. Bill 100 would revise the purposes of the Electricity Act to reflect the priority, in particular, of promoting adequate and reliable supply and capacity. It continues the existing Independent Electricity Market Operator as the Independent Electricity System Operator, with continued responsibility, as exists today, for overall power system reliability, the development and design of market rules, as well as oversight and administration of the wholesale market and its operations.

The bill would establish the Ontario Power Authority and, within that authority, the conservation bureau, with responsibility for ensuring overall resource adequacy, a new responsibility that isn't in the act currently for integrated power system planning, and the promotion and facilitation of conservation and load-management activities.

In terms of policy oversight vis-à-vis the power authority, the bill would enable the Lieutenant Governor in Council to issue directives on overall planning goals to guide the OPA in its planning responsibilities. Those would include directives related to preferred supply mix, alternative and renewable energy sources and targets, and the coal phase-out, as well as conservation targets. The OEB would have regulatory oversight of the Ontario Power Authority's system plans as well as its procurement processes.

The bill reflects the principle which the minister referenced that electricity prices will reflect actual costs, and it empowers the IESO to ensure that market participants and customers pay those costs, which are a mix of regulated and market prices.

It enables the OPA to facilitate a stable rate plan, principally through the establishment and administration of a variance account, and that goes to the annual stability for small consumers.

It removes barriers that exist in the current drafting of the act which preclude local distributors from the ability to sell customers a portion of their power from green energy sources, and as well enables them, which they cannot do now, to directly deliver conservation, efficiency and load-management initiatives.

Finally, it transfers responsibility for the review of market rule amendments from the Minister of Energy, as a result of amendments to the act in 2002, to the independent regulator, the Ontario Energy Board.

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Schedule B of the act sets out proposed amendments to the Ontario Energy Board Act, including provisions to focus or streamline the OEB's current objects and narrow their focus on their principal or core business, which is consumer protection and economic regulation. That would be the financial viability of the industry and the efficiency and cost-effectiveness of proposals that come before it.

The schedule also transfers the independent market operator's existing Market Surveillance Panel, which is a three-person panel that advises and monitors potential market abuse, from the IMO to the Ontario Energy Board.

There is provision for the energy board to license the Ontario Power Authority and the Lieutenant Governor in Council's ability to stipulate potential conditions if it so desires.

There are parallel amendments in schedule B that remove barriers to local distribution companies' participation in delivery of conservation initiatives.

It provides for the energy board to develop an annual rate plan for certain classes of consumers, low-volume consumers included, that both reflects and recovers the actual cost of electricity over the year.

There is provision for the energy board to regulate Ontario Power Generation's baseload generation assets—

nuclear and certain hydroelectric. There is also the ability for the government to set that price by regulation initially.

The schedule also includes provision for payment flows between and among various market participants, generators and customers, to cover off OPG's regulated assets, as well as the non-utility generation contracts and other procurement contracts. It has a series of regulation-making authorities to enable a smooth transition, both with respect to establishing the power authority and handing independent regulation back to the Ontario Energy Board.

Slide 4 sets out overall governance and accountability features that will guide both the power authority and the independent system operator. The boards will consist of 10 independent directors appointed by the minister. The board of directors would subsequently appoint the chairs. They serve at pleasure for an initial term of up to two years, and up to five years thereafter. The first chief executive officers, as well as the chief energy conservation officer, would be appointed by the minister. Again, they will subsequently be appointed by the board. That is to expedite the transition in getting the institutions up and started early in the new year.

The governance and structure bylaw will be developed by the boards of directors respectively and approved by the minister. Those governance and structure bylaws will include salary and remuneration particulars of the boards.

There will be an advisory committee, to be appointed by the minister, to provide either the boards of directors or the minister, if desired, with advice related to each institution's mandate.

The minister will approve their business plan for proceeding to the energy board in advance of going to the board. That will include budget particulars and strategic priorities for the coming year. They are required to provide an annual report to the minister. Specific and detailed public review of their proposed expenditures and plans will be conducted by the OEB.

We have drafted the capacity to have their accounts and transactions audited by the Provincial Auditor, in addition to an independent auditor appointed by the board, and we have extended a very narrow exemption for freedom-of-information purposes for commercial and market-sensitive information. This is an exemption that currently exists for the Independent Electricity Market Operator. We've replicated that going forward.

The minister touched on the mandates. Again, the system operator's mandate replicates the existing mandate of the independent market operator save for the transfer of medium- and long-term forecasting to the power authority. The power authority will do forecasts and assessments for the medium to long term. Generally, that's regarded as anything beyond 18 months. Certainly we'll do a long-term rolling integrated power system plan as well.

The OPA's mandate and powers include the capacity to promote and contract for new supply capacity, renewables and demand management initiatives and activities. They will act as the settlement agent for all the contracts, which will ensure that the revenue streams flow through the OPA. There is a provision for them to use the existing settlement processes and systems of the IMO in doing so.

They will hold the variance account, which again is the crux of the annual rate plan that will be cleared. There is provision to clear that annually, and that would be rolled forward in small consumer prices for the coming year.

Again, the conservation bureau is established to promote conservation and demand management activities.

With respect to the Ontario Energy Board, Bill 100 would streamline the board's existing objects to two key functions: economic efficiency and cost-effectiveness as well as consumer protection. The existing Market Surveillance Panel and the current members and expertise that exist on the panel would be continued under the board. The bill proposes regulation-making authority, to dissolve at a future date if it is determined going forward that it's more appropriate to have the board assume that function on its own.

The board will review and approve amendments to market rules—again, the regulatory oversight of the IESO in that regard—and will review the power authority's proposed procurement process within specific timelines. For greater certainty for new investors, the costs of those contracts will be deemed compliant and recoverable from customers. They will review and approve, within a time frame specified by the minister, the rolling long-term integrated power system plan.

The board continues its responsibility for licensing existing market participants. Additionally, it will license the power authority. It will also have the ability to require transmission licensees—by and large, in Ontario, Hydro One—to implement specific transmission requirements identified in the integrated system plan. There will be deemed licence conditions to provide the OPA and the IESO with necessary information to do their work.

They will also have responsibility for rate regulation. That will include the annual rate plan, which in any given year will consist of a forecast of the wholesale market price and any amounts—credit or debit—that exist in the power authority's variance account, as well as the fixed-price adjustment, which is to consist of Ontario Power Generation's price-regulated assets, the NUG contracts—direct and indirect costs incurred under those—and capacity and supply contracts that are procured.

They will also have the ability, in terms of structuring their annual rate plan, to look at the development of block pricing as it exists in the two-level price plan that is in place currently as well as time-of-use rate structures or seasonal rate structures.

They have flexibility to deal with different customer classes. An example of that might be that currently, with the two-tier price, there is a special regulation in place to address those who live in condominiums or apartments and ensure they get a conservation entitlement that is equitable to other residential consumers.

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Mr Jennings: I will start on slide 6. This one deals with ensuring reliability. One of the features of this legislation is that we are adding responsibility for reliability to the Ontario Power Authority. This sets out, in terms of the directives that the minister will be able to issue, directives to the Ontario Power Authority that they're required to implement related to fuel mix. Those could be in the areas of alternative, renewable targets—the government has put some of those in place already; that could be on an ongoing basis—fuel mix, in terms of which sources they should be pursuing. Directives related to the phasing out of coal-fired generation facilities would be an example. Particularly through the conservation bureau, there would be opportunities to increase conservation initiatives. Similarly, the government could have targets for the province as a whole in conservation or for specific sectors, or even for particular parts of the province, and that might be based on reliability requirements.

The Ontario Power Authority will be developing forecasts for requirements for electricity demand in Ontario and resource adequacy. This function is currently being done by the independent market operator. They do reports every quarter on an 18-month outlook, and annually they do a 10-year outlook. Those reports are basically for information purposes for the participants in the market, and they don't need to be acted on. The original rationale behind that was that the market would respond to the resource requirements identified in those reports. The OPA will have that responsibility, and as part of that they will also be doing both the adequacy in forecasts and also looking at resource adequacy on both the generation and the transmission side and potential conservation measures.

The Ontario Power Authority will take the next step of developing an integrated power system plan. In saying "integrated," we're talking about generation, transmission and conservation. The intent would be that they would be developing a plan that would look after provincial needs from a range of options. This could include, for instance, if there are transmission congestion issues, promoting distributed generation which could relieve that pressure. On the other hand, there could be local demand problems that could best be met by expanding transmission capacity.

This plan that the power authority would develop would be a relatively long-term plan, somewhere between 10 and 20 years, and they would be developing them probably every two to three years. These plans would then be subject to review and approval by the Ontario Energy Board. Those would likely be through a public hearing process, and certainly interveners would be allowed to make submissions and comments on the plan.

The OEB's principal focus in reviewing those plans would be to look at consumer protection and the economic efficiency and cost-effectiveness of the plan. The OEB would be able to approve the plan or send it back to the OPA for changes or suggested changes.

We have also provided in the legislation that the minister can give a particular timeline or deadline for the OEB to act on the Ontario Power Authority's plan, so you don't have such a long approval process that the plan becomes out of date.

Given this plan, which has been approved by the OEB—and the OEB, as part of this plan, would have approved any procurement or capacity requirements identified by the Ontario Power Authority—the OPA would then develop a process for contracting for new supply or whatever measures had come out of the plan, contracting for conservation measures. The OEB, having approved the process, would not then have to approve the individual contracts that come out of the plan. So using the 2,500-megawatt RFP that the ministry is currently operating under as an example, if subsequently the Ontario Power Authority identified a similar need, then that plan would get approved by the Ontario Energy Board, the process would be approved by the Ontario Energy Board, and once that process had been approved, the Ontario Power Authority would be able to go out and contract for the supply and sign the contracts, and the parties to the contracts would then have assurance that they would be able to have their contracts taken and there would also be recovery of those contracts from the marketplace.

Again, it's broader than just procuring generation. It will also be procuring conservation, identifying conservation programs and focusing on renewables and alternatives. In addition, as part of this plan, they will be able to ensure adequate transmission requirements, and the Ontario Energy Board would be able to require Hydro One to implement those as part of its licence requirements.

The next page, page 7, illustrates how the prices would flow through to consumers. First of all, we have the spot market, the wholesale market that the IESO runs. All of the generators would be submitting offers into that market on an hour-by-hour basis. Some of them would be receiving the market price; others, when they get settled at the end of the month; in the case of Ontario Power Generation, some of its assets, the nuclear and base load hydro, would receive a regulated price. The non-utility generation contracts that were developed in the early 1990s—those are long-term contracts—would receive their contract price under those contracts. In terms of some of the new supply that's contracted through the power authority, they would be receiving the market price for their output and there would be some other capacity or support payments that they would be paid as well, and those would be recovered from consumers through the market.

So in terms of the types of consumers there are, the direct market participants—an example of this would be about 100 large industrial customers who all use over five megawatts. There is also a similar number of large commercial customers. Those customers would pay the wholesale market price. They would receive an adjustment to their bill each month that reflects the various

fixed-price payments that go to the Ontario Power Authority. The same adjustment would be on a per-kilowatt-hour basis, so they would receive it based on their consumption that month.

In terms of distributors, there would be several classes of people who are served through the local distribution companies. The low-volume rate plan participants—those are ones who have their rate plan essentially set by the Ontario Energy Board on an annual basis—will be paying what is identified in the rate plans. So they will have stable rates over the year. There will be a variance account that the Ontario Power Authority will hold, and at the end of the year that will be cleared so that the next year the rate plan reflects those costs. Over time, they will be paying the full cost, but they will have stable rates.

In terms of other customers, those customers who use more than 250,000 kilowatt hours a year—and some people who are under that, who want to get on to interval meters, will also have the opportunity to pay the wholesale market price—will receive a bill on their energy for the wholesale market price for that month based on their time of use and they will also receive an adjustment which will pass through the fixed price for the OPG base load hydro and nuclear assets.

Those customers who are on retail contracts will pay the contracted price they have with their retailer. Then they will similarly receive an adjustment each month which reflects the difference from market price that's paid to the OPG regulated assets, the non-utility generation assets and any of the contract payments under the past payments for the Ontario Power Authority.

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Page 8 refers to transition and other amendments. As part of the legislation, there is provision for transferring some responsibilities to different players in the sector, and I think these have been mentioned. One is that the market surveillance panel, which currently reports to the board of the independent market operator, will be transferred to the Ontario Energy Board. They will continue to rely on the independent market operator—the IESO now—for much of the information that they use.

The responsibility for medium- to long-term forecasting and reliability assessments will now go to the Ontario Power Authority.

The various contracts and requests for proposals—for instance, the two that the minister mentioned: the 2,500 megawatts for clean supply and demand management and the 300 megawatts for renewable—will be transferred to the Ontario Power Authority. There's provision in the act for that.

There is not a specific provision to transfer staff or resources, but there is a provision to enter into service agreements, and there will certainly be ones between the Ontario Power Authority and the IESO, in terms of settlements.

The Ontario Energy Board will be allowed to award costs for participation in processes beyond the formal hearing process. They currently award costs for participants in a formal hearing process, but this will help encourage or facilitate more informal and less legal processes.

In terms of the Municipal Freedom of Information and Protection of Privacy Act, the local distribution companies were exempted from that act at the same time that Ontario Power Generation and Hydro One were exempted. Those exemptions are repealed. Similarly, the exemption for the local distribution companies is also repealed. So they're on the same basis as Hydro One.

In terms of the retailers, at the time that Bill 210 was put in place, the retailer contracts with low volume and designated consumers went to a fixed price. The retailers continued to receive payments, which were based on the difference between their contract price and the wholesale market price, and that was to continue until the contracts expired. Those contracts are generally three to five years in length, and they date from May 2002, for the most part. So they would start to expire over the next couple of years, but while they continue, the retailers continue to receive those payments. This act continues that obligation. It's currently picked up by the Ontario Electricity Financial Corp, but that responsibility will move to the Ontario Power Authority. So that, again, is a transitional arrangement. It would end as those contracts expire.

That is an overview of the legislation. I guess we can entertain any questions that people have.

The Vice-Chair: I guess we have about 45 minutes. We'll open the floor to questions. We'll start with the opposition.

Mr O'Toole: Thank you, Chair. Are you going to handle this in a rotation and divide the time?

The Vice-Chair: OK, we'll start with the opposition first and then move to the government side.

Mr O'Toole: Yes, we'll go to the NDP next, and however that normally works.

The Vice-Chair: In our procedure, we're starting with the opposition first and then we'll move to the government side later on.

Mr O'Toole: So you'll split the time? There's 45 minutes?

The Vice-Chair: Yes, sir.

Mr O'Toole: I appreciate the briefing. I apologize for not being here on a very technical bill. I was outside listening to what the minister had to say. I should probably get a copy of what was said here this morning in terms of just an explanation.

I did have a couple of questions when I did re-enter the room. I have a couple of concerns that were on page 6. It sort of mentioned the role of the Ontario Power Authority in terms of making sure that there's supply adequacy.

Also, I have read a couple of the submissions that were sent to the clerk of the committee, and I'm referring specifically to one that's entitled, "Stability of Power Production and Huge Economic and Social Consequences of Price and Price Variation." It's by Bryan Karney and Stan Pejovic, the department of civil engineering, University of Toronto—completely non-political

observations. I'm just going to read something that I think is kind of relevant to this idea of forecasting.

I'm looking at the first paragraph, and it says, "We have found that the thinking currently displayed in Bill 100 does not properly or explicitly account for achieving and maintaining a reserve capacity...." So that's really the issue here that I have. Supply adequacy has a reserve adequacy provision, which should be a reservoir, spinning reserve, whatever. What is the standard, both in Canada and in the North American climate, for reserve capacity within this variability of demand?

Mr Jennings: They're based on North-America-wide standards, which is the North American Electric Reliability Council.

Mr O'Toole: NERC.

Mr Jennings: NERC, yes. They set them, and it's actually based on a target of one hour missed every 10 years. What that translates into depends a bit on the different systems, but somewhere between—I guess probably 18% reserve would be with ours, but you could get anywhere from 15% to 20%. We currently have a bit over 20% right now, with the return of Bruce A.

Mr O'Toole: For consumers like myself, residential-type, who are not affected directly but—we are familiar that about a year ago there was this whole idea of a blackout, and then we hear from time to time, during high-peak periods, over the 30,000-megawatt level, that there are questions about the reserve capacity. I guess it's technical for me; for you it's probably not. I can't frame the question properly. What I'm saying is, if you're saying about 30,000 megawatts is the peak availability of generation, 10% would be 3,000 megawatts; 20% or 18% is something in the order of 6,000 megawatts. That's like 25%. My problem is—

Mr Jennings: The highest summer peak we've had is 25,400 megawatts, and the winter peak is just under 25,000. So the 30,000-plus should be adequate. What that has to take into account is that there have to be planned outages for maintenance. There are forced outages, and then in terms of the water system, sometimes there's no water available. It has to take account of all those, plus some forecast uncertainty. You have to make a prevision if you have higher growth, or whatever, than you're expecting. So all those things should be encompassed by a reserve margin of 18%.

Now, a few years ago they were planning higher ones. Ontario Hydro at one time had reserve margins as high as 24%. It also depends on how interconnected you are with your neighbouring systems. You can rely on them and—

Mr O'Toole: OK. You're covering a lot here. I'm trying to kind of build a bit of a—who pays? How is that reserve, non-utilized generation capacity, both capital and operating, priced into the system? I'm sitting there with a nuclear plant, which means maybe there could be as much as 6,000 or 8,000 per 100 megawatts not being used. I'm not on line. I'm available instantly. I'm actually just not on the grid. I'm blowing smoke or blowing steam out the—

Mr Jennings: Yes. The nuclear plants would be generally operating as often as they could. So they wouldn't cycle on or off, but they would have—

Mr O'Toole: Let's say it's a fossil plant. Down in Windsor, the natural gas plant apparently hasn't even been running.

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Mr Jennings: What they would have to do is, they will be offering into the market, and when they can make money offering into the market, when they cover their operating costs and fuel costs, then they will be dispatched and they will run. They would have to make enough money during that time to pay for their availability. But when you talk about, say, 30,000 and the peak demand is 25,000, it doesn't mean there is always a certain 5,000 sitting there. Some others will be down for maintenance. So all the plants will be operating some of the time. For instance, Lennox, which is a very high-cost plant, still operates at least 5% of the time. So they have to operate and make money when they can.

Partly, the RFPs—the requests for proposals—for the 2,500 megawatts, because investors have been reluctant to invest because they're not sure whether they will be able to operate and cover their fixed costs—this provides some support in the event their fixed costs don't get covered.

Mr O'Toole: That's where the real question is: Who, as an investor, is going to bid into the system if it's a dispatchable load at a certain price? In the RFP, are they going to have to be able to complete what their price would be, given that there are planned outages and unavailability for a lot of different reasons? How are they going to get paid?

Mr Jennings: They identify what their requirements are for their fixed costs. The system will be set up so they will get those payments covered, but if they make money in the market, that will reduce those payments. As they start producing more and are running more and making more money, the support payments will be reduced over time and could effectively be eliminated. They will also have the opportunity to get out of that market if they're making money in the market.

Mr O'Toole: If I look at something like the Beck project, which I gather is really just pumping water into a reservoir at a low-demand time—is that basically what it's doing?

Mr Jennings: The new project, the tunnel, is going to bring more water to the existing generating stations, so you'll basically have more flow throughout the period.

Mr O'Toole: Are they taking advantage—there's a cost to operating the pumps to pump the water up through these tunnels, right?

Mr Jennings: This is bringing more—there are two tunnels now, and basically it's to put in another one that actually runs underneath those tunnels.

Mr O'Toole: Is there any talk about pumping some of it up in off-peak times?

Mr Jennings: There is a pump generating station there, which is already operating. That does take some of

the nighttime output and then is able to run it during the day, but it's fairly small. I think it's less than 200 megawatts.

Mr O'Toole: Isn't hydroelectric power the cheapest form of reserve?

Mr Jennings: In terms of those plants having the ability to store—basically, electricity otherwise can't really be stored.

Mr O'Toole: That's right. That's the whole point. You're either on the system or you just blowing steam or something.

Mr Jennings: Ontario has fairly limited opportunities for pump storage, because we don't have—

Mr O'Toole: Is there anything you see in all of the OPA role to try to take advantage of this pump storage or hydroelectric power?

Mr Jennings: The problem we have is that our topography isn't ideal for that. I think there are probably one or two other sites that have been looked at, but they haven't been economic.

Mr O'Toole: Are there any economics at all, in your view—my understanding is that hydrogen is basically a form of storage—in creating hydrogen in off-peak times?

Mr Jennings: Certainly that's been proposed from time to time. It depends on whether there's a large difference between the off-peak price and the on-peak price. Hydrogen, of course, needs its own distribution system. There is a lot of interest in that worldwide, but it's a major step to go from what we have now. People do talk about ultimately having a hydrogen economy, but it will probably be down the road. I think the federal government is looking at that as part of climate change initiatives. It has been suggested that you could do that in vehicles. Again, it depends if there's a very large difference between the off-peak price and the on-peak price, because basically you're using it to split water, unless you use natural gas, which is expensive too.

Mr O'Toole: I just have a couple of more little points. One is the fuel mix. Will that fuel mix or the source of generation fuel—whether it's water or other fossil fuel or nuclear or whatever—be determined by the minister in a policy? The OPA have done the RFP for the renewables, which is 300; they've done the demand management stuff, which is 2,500.

Mr Jennings: The 2,500 is also supply. It has supply and demand management. The intention of it is to treat them on an equal basis.

Mr O'Toole: It's conservation, really.

Mr Jennings: I think we were expecting we'd get a lot of gas-fired generation as well.

Mr O'Toole: But will that be set by policy with the minister and given to the OPA?

Mr Jennings: Yes. The minister has the ability, through cabinet, to make directives to the OPA. Whether it means that you would have a specific mix—percentages—or if it is, "We want so much renewables or so much conservation," it doesn't necessarily mean they'll get a whole mix given to them. But it allows the government to provide direction on what types of sources they want to see developed.

