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Lundi 23 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
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON SOCIAL POLICY

Monday 23 August 2004

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DE LA POLITIQUE SOCIALE

Lundi 23 août 2004

The committee met at 1002 in the Huron Room, Hilton Windsor, Windsor.

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.

The Chair (Mr Jeff Leal): I'd like to bring the standing committee on social policy to order. I'd certainly like to welcome the Minister of Energy, Dwight Duncan, who is with us this morning.

I want to particularly thank my colleague Kim Craitor, who filled in for me during the week of August 11. As some of you may know, we had a devastating flood in Peterborough on July 15. I'm the member for that riding, and we've been busy dealing with that issue for the last number of weeks. So I do want to thank Mr Craitor for his fine job of filling in during the week of August 11.

CORAL ENERGY CANADA INC

The Chair: The first group presenting to us this morning is Coral Energy Canada Inc. I'd welcome them to come forward at this time. Is it Mr Baden?

Mr Greg Baden: Yes.

The Chair: Welcome, sir. You have 15 minutes. In any time that's not taken by your presentation, we'll have questions.

Mr Baden: I guess to start, Mr Chair, Mr Minister, I'd like to thank this committee for the opportunity you've given Coral to come today and share our views on Bill 100. I have prepared a short presentation. I did provide copies, and I hope you have those.

Before starting right into the presentation, I would like to commend the government on the very open, consultative, stakeholder process that has been going on with Bill 100. We certainly have had an opportunity to express our views in direct sessions, and this is definitely appreciated.

To get started, if I don't lose my computer here, I'm just going to follow along on some notes I've made. I'd like to refer you to the first slide, which is entitled "Coral in Ontario." It just gives you some background on who Coral is and the type of business we are doing in Ontario. We are a significant gas and electricity player; initially gas, and now becoming more and more of an electricity player.

We chose to speak to this committee today in Windsor because of a very special connection we have with Windsor: the Brighton Beach power station, which started operation in July. Coral essentially backstopped the investment by the partners in Brighton Beach to make that power plant happen, to cause it to be built. It's something that we spent quite a bit of time in getting here.

Later today, there is an opportunity for the committee to tour that plant, and we're certainly looking forward to that. I think it provides an opportunity to see the kinds of generation facilities that could be built in Ontario. It being a combined-cycle gas-fired power plant, it is perhaps a new generation of new power plants in Ontario. I think participating in that power plant has given Coral some very unique perspectives on the Ontario market.

Going on to slide 4, our concerns with Bill 100: I think the government's stated objectives have been to encourage the development of a new, reliable supply; to promote the culture of conservation to lessen the impact on the environment of generation; to produce stable prices for small consumers, ensure large consumers benefit from a competitive market, and enhance the competitiveness of electricity pricing in Ontario.

My comments will focus on what it's going to take to encourage private investment in the electricity sector in Ontario. It has been further stated that Ontario needs an investment of between $25 billion and $40 billion over the next 15 years. As things stand, private investors have shown a reluctance to invest in new generation. The question is, what will it take to get investors willing to accept the risk of new generation?

One of the initial concerns we have is the commitment to a competitive market, and other concerns are related to the role of the OPA and the future of OPG.

Bill 100 proposes to delete from section 1 of both the Electricity Act and the Ontario Energy Board Act the words "to facilitate competition." This is perhaps the wrong signal at this point in time to send to an already

nervous market. Competition can be a powerful tool for increasing market efficiency and consumer benefits.

Recognizing that competition should not be an end in itself, we will be suggesting some changes to the proposed act that would try to strengthen competition to make it effective, particularly around trying to promote a competitive market through the IESO.

Another suggestion is the concept of an independent market adviser, which we have seen work very well in other markets. An independent market adviser is very similar in function, if I can draw the analogy, to an independent financial auditor for assessing public companies. It provides, and we have seen it provide in other markets, positive suggestions for improving the effectiveness and efficiency of those markets.

I'm sliding through this package of slides. I want to now refer to the Ontario Power Authority.

1010

In terms of the Ontario Power Authority, we do have concerns with its role, and particularly we'd like to see it act as the initiator or instigator of last resort on the build of new generation. The mandate of the OPA has to be designed such that it does not dampen or prevent competitive supply responses or conservation initiatives.

Further, we'd like to see encouragement given to a competitive capacity market that perhaps eventually would make the role of the OPA redundant and allow competitive market forces to provide that important signal when new generation is required.

One of the aspects of a healthy market is that you have many buyers and many sellers participating in that market. On the supply side, it's important to promote competitiveness in that market. Certainly, the recently announced draft regulations in terms of limiting the size of the regulated portion of the market to five large hydro stations and the two OPG nuclear stations at Darlington and Pickering are certainly seen by us as being very positive. We want to see as large a competitive market sector as possible in Ontario to ensure that we do have many sellers.