Mr O'Toole: The other part is that I was pleased, I might say, with the LDCs' much closer relationship, in my view, with the small consumer, the under-250,000 kilowatt hour type. The issue there was that they were going to be penalized in any effort to conserve because they basically get paid on volume. How is that going to work? How do they get incented or priced? If they're going to be incented for using more, they're going to get incented. How is the consumer going to be incented? If they had interval or time-of-use meters—shouldn't the consumer be part of that incentive? If I signed at 4.3 or 5.3 or whatever the kilowatt hour rate was and I had some mechanism or matrix for determining that I could demonstrate conservation at my household—I have Internet and time-of-rate metering in my house through the LDC—I should be incented on my bill to say, "In June or August 2003 you used this. In 2004 you used this. You're down 10%. Here's the 10% cheque." That's what I want to see. The LDC is going to get it, from what I hear here.

Mr Jennings: Someone who is on an interval meter will have a direct incentive, in terms of being able to save the highest cost time if they operate based on the interval meter. In terms of the LDCs, the natural gas utilities have operated programs for several years. They've been able to earn a return on them and be compensated for the lost volumes. We would expect this legislation will allow for it. We'll expect the OEB to develop similar procedures or however they want to treat it.

Mr O'Toole: We hear about—I'm going to say it—blended price.

The Vice-Chair: Sorry, Mr O'Toole, your time has expired. Mr Hampton.

Mr Hampton: I have some questions that I hope you can clarify for me, because I think they will have a lot to do with determining price. The minister talked a lot about the heritage assets. Their price would be regulated. I assume what he is saying is that they would be regulated in terms of either no profit or a minimal profit, and that that regulated price would be used to somehow bring down or balance the unregulated price or the contracted private power prices.

Can you tell me, is Bruce Power part of the heritage assets or is it going to play the market?

Mr Jennings: The regulation will deal with Ontario Power Generation assets. That will be Darlington, Pickering and the baseload hydro, which is principally the Niagara and Saunders plants.

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Mr Hampton: But Bruce Power is baseload power. It's clearly baseload power. If it's not baseload power, I don't know what is.

Mr Jennings: Well, the legislation is going to provide for regulating some of the OPG assets, and Bruce Power has a contract and leasing arrangement.

Mr Hampton: So what I hear you saying clearly and categorically is, the electricity that is produced by Bruce

Power will not be regulated; they will in effect be completely allowed to play the market.

Mr Jennings: There will have to be, whether there's some sort of contract arrangement with them—there are other things that could be done to enable—

Mr Hampton: They can contract for a fixed price over time, or they could play the market.

Mr Jennings: Yes, but the regulations—

Mr Hampton: But they will not be regulated in the same way that the OPG assets are.

Mr Jennings: That's correct.

Mr Hampton: Wow. That means a big chunk of our existing capacity is not going to be a heritage asset used to bring down the price for consumers. In fact, it could very well result in very high fixed-price contracts or very high spot market prices.

Mr Jennings: Yes. Bruce Power will have options, and they may choose—if they're not going to be, the regulation applies to OPG.

Mr Hampton: So when we talk about the heritage assets, we're talking about Darlington, Pickering and the hydroelectric plants. I think what he said today is that we're definitely not talking about the coal plants. Coal plants are out of the equation.

Mr Jennings: Yes. In terms of hydroelectric against the baseload ones—we were principally talking about the Niagara and the Saunders plant on the St Lawrence.

Mr Hampton: So the other hydroelectricity plants that are not baseload would not be regulated in price?

Mr Jennings: They're going to be getting the market price.

Mr Hampton: So the OPG hydro plants that are not baseload will be getting whatever the spot market price is?

Mr Jennings: Yes.

Mr Hampton: Your heritage assets that are regulated in terms of price are getting pretty slim here, because the other big chunk of the heritage assets that was supposed to be used to bring the price down for consumers would be the nuclear plants.

Mr Jennings: Yes.

Mr Hampton: But over the last year, I've been treated to stories that the restoration of Pickering was supposed to cost $800 million. Now it's going to cost in excess of $2 billion. A reasonable person who's been watching this might predict in excess of $3 billion. So that nuclear power, in effect, is going to be pretty expensive, isn't it? Even the heritage nuclear power's going to be pretty expensive power when you calculate all these costs into the equation.

Mr Jennings: The regulation will be based on the cost, yes. In terms of what is covered and what isn't, you have the OPG, as I say, the nuclear baseload; similarly, the NUG contracts won't be getting the market price. They're on a contract base.

Mr Hampton: They'll be getting a fixed price, but they're not heritage assets.

Mr Jennings: No. So if you take those two things together—

Mr Hampton: And those fixed prices have been already negotiated, with adjustment factors, etc.

Mr Jennings: Yes.

Mr Hampton: OK. I'll just leave that aside for a minute.

Mr Jennings: The total of those together is approximately 50% of the—

Mr Hampton: What I want to get clear from you is, what is a heritage asset, what will be subject to a regulated price, and what will be included in that regulated price? Let's take Darlington. Darlington was supposed to, when it was first built, I think, cost $4.7 billion. When construction was completed in 1990, it had cost $15 billion. So that must be very expensive power.

Mr Jennings: The legislation provides regulation-making authority with regard to these assets. There is also an undertaking that we'll be consulting on the regulations. So some of the regulations, including that one, we would expect to put out to consultation in the next week.

Mr Hampton: So you can't tell the consumers of Ontario how the eventual cost of nuclear power from the Pickering plants and the Darlington plant will be determined.

Mr Jennings: As the regulations that will come out are developed, we have an undertaking that we will be consulting on the regulations.

Mr Hampton: Can I just ask you a couple of other questions about pricing? Let's take the Bruce contract. As I understand the Bruce lease contract, the public of Ontario, through whatever mechanism—the electricity financing corporation—continues to carry the debt of the building of the plant. The public of Ontario—and I'm not sure, again, the mechanism that will do this, but maybe you can help enlighten me—will continue to carry the liability, should there be a nuclear accident. I would think that in insurance terms, if you're an insurance person, that would be fairly hefty. The public of Ontario will carry the cost of eventually decommissioning that plant when it comes to the end of its useful life. The public of Ontario continues to carry the cost of, shall we say, burying the nuclear waste, since I think that's the current concept, to bury the nuclear waste. Yet the private company gets the profit.

Now, if I were just an ordinary person out there, I'd say, "Boy, that's a pretty good deal." All of the high costs, the liabilities, the debt obligations—the vast majority of them—are essentially unloaded on to the public, but the profit-driven company gets to keep the profit.

Mr Jennings: Yes. The lease payments that were negotiated were set to cover those liabilities that you mentioned, for the most part.

Mr Hampton: We can argue about that.

Mr Jennings: Yes, there's obviously debate about what those costs in total are, but—

Mr Hampton: As I understand it, Bruce Power, should there be a nuclear accident, is only responsible for—is it the first $75 million?

Mr Jennings: That's the case for any nuclear plant operator.

Mr Hampton: Private.

Mr Jennings: Federal legislation.

Mr Hampton: Private. Any private operator.

Mr Jennings: Anyway, that's federal legislation. I wouldn't be able to—

Mr McCann: I think the federal legislation applies to both public and private, but we should check that point and clarify it for you.

Mr Hampton: In a public world, the public covers the first $75 million in this category and covers the rest under some other category. The public's still on the hook, right? That's just a difference in classification.

Mr McCann: That's a fair point, but—

Mr Hampton: But my point is this: As I understand it, you're going to be in charge of energy supply and competition. If I'm a private operator out there, I'm a capitalist.

Mr O'Toole: Not possible.

Mr Hampton: Watching the way you guys flipped and flopped on the hydro file, anything's possible.

Why would I want to build electricity capacity for Ontario for any deal less than what Bruce Power got? Why would I want to bid into a system where I get less of a sweetheart deal than Bruce Power got?

Mr Jennings: I think what we're talking about, for instance the RFP—they're not a comparable situation, because Bruce was existing capacity that someone is taking and managing. It has existing liabilities. In terms of any negotiation on that—

Mr Hampton: Yes, but most of those liabilities are being taken care of by the public.

Mr Jennings: The lease payments are supposed to cover those costs. They were set on that basis.

Mr Hampton: The Provincial Auditor said that the province is losing on the deal, and I think he was being generous. He said the people of Ontario are losing on the deal, that it was such a sweetheart deal.

Mr Jennings: I don't know whether the Provincial Auditor commented on what costs were covered or not. I think there was a comparison between net present value and a couple of bases. Also, the consideration at the time was that there was a direction to decontrol assets. So there were other things like that. Those were both things he commented on.

I was saying that whatever arrangements are done about an existing plant and an existing lease are different from someone coming in and building a greenfield site. They would obviously be totally different discussions.

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Mr Hampton: I don't understand why it would be different. If I'm going to enter into a market—and that's clearly what the minister said. He said that virtually all of the new power which is going to be provided in Ontario will be provided by private, profit-driven companies. Why would I want to enter into a market when I can see this plant that has a capacity to produce huge amounts of power, and even the Provincial Auditor of Ontario says, "Boy, they've got a really good deal." Why wouldn't I want the same deal?

Mr Jennings: One is a lease arrangement on a nuclear plant. I don't think the deal would be the same. Obviously they would take into account who's in the market and what opportunities there were in looking for their deal, but it's not going to be exactly the same.

Mr Hampton: I don't see what the difference would be. At the end of the day, I'm going to be disadvantaged if somebody else is getting a much better deal than I am. If costs escalate and prices become tight, I'm going to get squeezed before they get squeezed. Why would I want to bid into something like that? I might get squeezed severely before they get squeezed.

Mr Jennings: The process that has been set up initially is a 2,500-megawatt request for proposals. So we're going to have competitive proposals and people will be offering in what they think they need. They'll obviously have to take into account what they see as the risks and benefits from being in the market.

Mr Hampton: Maybe you can just answer another question on price for me. It's rather interesting. I know the minister went out to Calgary and gave a speech saying to the folks in Alberta, "Come on down to Ontario because it's going to be a private, profit-driven market now." And he referred earlier to some new supply that has come on stream in Ontario. As I understand it, the new supply is TransAlta's new $500-million cogeneration plant in Ontario. But they're not operating it at capacity. They say publicly to the press that the reason they're not operating at capacity is because they're not getting a high enough price yet and that the minister has to let the price go up. In fact, I think they even said it has to go up significantly higher before they'll operate that plant at capacity.

Mr Jennings: Some of their capacity is under contract to some of the customers in the area and steam—

Mr Hampton: Some goes to the States too, doesn't it?

Mr Jennings: I know that they have long-term contracts with some of the other people in the Sarnia valley. So there's some of that, but the operation of the other capacity will depend on whether they'll be offering in to cover their costs. If they don't get taken and if the price isn't high enough, they won't be running.

Mr Hampton: But what they said is, TransAlta is running at only one quarter of its 575-megawatt capacity because it's not worthwhile for the company to produce more power in the capped spot market. In other words, they want a higher price before they're going to provide power.

Mr Jennings: Whether or not they operate from time to time will also depend on natural gas prices and how those move relative to other prices.

Mr Hampton: That doesn't change what they're saying. They want a much higher price. Isn't that right?

Mr Jennings: Are you asking me whether I think they would want a higher price?

Mr Hampton: Yes.

Mr Jennings: I think if any private company who is generating had a higher price, they would probably benefit from that.

Mr Hampton: What I'm trying to get at here is—you're the technical person who ought to know this, right? The non-baseload hydro plants are going to be able to play the market. Bruce is going to play the market. TransAlta is clearly saying they want to play the market, they want a higher market price. We already know that in terms of being part of the heritage assets, the nuclear plants—Darlington and Pickering—if you factor in all of their costs—debt costs, maintenance costs, refurbishment costs—that's going to be very expensive power. There isn't going to be much left to bring down the price of all of this expensive new private power, is there?

Ms Kathleen O. Wynne (Don Valley West): Mr Chair, I just want to be clear. Is this a technical question about Bill 100, or is this a political question about the future of pricing in the province? I'm just not clear what the technical question is here, or whether it's a question that should be asked of the minister.

Mr Hampton: It's about slide 7.

Ms Wynne: OK. I guess I just need to be clear what the technical question is.

The Vice-Chair: Anyway, the time is up, Mr Hampton.

Mr Jennings, it's up to you if you want to answer the question or not.

Mr Jennings: Just that the extent to which the OPG-regulated assets modify the market price will depend on what the market price is. There's obviously a range of outlooks of what that will be, but obviously it will moderate very high prices. We've had fairly moderate prices the last year. So it will depend on what the outlook for the price is.

Mr Hampton: The market price.

Mr Jennings: Yes.

The Vice-Chair: Now the government side, if anybody has a question.

Mr McMeekin: [Inaudible] and I'm curious around how decisions are made. We've heard a fair bit about the lack of planning, the need for stability and the culture of conservation. As we came in today, we were greeted by some folks who had an interesting perspective on the nuclear industry in particular. Then we are inundated with some briefs from some other alternative energy folks. I guess I should confess straight up that I'm a big believer in some of the alternative energy approaches, although I'm not necessarily a disbeliever in the nuclear side.

My question relates to the decision-making process itself or how recommendations end up coming before us. I know Mr O'Toole sat on a review of the nuclear industry. He wanted to talk about the cult of the nuclear industry and some other unkind references. The 1997 report talked about performance being unsatisfactory for well over a decade, the cost to bring plants back on-line exceeding three times the estimate and some other issues.

In terms of getting a handle on this and ultimately making some decisions—I know the bill isn't designed specifically to answer political questions, but by way of a general query, what kind of cost-benefit analysis is done with respect to making decisions, say, to reopen one of the Pickering plants? You hear arguments all the time about how many windmills $2.3 billion would have bought, how many lives could be saved by not emitting cancerous smoke from coal-burning plants. In terms of the health costs and some of the other things the minister mentioned and the overall cost-benefit, is there an analysis of that, or is that part of the problem, that that analysis historically hasn't really been done? Does the structure itself address the need to do that kind of planning? I don't know who is going to answer that.

Mr Jennings: I guess I could say in terms of the Pickering decision, the return decision was based on a lot of analysis that was done by Ontario Power Generation, analysis that was done for the Manley panel and that was done, in part, through CIBC World Markets. So there was a range of sources that were used to develop that. There was an independent recommendation from the Manley panel to proceed with it. There was further oversight by OPG. The government was involved in some of the processes of the development. So that finally led to that. What that included was looking at alternative sources of generation and how the return to service compared to that. Certainly that was looked at extensively.

In terms of the question of broader cost and benefit analysis, I think you mentioned the Ontario Medical Association; they have their study.

Mr McMeekin: The 1,900 figure.

Mr Jennings: Yes. There have been people who have done other studies related to that. So there has been some work done in that area.

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Ms Lawrence: If I may, what would happen under the bill is that that debate would move into an open, public forum. So in addition to our expectation that the integrated system plan would do cost-benefit among all the various alternatives available to it, by virtue of having the energy board review the plan, that analysis can be debated in an open forum. It's an opportunity for organizations like the Ontario Medical Association to come forward and have their views tabled on the public record and considered as part of the OEB's review process.

Mr McMeekin: The legislation—and I think we were on this earlier, given the minister's comments—is foundational in the sense that it's opening up some additional transparency avenues to invite the residents of Ontario to be engaged in that kind of discussion.

Ms Lawrence: In addition to actually mandating that the plan exists, yes. It will be a very participatory process before the board.

Mr McMeekin: I'm sure we'll be pursuing that as we get more into things, but maybe a supplementary: There are references in the legislation to the application for approval to the OEB as it's restructured. I'm wonder-

ing—and maybe it's the same answer—why does the OPA have to apply for approval of its proposed procurement processes and amendments? Is it the same general thrust there, the transparency argument?

Ms Lawrence: Yes. The OEB is a natural forum for discussion and participation in that event. Certainly the procurement process is something that people are going to want to comment on, both from the perspective of where it's likely to land you in price terms at the end of the day, but also to ensure that it's fair, open and transparent and gives due regard for market-based solutions to come forward as well.

Mr McMeekin: Can you just run us through what that review might consist of? How is that going to take shape? How do people express their concerns?

Ms Lawrence: What I expect is that the OPA would develop both process terms and conditions, which would be akin to guidelines that Management Board has in place for government ministries and agencies, but clearly steps to follow in terms of ensuring the fairness of the process. In addition, I expect they would put together a draft contract that the OEB could review and discuss with the public and debate certain terms and conditions. Again, that would be a formal process and invitation for the public to participate.

Mr McMeekin: I've always been a believer that you don't let excellence become the enemy of the good. Clearly this isn't the end of where we're heading; it's the start of something. Would that be fair? And in that context, the OPA, the OEB and the IO or whatever it is now—

Ms Lawrence: The ISO.

Mr McMeekin: It all gets renamed and even those who are close to it and try to follow it have some difficulty with it, but those processes, those mechanisms, are going to be evolving, and there's a commitment on behalf of the ministry to ensure that they are shared with the public so we don't have—I noticed the minister made reference to regulations being made available before they're gazetted, which I guess is at least in part a passing reference—

Ms Lawrence: The government is able, under this bill, to issue regulations to be followed by the power authority with respect to the way they go about developing either their procurement process or their plan—principles that underpin and govern those planning mechanisms. There is certainly the commitment this summer to share those regulations with stakeholders and others, and we are working on those back at the ministry as well. But save for those regulations, I think we would expect that the board would run a process independent of the minister and the ministry and provide a level playing field, in terms of customer and other interested parties, to access.

Mr McMeekin: I appreciate that, and I also appreciate the fine line that our wonderful public servants must walk between what is a political decision and what is a technical briefing. I know we've crossed the line several times, and I've probably been as guilty of it as anybody here, but I want to provide assurance that it's not in any way meant as a criticism aimed anywhere. The generic concern that people I speak to out and about have is—who was it who said that politicians campaign in poetry but govern in prose? The suggestion has been made on more than one occasion that we need to close the gap between the poetry and the prose. You guys are the pros, I guess, in the professional sense.

Ms Lawrence: Some would say turgid pros.

Mr McMeekin: We need to be about that. I think the culture of transparency is equally important as any other culture of conservation. In fact, I think we on this side of the House would argue that only by having the two in sync do we think we'll get this right. The people of Ontario want to know that we're able to cross the line and work together to get it right.

The Vice-Chair: Before you said that, I know I have full confidence in the ministry staff to walk the professional way between the politicians and the technical part.

Now we'll open questions from Ms Wynne.

Ms Wynne: I need some clarification on section 39, which adds section 29.1 to the Electricity Act. The explanatory note talks about that section requiring the distributor, the LDC, to provide electricity to any purchaser, whether they're getting a portion of their electricity from a retailer or not. This is included in the conservation measures section. Can you just clarify for us, first of all, how it could work and give us an example, and then in what way it's a conservation measure?

Ms Lawrence: Section 29 of the original act is about the distributors' obligation to provide default supply and serve customers who don't have a retailer. The way the act is structured currently, it's an all-or-nothing decision for low-volume consumers. You're either a default supply customer or you opt out with a retailer, which makes you ineligible for the interim pricing plan that's currently in place.

What this enables is the retention of that eligibility and that entitlement even if you would like to buy a portion of your power, some of your power, from green sources. You could opt in with a retailer, for example, and say, "I would like 10% of my needs met from your windmill contract, but I will retain 90% of my consumption benefit at 4.7 and 5.5." It was just a little legal glitch that made it all or nothing.

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Ms Wynne: The billing process, though, isn't laid out in the bill.

Ms Lawrence: In this act? No.

Ms Wynne: There's nothing about how that—because that's going to be a complication.

Ms Lawrence: I think the local distributors certainly have flagged to us that it's difficult from a systems perspective.

Ms Wynne: How are we going to deal with it? Will that be dealt with in regulation, or where are we going to—

Ms Lawrence: We would deal with that in regulation, and we have the ability to do that. It's not a regulation

that is a short-term one in terms of those that have been identified as priorities to share with stakeholders, but we would certainly have the same commitment to work with stakeholders in developing those, yes.

The Vice-Chair: Time's up. We can open the floor to the opposition critics for their presentations. We have 15 minutes for the Conservative Party and 15 minutes for the NDP.

Mr O'Toole: For the record, I appreciate the opportunity on a very complex topic. As the opposition energy critic, I preface most of my comments by saying that I see energy, as has been stated in the research paper that was given to us by staff from the clerk's office—and I appreciate that—as an economic policy area, very strongly. It's also a very unique product in terms of the consumer. It's price-inelastic, in simple economic terms. They have to have it regardless of the price. They have to have a certain level just to live a quality of life. So in that respect, on the residential side, it's not really an economic issue other than they are price takers at the moment.

In anything that I've heard and watched quite closely for the last few years, there are supply adequacy questions that have been raised by all the experts. It's not unique to Ontario; it's unique across North America, you might say. As such, very much as an elected person, I need to make sure that we will be focusing primarily on the perspective of the price taker, the residential side of the marketplace. I think of people living in apartments, where they don't have individual meters and things like that, where they're going to be subject to a whole litany of trying to just keep the lights on and cook their food and maintain a quality of life in a marketplace where there's going to be a lot of upward pressure on price.

Irrespective of what the minister said today, I think if you take 25% to 30% of the generation capacity off-line, with no plan for equivalent prices—there are plans at higher prices, natural gas being one of them and renewables being another—they're important considerations. When you cast that against the broader statements of the emissions from coal and other fossil plants and not consider what other jurisdictions are looking at as part of the solution, the clean coal option certainly should be fully debated without having the immediate response that, "Coal is bad." In today's climate that's what's out there: "It's bad and it shouldn't exist." I put to myself that all generation, whatever the fuel source or power source, could be argued is bad, whether it's hydroelectric, or you flood land or flood areas for reservoirs, or natural gas or any other high-technology fuel source. Incineration: Dare I even use the word? Yet other jurisdictions are exploring these technology solutions. I hope there's openness on the part of the ministry to look at getting as clean a technology as possible and as least expensive for the consumer at the end of the day.

In Bill 100, there seems to be an attempt here in the broader sense to offload the responsibilities I've just outlined—public policy discussion, the role of government to intervene. They're going to gut the power authority, the energy board and this new replacement agency for the IMO. Some of them are the same people. It's understandable. I'm quite impressed actually with the work done by the IMO to date. I've had many occasions to call Dave Goulding and the staff on clarification of issues. I find them extremely responsive. I've read with interest their forecasting models. I've even read some of the issues with respect to their accuracy in some of their supply arguments.

It's another layer of bureaucracy, all of which is going to be paid on the bill, at the end of the day. If it isn't, even incentives, capital incentives, depreciation allowances, all these financial considerations are going to be paid by the taxpayer.

The only thing I see here is uncertainty on the supply side. It's exciting, because there may be some new renewable forms of energy that do come into the marketplace. That looks exciting. Wind—I'm a big supporter of the renewable forms—biomass. I did serve on the task force with Jerry Richmond, who did a fine paper that should be read by members of the committee here.

That being said, there isn't a lot of room for some of that discussion, like biomass, incineration. There needs to be more acceptance of that debate as part of these hearings, I believe.

Some of the current forms of technology have been mentioned by Mr McMeekin. During the 1997 hearings of the nuclear energy task force, we did look at the honesty of pricing in that field, and felt that the capital depreciation, decommissioning, fuel issues were all rather vague. How did they factor into their three-cent power? I never felt it was three-cent power. You look at some of the implications of shortening the life expectancy from 40 years to 20 years, and what does that do to the capital cost if you're not any longer able to generate revenue for 20 years to pay for the capital?

So I see it as extremely important. As an elected person, I don't come to this with a great deal of expertise other than I live in a riding that, as the minister said, probably supplies about 25% of the nuclear generating capacity in Ontario, called heritage assets. I do hear from a lot of experts in my riding, people who have worked for the old Ontario Hydro. I hear from people who work as operators, and again, consumers and small business.

I also have a lot of respect for the local distribution companies, the LDCs. I think their voice needs to be heard. They're a direct interface with the consumer, especially the small residential consumer.

I think some of the tools in Bill 100 are positive. I think they will be given some tools to incent conservation, right in their interface with the consumer. I've also had the privilege of meeting some academics and other people who have asked some technical questions that I think, during the course of the hearings, will be raised by myself and others.

I don't really have anything to say except that this government, in our attempt to find adequacy and stability of price, whether it was Bill 35 or Bill 210, some of the legislation in many cases was voted on by the now

government. They supported it, and yet they backed away.

I heard the minister say nothing about future prices except that all signals are higher. I don't say that to be an alarmist or to create uncertainty, but he did in his early remarks say that all jurisdictions—all we have to do is look at the price of gasoline and its volatility, the highest price of crude in history. At almost $45 a barrel, it's got to tell you something. It's all sort of energy at some point. It's electrons.

I don't have anything too profound to say. I'll share with my counterpart Ted, if he has anything to say. I'm happy to share the time and use the time that we're provided.

Mr Ted Arnott (Waterloo-Wellington): How much time do we have available, Mr Chairman?

The Vice-Chair: Five minutes.

Mr Arnott: OK. Thank you very much, Mr O'Toole, for the opportunity to speak.

I too look forward to these hearings on Bill 100. I'm thinking back to my first opportunity where I had to deal with a hydro bill, back in around 1991, I guess it was, when the old resources development committee was dealing with Bill 118. I'm sure the staff who are here from the Ministry of Energy will recall those days; some of them will, anyway. I served at that time with the Liberal energy critic, who was one Dalton McGuinty. That was when I first got to know the Premier.

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Mr McMeekin: A fine fellow.

Mr Arnott: Yes. He did an excellent job representing the Liberals' perspective. Certainly our critic at that time, Leo Jordan, did a similarly superlative job representing the views of the opposition parties in those days.

For my part, certainly my constituents in Waterloo-Wellington are very seriously interested in this issue and I think they're quite well aware that this is one of the most important long-term challenges the provincial government faces, one of the most serious responsibilities that we have to deal with. My constituents would expect the government to ensure that there is a reliable source of electricity but obviously they are concerned about price and stability of the price. They're also concerned about the environmental impacts of our generation and transmission of electricity and the safety of the system. Today, when we meet on the one-year anniversary of the blackout, I think we're reminded of the importance of the security and stability of our system.

I appreciated the minister's comments, although I was disappointed that the minister didn't furnish each of the members of the committee a copy of his remarks. We're going to have to wait, I guess, till the lunch hour. Normally it's the custom of these committees that the minister, when he comes in, gives us an opportunity to have in front of us a copy of the remarks so that we can be better acquainted with his commitments and his statements. Certainly we will be holding him accountable over the course of these hearings with respect to the commitments and statements he has made today and in past opportunities and communications.

I'm very interested in the government's commitment to phase out coal-fired generation by 2007. That was discussed during the election campaign and certainly a firm commitment was made on the part of the government. I haven't heard anybody say they'll resign if the government doesn't meet that commitment. Perhaps that's forthcoming. At the same time, I think we need to be responsible in terms of our administration of the hydro assets. Sure, we'd all like to see the phase-out of the coal-fired generating capacity in plants as soon as possible because we're all concerned about air pollution. But at the same time, I think it's responsible and people would expect that those coal-fired generation facilities not be phased out until replacement generation capacity is in place. Again, I don't believe the minister has said that. He's certainly prepared to continue to parrot the line that his leader brought forward during the election campaign that this is going to be done no matter what. But certainly from my perspective, if indeed replacement generation capacity isn't built as the coal-fired generators are taken off-line, we may very well see a tremendous spike in price in terms of the wholesale market of electricity. That's something that I think the government has to come clean on.

I would hope that the government will be prepared to listen to the presentations that are going to be made over the next few weeks and that we'll have a commitment on the part of the government to make amendments reflecting the concerns that are expressed. Certainly the public hearings process is an important one and hopefully it's not just a sham but it's going to be a meaningful process whereby the interested groups—they're all lined up and there are obviously a considerable number of groups that have an interest in this issue, expert opinion that will be brought forward to the committee's attention. I would hope and expect that the government will be prepared to listen and respond accordingly.

For my part, as a member of the opposition, I would hope that we can play a constructive role and I'm looking forward to working with Mr O'Toole and Mr Hampton, and whoever else in the New Democrats, to bring forward what we would consider to be constructive suggestions for the government, not just opposing for the sake of opposition.

That probably takes up the whole five minutes. I want to thank you very much, Mr Chairman, for the opportunity to comment on the bill.

The Vice-Chair: Thank you very much. I guess Mr Hampton has 15 minutes. He'll show up in a minute or so. I guess we're going to call it off until—

Mr McMeekin: Just while we're waiting for him to arrive—he's probably en route now—I just want to say I really appreciate the comments made here. The minister has said to members of this committee on the government side—and Ms Cansfield, his parliamentary assistant, can attest to this—that not only are we prepared to listen and learn—that's something we hold up as a hallmark of this new government—but the minister is quite open to making responsible amendments that are in keeping with what makes sense.

While I'm doing Mr Hampton a favour ragging the puck for him while he arrives—because I'm waiting in breathless anticipation to hear his comments—I just wanted to say for the record that the minister is keen to have the standing committee listen—Ms Cansfield, I think you can attest to that—and that we look forward to seeing a plethora of very helpful amendments to this legislation.

The Vice-Chair: Thank you, Mr McMeekin. Mr Hampton, you have 15 minutes to criticize the bill, if you want—

Mr McMeekin: Or compliment it.

The Vice-Chair: —or compliment it.

Mr Hampton: I understand that we're breaking at 1 o'clock. Is that correct?

The Vice-Chair: We're breaking at 1 o'clock, correct.

Mr Hampton: That's in about 12 minutes or so.

Today was interesting, more interesting for what was left out, I think, than what was actually said. I have to comment on the contradictions. I remember before and during the election campaign that Liberals said they were going to be different from the Conservatives. I even remember the now Premier saying that the spot market didn't work. In fact, he said, "The market is dead," and that privatization didn't work. Yet here we are, almost a year into the Liberal government, and we have an electricity bill and related policies that will result in a substantial role for the volatile spot market, the very deregulated market that Liberals said didn't work.

What I got from the technical briefing is very interesting. Even the vast majority of OPG's hydro stations are effectively going to play the spot market. They're not going to be regulated in price. Bruce Power, which was built with public money—and in fact the public is still carrying most of the debt from Bruce Power—will effectively be playing the market in one way or another. They can play it through fixed contracts or they can play the spot market.

Despite all the announcements, re-announcements and rhetoric, I have to say to my Conservative colleagues on the committee, I think you got what you wanted. This is essentially going to be a private, profit-driven hydro market, just as Mike Harris, Ernie Eves, Jim Wilson, Chris Stockwell and John Baird all advocated. Let me say, I congratulate you. We get the Conservative policy from a Liberal government.

What does this mean for consumers? I think what we got from the technical briefing is—the minister tries to say that the heritage assets will be used to, shall we say, cushion the higher prices of the private, profit-driven providers. But then when you ask the detailed questions—what are the heritage assets?—the only hydroelectric plants, falling water plants, that will have their price regulated, ie will be used to buffer the higher prices of the private market, I guess will be Saunders on the St Lawrence River, the Niagara plants and maybe a couple of others. We'll get down to the nitty-gritty on that, because it looks like they're the only baseload plants. Everything else will play the market.

As for using the nuclear plants to buffer the higher prices of the private market, the only way you're going to do that is if you engage in the game of hiding the true cost of nuclear. That is, you ignore the fact that Darlington didn't cost $4.7 billion to build; it cost $15 billion. You ignore the fact that Pickering is not going to cost $800 million to refurbish; it's likely going to cost $3 billion to refurbish.

What comes out of this, when you ask the difficult questions, is this is going to be overwhelmingly a private, profit-driven hydroelectricity system. That means much, much higher prices for Ontario industries, businesses and consumers.

I found it interesting that the minister actually mentioned the pulp and paper industry, because I'm told that at least some members of the pulp and paper industry had a meeting with the Premier not too long ago where they said to the Premier, "Here's the cost of hydroelectricity in Quebec, here's the cost of electricity in Manitoba, and as we look at where you're headed in terms of a private, profit-driven market, this is where the price of electricity is going in Ontario." They basically said that you won't find many pulp and paper mills in Ontario if this happens. They cannot sustain much higher prices.

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Rates will go up to pay for profit. Rates will go up to pay for the much higher borrowing costs of private, profit-driven suppliers. If you're going to build a $1-billion plant—it doesn't matter if it's a $1-billion natural gas plant or a $1-billion hydro plant—it will cost the private sector more money, because the private sector cannot get the same low borrowing rates that the government can. In the current market conditions, the government might be able to get 5%. The private sector will probably pay closer to 7%. Just off the top of my head, I'd say the difference between a 5% interest rate and a 7% interest rate on $1 billion borrowed and paid over 25 years is probably $200 million. That's $200 million more that the consumer will have to pay for that private supplier on top of the 15% profit the private supplier will demand and on top of the Eleanor Clitheroe-style salaries. And Eleanor Clitheroe wasn't the only one over there at Hydro One who wanted the big-dog, Bay Street salaries.

I think the government should just be honest. Tell the people of Ontario that despite the Ontario Power Authority—and you're going to rename this and rename that—this really is what the Conservatives proposed: private, profit-driven hydroelectricity. I think you should be honest with people and tell them that this is going to cost them a lot more. It's going to cost industries like the steel industry, the mining industry, the pulp and paper industry and the auto assembly industry a lot more. It's going to cost small businesses a lot more. It's going to cost the average homeowner or renter a lot more.

I found the minister's answer on the rate cap interesting. He tried to say, "Once we became government, we became aware of the financial situation." My God,

every month while the rate cap was in place the Globe and Mail, the Star, the Sun and the Canadian Press would bring out stories saying, "This is the difference between the so-called market price of electricity and the rate cap, and this is how much it now costs Ontario."

We knew at this time last year that the rate cap was costing about $800 million. We knew during the election campaign that the net cost of it was $1 billion. What changed? You knew then that it was costing $1 billion a year, more or less, in subsidy to keep the rate cap in place, yet you were in favour of it. May I suggest what changed? Your rate cap promise was like many of your other promises: trolling for votes. Once the election was over, it was gone. I call that a broken promise. Some would call it something more serious than a broken promise.

I found the minister's attempt at the coal plants interesting. In your qualifications for those bidders who are answering the request for proposals for the new 2,500 megawatts of replacement power, it says on page 4 that you will accept bids that have the new plants starting up in June 2009. I don't know how you'll shut down coal plants by the end of 2007 when you can only require the new providers to bring their power on stream in June 2009.

Mr McMeekin: The minister answered that. Remember the window?

Mr Hampton: Yes. These will be legally binding contracts. In other words, you can't do anything if they say, "We're not going to bring it on-line until June 2009." You can't force them to bring it on-line in the fall of 2007. It says to me that's another promise broken. Coal-fired plants aren't going to be shut down by the end of 2007, and your document basically admits that. That's only the first 2,500 megawatts. There are another 5,000 megawatts. What will the on-line time for those be: 2011, 2015?

This sounds an awful lot like what the Conservatives were offering. They said coal plants will be phased out by 2015. You guys should take another bow. The Liberals have adopted your policy again.

Then there's the issue of what happens to low- and modest-income people. Let's be clear: Hydroelectricity is not like having a car. If Ford, General Motors, Chrysler, Honda and Toyota all raised the price of cars by 30% next week, we'd still have choices: I could keep my old car and fix it up, I could buy a second-hand car, we could carpool, maybe I could ride a bike. I'd still have choices. But if the price of electricity goes up by 20% or 30%, you don't have any other choice; you have to use it every day. We all have to use it. But what happens to people who are on low and fixed incomes?

Well, with much fanfare, the government announced an assistance plan last spring. But the details of that assistance plan now show that for about every $20 that the hydro bill goes up, low- and modest-income people will get one dollar of assistance. For somebody who's on social assistance, somebody who has to rely on Ontario disability support, somebody who is on a pension, somebody who is just struggling, working two or three minimum-wage jobs, this obviously isn't much assistance at all.

Then, as I found out last spring—and the situation hasn't changed—some of the poorest people in Ontario aren't eligible for that assistance. Aboriginal people living on an Indian reserve aren't eligible for the assistance program at all. What does that assistance program amount to for lower- and modest-income people who are now obviously going to be hit by very high prices? I don't think it provides any assistance at all. I think we're going to continue to see serious disconnection of people because they can't pay their hydro bills. We have a cold winter. I don't know what that means for people. We have a very hot summer. We've been lucky this year. Most people I talk to in Toronto say this has been an awful summer.

Mr O'Toole: You call this lucky?

Mr Hampton: Ernie Eves would have prayed for this luck.

Given climate change and the fact that the weather is increasingly unpredictable, I don't know what happens in a severe winter or in a very hot summer.

When you strip away the rhetoric about the IMO is going to have a name change and you're going to create the OPA and the OEB is going to get a shuffle, this looks virtually identical to the Conservatives' profit-driven private hydro scheme. I think TransAlta are the people who are really being honest here, and the minister had to deal with the TransAlta question when he went out to speak to the private investors in Calgary. TransAlta simply said, "We've got a $500-million cogeneration plant in Sarnia, but we're only running it at one quarter of its 575-megawatt capacity because it's not worthwhile for our company to produce more power in the capped spot market." In other words, they'll only produce more power if the price goes up significantly.

I don't know why the government doesn't just admit what I think is the reality: Your plan for hydroelectricity in this province is essentially the same as the Conservatives' plan for hydroelectricity in this province. They were going to privatize hydro through the front door; you're going to privatize it through the side door. You're going to try to pretend that it's not happening. But I heard the minister say very clearly today that virtually all new hydroelectricity provision in this province will be private, profit-driven hydroelectricity.

I just want to say a few words about conservation. We've had some very interesting people come forward and talk about conservation, and I think the Pembina Institute probably provided some of the best literature in terms of actually going out and doing studies and reviewing what's going on. The Pembina Institute shows us that, once again, what this government is talking about in terms of energy conservation and energy efficiency is really quite token. In terms of household consumers and apartment consumers, the government wants to play up—

The Vice-Chair: Mr Hampton, your time is up.

Mr Hampton: Just give me two more seconds to finish. The government wants to talk about off-peak and

using the new meters to shift off-peak. I just want to point out that a review of California's conservation efforts shows that using the new, much-ballyhooed meters really only succeeded in load-shifting of 31 megawatts, compared to the 500 megawatts initially planned. In other words, it wasn't much of a success. If that's your real strategy in terms of conservation and energy efficiency for homeowners and apartment dwellers, I suggest you learn from the experience of California. Your plan is pretty modest at best.

The Vice-Chair: I want to thank the ministry staff, the members of the committee, the clerks and the audience for their co-operation.

Mr O'Toole: Mr Chair, before the staff leaves, there's a question I should have asked. It will take one minute.

The Vice-Chair: OK.

Mr O'Toole: Bill 35 has been mentioned here indirectly and through Howard's remarks. Initially it said that in 10 years the heritage assets would be divested down to 35% of generating capacity. What does this bill do to that statement?

Mr Jennings: The specific requirement, which was actually in a ministerial directive to Ontario Power Generation, was that over 10 years they had to divest all of their total generation until they had only 35% of the supply in Ontario.

Mr O'Toole: What does this bill do?

Mr Jennings: That isn't in legislation; it's a directive from the ministry. So if that was to be altered, it would be outside of the bill.

Mr O'Toole: That ties into Mr Hampton's question earlier about heritage assets and non-assets.

Mr Jennings: Well, it was all the generation. It was OPG's overall market share. But in a sense, this is saying to reduce their incentive for using their market power to keep the price up, you actually regulate some of it, so they don't benefit from a high market price.

The Vice-Chair: We'll break from 1 o'clock to 2 pm. We'll be back in the same room.

The committee recessed from 1300 to 1400.

ELECTRICITY DISTRIBUTORS ASSOCIATION

The Vice-Chair: Welcome, everyone. We have the first deputants, the Electricity Distributors Association, Ken Quesnelle, chair.

Mr Ken Quesnelle: Thank you very much. I'm going to have our CEO, Charlie Macaluso, just make some introductory comments.

Mr Charlie Macaluso: Good afternoon, members of the committee. My name is Charlie Macaluso. I'm the chief executive officer of the Electricity Distributors Association. It certainly is our pleasure to be here today, and we are grateful for the opportunity to address the committee on Bill 100.

To begin, I'd like to introduce more formally the gentlemen with me here. To my immediate right is Ken Quesnelle, the EDA chair. Ken is also vice-president of Woodstock Hydro. Our vice-chair, to my far right, Mike Angemeer, who is president and CEO of the Veridian Corp. The Veridian Corp is the local LDC serving communities including Ajax, Pickering, Clarington and Belleville.

As you can well appreciate, Bill 100 represents a significant piece of legislation for the province's distributors. The provincial government's energy strategy is going to alter the roles and responsibilities of those who deliver power to Ontario's homes and businesses.

Before our chair addresses the proposed legislation, I would like to take a few moments to speak to you in general terms about Ontario's electricity distribution industry and the role of the Electricity Distributors Association. The association has a long and distinguished history dating back to the foundation of the electricity system in Ontario early in the 20th century.

The EDA is the voice of Ontario's electricity distributors—the publicly and privately owned companies that safely and reliably deliver electricity to over four million Ontario homes, businesses and public institutions. The association represents 90 local distribution companies, which is approximately 98% of the consumers of Ontario, or what we refer to as the LDCs, across this province.

The EDA board of directors is elected by distribution companies from every corner of the province, representing distribution companies of all sizes and from every geographic region in Ontario. In turn, our members directly represent the vast majority of the province's electricity consumers.

Most distributors are locally owned and operated, one is provincially owned, and a few are private companies. In most cases, the shareholder is the local municipality and its local council.

The role of distributors is to take electricity from high-voltage transmission lines and safely provide it to homes and businesses at an appropriate voltage throughout the distribution franchise area. Distributors are on the front line of electricity matters, acting as the customer's point of contact. They are consumers' primary billing agent, including those who have signed a retail contract. They also provide customer service through regular repair and maintenance, call centres, education campaigns and emergency response.

Local distributors provide a number of substantive benefits to their local communities and the provincial economy. The province's electricity distribution industry provides employment to almost 10,000 Ontarians. They also invest well over half a billion dollars in the provincial infrastructure.

In addition to the EDA, a number of electricity distributors will also appear before the committee throughout this process. They will provide a specific viewpoint on the impact Bill 100 will have on their individual businesses. These individual perspectives will reinforce many of the same issues and challenges that we will be sharing with you here today.

To provide the LDC perspective as it relates to Bill 100, I'd like now to turn it over to our chair, Ken

Quesnelle, who will speak to you specifically on the proposed legislation and its impact on Ontario's electricity distributors.

Mr Quesnelle: Thank you, Charlie, and good afternoon to the members of the committee. First of all, I'd like to thank you for your invitation to participate in this process and to be given the opportunity to provide you with an LDC perspective on Bill 100.

At the end of July, the Electricity Distributors Association gathered with its members at a special Bill 100 consultation. We shared ideas, highlighted potential challenges and provided feedback on the implications this legislation would have on our sector. Today, I would like to share that input and provide other feedback that the association has gathered over the past number of weeks regarding this proposed legislation.

Let me start with those elements of the bill that we view positively. First, last year, in anticipation of the expiry of Bill 210, the association developed a policy proposal for the future structure and operation of Ontario's electricity market in a province-wide consultation with its distributors. Bill 100 reflects two key objectives of EDA's policy proposal for the future of Ontario's electricity sector: first, electricity prices that reflect the true cost of power, and second, a contract-based pricing system for default supply that ensures stable rates for low-volume consumers like residential customers.

Under Bill 100, the Ontario Energy Board is responsible for market rules. The EDA applauds this change. This should remove regulatory seams and improve the position of LDCs as market participants. The EDA has long expressed concern over the lack of coordination between the work of the IMO and the OEB.

Under the current legislative framework, neither the IMO nor the OEB has complete rule-making authority over issues at the wholesale/retail market boundary. The result has often been the imposition of enormous costs on LDCs. For example, the Electricity Act, 1998, made LDCs no-risk default suppliers, and the OEB regulated LDCs as if this were true. But the IMO rules on settlement created enormous commodity risks for LDCs in the event of customer default. This seams issue has been very problematic for the province's distributors. The changes proposed in Bill 100 should help redress this imbalance.

The government has taken the first step in breaking down the wires-only barrier by permitting distributors to become involved in demand-side management or DSM-related activities. The 1998 Electricity Act created LDCs as wires-only businesses. This led to the development of complicated corporate structures, affiliate companies and the affiliate relationships code to manage these relationships. The wires-only model prevents distributors and their shareholders from capitalizing on obvious efficiencies such as combined billing for water, sewers and electricity. We applaud the government for this change and note that we anticipate savings that could be passed on directly to consumers.

Bill 100 does not directly address electricity distributors' role in demand-side management but is generally consistent with the principle of providing LDCs with the commercial incentive to participate in DSM activities on a voluntary basis. We firmly believe that this type of approach will foster ingenuity and expertise of local distribution companies. It is hoped that this will result in more electricity conservation and better enable the creation of a genuine conservation culture.

The language of Bill 100 indicates that the Ontario Power Authority, OPA, will contract with distributors to undertake DSM activities but will not dictate to them what particular DSM programs are best for their individual communities.

I believe that we are moving in a positive direction, and that, combined with an effective regulatory mechanism that holds LDCs harmless from the DSM-related revenue erosion, will generate significant levels of LDC-DSM activity across the province. While the OEB's statutory objectives have been changed, the OEB still has maintained the financial viability of the distribution industry as a goal. It is fundamental to the growth of DSM programs in Ontario that disincentives be removed from LDC participation.

Now I'd like to address those elements of Bill 100 that our industry has concern with.

(1) The electricity distributor's obligation to sell: Currently, either LDCs provide all the electricity or retailers provide all the electricity, at the complete risk of an LDC. Section 38 of Bill 100 requires distributors to serve a portion of a customer's load if that customer signed a retail contract—for instance, a green energy contract—for only part of that customer's load. This obligation to sell power for part of a customer's consumption will require substantial expensive changes to billing and settlement computer systems and will complicate even further a distributor's obligation to track costs for the Ontario Energy Board. These are costs that will ultimately be borne by all customers.

As an alternative, green energy contracts should either be sold by retailers or LDCs to their customers or be included in OPA's green energy portfolio and have the cost included in the regulatory supply mix. The EDA is of the view that section 38 of Bill 100 should be removed.

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(2) Bill 100 removes the exemption that distributors previously enjoyed from the Municipal Freedom of Information and Protection of Privacy Act. While the EDA understands the need for public transparency, there is significant concern among LDCs that the application of MFIPPA to distributors will create another administrative burden that will necessarily impact consumer rates. This is an unnecessary layer of consumer protection considering the close scrutiny that electricity distributors are already subject to from the OEB, their shareholders and the securities commission where applicable. In the absence of any indication that there is a problem with transparency and accountability at the

municipally owned LDCs, the government should rely upon the good governance and scrutiny of local councils to ensure that distributors are run in the interests of their local shareholders. Several distribution companies have communicated to the EDA that there will be major cost implications flowing from the application of MFIPPA. This provision of Bill 100 should be removed and the exemption allowed to remain in place.

(3) Bill 100 seeks to create independent boards of OPA and the Independent Electricity Market Operator and to create industry advisory committees to advise those boards. At the very least, the EDA takes the position that there must be LDC representation on these advisory committees.

Last, I would like to address the matter of what has not been included in Bill 100.

First, demand-side management: Although DSM is only part of the overall solution that will ensure an adequate electricity supply for the province, it will be key to providing an important piece of that solution. It is the EDA's belief that under the province's new electricity strategy, distributors will be positioned to play a critical role in the delivery of effective, long-term DSM programs for Ontario's electricity consumers.

This morning, the minister indicated that the OPA should not dictate what DSM programs will work. The minister indicated that LDCs are in the best position to do this, and we wholeheartedly agree.

However, much of the information currently flowing from government and the Ontario Energy Board on DSM lacks clarification on some key issues that will affect a distributor's ability to implement sustainable DSM programs. This vagueness is hampering the ability and willingness of many LDCs to move forward on these initiatives. A number of outstanding and unanswered issues have not been addressed by the proposed legislation thus far.

The transition costs that will be incurred by LDCs in implementing DSM programs are a concern for many of our sector. In order to offer effective and sustainable DSM programs, the province's electricity distributors have advocated that upfront compensation for projected operating costs of DSM programs will be required. Distributors must be kept whole through this process. In order to do this, a mechanism must be in place to recover lost revenue resulting from a reduction in electricity consumption. We are encouraged by the minister's statement this morning where he indicated that the government wants to encourage LDCs to implement community-based conservation programs by removing financial barriers.

There remain several regulatory hurdles which prevent distributors from engaging wholeheartedly in DSM activities. Currently, LDCs have to recover expenditures after they are incurred by their regulator, the OEB, in the rates that the LDC is able to charge its customers. The OEB reviews these expenditures with the benefit of hindsight for prudence. A clear definition of what would be considered to be a prudent DSM investment is an essential bit of guidance required from the OEB if DSM programs are to get off the ground. The regulatory risk that LDCs should be exposed to when investing in DSM activities needs to be minimized. Again, we are encouraged by the minister's comments of this morning.

The second item is commodity risk. The original market design did not contemplate that the commodity risk—that is, the risk associated with the default of consumers to pay for their electricity—would involve distributors. LDCs were defined as pass-through agents for the commodity. The OEB recognized this and expressed concern about the need for LDCs to operate as true pass-through agents. Despite this, the LDCs are propping up the market through posting prudentials that ensure that the defaults are covered off in the market.

When defaults do occur, the LDCs must bear 100% of the loss, when distribution charges only represent 20% of the total bill. All the other upstream players—transmitters, generators, the independent electricity system operator—are guaranteed 100% of their cost and profit recovery. This problem needs to be addressed and ought to be resolved in this framework legislation.

The most obvious public example of this problem is the financial hardships of Stelco Steel. Stelco has unpaid electricity bills in the millions and, while all market players have received payments for that power, the LDC is facing a significant loss. This bill, if not paid by Stelco, will be borne by the other residents of Hamilton.

If retailers are going to continue to operate in Ontario, the EDA firmly believes that they should pay the true cost of their participation as a full wholesale market player. As an example, retailers provide no money to the IMO or the IESO for prudentials, leaving the LDC responsible for this financial guarantee. The participation of retailers in the marketplace needs to be addressed in this legislation.

In conclusion: Overall, Bill 100 is a step forward in the continuing reform of Ontario's electricity system. The province's electricity distributors are encouraged that a number of significant issues are being addressed in the proposed legislation that have long been advocated for by the distribution industry and the EDA.

Although a number of details regarding regulation and implementation of the legislation have yet to be worked out, the EDA and Ontario's distribution companies welcome the opportunity to work with government and to participate in such hearings as today's committee hearing on Bill 100.

Ontario's electricity distribution sector recognizes the importance that the implementation of substantial and timely conservation measures has with the current government. We have always advocated that, by working in partnership with electricity distributors, government and regulators, we can achieve the best conservation results in the shortest time possible. With this in mind, the EDA will continue to work closely with the Ministry of Energy and the Ontario Energy Board to find cost recovery, revenue adjustment and incentive mechanisms that are the most efficient to operate and are best calibrated to deliver results.

I'd like to thank the members of the committee for your attention and consideration of some of the concerns and outstanding issues that the electricity distributor sector has as it relates to Bill 100.

The Vice-Chair: Thank you, Mr Quesnelle. You have about 12 minutes just to open the floor for questions. First from Mr Arnott.

Mr Arnott: I want to express my appreciation to your organization for the good work that you do. You've done an extraordinary job in recent years with all the change that's been initiated by three governments, and I think you've handled those responsibilities very well.

I have a good working relationship with some of the local distribution companies in my constituency, whether it be Centre Wellington Hydro, Doug Sherwood and his staff; Waterloo North Hydro, Rene Gatien and his staff; and Ron Charie and his staff at Kitchener-Wilmot Hydro. In fact, during the hydro outage last year, I felt that I was getting the very best advice and information that I could possibly get from my local distribution companies that I'm privileged to represent in my constituency.

I just want to also give you credit for publicly embracing, in principle, the idea of demand management because, certainly, if we're successful in terms of reducing our consumption of electricity in Ontario, the local distribution companies face another big challenge, as you've expressed. The Premier has indicated that, as a goal, we should try to reduce our consumption by 5% by 2007. What does that mean to your organization in terms of dollar figures? You hadn't indicated that. If we are successful in that endeavour, how much does it mean in terms of lost revenue to your companies, and how are we going to deal with that?

Mr Quesnelle: Well, the number is significant, obviously, and I don't have a dollar figure off the top of my head, but suffice it to say that when every dollar is counted and we're looking for ways to save money, we do not need further initiatives that lower our revenue side of the business, obviously. I think the number would be substantial, and it certainly needs to be addressed.

There are many ways that it can be addressed, and I think we have to have some really thoughtful discussions on that. There have been discussions as to using the gas model for revenue protection mechanisms. We'd just like to make the point that we have to look there, and perhaps look there first. We have to keep in mind there are distinct differences between the two industries. There are a lot of things that can be done, and these are current initiatives. The rate design that we select as we're going forward—and we're looking at rate design changes in the next couple of years—there is a lot that can be done to mitigate those revenue losses just by the design of the rate. LDCs have a certain portion of the revenue stream that's on fixed cost, and some is on the variable, which rides on the commodity. If we lower and alter that mix going forward, we reduce the mitigation of the lost-revenue requirement and it also allows us to be, I suppose, more enthusiastic partners in demand-side management. That is one area that I think deserves a lot of attention.

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Mr O'Toole: I just wanted to put on the record that I appreciate the work you've done on the smart meter debate. To be clearer on that, I've read your report, prior to today of course, recognizing for the public that there are two meters: time-of-use and also the interval meter.

You put out a kind of price comparison here for implementation. I'm of the opinion, and it goes right back to the comment you just made with respect to the pricing strategies they develop, that it's all part of this, really, how you price it in and how you incent people to conserve. It's a huge debate. This really just talks about the technology questions as well as the software and hardware connections and billing problems that you would ultimately have. There's no question about it. If you're going to be monitoring 15-minute prices on a spot market and you're sending a uniform pricing policy at the government, it makes no sense. There's no incentive for the consumer at the end of day. I support the conservation culture theory, but this smart meter debate is not about that for the residential consumer; it is for the big consumer. It's there today. Many of them have demand response management tools out there today.

I just wanted to compliment LDCs again. My LDCs locally, and also Veridian and others, are very communicative. I think they've established extremely good relationships with the consumers.

What would you like to see as a governance model, your role with the new restructuring on IMO—

The Vice-Chair: Mr O'Toole, I guess the time's up, because I have to give a chance to others.

Mr O'Toole: Well, he can respond to that. What's the relationship governance-wise—

The Vice-Chair: That way, Mr O'Toole, we won't have enough time for both parties. You guys used your time. My apology. You might ask the question later on or after the meeting.

Mr Hampton: I want to ask a follow-up question to your comments and to the question that Mr Arnott asked earlier. What I think I heard you say is that in terms of the final retail transaction, the sale of electricity, the EDAs bear a lot of financial risk. You are essentially on the hook. Everyone downstream gets paid: the generator, the transmitter etc. They all get their money, but you're left there on the hook in terms of somebody who doesn't pay, right?

Mr Quesnelle: That's right.

Mr Hampton: You used the example of Stelco.

Mr Quesnelle: Yes.

Mr Hampton: So, potentially, your costs can be very high. You've got a big chunk of risk there to manage. Yet, as Mr Arnott pointed out, if there's a 5% reduction in the utilization of electricity, on the revenue side you potentially lose.

I guess what I'm having trouble with is, given that this legislation would continue to leave you on the hook with all kinds of financial risk on the sales side, won't it also be increasing your risk in terms of demand management? It seems to me your financial risk potentially grows significantly under this bill.

Mr Quesnelle: The element that needs to be ironed out is, and I think that's what part of the discussion here today has to be, how do we bring in these initiatives and save the LDCs as a whole? I think we've already recognized we have a prudency risk. We're responsible for default when there is a nonpayment. On top of that are the revenue losses associated with demand-side management.

When we're designing the DSM programs, we have to at the same time trigger in something which allows us to recognize that those revenues are no longer there for us and to have rate structures which compensate for that. I think they go hand in glove. I don't think you can have DSM program initiatives without a discussion on rates and how rates will be approved in the future. I think the legislation recognizes that. We just have to have that debate with our regulator as well. Obviously the policy and the implementation have to dovetail well. That's where the attention has to be paid: on the rate-setting, going forward, and recognizing that DSM does reduce the level of revenues we will be receiving.

The Vice-Chair: Now we have another question from parliamentary assistant Donna Cansfield.

Mrs Donna H. Cansfield (Etobicoke Centre): I just wanted to follow up as well. I think we've written down all of the things you've mentioned. There's no question that the entrepreneurial spirit is alive and well. I think Woodstock is a really good example because when in fact you did have a very significant loss, you turned that around into a very significant gain by using something called power purchase. I think there's something to be said about how that default turned into a plus. Maybe you could share that with the members of the panel.

Mr Quesnelle: I think what Mrs Cansfield is referring to is a system that Woodstock has used for the last 15 years which has resulted in a reduction in consumption by the people using it. Some 25% of our residents, our customers, use this system. Basically, our rates were set through a different mechanism. At that time and through the bulk of our reduction in revenue, we were having rates adjusted on an annual basis that matched our costs. We no longer have that available to us. So going forward, if that program increases, Woodstock will have the same difficulties as anyone else. Yes, there are some net savings. There's no doubt about that. Sometimes some of these mechanisms do have intrinsic savings with them. Under the old system, when we were just approving rates through Ontario Hydro, our regulator at the time, we would show our costs and our revenue requirements, and if it was in line, it was approved. Going forward, we don't have that mechanism with the Ontario Energy Board. So Woodstock is like any other LDC. If it expands on that program, it will need the same revenue requirement guarantees, basically, to be locked in.

Mrs Cansfield: But you did in fact reduce your default payments significantly—I thought it was $77,000—to the point where I think you actually got rid of that department.

Mr Quesnelle: Yes. I'm sorry, I misunderstood. From a collections point of view, there's no question that that certainly had an offsetting benefit. The types of things that we're usually on the hook for, though, are the industrial- and commercial-based. I think those are the large-ticket items—and using Stelco—which the program that Woodstock has does not address. So I think our example here certainly wouldn't be covered in that.

The Vice-Chair: The time is up. We can call our second group, the Ontario Sustainable Energy Association.

ONTARIO SUSTAINABLE ENERGY ASSOCIATION

The Vice-Chair: You have 30 minutes. It's up to you how you divide it. You can speak all the way through or you can divide it between presentations and questions.

Mr David MacLeod: Thank you for the opportunity to present here this afternoon. My name is David MacLeod. I'm a director with the Ontario Sustainable Energy Association. I'm joined today by Mr Paul Gipe, who is a wind energy expert globally and is also the acting executive director of the Ontario Sustainable Energy Association.

What we would like to talk to you about today is, actually, opportunities within Bill 100. We are going to focus on four key areas that we think represent tremendous opportunities to tap into unique opportunities in the Ontario marketplace.

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First of all, we'd like to suggest that Bill 100 represents a good start, certainly from the perspective of renewables. Our focus today will be on renewable energy. We believe the inclusion of renewables as a policy directive in Bill 100 is very laudable, and we are very supportive of that. However, we think it overlooks four key areas: first of all, the social and environmental values that are required to shape the electrical system in Ontario; secondly, we think it underestimates the potential for renewable energy in this province; certainly, we think it does not take advantage of the potential for community-owned renewable energy in Ontario; and finally, we'd like to suggest that there's a unique opportunity presented by advanced renewable tariffs, a policy mechanism that we will describe in more detail later.

A little bit about who we are: We are the Ontario Sustainable Energy Association. We're an association of member groups from around Ontario that encourages local ownership of renewable energy projects. We are supporting what we call community power, which is a concept of local ownership of the renewable energy resources in these communities. This is a practice that is very well established in Europe and other places around the world but is just in its infancy in Ontario.

In terms of specific gaps, the first gap we'd like to talk about is the social and environmental values that are missing from the bill. Our belief is that values really shape the type of system you end up with. Certainly, the values that are espoused in Bill 100 will direct the

policies and actual implementation practices for the electricity system and will really deliver the type of electricity system that we get. So the question becomes, what kind of electricity system do we want in Ontario?

We would like to suggest that electricity has a broad societal role. It's not just keeping the lights on at the lowest cost, although that's important, and critical in a manufacturing economy like Ontario. There are other impacts. Those include the environment, the health of citizens, the local economies outside the major industrial areas and future generations of our children who have to live with the long-term impacts of what we design in our system.

Upon reviewing Bill 100, it strikes us that the only values mentioned are monetary values: things like adequacy of supply, reliability, economically prudent, cost-effective—all good things. We want to ensure that electricity is an economically competitive item. But there are some key items missing.

There's no balance with the societal benefits; health and welfare impacts—you just have to live in Toronto to know, on smog days, the impact coal-fired plants and so on can have on the health and welfare of Ontarians; the environment—the importance of identifying renewable energy sources; economic development; sustainability—developing a system that is sustainable in the long term and isn't just looking at short-term fixes; and certainly distributed generation, a topic that is very important to a resilient system in the province. We feel this is not adequately addressed within Bill 100.

The question becomes, what kind of system will we get if we don't include these types of values within the context of the bill? As decisions are made about practice and people refer to the bill for guidance, if these values aren't built into that system, then the only metrics that will be used will be cost metrics. Therefore, you will end up with decisions such as, "Renewables may cost a little more, so we'll go with more polluting types of energy or nuclear energy because those are perceived as more cost-effective." We think we're missing a key opportunity here which will have a significant impact in the long-term development of the electricity system in Ontario.

Our recommendation is that Bill 100 be amended to integrate these social and environmental values. Address the economic ones but balance them for optimization of health and welfare and the societal benefits.

Now we'd like to move on to the prospects for renewable energy, because certainly if the right values are in place for this system, then one of the opportunities is the opportunity of renewable energy. We think there are some good steps taken in this bill, but that we're really underestimating the opportunity at hand.

There is this myth that renewable energy is in its infancy and that it's only ever going to be a fringe element in the overall system mix in Ontario. What we suggest is that wind energy—renewable energy—is here now. If you look at this chart, it shows the worldwide wind-generating capacity. If you look at continents like Europe and countries like the United States, you see there has been dramatic growth in renewable energy around the world. So while it is in its infancy in Ontario, in the rest of the world it's mainstream and playing a significant role in the energy system mix.

Again, if you look at these countries, Germany has 14,000 megawatts of wind-generating capacity alone. Germany is a country pretty much similar to the size of Ontario. So if you look at that and say 14,000 megawatts, that is significant. Similarly, Spain and Denmark have also made significant growth in wind energy. Down at the bottom, barely on the radar scale, is Ontario. I know there are some tremendous projects planned for this province, but there is a significant amount of upside here.

I don't think I need to preach in terms of "Why renewables?" Obviously they are clean and green. We have no SO_x or NO_x or carbon dioxide. They are sustainable. We don't have supply risk in terms of our oil reserves or our gas reserves going to run out; the wind and the sun are going to be there forever. We have security of supply, so we don't have to worry about where that energy is coming from.

One of the advantages in a province like Ontario is that renewables are modular. They can be quickly installed when needed, as needed, where needed, by anyone. You don't need a 10-year time frame to develop a large generating station. These types of projects can be done quickly in a very modular fashion.

They are also very flexible. The size and scale of them can be big or small. They can be located near or far, in a variety of places around the province near the load, and they have short lead times for development. Wind energy can be brought on stream in a very rapid time frame to really help make a contribution to the energy supply requirements of Ontario, and certainly ownership can take a variety of forms in the province.

Lest you think that wind energy can't be a significant part of the energy mix, here are some examples from around the world. In Spain, 2% of their energy now is from wind energy; in Germany, 4%; in Denmark, 17%. If you look there, a couple of regions within Germany and Denmark actually have significant penetrations of wind energy in their energy mix and one is actually an energy exporter. The technology is there, the means of integrating wind and other renewables in the energy mix are there and are proven, and there is hands-on experience of these things. So there is a tremendous upside.

How does this relate to Bill 100? The thing that concerns us is that currently Bill 100 gives the OPA powers to establish system-wide goals for the amount of electricity from renewable energies. That's good if these are minimum goals; it's bad if these are considered caps on the amount of renewable energy as part of the mix. If we say 5% or 10% is the maximum amount of renewable energy that will be contracted for Ontario, then we're missing the opportunity and we're stymieing and stifling the growth of this tremendous industry.

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Our recommendation is a fairly simple one. It is that any goals or any targets that are identified be referred to

as "minimum acceptable" amounts for renewable energy. We encourage the committee not to restrict the potential for renewables in this way.

How we tap into this potential for renewables is what leads us to the third gap, and it's what we call community-owned renewable energy. What is community power? First of all, by our definition, community power is local. That means it's rooted in and responsible to the community. It's locally owned, whether by farmers, co-ops or First Nations groups. The people who are seeing these things in their backyard are the people who own it.

We are talking about commercial-scale technology. For example, for wind turbines, we're talking about utility-scale wind turbines, not hobby turbines, but human-scale projects; so in essence a critical mass of smaller projects that make a big difference: small-scale projects but not small-scale turbines.

Why community power? The experience in Europe and other countries proves that community-owned power provides more power more quickly. In Denmark and Germany, it was community-owned power that actually led to the growth of the wind industry in those economies. It wasn't the private developers; it was farmers and co-ops getting together, developing these wind projects in their communities and making a significant impact on the amount of energy produced.

When you do that, you end up with more people involved locally, which leads to more education about energy in all ways, whether it's conservation or the importance of renewable energy. We suggest that this also leads to greater acceptance of these technologies. You don't end up with the NIMBY factor, where a large private company comes in and wants to put up 100 turbines and the people in the local area may not feel they're getting any benefit from it.

You end up with more money locally. The money stays in the communities because the communities are the owners of the projects. The revenues from the projects stay in the local communities. We think that's very important. If you look at the rural economies where most wind projects can be built, you've got small farms, you've got farmers having to leave the farm and scale back their operations, and you've got rural economies that are looking for economic diversification. If the ownership is placed there, then the financial benefit stays in those communities. By its nature, you end up with more jobs locally and more distributed generation. You don't end up with a few really big projects in a couple of areas; you end up with hundreds of smaller projects around the province.

In case you don't believe me, here are some examples of how it has worked in other places. In Germany, the co-ops there have produced 5,000 megawatts of capacity. This has represented a C$7-billion investment by the people in the local communities—$7 billion by people in communities contributing to the energy solution. Some 300,000 people own shares in wind co-ops in Germany. This is a significant untapped opportunity.

In Denmark, the Middelgrunden co-op, one of the most beautiful offshore developments in the world, is a 40-megawatt offshore project. Half of it is owned by the co-op and half of it is owned by the local utility in a unique partnership. Some 8,500 local investors have put up approximately $1,000 a share—if you do the math, $8.5 million—and own half of this project. It's visible from the local Parliament, so it's like having this offshore development right outside the front doors of Queen's Park—a beautiful reminder every day of what wind energy can do.

Here at home, on a more modest scale, the Toronto WindShare project is an example of this community power. It's the first urban turbine in North America and it's co-owned, similar to Middelgrunden, by a WindShare co-op and Toronto Hydro. There are 427 local investors, who have contributed between $500 and $5,000 to the ownership of this project. It's in a very prominent location, obviously, and one that is highly popular. We have an education centre down at the base of that turbine which continually provides information to visitors who come down and are interested in learning more about renewable energy. This project was modelled after the successful projects in Europe, so this is the seed of what is possible within Ontario.

Just to talk a little more in terms of the energy system, community power by its nature results in a more distributed generation. You end up with projects around the province, as I said, rather than in a few main areas. This extends the opportunity to many people and fosters greater energy awareness. But more important, as we come up to the anniversary of the blackout last year, this adds more resiliency to our system. When you've got hundreds of smaller projects near the load, you end up with a more resilient system, less vulnerable to breakdowns, less vulnerable to sabotage, and less line loss in the distribution.

Here are some visual examples of these types of projects in Germany and Denmark. They fit very nicely into the local landscape.

So how do we do this? How do we ensure that we can tap into this opportunity in Ontario? First of all, community power requires a deliberate policy mechanism in order to capitalize on these benefits. You need to recognize that there are a variety of benefits that come from community power and that community power needs both a simpler and more streamlined process and a level playing field. I'll show you an example of what I mean by that.

Paul and I have been out doing a variety of workshops around Ontario in rural areas, and inevitably there are 250 to 300 farmers who show up and ask Paul, "How can I do this?" Unfortunately, Paul has to turn around and send them home and say, "You can't." And here is the reason: Right now, if a farmer wants to build this, what price is he going to get for the power? Well, he doesn't know. He has to go into a bidding process against large private developers and corporations who are building 100-megawatt projects versus his small, one-megawatt project. There's just no comparison. You can't compete.

The second fact is, how does this poor farmer interconnect with the transmission system? As you may hear in other presentations, this is an extremely complex and onerous process. I was talking to a private developer last week who has spent a year doing studies on the interconnection of their project to the transmission system, and close to $100,000. So a farmer is just going to say, "I don't have the time, the money, the resources or the expertise to do this."

Thirdly, the overall process is very complex and mammoth. The amount of money that's required to prepare a proposal for the current renewables tender is Herculean. Again, a farmer has many other things he has to do, and he will walk away.

Finally, when the farmer doesn't know what price he's going to get for his power, how is he going to get the financing from his local bank, which says, "We don't even know if you can get a contract. We don't know if you can hook up. We don't know what the price is. So you want me to lend you $1.5 million? No." So right now, this potential with farmers and so on is untapped.

We suggest this is a gap and that we need to clearly identify the most appropriate policy mechanisms to support this type of community power. We suggest that Bill 100 should explicitly acknowledge community power and ensure the appropriate mechanisms.

That leads us to gap number four, which is the opportunity provided by what we call renewable energy tariffs. This is the mechanism that we're suggesting can allow Ontario to tap into this potential.

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Ontario is a new market filled with great promise: a potentially large market for renewables, a potential new manufacturing base, and some rural economic development. The renewable energy industry can grow very rapidly with the right policy framework. So the question is, what is the right policy framework?

Again turning to Europe, which is the major market where this has been successful, the two key variables are (1) the right to interconnect, and (2) a concept called renewable energy tariffs. If you look at this graph, you'll see that when renewable tariffs were launched, there was dramatic growth. This chart also shows just the growth on an annual basis of wind energy under the renewable energy program.

Advanced renewable tariffs create dynamic markets, they ensure price stability, and they encourage the opportunity for many players. So what are they? Well, first of all, they're a political price, not a political quota, and that means there's a minimum price per kilowatt hour that is determined through a reasonable process for a fixed period. That price applies differently to different technologies. So, in other words, a price is set for wind, a price is set for hydro, and a price is set for solar. That recognizes the different cost factors in these.

These programs are simple and comprehensible—a farmer can read it—and it requires little or no administration on the part of the province and the environment ministry, which we know is facing quite a mound of proposals coming in on the current RFP.

Again, this just shows the growth of wind energy in European countries that have adopted this, and it's not only wind energy; it's solar energy in Germany. What has this done? Well, a case study in Germany just drives home this point. In terms of renewable power, 50,000 PV installations, 1,600 biogas plants, 6,000 hydro projects, 15,000 wind turbines: a total of 70,000 generators, generating 25 terawatt hours per year, which is the equivalent of 17% of Ontario's power. Not only has it generated incremental power, but it has generated a whole new job industry. So 45,000 people in Germany are employed in the wind industry, 110,000 jobs are expected by 2010, and 10,000 people are employed in the solar industry.

It might be tempting to say, "Well, this is one of those unique German things and they do things differently and it doesn't really apply to Ontario," but a scan of policies around the world shows that this policy mechanism is widespread and very effective. If you look at the list of countries that currently have it and a number that are on the verge of adopting it, you realize that this is a vital policy mechanism that is being recognized for its effectiveness around the world.

While section 25.29 says that the OPA must provide for simpler procurement processes, we suggest that it needs to address advanced renewable tariffs for community power. Therefore, that should be built into Bill 100 to recognize that this is the preferred mechanism for tapping into community power.

To summarize, our key recommendations are that Bill 100 should incorporate social and environmental values; set minimum goals, not limits, for renewable energy; affirm the importance and benefit from the opportunity of community-owned renewable power; and finally, create the right mechanism to allow that to happen.

Thank you for your time.

The Vice-Chair: Thank you, Mr MacLeod. We have, I guess, six minutes. We can divide, since the deputy is not here. First, Mr McMeekin asked to speak. We'll just do the rotation.

Mr McMeekin: Thanks very much, Mr Chairman.

Thank you very much, too. I had been to a lot of alternate-energy-type presentations, but I think you put it together as nicely as I've ever seen it done in terms of—well, I think you've given new meaning to the term "power to the people."

Mr MacLeod: Thank you.

Mr McMeekin: I've always been one who thinks government needs to be stretched. I think we can be lean and mean and keen and green at the same time. So I appreciate that.

I also appreciate—and I'd like a little bit of comment from you on this. The feds had a round table on the environment and the economy. One of the points they made was that what—I'm generalizing. They made a lot of points. The point I came away with was that what gets measured gets done. Throughout your presentation I was

picking up that maybe the bill doesn't help as much as it could in terms of getting things measured. What help can you give us in terms of developing a broader understanding of how we measure things—I guess this ties into the cost-benefit question I asked earlier this morning—and would you be prepared to work with us on that?

Mr MacLeod: Certainly the Ontario Sustainable Energy Association has offered its support to the Ontario government to look at how these types of approaches can be integrated. In fact, in the fall we're bringing over from Europe experts on these types of policies to hold a working forum that is open to all interested parties on how this can help shape the policy system in Ontario.

Mr McMeekin: I think we should be part of that if we can, Mr Chairman. Sorry.

Mr MacLeod: Second, I think you hit the nail on the head: What gets measured gets done. If you look at the purpose of the act, it acknowledges the importance of renewable energy and the government has set targets for it, but the electricity system impacts a variety of areas. So it needs to balance the economic goals with the other measures.

I was just reading a report from the David Suzuki Foundation where their elders' council has come forward and said, "What is the true measure of wealth?" We need something beyond GDP that looks at the environment and the health metrics. Currently Canada is 28th of 29 industrialized countries in these types of metrics. I think those types of things are very good to help focus people on how we are doing against these things. So I think that's an excellent suggestion.

Mr McMeekin: You've suggested the conference. You're prepared to work with us around measurables and such. I really appreciate your presentation and the scope of what you're saying.

Mr O'Toole: Thank you very much for the work you've done in putting together a rather fragmented attempt to get the voice heard for the whole renewables sector. I commend you. You've done a lot of work here on this.

I'd also recommend for your reading the report of the alternative energy task force that was commissioned. Steve Gilchrist was well-known, and that committee did a lot of great work. There were a lot of recommendations that you talked about today, like the renewable portfolio standard. I think that report recommended quite an aggressive policy direction which would have been supportive of what you're suggesting here.

The gaps are—and you made recommendations. It's a very comprehensive presentation that way.

I had a couple of little points when it was through. For the most part, renewables have to have some kind of government incentive. Your last gap really talks to that. It's a tariff or a tax or whatever name you want to attach to it. It's an economics thing too. Whether it's wind, photovoltaic or whatever, until you have the economic mass on your side of generation, you have to have some scale. Hopefully the price will come down as the scale goes up in wind and other technologies.

You've costed—on page 2, you have the social gap: benefits to health. I commend it. I think we're all looking for that magic wand. Have you got any prices on any of these kinds of things? What is it? Is it seven or eight cents a kilowatt hour?

Mr MacLeod: In terms of the cost?

Mr O'Toole: Or 11 cents?

Mr MacLeod: It will vary depending on the technology, whether it's wind or solar—

Mr O'Toole: Would you be competitive at 10 cents or six cents or 12 cents? Where would you be competitive, tariff rolled in for everyone?

Mr Paul Gipe: We're suggesting 10 cents a kilowatt hour for 20 years for wind projects. It would be a different price for other technologies. This will all be discussed on October 4 at the forum, which the members of the committee and other members of the Legislature will be invited to attend, where we will have experts from Europe as well as Canada talking about, "What are those prices?"

Mr MacLeod: To put that in context, we're suggesting that that is the appropriate starting point for wind energy for small-scale, community-owned projects. For larger projects, the Canadian Wind Energy Association is on after us, and I'd encourage you to ask them what the reasonable price is.

Mr O'Toole: I've been to Pincher Creek. I've seen some of the things. They're all incented by federal money.

The Vice-Chair: Thank you very much, Mr MacLeod. Thank you for your presentation.

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CANADIAN WIND ENERGY ASSOCIATION

The Vice-Chair: Now I ask the Canadian Wind Energy Association to come forward. You also have 30 minutes. You can speak all the way through it or you can divide it between presentation and questions.

Mr Glen Estill: I'm Glen Estill. I'm the past president of the Canadian Wind Energy Association and I'm also founder of Sky Generation Inc, which is a small wind development company. Although it's a small wind development company, it is the largest private sector wind development company in the province with a single 1.8 megawatt turbine. So I am a participant in the market.

There is a handout coming to you, and you can follow through on the slides. I'll be addressing it to you as we go through the slides.

The first point I want to make is to emphasize that the potential contribution to electricity supply from wind energy in Ontario has traditionally been very substantially underestimated. The industry believes that 6,000 megawatts is conservatively available at very economic prices, probably 10 cents per kilowatt hour or lower. If you have higher prices you can have more wind energy because you can utilize more sites. To give a perspective, 6,000 megawatts is about 10% of the supply of the province, which is more than the output of the Pickering

station today. So it's not insignificant and is currently an entirely unutilized resource.

To give you a bit of perspective on where Ontario stands in Canada, we're fourth. We've behind Quebec, we're behind Alberta, we're behind Saskatchewan, and we're only one megawatt ahead of Prince Edward Island. If you think about it, Ontario typically leads Prince Edward Island in most things, with the exception perhaps of lobsters, potatoes and Anne of Green Gables souvenirs. I, for one, don't think we should be ceding the wind energy business to Prince Edward Island. Their 140,000 people are wonderful people but our 12 million people are more.

I'd like to thank David and Paul for their wonderful presentation. It gave a very good grounding on what wind can do, but there are some key issues that should be understood.

A few of the other advantages of wind energy: Fast deployment is a key advantage that wind offers. When you look at some of the other technologies that can be brought on, whether it's the Beck tunnel—it's a good project and I'm glad to hear it's going ahead, but it's going to take five or six years to get there. The nuclear refurbs: We've been working on the first Pickering refurb for a considerable period of time. New nuclear is going to be a 10-year process. So speed of deployment is a key advantage that wind offers.

In the past in Ontario, we've gotten into trouble because we decided in 1980 what the demand is going to be in 1990. Guess what? You cannot decide in 1980 what demand is going to be in 1990. It cannot be done. Nobody knows what demand is going to be. What's going to happen to the energy efficiency of refrigerators? What's going to happen to the development of the Internet and server farms? Nobody can tell. I'm from the computer business and I can tell you that in 1995 I would have had no idea that Internet server farms would have an impact on the electricity market in the year 2002 or 2003.

Speed of deployment: You can build a wind project, once it's permitted, within about six months, which is quick.

Correlation with demand: Ontario is a dual-peaking jurisdiction, and although our peak demand in the summer is about as high as in the winter, in the summer it runs for an hour or two. In the winter, peak demand lasts all day. Guess what? Peak winter days are usually associated with high winds, because wind sucks the heat out of buildings, creating more fans for furnaces as well as more electric resistance heating where electric heating is used. So wind energy actually works very well with a jurisdiction like Ontario that is dual peaking but does have higher total demand in the winter.

It's also complementary with existing water power resources. You'll hear big utility types often say things like, "You can't rely on the wind. What do you do when the wind isn't blowing?" We already get a quarter of our power from water power and some of that has dam-based storage, and certainly it has 24 to 48 hours or 72 hours or even a few weeks or months of storage. When the wind is blowing you allow the water to accumulate behind the dam, and you let it run through when the wind isn't blowing. So we already have the ability to put in a substantial amount of wind; that's without tapping any new sources of storage supply in Manitoba or Quebec.

I'll touch briefly on the wind energy benefits. There's the rural economic development. Wind energy will be installed in areas that are typically not that prosperous. If you go down to the shore of Lake Erie, up to the beef country of Bruce county, out in eastern Ontario around Kingston, this is where the wind is going to be found: along the Great Lakes. These are areas that can use the economic development that wind energy can bring in terms of lease income for farmers, in terms of jobs for people in service, in terms of jobs putting in the rebar, putting in the cement, constructing the turbines and so on.

I also believe that Ontario is a sizable enough market that we could attract manufacturing. All the European manufacturers of wind turbines are looking for a North American manufacturing strategy. All of them are waiting to find out what jurisdiction has the long-term, stable, progressive policies that are going to develop a market so they can build the wind turbines here. I think Ontario has a chance to jump to the lead with proactive action by the government, by the province, to establish the fact that Ontario is going to be a major wind source.

Another key issue is that wind is not subject to continental energy price fluctuations. We hear a lot about gas being a good solution, and it's not a bad solution. We certainly need some gas in; it's a very good peaking solution. But gas prices are high and they're forecast to stay high, and there are some forecasts that we're going to have some difficulty in meeting demand over the next five to 10 years. So I think it's certainly worthwhile to have at least some of our supply coming from an infinite source like wind. It's clean; there's no asthma caused by wind turbines; there are no health care cost associated with it; there's no uncertain, long-term toxic waste storage that's required. The other key issue is that the financial risk is limited. We don't know what the financial risk of long-term waste storage is; we really don't. Nobody can tell you. With wind, you can put out a contract to buy the power and obtain that power without putting ratepayers of the province at undue financial risk.

I want to touch briefly on the acceptance of wind. This is an issue I want to tackle head on. Some people are concerned that maybe wind energy isn't going to be broadly accepted and that there are going to be some NIMBYs who opposed to wind energy because they don't like the look of it in certain areas and so on. There are going to be some people who don't like it, but I can tell you that my experience with it has been overwhelmingly positive. Like anything negative, you're going to hear a lot more about that in the press than you're going to hear of the positives. I put up a wind turbine and I announced a grand opening for it. November 27 was when the first power was produced. November 30 was a

blustery, snowy winter day on the Bruce Peninsula. In a community of 3,500 people we expected about 150 to come out to the grand opening. We had cars backed up all the way down the 3,000-foot lane and spilling out on to Highway 6, and 850 people in total showed up. The Lionesses were very creative. I always use the story of the loaves and fishes and how they multiplied it. They went next door to Foodland and picked up some extra supplies. But we had a great day. Eight hundred and fifty people came out; nobody was opposed.

Mr McMeekin: They all carpooled, right?

Mr Estill: I hope they all carpooled. Not many walked, I can tell you.

North Cape in Prince Edward Island is another case in point. I think there are about 13 megawatts at North Cape in Prince Edward Island. The corporation that put them up is a provincial utility. They went to the tourism board and said, "We think there are going to be a lot of people wanting to come and see this wind farm. We'd like to build a visitors' centre for people to have washroom facilities and a bit of an education, maybe a classroom-type thing." The tourism board said, "Nobody is ever going to want to come and see a wind farm. Don't be silly."

In their first year of being operational, 70,000 people came to see that wind farm. In the second year there were 100,000. And guess what? They have their visitors' centre.

So I am convinced wind energy is very popular and something that you need not fear as having major negative political ramifications. I do support what the Ontario Sustainable Energy Association said, and that is that you encourage the development of small projects, because people do fear the unknown, and they fear the unknown even more when it's really large. So we need to encourage and have a mechanism in place that supports small projects to ensure that we can have large projects go ahead without undue social unrest around them.

I see Bill 100 as all about opportunities. The formation of the Ontario Power Authority, I believe, is a very desirable thing, principally because it's going to be able to offer long-term power purchase agreements. Wind energy is a very capital-intensive business but also very low in operating costs. You don't have to buy fuel for the turbine. So with a capital-intensive business, a long-term power purchase agreement allows you to drive down the cost of wind energy. It's vital that there be a mechanism in place, and the Ontario Power Authority gives us the mechanism to provide those long-term power purchase agreements.

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I would also point out that it's vital that the OPA be credit-worthy and that bankers be able to lend against projects that are bidding on OPA contracts. It's absolutely vital. I would encourage the government to monitor this, to have a dialogue with the financial community and ensure that if there is any sense that the province is paying too much for their power—I mean, let's face it; if the intent of the government is that all costs that the OPA has are going to be passed on to the ratepayers, and that's always going to be the case and that's the purpose and intent of the government, then a government guarantee costs nothing, because there will be no circumstance under which anybody could come back to the government. I'm not sure whether it's credit-worthy or not, but I do think we need to be watching that situation carefully.

Another opportunity represented by Bill 100 is the opportunity for a minister's directive around renewable energy. Essentially, this is a renewable portfolio standard that has been recommended by the alternative fuels subcommittee. We haven't had the mechanism in Bill 35 to implement an RPS. Bill 100 allows the minister to provide a directive to the OPA to go ahead and procure, and I greatly applaud that.

I do think we need to be careful about thinking that that's as much as we can do, though. Let's think about the worst-case scenario. We go out and get 6,000 megawatts of wind, we get a couple of thousand megawatts of small hydro built and a couple of thousand megawatts of biomass and we start supplying 20% of our power from renewable energy by, say, 2010 or something like that. What's the problem with that? All that is giving us is lots of options. Of course, if we go out and spend too much on it, then it may be a problem. But I think we should be saying that we should do as much as we prudently can. That builds options to not have to look at doing expensive nuclear refurbs or building new nuclear plants. I think it's vital that we build options for the future of the electricity market in Ontario.

One of the things that is stated in Bill 100 is that the OPA is directed to come out with a simplified procurement process for renewables. I can tell you that the current request-for-proposals system is not a simplified system. I spoke to one player the other day who estimates that they're going to have $1 million invested in bid preparation for that contract. That is why the Canadian Wind Energy Association absolutely supports the development of advanced renewable tariffs, if not for all wind projects then certainly for small and medium-sized wind projects where the overheads associated with a bid process substantially diminish the opportunity for bringing on their projects.

The other thing that Bill 100 does is present opportunities for local distribution companies to participate in clean generation. In the past that's been forbidden. If the local distribution company wanted to develop their own little hydro resource or put up a wind turbine, it was a bid against market rules. It's quite unbelievable that that has been the case, and I'm glad to see that in Bill 100 that's removed.

Even more important, I think the local distribution companies have an opportunity to allow all citizens of Ontario to participate in the development of green markets. I believe every citizen of Ontario or every electricity purchaser in Ontario should have the ability to tick a box and spend $5 a month extra to get their power from wind, solar or whatever source they like. Today, it's against market rules. An LDC can't even offer green

electricity. Of course, when it was designed, it made sense. They wanted retailers to offer green electricity and they didn't want LDCs to have an unfair advantage over retailers, so it made sense: "We'll make it so the LDCs can only sell a system mix; they can't sell green electricity. We won't even allow them to do that. We have to build this edge in for retailers." Bill 210 came in, put a 4.3-cent price cap in place, and retailers had no business opportunities anymore, so retailers were put out of business. The only potential mechanism to develop a voluntary green market was shut down by Bill 210—and I say the only potential mechanism; it wasn't even an implemented mechanism. I believe we need to make sure this bill solves that problem.

We heard from the EDA earlier. They are strongly encouraging us not to allow green power to go on the bill. They think that's going to cost too much. I guess the question I would have is, if it's going to be cheap and economical to put sewer and water on that bill, why is it so expensive to put on green power? It makes no sense to me at all.

I also point out that the voluntary green market is absolutely not a substitute for an RPS. The RPS is the main driver of green markets and of wind energy markets, but a voluntary market should not be underestimated as far as its potential. Alberta does not have an RPS, but they do have a voluntary green market, and wind energy supplies 2% of the load in the province of Alberta. That's over 100 times per capita what we get in Ontario from wind energy, and it's all because they have a voluntary market that is easy to administer. The people of Alberta, who breathe the clean mountain air all the time, are buying 2% of their power from wind energy.

Here in Ontario, where we don't always breathe clean mountain air, I believe there's an opportunity to buy a little bit more than 2% of our energy. But why can't we? Because it hasn't been made simple. It has been against market rules. LDCs have not been allowed to. I believe they should not only be allowed to, but I think at some point they perhaps should be required to. I think that's something Bill 100 touches on and enables, but I think we certainly need to consider that down the road. I do believe there needs to be lots of discussion. It needs to be done efficiently. We need to listen to the concerns around billing and ensure that we don't have a mechanism that's going to cost more than it's going to deliver.

To give you a perspective on 2% of power, if we can get the citizens of Ontario to volunteer to open their wallets and pay extra to bring on wind energy, 2% of the power is equivalent to the decision we made about redoing another Pickering reactor. That's not an insignificant thing. We're spending $1 billion or $900 million on the next Pickering reactor. I think that getting that kind of power put into the market on a voluntary basis for people who want to pay extra or companies that want to demonstrate to their constituents that they're interested or, by the way, MPPs who want to demonstrate to their constituents that they want to have green power for their constituency offices would be fine too.

There is a significant danger in some of the development of the Ontario Power Authority, and that is the danger of the impact on the spot market. We don't know where the spot market or day-ahead markets are going to go in the future, but what is clear is that if we have a contracting authority that is placing contracts, say, with gas generators or other sources of generation, and they say, "Well, you go build the capacity, and we'll pay you something to build the capacity and then you can bid into the market just based on your marginal cost," which is the fuel plus the operation and maintenance, we're going to have a negative impact on the price in the spot markets in Ontario.

Today the spot markets in Ontario do not work for generation. I know one of the purposes of the province is to have economical electricity prices, but one of the reasons we're in this pickle is that nobody will build a new power plant of any description at the current five cents that's in the spot market. So we need a higher price in the spot market. My belief is that not only should consumers pay the full price of power, but the spot market should reflect the full incremental cost of new power to the province.

One of the concepts of Bill 100 is to take the heritage assets out of the pool and blend those into the rate base. That would allow you to have a spot market that would have a high enough price to incent the development of new generation and be blended in so that consumers don't take it on the chin too much in terms of the power price.

The other thing I'd point out is that a voluntary market for green energy does depend on the electricity price obtained by the generator being a reasonable price. If the generator only obtains three cents for their electricity, clearly the green premium becomes a lot higher. So it's important that the voluntary market have a fair and appropriate price compared with other new sources of generation, when they're involved.

The next slide—I don't know how closely you've been following through on your sheets—has some pretty small text on it, and the reason for that is because there are a lot of other barriers to the development of wind energy, and many of them are policy barriers, and quite frankly they are not being removed in any kind of effective and efficient manner.

For several years the industry has advocated the development of a renewable energy secretariat to go after these barriers and ensure that any new policy initiatives that are undertaken don't introduce new barriers to the development of green energy. I'll just touch base on one really quickly: property tax.

The property tax burden on a wind project is roughly 20 times what it is on a fossil fuel project. Think about the policy implications. Can anybody go out to the public and say, yes, it is the right policy to tax wind power out of existence and make sure that fossil fuel pays a low tax? I know that nobody can possibly be thinking that way.

The previous government introduced a 10-year property tax holiday as their solution to this, and in the spring

budget the 10-year property tax holiday was eliminated. Now, we have been talking to finance department officials. We're working on getting some kind of acceptable assessed value on wind turbines, but it simply makes no sense, in my book, to have that kind of thing.

So to answer one of the questions with respect to what the cost of wind energy is, I would respond, what are the policy barriers going to put on to wind energy as far as added cost? It's a key issue that needs to be addressed by the government. I know it's not something that's specific to Bill 100, but there are other areas we need to go after, to address. There are environmental assessment thresholds, distribution tariffs. A real key one that's going to be coming up is the discussions around transmission, charges, distribution tariffs and that kind of thing. So we need to absolutely go and tackle those.

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If I can conclude, the Canadian Wind Energy Association supports the general outline of Bill 100 and where it's headed with the development of the Ontario Power Authority, minister's directives and the ability to have two separate suppliers of power: one green and another one being the standard supply. These are all critical things to the development of wind energy, and they have simply not been available to the government in the past. Bill 100 solves those, but I will also say that we need to be very diligent in the development of our regulations and other policies that support wind energy. All of those pieces need to fall into place, and if they do, we can have a new and sustainable electricity supply with significant supply from a new source.

The Vice-Chair: Thank you, Mr Estill. We have about 10 minutes remaining. We can divide it three ways. We'll start with Mr Hampton.

Mr Hampton: Can you respond to this question? It's one that is raised whenever you suggest to somebody who's been involved for a long time in electricity provision, "Wind is something we should really move on." They'll nod their head and say yes, and then they'll say, "The problem with wind is your greatest provision of wind energy happens in the fall and in the spring when our demand is the lowest, and the provision of wind is likely at its least in the hot days of the summer and the clear, cold days of the winter." As a proponent of wind energy, how do you respond to that?

Mr Estill: I hear that a lot from utility types and so on. The utility often says, "Well, wind can't supply all of our energy." The one response I have is, "I agree." Guess what? Neither can nuclear. I guess water power maybe could, but not in Ontario; we probably don't have enough. There is no one source that can supply all of our energy, so it's part of a diversified portfolio of energy supply. The fact that it can't supply all of your energy does not mean that it should provide none of your energy, which is the current situation. That would be the first response.

The second one is, "We need to learn more about the correlations." We're finding that the correlations on summer days—a lot of the hot summer days are fairly windy because heat creates thermal activity. So there could very well be stronger—in fact, I know for certain that you have more production during the day in the summer. Granted, it's not a huge source of power, and it's not correct to say that the biggest production is in the fall and spring; it's actually in the winter. So it does correlate very well with the winter load.

The IMO forecast for power demand in a given hour in the winter adds 15 megawatts for every kilometre-per-hour increase in provincial average wind speed, however they calculate that. If you think about that, if you have a 160-kilometre-an-hour storm, you can put 900 megawatts of wind into place just to accommodate that increase in load that occurs in the winter on a regular basis. So I think when you combine it with water power, the need for a diversified portfolio, certainly a good chunk of wind makes a lot of sense. Other jurisdictions are doing it.

Mr Hampton: When you talk about wind supplementing water or working in combination with water—I've heard that expression when I've talked with some folks in other provinces—can you explain what you mean by it?

Mr Estill: Essentially, when the wind is blowing, you can shut down the dam or let less water run through the dam basins.

Mr Hampton: Shut down your water turbines and store it.

Mr Estill: Right, shut down your water turbines, allow the water to accumulate behind the dam. When the wind stops blowing and you have more water, more head, more power output, let it run through. So it's just a matter of balancing the load.

They do this in the system all the time anyway. When a reactor goes down, they're bringing in imports or they're turning on coal plants, firing up gas plants and all the rest. So in the normal course they accommodate ebbs and flows in things.

What is unequivocally wrong is to say that wind makes no contribution because it's not something you can turn on and off. Because, guess what? You can't turn nuclear on and off either. It's on all the time whether you need the power or not.

Mr O'Toole: We're all, as Howard has said, very interested in renewable things. It's a matter of its being dismissed as an intermittent power source or some other general term.

The industry—that's you and the Canadian association—needs to do more to convince the public. Even in the Alberta experience with Pincher Creek, it's my understanding that the purchaser is the transit system.

Mr Estill: Yes, in Calgary.

Mr O'Toole: They buy a power purchase agreement with the transit authority. They buy all their electrons for the grid. That's what you need to do. How about just a simple case of doing a survey, a poll, to say, how many people are willing to pay 10 cents a kilowatt for green energy? That's the pertinent question here, and the economy of scale will allow you, over time, to be competitive.

I'm sure that—who wouldn't be investing in themselves? Is that something you've done or haven't done?

Mr Estill: There is a poll that I'd be glad to send you the results of. I'll send it to you, and you can take a look at it, but the response of people is that they are willing to pay extra. The interesting thing about Ride the Rails is that's against market rules in Ontario. Nobody can bill TTC or anybody else for green power under current market rules.

Mr O'Toole: But that's being taken care of now.

Mr Estill: We're hoping, yes.

Ms Wynne: I'm wondering if we could all see that. It would be helpful that you send it to committee.

Mr Estill: Certainly, I'll send it.

Ms Wynne: That would be great. Thanks.

On page 6, the policy barriers you identified, I want to just ask two questions about that. Are you in conversation with the ministry on these issues? That's the first question. Secondly, you talked a little bit about the property tax burden. Is that the biggest barrier, or are they all equal? Are they weighted, or is there another one that you would say is a major hurdle?

Mr Estill: Certainly property tax is a big one. There's uncertainty around it, and it's particularly important that that be solved quickly because, with the upcoming RFP, people are going to be submitting bids without knowing what the property tax assessment method is. We know Finance is thinking about changing it from the way it is to something that is more reasonable, and they need to get that out prior to August 25, which is the RFP time.

Ms Wynne: That goes partly to answering my first question, which is you know that there is some movement, that there is a conversation going on.

Mr Estill: There's a conversation, yes.

Ms Wynne: But there's an immediacy to it.

Mr Estill: There's an immediacy to that one in particular, so I would certainly put that as one of the top ones.

Ms Wynne: Can you flag any of the others for us?

Mr Estill: I think, certainly, the transmission strategy and transmission connection rules is a big one, and it's a complex one. I don't think anybody has the answers to that. There needs to be quite a bit of dialogue, but that would be the second very large one. There's going to be discussions. The ministry and, I think, the OEB have announced that they're going to have discussions in the fall regarding transmission strategy and transmission rules. I think it's important that we get that one right.

Again, it's an issue of we don't want inadvertent consequences. I'm sure that when they introduced Bill 210, they had no concept that that would kill the potential development of a green energy market. That was not the intention of it by any stretch of the imagination. It was the effect. That's why we feel we need an advocate within government that can watch for policy initiatives and make sure that the policy initiatives are compatible with developing a renewable energy strategy.

Quite frankly, one of the challenges is that the wind industry in Ontario is very tiny. We're stretched to the limit, and the people involved in the Ontario caucus are all volunteers. So it's difficult for us to be engaged with the ministries like some of the larger associations that have 40-year histories of generating power in the province.

Ms Wynne: OK. I just wanted to be sure that your understanding was that there was a conversation going on about these things, because that is my understanding, and we have asked about a number of these things.

Mr Estill: Keep asking.

Ms Wynne: Yes. Thank you.

The Vice-Chair: Thank you, Mr Estill. It was a wonderful presentation.

JOHN WILSON

The Vice-Chair: I'm asking now for the second deputant, John Wilson, to come forward.

Mr John Wilson: My name is John Wilson, and I'm a professional engineer with 40 years of education and experience in the Ontario and American electricity industries. This experience includes working for utilities and working in manufacturing, design, research and projects—working in generation, in transmission and distribution. I was part of a negotiation that broke up Ontario Hydro into its successor companies, and I also sat on the board of Hydro One.

Electricity is extremely important. In Ontario, not having affordable electricity would shorten lives and cause hardship. Although electricity is extremely important, it's often difficult to see its cost. The cost is much greater than the amount that you see on your bill. The money you pay on your bill is like the small part of an iceberg floating above the water. The biggest part of your cost is made up of the money you pay to help other people pay their electricity bills—the large, unseen part of the iceberg floating below the water.

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You help other people pay their electricity bills when you pay for a cup of coffee, a loaf of bread and a load of clothes at the laundromat. Everybody needs to pay electricity bills.

Electricity increases cause cost-driven inflation, which drives up interest rates. It forces you to pay more for credit card purchases, bank loans and mortgages. When Ontario opened its electricity market in 2002, the August increase added 0.2% to the Canadian consumer price index, raising the cost of living from Newfoundland and Labrador to British Columbia.

Unlike other products, electricity touches every sector of the economy. Because electricity increases costs everywhere, most people are unaware of its total cost. Many of us recognize that it is getting harder to get by, but we don't always know why. The cost of electricity, if we let it grow, will sink Ontario's economy.

The biggest problem with Bill 100 is that the Ontario Power Authority would have the power to sign contracts for electricity when the market doesn't supply it. This would cause a handful of big problems: (1) Risk and cost

are transferred from suppliers to consumers; (2) Ontarians don't want private deregulated power; (3) the government doesn't have a mandate; (4) private deregulated power doesn't work; and (5) deregulation would activate free trade agreements.

(1) Risk and cost are transferred from suppliers to consumers: Risk and cost would be transferred to consumers through government contracts. These contracts would underwrite a non-working market. We shouldn't subsidize a non-working market; we should shut it down. As Premier McGuinty said when he was in the opposition, the electricity "market is dead." Now is the time to bury the market, not pass Bill 100 to underwrite private sector risk.

All sitting parties know the pain that previous electricity contracts signed on behalf of the government have caused and are still causing consumers. The C.D. Howe Institute and others have advised the government against signing electricity contracts to build generation when the market won't build generation.

(2) Ontarians don't want private deregulated power: Ontarians have indicated that they want public regulated power, not private deregulated power. They have indicated this in poll after poll, in municipal and regional council votes representing a majority of Ontarians, in public meetings, and by the vote on election day when they rejected the Tory electricity deregulation program. In our democratic society the government should represent the will of the people on issues involving an essential that is as important as electricity.

(3) The government doesn't have a mandate: The McGuinty government doesn't have a mandate for deregulated private electricity. Dalton McGuinty said the electricity market was dead and campaigned saying he supported public power. Without a mandate, no Ontario government has the right to permanently move from public regulated power to deregulated private power. This isn't some small change that can be made without the support of Ontarians.

(4) Private deregulated power doesn't work: Continuing the market and adding more private contracts forces consumers to pay more big profits and high borrowing costs for electricity. This causes economic devastation by raising the cost of all of Ontario's goods and services.

Most of us are willing to pay competitive prices for non-essentials such as restaurant meals. We are willing to shop around until we find the cuisine and the price we want. And if we can't find what we want, we can all eat at home. Essentials are different. Buying affordable competitive electricity can present us with difficulties, and most of us can't readily make our own electricity.

"Competitive electricity" is a euphuism for unregulated prices. It means that producers can charge prices that are as high as possible. For decades, Canadian provinces and American states have had non-competitive electricity prices. Non-competitive electricity pricing, known as regulated pricing, pays producers reasonable returns based on their investment and performance.

Reasonable returns are determined by a regulator with the authority to examine a company's financial records and behaviour. This helps reduce waste and outrageous behaviour. The regulator also uses public hearings with participation by stakeholders, such as consumer and environmental organizations, to make decisions.

In the mid-1990s a handful of states and provinces moved to competitive pricing. Dozens of others began to follow them. Then, so-called competitive prices soared in California, New York, Alberta, Ontario and elsewhere. Viewing the devastation, more than 20 US states shelved their programs for competitive pricing. Today, all states and provinces using competitive pricing, including Ontario, have much higher prices than they did before competition. These jurisdictions also have prices that are much higher than those of comparable states and provinces that didn't introduce competition.

The Consumer Federation of America is an organization that typically supports competition. However, Dr Mark Cooper, the federation's director of research, has completed two comprehensive economic studies that demonstrate that competition requires consumers to pay more for electricity than they would pay with regulated pricing. Many other studies support Cooper's findings.

(5) Deregulation would activate free trade agreements: The government's proposed electricity program would activate the North American free trade agreement, NAFTA. This would force us to be a permanent part of the high-priced American electricity market, just as we currently are for gasoline, oil and natural gas. This market could easily double the electricity costs on your bill and the bills of everyone else. The electricity iceberg would grow big enough to devastate much of the provincial economy. If the government doesn't close the market, NAFTA will permanently entrench high-priced, unregulated private power in Ontario. NAFTA mandates that provinces that institute competition must open their markets to American competition. In addition, NAFTA would remove export controls, even when there were shortages in Ontario.

Leading Canadian lawyers, including Steve Shrybman of Sack Goldblatt Mitchell, have provided legal analysis to detail the devastating effects free trade agreements would have on Ontarians if the government proceeds with deregulated electricity.

I have two very important questions for the government and for its representatives on this committee: (1) Does the government have a legal opinion about the effects that free trade would have on its proposed electricity program? (2) If it has such an opinion, will the government make that opinion public?

In a March 31, 2004, Ipsos-Reid poll, most Canadian respondents, including 93% of 385 Ontarians, opposed a US-Ontario electricity market that doesn't allow for stable prices and environmental protection. Those polled indicated people were willing to place restrictions on exports and foreign ownership to achieve these goals. Free trade agreements don't allow export and foreign ownership restrictions.

In conclusion, I call on the government to listen to Ontarians and change its proposed electricity direction. Electricity cost is an iceberg. It can grow big enough to sink Ontario. Ontarians don't want risk and cost transferred from suppliers to consumers. Ontarians don't want deregulated power, and they know it doesn't work. Ontarians don't want the government to act without a mandate. Ontarians don't want to activate free trade agreements and be part of the high-priced US market and lose control of their electricity.

I call on the government to listen to Ontarians and to fully regulate electricity prices.

Thank you for your attention. I'll try to answer any questions you have.

The Vice-Chair: We'll start the questions with the opposition. Mr Hampton, do you have any questions?

Mr Hampton: I want to ask you about the point in terms of the North American free trade agreement. As I understand it, if you have a public, not-for-profit system, there's a specific provision in NAFTA that says you are exempt from the kinds of provisions that now govern the sale of natural gas and the sale of oil. I think we all recognize now that our natural gas prices are determined in Chicago, basically by American demand. So as long as you have a public, regulated system, you are exempt from those free trade rules. But I also understand that once you declare your system to be a deregulated system and a profit-driven system, you are then subject to all the NAFTA rules. I think you mentioned two of them: (1) even if you're short of electricity in your own jurisdiction, you can't place an export limit, and (2) you can't put price controls on. If people in Chicago or New York are prepared to pay one and a half times as much as we are prepared to pay for electricity, then that's the price you pay. Is that how you understand the problem?

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Mr Wilson: That is how I understand the problem. I think it's incumbent on the government to produce its legal opinion on how NAFTA is going to affect their electricity program and to make that opinion public.

We also know that in NAFTA, under chapter 11, large American corporations will have an advantage over Canadian groups, because those companies can sue for any unrealized profits using secret, confidential NAFTA tribunals. If the government changes the rule, they can be sitting in front of a NAFTA tribunal, in seclusion, having three different people there, making a call worth billions of dollars on expropriated profits.

NAFTA is riddled with all kinds of things. We've come to accept that the gas in our cars and the heat in our homes are now determined by the American market, but I do not believe that Ontarians want their electricity, which actually outweighs those other fuels in terms of its effect on the economy, to be part of an American market that is grabbing as much energy as it can get its hands on right now.

Mr Craitor: John, I was interested in listening to your comments about the legal opinions of leading Canadian lawyers. I'm wondering if maybe you wouldn't mind submitting to the clerk a copy of that for all of us around this table. We'd have a chance to sit and look at it, read their comments and know who they are. That would be of assistance to us.

Mr Wilson: I can do that. Actually, I can do that with the assistance of Howard Hampton, who paid for one of those opinions.

Mr Craitor: That's a real coincidence. Thanks.

Mr Hampton: The former government wouldn't pay for it.

Mr Craitor: You had to help them out.

Mr Wilson: Actually, there are many opinions. There are books. Here are Professor Robert House, from the University of Toronto, and Gerald Heckman, a clerk of the federal court of Canada, on national treatment with regard to electricity in free trade: "A decision to move toward competition domestically necessarily entails opening up the domestic market to international competition as well."

I think it's incumbent upon the government to let us know if they have an opinion about the effects and to make that opinion public so we have a government that moves forward in a transparent and responsible fashion and the people of Ontario know what's going to happen.

The Vice-Chair: Mr Wilson, your time is up. Thank you for your presentation.

SOCIETY OF ENERGY PROFESSIONALS

The Vice-Chair: I would ask the Society of Energy Professionals to come forward and make their presentation. You have 15 minutes. You can use it all, or we can open the floor for questions. Before you start, mention your name for the record.

Mr Andrew Muller: Thank you, Mr Chair and members of the committee. We're really pleased to be here to talk to you today and present our opinions. There is a presentation that was copied and hopefully distributed, or is being distributed now, as well as a document outlining as best we can the changes we see to the bill.

I have with me this afternoon Rod Sheppard, an executive vice-president of our organization and also an employee of Bruce Nuclear Power Development, and Bill Jones, an executive vice-president as well from our organization who is an employee of Connectrix, which is the company that was spun off from the Ontario Hydro research arm. I myself am an employee of Ontario Power Generation, working at Darlington, and have 12 years' experience working up at the Bruce Nuclear Power Development.

We are the Society of Energy Professionals. We represent 6,000 engineers, scientists and people like that in the industry. Our members come from successor companies to Ontario Hydro, as well as Toronto Hydro. So our members can be seen throughout the industry, in all areas of the business.

We design, build, maintain and run the generators, the transmission system and the market. We are the people with the skills and the knowledge to lead the industry and have been leading the industry for a number of years.

What we really want is for consumers, businesses and the public to get safe, reliable electricity at the lowest possible cost. We don't believe electricity is a commodity. We don't believe that the market structure is the best method for managing the electricity system. Last year about this time demonstrated to everyone that electricity permeates everything we do in our life and it's very important that we keep it well-balanced and operating.

I wanted to state that we think the changes the McGuinty government has made in this bill and even prior to this bill are very important for the electricity sector: fixing prices to protect consumers against price volatility, correcting the mismanagement of companies like Ontario Power Generation to put them on the right course, approving some very significant and meaningful generation projects to meet the growing demand—both the Beck tunnel and Pickering A, unit 1, for example—and finally, this legislation itself, which is designed to improve the system. We believe it will.

I won't go through in detail the purposes of the act; I'm sure you all read it prior to coming here. We just wanted to say that we firmly support the goals of the act. We're in complete agreement with the stated intentions, especially with the emphasis on long-term planning and management of supply and demand, the creation of a conservation culture, the promotion of cleaner sources of energy and electricity and protecting consumers from volatile prices. These are the kinds of things that government should be doing with our electricity system. This is where government should step in when the system needs fixing and arrange for the kind of generation mix that is good for all people in Ontario and protects consumers from price swings.

However, a couple of things in the bill concern us. Number one is with the Ontario Power Authority contracts that will result in the progressive, although perhaps unintentional, privatization of our electricity system. With Mr Wilson, who spoke earlier, we also believe that complaints filed under NAFTA and GATS can restrict the government's ability to retain control of the system and correct difficulties they find.

We're also concerned with the amount of authority vested in regulations under this bill that take it out of the public eye for debate and scrutiny; things like designating regulated generators, designating the kind of supply mix and so on. These are the kinds of things we think need to be publicly debated for the people of Ontario.

We're also quite concerned about the lack of a meaningful vision for Ontario Power Generation and Hydro One. These two institutions are the cornerstone of our electricity system. They need to have a key role. I'll talk about our recommendations in a few minutes.

Ultimately, what we're really concerned about with this legislation is that the prices are going to go up for electricity and that valuable publicly owned assets are going to be wasted.

We've listed six key recommendations we think ought to be implemented to improve the bill. I wanted to go through them quickly.

Number one, there needs to be a meaningful public role for OPG and Hydro One that establishes their participation in the electricity sector to ensure that they have the role to maximize the value of the assets that are owned by the people of Ontario. OPG and Hydro One hold these assets for the government of Ontario on behalf of the people. If these assets are wasted, they're wasted for each individual citizen in Ontario.

These public institutions are the tools the government should use to implement its social policies. It's quite appropriate that this bill be heard by the social policy committee, because that's really what it's about. Electricity permeates everything. It permeates every aspect of our life, and social policies are really what it's all about.

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In that role for OPG and Hydro One, OPG should be asked to pursue all practical hydroelectric projects that it has available on its books. There have been a number of studies. A number of these projects are at various stages. That could add as much as 2,400 megawatts of electricity capacity to the system.

OPG should continue to refurbish the units at Pickering A. They've completed unit 4. Unit 1 is on the way. Units 2 and 3 should go ahead as per the schedule.

In addition to that, Bruce Power, which, by the way, is a publicly owned but privately operated generating company, should be encouraged to refurbish the two remaining units at the Bruce, units 1 and 2, to bring another 1,600 megawatts of electricity to the system.

In the long term, both OPG and Bruce Power should be encouraged to pursue new generation projects such as new nuclear units on-site where it's most convenient to do so.

Also, OPG should be mandated to participate in aggressive demand reduction and other conservation programs. We've heard a lot about conservation today and we believe it's important that public institutions have a role in that.

Hydro One should be adequately funded to ensure that we have proper maintenance on our transmission lines so we don't have a blackout here like they did in Ohio.

Our second recommendation is that we add to the objectives of the bill that Ontario must be self-sufficient in electricity supply to secure our future. That doesn't mean we won't have connections to other jurisdictions. Those connections are important in cases of emergency and to maintain grid stability and so on, but dependence on other jurisdictions reduces our control and ability to implement our objectives. As the minister said this morning, those connections to other jurisdictions caused us to import a blackout last year.

Our third recommendation is that all new generating and transmission facilities be publicly owned to guarantee our control. Currently a majority of the assets are publicly owned through OPG and even Bruce Power and Hydro One. That ownership guarantees our control. It

enables the government to pass legislation such as this bill to keep the system under our control. It also ensures that the benefits go to the people of Ontario.

The society has commissioned an objective international study on the effects of this legislation on our electricity system. This study is going to be released on August 23. We've asked the author of the study, Stephen Thomas, who is a professor at the University of Greenwich, to speak to the committee on that date. We hope he has been scheduled.

Our fourth recommendation revolves around transparency. The contracts that OPA makes with the various suppliers are going to have a significant effect on the price of electricity. Therefore we think it's very important that sufficient details of those contracts are made available to the public so they understand how they affect the price of electricity. We're concerned that the heritage assets, as they're called, of OPG are going to be used to blend in with the price of electricity and hide the high rates that could be charged by some of these private generators. We believe transparency will allow the government to demonstrate their stewardship of the system and allow the public to hold the government accountable for their performance in that regard. The public has the right to know how much they're paying for generation and they need to know that by finding out about these contracts.

Also, in the regulated rates that are proposed by the legislation, we want to make sure the rates are set to include adequate funding for OPG and Hydro One, not only to maintain the existing system but to improve its reliability and performance. The current market power mitigation agreement, which in essence does the same thing as a regulated rate for Ontario Power Generation, doesn't provide sufficient funding for OPG to adequately maintain and improve its assets. The market power mitigation agreement has caused OPG to rebate almost $3 billion to the market to date—revenue that could have otherwise been used to help pay for refurbishment.

Finally, we call for the government to create a multi-stakeholder task force to make recommendations on a responsible transition away from how we currently use coal for electricity generation and on alternatives for significantly reducing air pollution. We share this government's objective of reducing air pollution; however, coal-fired generation provides a critical function to the system. Not every megawatt is equivalent. We have peaking power. We have baseload power. We need different types of generation, as people have talked about, and supply mix to keep the system operational.

Coal power, as the Electricity Conservation and Supply Task Force reported, keeps the market price low. Fifty-six per cent of the time, coal set the price for the market in electricity, and set it far lower than other forms of generation would have if coal didn't exist.

There are also proven methods of substantially reducing the emissions from coal stations. We already have some of those systems installed on some of the coal-fired units in OPG. The cost of coal replacement may be better spent on more significant ways of reducing pollution. I'm sure you've all heard studies that demonstrate that coal-fired pollution in Ontario is only 14% of the source that supplies pollution. Fifty per cent of our pollution comes from outside of Ontario, primarily the Ohio Valley.

We think that this task force wouldn't change the government's objective and commitment, but instead would ensure that all options have been considered and that the transition away from the current methods of burning coal doesn't jeopardize our system. We think that the government's commitment to close down the coal-fired stations won't do enough for cleaner air to justify the damage it will do to the system and its reliability and the prices that will result as we begin to rely on natural gas. The government should set up this task force to explore the alternatives, and we'd like to participate in that effort.

That's the end of my presentation. I'd be happy to answer questions.

The Vice-Chair: Thank you, Mr Muller. We have a couple of minutes, if somebody wants to take advantage of that. You can ask one question. Go ahead, Mr Hampton.

Mr Hampton: I've had a chance to look at all of your submissions, and I want to thank you for being very comprehensive in dealing with virtually all the issues. I also want to congratulate you in that you set out how you would meet our electricity needs: maximizing hydroelectric resources to meet baseload demand; building more nuclear generation to meet residual baseload demand; the maximization of Ontario wind power resources; and the integration of wind energy into the grid on a must-run basis. I want to be sure of what you mean. What does a "must-run basis" mean to you? When you set this out, what are you referring to here?

Mr Muller: The bottom line for this is that to manage the power in the grid, you obviously have to match supply with the demand for electricity, and so as the demand goes up and down and people turn their appliances off and on, you need to be able to adjust that. If you're running wind-powered generators, they can't easily be ramped up and down to match the load. As wind changes, they may be increasing their output as the demand is falling, so you need to have some other source of generation that you can back off, to ensure that you're matching that demand at all times. So you'd run wind power on a must-run; in other words, you'd take whatever output comes from that and you would choose another source, such as hydroelectric or coal-fired, to—

Mr Hampton: Adjust.

Mr Muller: To fluctuate, yes.

The Vice-Chair: Thank you, Mr Muller. The time is up, sorry. Thank you for your presentation.

1600

ONTARIO ELECTRICITY COALITION

The Vice-Chair: I call on the Ontario Electricity Coalition to come forward. You have 15 minutes. You now know the procedure. You can speak all the way

through it or you can divide it between speaking and questions.

Mr Paul Kahnert: Thank you very much. My name is Paul Kahnert. I'm spokesperson for the Ontario Electricity Coalition. I want to start by saying that there are some fundamental questions that you have to answer, the biggest of which is this: Is the government direction on electricity in the public interest?

It seems like yesterday, at the Bill 35 hearings in 1998, that we asked this question: How do you get cheaper electricity prices when you add in profits to generators, profits to distributors, profits to retailers, dividends to investors and commissions to commodities brokers? Steve Gilchrist replied, "Increased efficiencies."

Since then, the term "increased efficiencies" of the private sector has been shown to be not quite completely true. Competition and market discipline in electricity have been shown to be market manipulation, and, boy, did the money ever flow. Companies like WorldCom, Nortel, Corel, Andersen—now called Accenture—and Enron have ripped off the public for billions.

Enron and their friends sat on the market design committee here in Ontario. That market is still open. There hasn't been an electricity market that has worked or operated in the public interest anywhere in the world. We challenge you to show us one. Markets operate in the private interest only. That's their playground.

On April 15 of this year, in a speech to the Empire Club, Energy Minister Duncan laid out the plan for Ontario's electricity future. He said that he wasn't ideological and that his was a balanced approach. However, his main solution seems to be private power. His primary goal was to welcome private investors and create conditions that would give them the confidence to invest. He's going to give the newly created Ontario Power Authority the tools to attract private investment. That's code for big grants and tax cuts of public money going into private hands to build new power plants.

If the people of Ontario are paying for these new plants, shouldn't they own them? Minister Duncan finished his speech by saying that he's going to make "electricity a great place to invest." Who's going to be paying the profits to those investors? If that isn't ideological, I don't know what is.

During the provincial election, Dalton McGuinty and the Liberals went out of their way, in an exclusive to the Toronto Sun, and promised public power. In many speeches, Mr McGuinty said that the electricity market was dead. At the Empire Club, Minister Duncan committed to keeping that market open. Why are the Liberals keeping open a market that was designed by Enron and their friends?

Duncan said a number of times that the people have to pay the true cost of power. Traditionally, the true cost of power in Ontario does not include all that great list of profits. What Duncan should have said is that the people now have to pay the true cost of private power.

Public power is cheaper than private power around the world. It's 18% cheaper than private power in the United States. Why would we be any different?

We've been hearing, every time the energy minister speaks on TV, the radio and in the newspaper, about investor confidence and the private investor. Well, that must be it. That's what's been missing from Ontario's electricity system for 100 years: the legendary, elusive, private investors. Only they can save us. If we just allow them to stuff their pockets with so much money that they literally can't stuff another $20 bill into their pockets, we will get increased electricity supply in Ontario. It sounds a lot like the Conservative creature, the missing mythological market where so many private electricity companies would rush in and build new supply that we would have cheap, plentiful electricity. It's as ridiculous as believing in the tooth fairy.

Private owners will still have to borrow a lot of money to build new generation. Private borrowing is a lot more expensive. Guess where those increased costs will be passed on to?

Private corporations do not act in the public interest. Their primary goal is to maximize profits. Only governments can act in the public interest.

Why, then, are we seeing with each succeeding government the packaging and repackaging, trying to make privatization attractive to voters? It is a con; it is a scam. Just like the con man who moves from town to town and country to country, the privatization con man is here in Canada.

There isn't a shred of evidence anywhere in the world that adding in profits to non-profit public services like hydro is cheaper and more efficient—not a shred of evidence anywhere.

You've all seen the latest with privatization repackaging, its identical twin, public-private partnerships: P3s. Maybe we should call them P5s: public relations and publicity ploys to pretty up profit.

Let's look at conservation. Minister Duncan just announced another $900 million to restart another reactor at Pickering for 515 megawatts. He said that this was the fastest way to solve the electricity shortage. That just isn't true.

California spent $900 million on aggressive conservation measures and got 3,600 megawatts. Conservation, including a renewable portfolio standard, is the fastest, cheapest and cleanest way to solve our electricity problems. Right now, we're back up to the same electricity use that we had before the blackout. Why is the government not legislating aggressive conservation measures that have been done in other jurisdictions around the world? Private producers of electricity will not be very interested in building new supply if there are legislated, aggressive conservation measures. That would cut into their profits.

It would be much easier for the Liberals to close the coal plants if they legislated aggressive conservation measures. Instead, we've got C3s: cotton candy conservation measures. People are being distracted with smart meters. Smart meters do not use less power; they shift power use around. They are a great excuse to blame the victim: "Your hydro bill is too high because you're simply not using it properly."

Let's look at the nuclear situation for a minute. John Manley says that leasing the Bruce nuclear plant to private firms is a model that has worked. More nonsense. What happened at the Bruce is this: The government privatized the profits but kept public the debt, the risks and the pollution. It was a fabulous deal for the private companies but a rip-off for the people of Ontario. The profits at the Bruce are almost equal to the debt caused by the electricity market and the rate cap.

The Bruce was given away for almost nothing. The debt was hived off to the public and appears on your hydro bill as a debt payment. The risk is assumed two ways by the public. Everyone knows that if there's an accident at the Bruce, the company is on the hook for only $75 million. The standing joke is, that wouldn't even cover the lawyers' fees. When the lease expires in 16 years, the Bruce consortium and their billions will simply walk away and the people of Ontario are left to pay the billions in the cleanup at the nuclear plant. It cost billions to build it. It'll cost billions to take it apart and store the radioactive waste, which has to be stored for longer than human beings have had language. Is this a deal you want to repeat?

Municipal utilities have had their mandate changed from providing a reliable public service to maximizing profits. I can tell you firsthand what that's doing to people and businesses. Previous to 1998, the 306 municipal utilities were mostly debt-free and well run. After deregulation and amalgamations, the remaining 89 are loaded up with debt, and service and reliability are seriously deteriorating. I've worked at Toronto Hydro for 25 years and I'd be happy to take anybody around the city and show them just what deregulation and privatization is doing to the actual electrical system infrastructure in Toronto.

At Toronto Hydro since 1998, outage times have tripled, badly needed projects have been stopped, maintenance has been stopped and the salaries of the top executives have tripled and quadrupled. We are often told not to fix things because it's too expensive. We've been doing rotating blackouts for the first time in the history of Toronto in emergencies because of a lack of maintenance, and I can document this. This same pattern is being repeated across the province. Amalgamations have been a complete failure, when it comes to the public interest, and do not deliver any benefits.

The Ontario Electricity Coalition is on the public record as accurately predicting every problem with deregulation and privatization. We stopped the sale of Hydro One in court with our coalition partners CEP and CUPE. We've spoken hundreds of times around the province. We got 42 cities, including London, Windsor, Ottawa and Toronto, representing more than seven million people in Ontario, to pass resolutions against privatization. All the polls show overwhelmingly that people are against the privatization of hydro.

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As a result of our campaign here in Ontario, we've been invited to speak in conferences in Mexico, Spain, France, Morocco, South Korea and Greece. We're going to Greece in September. We have also been visited by delegations from South Korea and South Africa, delegations that included government members.

We heard the same script for privatization at every conference. It is being followed worldwide. First, governments created a crisis of debt and supply, and then present privatization as the only solution. The governments then broke up the assets into smaller pieces and privatized the profits while keeping public the debt, the risks and the pollution. This was repeated in 70 countries around the world.

The people of Ontario, including most small, medium and big businesses, do not want private power. They want a public power system. They want transparency, as we all hear, and accountability, but most of all they want good governance and good management. Private power is hugely inflationary, as you heard John talk about before, affecting every other facet of our lives. Health care and education will cost more, and all goods and services. And as you heard, your hydro bill will just be the tip of the iceberg.

Private owners will endlessly pressure and lobby the government for price hikes, for rate hikes, to boost profits, and, just like Highway 407, we will lose control over our electricity prices and supply. We'll never get them back; NAFTA will see to that.

The Conservatives were privatizing at 300 kilometres an hour and the Liberals are privatizing at 50 kilometres an hour, but they're still taking us to the same destination: expensive private power.

We heard for years and years that we just can't afford public power any more. Well, as we've seen around the world and right here in Ontario, if you can't afford public power, then you sure can't afford private. It's way more expensive.

I want to ask a couple of questions. This first question I asked Chris Stockwell, and when I asked him he got angry and got up and left the room: What if the government's plan for electricity doesn't work? Given the fact that electricity markets and privatization have not been a benefit to people anywhere, what is the government's plan to buy back our electrical systems?

Number two, how is it a credible position for the government to be promoting huge profits, in the billions of dollars, to be taken out of the province by the private investor and private corporations? Why not keep those profits here to pay for the debt and to pay for things like education and health care?

Those are my comments. I'll be happy to take any questions.

The Vice-Chair: I'm sorry, the time's up. There is no time for questions. There's probably one minute left. I use my watch here. Thank you for your presentation.

CUTTLER AND ASSOCIATES

The Vice-Chair: I would like to invite Cuttler and Associates to come forward. Dr Cuttler, you have 15 minutes.

Dr Jerry Cuttler: Good afternoon. I'm Jerry Cuttler. I'm a professional engineer and a scientist. I have more than 40 years' experience in nuclear engineering and radiation sciences.

The majority of Ontarians support increased use of nuclear energy but the government of Ontario seems reluctant to proceed. Ontarians are getting nervous about the likelihood of blackouts. Nothing works without electricity. Part of the reluctance is due to widespread misinformation about nuclear, about its environmental capabilities, its sustainability and even social acceptance.

Uranium mining and processing follow all the environmental regulations. Nuclear plants operate under all regulations. The soil, the water and the air around our nuclear plants are very clean, and the emissions of radioactivity are typically 100 times below the limits. The used fuel bundles are safely stored in steel containers at the nuclear sites.

What about the used fuel? Well, the volume of the used fuel that's accumulated after 30 years of supply of a large amount of electricity in Ontario is very small. You can put it in ice rinks up to the boards—five of them, I guess. But we keep them in steel and reinforced concrete containers. Those will remain leak-tight for thousands of years.

Well before then, future generations are going to recycle this used fuel in advanced reactors, because we only use 1% of the energy that's in that fuel. There's 100 times energy still remaining in that fuel.

In these advanced reactors, we can load-follow. That way, we can even replace the fossil plants. We always talk about nuclear baseload and fossil, gas, whatever, for peaking but, actually, nuclear power can load-follow. The nuclear-powered ships load-follow, and all the energy that's used in the ships is provided by nuclear reactors. These advanced reactors will also turn long-lived radioactivity into short-lived radioactivity, and the amount is really negligible compared to the natural radioactivity that's in the environment.

Now let's look at sustainability. I brought with me one fuel bundle, if I can get it out. It's in here somewhere. Here. It's not real. It weighs 50 pounds. It will provide 100 years of electricity for a household, and this is all the waste that comes out of that. One hundred years is really very sustainable, and we only use 1% of the energy that's in there. Future generations, our grandchildren, are going to recover the other 99%.

At current prices, the amount of uranium that we can mine on the surface will last thousands of years, but people say, "Well, that's not sustainable." With advanced reactors, it'll be economical to extract the uranium from the oceans and supply 10 times the present electricity for billions of years. The earth has been around for four and a half billion years, and I am not sure whether we're going to be around for another five billion years, but certainly it's sustainable. So the fission of uranium is a renewable energy source.

Now let's talk about social acceptance. That's really what we're here about. Ontarians have accepted nuclear energy for over 30 years. In the early 1990s, we supplied two thirds of the consumption. There are a minority of activists who were trying to discredit nuclear, and we had a government that damaged Ontario Hydro capabilities. Some criticism is deserved. Darlington should have been managed better. Agreed. Ontario Hydro had management problems and these are being corrected, but there are many companies that have management problems. We can look at Air Canada, we can look at others. It's not a new phenomenon.

Many nuclear projects have been very well managed. We have the example of the CANDUs in China. Many reactors are being well managed in the world, and they're operating at a very high capability. People will argue there are technical problems. Well, we have good solutions. This technology is relatively young and over 30 years we've identified technical problems. It's remarkable it has worked as well as it did, considering the newness of this technology, but we have good solutions to those technical problems.

Now let's look at capital costs. Current plants cost $2,000 for a kilowatt of power. Plants will last more than 25 years before they need to be refurbished. Look at an Ontario home. We use approximately a kilowatt of power, so our share of that plant is really $2,000. Now $2,000 is what I paid for a gas furnace not too long ago—10 years ago I paid $2,000. A gas furnace is analogous to a generator except it's not in my house; it's at a nuclear site. So I'm saying that nuclear is affordable. I only use my gas furnace for the winter. I'll pay $2,000 to put electricity in my home and I'll only use that for a few months in the summer. Here we have electricity being provided year-round and our share of the cost is only $2,000 for an average household.

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If we put a stable floor on electricity prices, I believe financial institutions will invest in nuclear. Right now, as in the example in Britain with British Energy, the arrival of very low-cost fuel from the North Sea really put a significant amount of risk in nuclear generation. The company went bankrupt. People don't want to invest if they're not sure what's going to happen.

We have future plans. Talking about capital costs, an advanced CANDU reactor will cost even less than what current plants cost, and nuclear operating costs are very competitive with fossil. The main reason is that nuclear fuel is very inexpensive.

Let's look at the safety issue. Definitely everyone talks about nuclear risks. Well, after 30 years of experience, nuclear power is a very safe generation method compared to other methods. Public exposure to ionizing radiation is a very small fraction of the radiation exposure we get from natural sources. After 100 years of research, we know the level below which no adverse health effects occur and we keep employee exposures below this level. We even have a large amount of evidence of beneficial health effects after low-dose rates, and these beneficial effects amount to reduced risks. The interesting thing about low doses of radiation is that they

stimulate the damage-control biosystems in our body and make us even healthier.

In conclusion, my recommendation is that for greater social acceptance, we ought to share factual information with the people of Ontario about nuclear: its environmental benefits, its sustainability and its safety. The antinuclear myths are misleading people and creating confusion and resistance against the increased use of nuclear energy to help supply our growing need for electricity. Thank you.

The Vice-Chair: Thank you, Dr Cuttler. Ms Wynne has a question for you.

Ms Wynne: Thank you for coming. I just wondered, since you didn't talk about Bill 100 in your presentation, would you like to comment on the bill, which really is a framework, as opposed to—

Dr Cuttler: It says a lot of the right things in there, but when I read over these concerns that are being raised about sustainability and alternatives, I get the feeling the government is reluctant, with the energy that's provided by our current power plants. What I'm trying to suggest is that nuclear energy, which is providing a significant fraction of the energy today and used to supply two thirds, can be brought up to two thirds again and even more.

Ms Wynne: I don't share your view. But, for example, in terms of the conservation bureau and the structures we're putting in place to move us forward into a different regime in terms of energy in this province, could you comment on the need for conservation and the incentives, the structure that's been put in place in Bill 100?

Dr Cuttler: I think most people in Ontario try to conserve. We look at our electrical bill and say, "Oh, my God, it's gone up double what it used to be a few months ago." We look around to see how we can use less electricity. My wife turns on the air conditioner and I go and turn it off. I say, "That's costing a lot of money. Open the windows. Do something different."

Ms Wynne: So you think it would be a good thing to have a focus in the province that would have a pricing structure and would encourage people to conserve. Is that a safe statement?

Dr Cuttler: Yes, I agree that we ought to conserve, but some of the other options we're looking at—for example, windmills. Windmills are cute but they're a recipe for blackouts because they are inherently unreliable. I know people like it. It's only a capacity factor of 20% and it doesn't deliver when we want it. Steel mills have a real problem when a blackout happens; they really do. Germany has 14,000 megawatts of windmill electricity, we've heard here, but it only supplies 4% of their electricity. How can that be? They are importing most of their electricity, or a lot of the excess that they need. They're buying it from France. No one brings up the example of France. It supplies 80% of their electricity. Not only do they supply 80% of their own power needs, but they're exporting it to a lot of the countries that are afraid to use nuclear because of political constraints.

That's the reality of what's out there. Let's look at reality, please.

The Vice-Chair: Mr O'Toole, do you want to ask a question?

Mr O'Toole: Yes. I appreciate the pre-work you've done for Mr Elston on this—I think he's the next presenter.

Dr Cuttler: I didn't do that for him. I did it for myself.

Mr O'Toole: I'm just being flippant, and I mean that respectfully; it is quite comprehensive.

What I'm interested in, though, is, when you mention nuclear, in the riding I'm from I don't think there's a lot of aversion to that as an energy source; I think it's the capital uncertainty. In the public sector, through political interference in most cases, not operational, they're over budget, whether it's Pickering, Darlington, or whatever. That's the problem.

Dr Cuttler: Well, we built Bruce Power on budget.

Mr O'Toole: If you look at Bruce, in fairness, their commitment in the contract, whether it was good or bad—the auditor and other reports say that some of the risk factors on the environmental side—they did bring it in on time, on budget, and that's what I want. I don't care if it's public or private; I want it on time, on budget and done safely.

Which do you feel is the most appropriate mechanism in nuclear—Bruce or the current public sector? I'll tell you why. When you look at the peer reviews, the safest nuclear plant in the world was the Tennessee Valley group. Is that not right?

Dr Cuttler: Let's get to the Bruce example. The Bruce project was built pretty much on schedule and on budget; the Darlington project had problems.

Mr O'Toole: Political.

Dr Cuttler: So there are examples where projects are well-managed and come in on budget or under budget and within schedule. And there are examples where it doesn't happen, and a lot of that's due to the human beings who are managing it. If projects are managed well, they will come in—and it's a problem; any company has to be managed well or they have financial problems. It's obvious.

For nuclear, we have a very good idea of what the costs should be to run a project, and we have new technologies, for example, that we use in China. Those new technologies can be used and it can be very predictable. What isn't predictable is what the price of electricity is going to be.

Mr O'Toole: That's fine.

Mr Hampton: I want to thank you for your presentation. I think the biggest obstacle that nuclear has in Ontario, and it's an obstacle it has to overcome, is once again the cost factor. Darlington was budgeted at $4.7 billion and it came in at almost $15 billion. So that was the capital side. But as well, when nuclear plants were first proposed for Ontario, what we were told was that

there would be very low maintenance, or the cost of maintenance would be very low. That also has proven to be untrue. In fact, I would argue that the costs of maintenance, if you look at Pickering, are fairly substantial.

Dr Cuttler: Let's get back to that—

Mr Hampton: OK. Let me ask the third part of the question—

Dr Cuttler: I don't get the chance to answer.

Mr Hampton: —then you can answer.

The third part is that when they were first built, we were told that they would be relatively long lived, yet I think people were surprised at how quickly Bruce needed major refurbishment and how quickly and how often Pickering has needed major refurbishments, all of which have been expensive. I think the biggest obstacle nuclear has to overcome in Ontario is—I don't think it's untrue to say that most of the old Ontario Hydro's debt, most of our hydro debt, was in fact nuclear debt.

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Dr Cuttler: How long does your furnace last in your house? They don't last 25, 30 years. Pickering lasted 25 years; it lasted 30 years.

Mr Hampton: But my furnace doesn't cost $15 billion to build.

Dr Cuttler: No, no. Let's work out the household share. The problem is that you're looking at the big number and you're not looking at it per unit household. If you look at it that way, the cost is affordable. It's just that we can't keep a nuclear plant in our own house, in our basement, so we build it in a central place.

The other problem is, how long do you take to pay it off? If you pay off your furnace at just the interest rate, you'll have the debt for the rest of your life. But if you pay it off the way most people try to pay it off, it doesn't last for 20 or 30 years of debt. We've got to find a better way to finance and pay these off. People should be paying the right price for electricity.

I don't have much time to talk about this now, but I certainly have a lot of ideas that I think you ought to use to make this solution work.

The other problem you talked about was maintenance. When a person owns a car and doesn't look after it properly, it won't last. We all know that. Unfortunately, this was new technology. There were things we didn't know about. So there was a learning curve. Thirty years for this type of technology is not an extraordinary learning curve.

The other thing is that the effort wasn't put on life maintenance, life management and life extension. We've learned a lot of lessons, so I think today people have a better handle on what needs to be done to make these plants last longer. The interesting thing is that we can repair them, refurbish them, retube them and we can make them last not only the 30 years or so that we'd like them to last; we can make them last 60 and 100 years.

The Vice-Chair: Dr Cuttler, thank you very much. The time is up.

CANADIAN NUCLEAR ASSOCIATION

The Vice-Chair: I'd like to invite the Canadian Nuclear Association to come forward. You have 15 minutes, as we have said to everyone.

Mr Murray Elston: I'm Murray Elston, president and CEO of the Canadian Nuclear Association. I think you have copies of my material. Usually I just do a voice-over on this thing, but I'm going to read it fairly quickly, with apologies to translators. If I get too fast, I'll take a look at their ability to keep up.

I want to thank you for allowing me to be here. The Canadian Nuclear Association is pleased to offer input to help the government, as Minister Duncan says, "to get it right." In that context, the CNA will raise some questions that will require clarification.

We're all familiar with the requirement for more electrical power in Ontario. The province's prosperity and healthy standard of living are threatened as the constantly growing demand for power begins to outrun available supply. We need to move quickly to plan for and secure new energy sources.

By 2014, only a decade away, the Independent Electricity Market Operator, the IMO, tells us that up to 40% of today's generating capacity—that's 11,600 megawatts—will need to be met by new supply, refurbished generation and conservation measures. The minister has spoken of the need for infrastructure investment from both public and private sectors of up to $40 billion over the next 15 years as part of an ongoing broader renewal of infrastructure in the province.

Planning for and installing substantial extra capacity that will produce affordable, clean electricity requires long lead times of several years. There are regulatory, environmental, construction and other steps along the way. It is important to put into place the rules and structure of the new model for our electricity system—the new model was sketched out by Minister Duncan in speeches made in the spring of 2004—but we also must get on with the urgent business of approving the various sources of tomorrow's energy supplies.

During the hearings, committee members must address several questions relating to the new electricity system as set out broadly in the Electricity Restructuring Act. I will speak to the key elements of the model outlined in the bill, but first allow me to outline a few general thoughts on the legislation.

Bill 100 establishes the Ontario Power Authority, the OPA, to ensure adequacy of supply, to develop an integrated power system and to set up energy procurement processes. The new power authority has the task of securing long-term supply through various energy generators. The bill addresses a perceived anomaly in the current system in that no single entity is responsible now for ensuring supply.

The OPA is being created as a not-for-profit, arm's-length agency. That leads me to inquire generally about the capability of the OPA to deal with financing issues. This is a key aspect of its mandate and needs to be made

clear. I know there were some discussions about that financial capability earlier today but it is not yet clear on the record.

To quote the minister, the government wants to send "a clear and unambiguous message that Ontario is a good place to invest." The OPA must be seen as having sufficient credit-worthiness so that investors will be able to line up the necessary financing for their projects. The OPA must have the ability, financially and legally, to undertake negotiations and execute contracts for electricity supply. The bill assigns responsibility to plan but it is not clear how the role will be carried out.

While much of the detail on how the various agencies and the market will function will come later, we must also know how the OPA will interact with other provincial and federal governments and agencies.

As with any new structure, the operation must be monitored to ensure effectiveness and efficiency and to ensure that it achieves its performance targets. "Getting it right" in this context means getting the right people in place with appropriate resources and authority.

From the point of view of the nuclear industry, there are several key elements that should make up the framework of a well-planned electricity system. A viable market infrastructure should include: (1) measures to ensure reliable electricity generation, (2) a stable electricity pricing regime with long-term predictability, (3) a realistic and open assessment of the choices or options for electricity generation, (4) an efficient and timely regulatory environment that fosters efficiencies between and among regulators, (5) measures that optimize economical electricity conservation, and finally, (6) a clear process by which the government of Ontario conveys its policy to the implementing agencies; that is, all of the agencies.

Under the bill, the OPA is responsible for making sure that Ontario's electricity supply is sufficient and that pricing is stable enough to meet the growing demand for power. The IMO has projected that power consumption will grow by 1.3% annually for the next several years.

It is worth underscoring that for more than 40 years nuclear reactors have been a stable baseload producer of electricity in Ontario. Operating reactors today generate about 45% of the province's power requirements. In simple terms, nuclear-generated electricity keeps the lights on in one of every two homes, hospitals, offices and businesses in Ontario. Having said that, decisions need to be taken very soon to ensure stable baseload generation will continue and grow to meet increased demand.

The Canadian Nuclear Association welcomes transparent assessment of electricity generation options. The industry knows that nuclear can compete with other options and choices.

At the government's request, Ontario's future energy mix will include more renewable sources of power, such as solar thermal, biomass conversion and wind-power energy production. We support the introduction of renewable energy technologies where it is economical to do so.

One necessary condition for increased renewable sources of generation is a strong baseload generating capability. More baseload generation makes it possible to include more renewable sources of electricity generation without putting system reliability at risk.

Let me add a few words here about the clean-air nature associated with renewable energy options. Such sources are often referred to as "green" producers. But nuclear reactors are also clean-air electricity generators. Reactors emit no carbon dioxide and none of the acid gases typical of fossil fuel plants. They are vital players in the worldwide campaign to reduce emissions.

In addition, Ontario's nuclear infrastructure is having a significant positive impact on people's health worldwide. Canada's nuclear reactors produce 75% of the world's cobalt-60, used to treat cancer, prevent disease and sterilize over 40% of the world's single-use medical supplies.

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A Pollution Probe report in 2002 noted, "Only nuclear technology has air emissions as low as renewable power sources." Pre-eminent biosphere scientist Sir James Lovelock regards nuclear energy as a "green" form of power that can have an immediate impact on reducing greenhouse gas emissions.

Renewable sources of power are not windfall panaceas that will instantly resolve our supply problems. Many countries around the world have wind turbines that make up part of their electricity supply. Capacity factors vary widely from country to country and year to year. But it is fair to say that a reasonable factor for wind turbines might be 20%, which means they might operate about 75 days a year at full power. In effect, this means you would need four times as much generating capacity from wind turbines to produce a similar amount of electricity generation from operating nuclear reactors.

Operating nuclear reactors in Ontario had an average capacity factor of 78% last year. One way of expressing that might be to say that nuclear units performed at full power, on average, for 285 days during the year. A single Pickering A reactor can supply enough power to light 350,000 homes—about the size of London, Ontario. In addition, steps are being taken to improve the operating capacity and efficiency of existing generators and to develop new, improved reactors for further generation needs.

A less-known story involves the excellent performance record of Canadian-designed reactors in operation outside the country. CANDU-6 reactor units, designed by Atomic Energy of Canada, have proven to be an amazing success. Three CANDU units in South Korea were among the top 10 reactor performers anywhere in the world last year.

Two other 728-megawatt reactors built in Qinshan, China, with enough generation capacity to support a city the size of Ottawa, went up ahead of schedule and on budget for $4.5 billion. From first-pour concrete to in-service operation, they were constructed in less than five years. CANDU reactors in other countries have had

similar build-to-operation time frames. This overseas track record provides compelling evidence as to the important lessons learned by the nuclear industry, both at home and abroad.

The CANDU story is part of a larger renaissance in nuclear-generated electricity around the world. There are more than 440 reactors in 31 countries, another 30 are under construction, and others are planned in countries such as Finland, Japan, France, China, India and the United States. Atomic Energy of Canada Ltd is a member of a consortium looking at an advanced CANDU reactor in Virginia.

It is true that Ontario's nuclear system has had its problems in the past. We are all too aware of cost overruns, long construction-build schedules and off-and-on performance of the past decade. It is clear that nuclear-produced energy, as a young industry, has struggled through growing pains.

But it is important to recall that some of this pain was administered from outside, in the form of political and regulatory intervention. We hope that the new model will avoid long delays that push up capital costs for any project. For example, the four-unit Darlington project faced 11 major delays on the way to completion. I note Mr Hampton's not here to talk about that at the moment, but I'll get him later.

I should also make some general comments here about waste produced by various energy processes. Fossil fuel plants send much of their waste into the atmosphere in the form of greenhouse gases. In the nuclear industry, we know where all our waste is. Nuclear waste is contained within the fuel bundles that are stored safely within concrete-reinforced, water-filled cooling bays. Later, after five years or so, the uranium dioxide fuel is placed within dry storage containers where it is continuously monitored.

You will hear many submissions on energy initiatives and technologies during your hearing schedule. Each process has its relative merits, advantages and advocates. The government must take leadership as it assesses the values of the different choices and whether they support the needs of a fully industrialized society.

In this prosperous province, we do not have the luxury of time as we restructure our electricity system. There is a critical need to bring major new capacity on-line and a need for an expeditious decision-making and approvals process that leads to new supply.

Because environmental and federal approvals, together with design and construction time for new nuclear plants, will take several years, the OPA will be under tremendous pressure to ensure a stable and reliable baseload supply needed for a vibrant and growing Ontario economy.

The Vice-Chair: Thank you very much. We have an extra 15 minutes because some group cancelled. We can use it either to ask Mr Elston questions or one of the members of the audience can participate and do a presentation. So what are we going to do? Ask questions? OK.

Mr O'Toole: Thank you, Mr Elston. It was a pleasure to hear your presentation and to clarify some of the Darlington—because you're right. I'm of the same opinion as you: Political interference basically caused most of the delays before they could commercialize the activity. It's an important, safe and reliable generator of electricity. Certainly in my riding it stands very strongly in the community.

I just want to build on the—I know it's a CANDU design in China, you mentioned. CANDU-5 or something.

Mr Elston: Six.

Mr O'Toole: Six. The Advanced CANDU, I guess, is in the design stage or something like that?

Mr Elston: It is in design.

Mr O'Toole: I don't like that design-build thing. I like the thing-out-of-the-box kind of approach. Who managed the project and who's operating it? Is it government? Is it some other investment consortium?

Mr Elston: In China?

Mr O'Toole: Yes.

Mr Elston: It's state-owned, but the production of the contract was done under the auspices of AECL.

Mr O'Toole: We're CANDU. Are we, in Canada, allowed to look at some of the other new nuclear formats like the—I think GE-Westinghouse has one. Is it a foregone conclusion that we're going to use CANDU?

Mr Elston: My view as a Canadian, obviously, is that we've got some homegrown technology and it would be wonderful if it could be used.

Mr O'Toole: Of course.

Mr Elston: I think, though, at the end of the day, that everyone will want to have a comparison and make sure we've got a competitive project. Obviously the work being done in the United States in the consortium with AECL is proving that it can carry the load against other designs, so I suspect that we'll feed off that in Canada.

Mr O'Toole: I have a couple of more questions, if I may, if time permits. I'm interested in your comments specifically on Bill 100 on the commercialization aspect of the power authority, the OPA. It's kind of a strange one. If you read the bill, there are a couple of sections specifically that are troubling. They can extend contracts and underwrite those, and they have no credit-worthiness technically. So it's really underwritten by you and me at the meter—there's no question about that—and all subsequent liabilities will fall back to the government. It says that in section 25, actually.

What's your comment on that? Should that be established? Because they're going to levy fees on the consumer, large and small. These are new—as the IESO is going to be as well. They're going to levy fees on an annual basis, submitted and approved by cabinet, and they'll go on the bill, along with the debt retirement. My question is, should they be an independent crown corporation with its own financing and get on with being commercial or not?

Mr Elston: I think the style of it will not matter so much as the deliverables that you ask of it. All I was

doing by noting that there isn't anything that really tells us how it's going to operate is to point out that you've got to do one thing or another so that the people outside can—

Mr O'Toole: Stability.

Mr Elston: Well, no, so that they can assess the stability the OPA will deliver to the market. Stability is a huge ingredient for us, and I think probably for any of us who are looking at generation, even other new types, you've got to be absolutely sure the OPA is going to be able to deliver on its contracts.

I think the other one is, since we've got the prospect of interprovincial discussions, there have to be some ways this organization can work in a way that will permit it—

Mr O'Toole: Coordinating.

Mr Elston: Well, not only coordinating, but if we were to buy, for instance, from Manitoba or Newfoundland or Quebec, they've got to be able to deal with other provincial organizations. It's not clear yet—that's why I raised the question—and I'm sure the minister and the ministry will deliver some formatting to that.

I think that's why it's so critical that we get a chance to take a look at the regulations. Earlier, one of the interveners basically said the regulations need some discussion. I think the minister said, early in April, that the regulations were going to be likewise subject to review. I hope that occurs.

The Vice-Chair: Ms Wynne?

Ms Wynne: Thank you, Mr Elston. The stability issue is huge, obviously, not just from the industry perspective but from a consumer perspective as well. I think you would agree, from what you've said, that we have to depend on a number of different sources for our energy. The eggs-in-one-basket approach is not going to work in the future.

Mr Elston: That's absolutely true. We support not only alternate energy sources, where they're economical, but also the conservation methods. Everything has to be taken into account. We absolutely think this sort of holistic assessment of the market is a very good step—that's why we generally support going ahead—but we need a lot more definition. I think all of you will be either sitting at Mrs Cansfield's door or Mr Duncan's door getting that right, so to speak.

Ms Wynne: This document is the framework document. That's why we're hearing a lot of detail that's going to come later, but we need this framework in place. The question I wanted to ask you was, is there anything in Bill 100 that you think suggests we're not going in that direction of having a broad-based, diverse supply?

Mr Elston: I think you've got the ability to have a diverse supply. The issue of having a transparent run-through of how those supply types are going to stack up one against the other is something you should work on.

The other thing which is a little bit distracting is that I think there was an expectation that we would be just a little bit further ahead with the formalization of some of the elements of this. Remember that you want this in play by January 1. With the exception of having a brief flashback to my being on one of these parliamentary committees, I know how the process can delay things. The really key element of this is not only getting the framework right but particularly getting your regs right, and then, finally, making sure you've got the right people—the person who is going to lead it, the board that is going to direct it—and that you've got the ability to get them on the road by January 1.

I rather think, and I'm hoping, that the demonstration projects which have been outlined by the minister earlier today will be in a position to carry on and not weigh down the OPA as it tries to make the rest of the plans a little more concrete for the people of Ontario, because we really don't have the extra time.

Ms Wynne: Thanks for your advice.

The Vice-Chair: Thank you, Mr Elston, for your presentation.

I would like to thank all the committee members and the audience for their co-operation, and the secretary and the clerk for a wonderful job. Thank you very much. I guess that's all for today. We are adjourned until Thursday morning at 9 o'clock.

The committee adjourned at 1652.

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