Further, we would like to see changes to the clean energy supply contract so that, in addition to providing the one-time opt-out option, suppliers could be given the ability to opt out for a limited period of time to try to support the development of a forward market in Ontario where buyers and sellers can enter into one- or three-year contracts for the purchase and sale of electricity. The supplier could then opt back into the contract if the forward market is still not as liquid as we all would like. The idea, and what we're trying to do, is to promote some activity in that forward market to encourage suppliers to go out and sell forward to industrial buyers or commercial buyers on shorter periods of time. The existing one-time option is not going to incent suppliers to give up the security of the clean energy supply contract for a relatively short period of a fixed-price forward contract.

On the demand side of the market—I'm moving on to about the ninth slide—it's crucial that in terms of having many sellers there are also many buyers and those buyers are actively participating in the market. We certainly would encourage that any stable regulated rate plan be limited to as few consumers as possible. In order to give consumers the type of information they need to make informed choices, the bills they get should clearly identify what is the cost of the commodity, what the service charges are for transmission and distribution, and what the regulated asset benefit is. Making that full price visible to consumers is very important in terms of encouraging conservation or, at least, encouraging consumers to begin to modify their behaviours.

Moving on to comments on Ontario Power Generation, there has always been a concern in this market about the size and potential domination of Ontario Power Generation. When I look back at the decision we made to commit to Brighton Beach, there was considerable discussion on our side in terms of what would OPG's role be and how would they behave in this market.

Steps should be taken to deal with the potential domination of the competitive market by OPG, and the separation of regulated and competitive assets to ensure that there is not cross-subsidization between the regulated activity and the competitive activity.

Restricting OPG's role to purely a wholesale supplier is important, and I think participation, again—and I keep stressing this—in the forward market is very important. OPG can support the development of a forward market by offering contracts to industrial consumers, to commercial consumers, to marketers, who can then in turn offer smaller contracts to retail consumers.

There is a concern in terms of potential participation by OPG in the RFP. I think at a time when Ontario is trying to encourage new private investors to enter into this market, seeing OPG participating in the RFP is not a strong positive signal.

In concluding my remarks, recognizing the situation in Ontario today, it is necessary, in order to attract private investment, to provide some support in terms of what the RFPs for both renewable and the 2,500 megawatt are offering, but we hope that there can be a transition from a market where consumers and taxpayers are taking the majority of risk for new generation to a market where private investors are willing to come in and assume that risk.

When we first assessed this market, we took on a commitment and assumed the risk, looking forward to participating in a competitive market. For various reasons, we haven't got there. I don't want to spend any time dwelling on that. Looking forward, we are hoping that we can see this market develop to the point where there's enough competition that investors are willing to invest on their own. So in terms of ensuring that, clearly we have to continue to focus on the development of a competitive market, and the role of the electricity system operator is crucial in doing that. We have to ensure that the OPA becomes the instigator of last resort and does not discourage private investors from coming forward and investing. Clearly, looking at and developing a

capacity market would be a very important way of encouraging private investment. Finally, encouraging many buyers and many sellers in this market is crucial in creating the kind of activity that is necessary.

That concludes my remarks, Mr Chair.

The Chair: Thank you very much, Mr Baden. We have one minute for questions.

Mr Ted Arnott (Waterloo-Wellington): Thank you, Mr Baden, for your presentation today. I want to focus in on one issue that you talked about. You pointed out that the government is seeking to amend the Electricity Act and the Ontario Energy Board Act to delete the words "to facilitate competition in the generation and sale of electricity and to facilitate a smooth transition to competition."

I'm pleased that the minister is here today and perhaps he can clarify this, but I would presume that the government would tell you that they still support a continuation of the former government's policy, at least insofar as ensuring that there is competition in the generation of electricity. That being the case, it seems very curious and puzzling as to why they would want to delete this. I think you're quite right to highlight it and suggest that it adds perhaps another element of uncertainty for companies that are considering investing.

Can you tell me what it cost to establish the Brighton Beach facility and, given current market conditions and current government policy, would you do it again?

Mr Baden: I think we would do it again. Again, it very much will depend on the signals that come out of Bill 100 and the steps that are taken in terms of the regulations.

Mr Arnott: But it was tens of millions of dollars, I assume, that you—

Mr Baden: I think you're missing a decimal point. I think you're talking hundreds of millions of dollars. In terms of the competition, I would definitely agree with the government on this, that competition is not an end in itself, it's a means, and that the objects that were originally proposed perhaps should be changed or revised to say that competition is important in promoting economic efficiency and consumer benefits. Competition in itself is not the important thing, and we will be offering words to that effect.

Mr Arnott: Is my time up?

The Chair: Your time is concluded, Mr Arnott.

Thank you very much, sir; we appreciate your presentation.

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JOE COMARTIN

The Chair: Next, I'd like to ask Great Lakes United to come forward. Mr Stack, please.

Mr Comartin, if Mr Stack isn't here, are you prepared to—

Mr Joe Comartin: Yes, I am, Mr Chair.

The Chair: Good morning, sir. Welcome. I know you're the very distinguished member of Parliament for Windsor-Tecumseh.

Mr Comartin: Mr Chair, I'm also the past critic for my party at the federal level in both environment and energy. I spent a great deal of time in the last Parliament at the federal level dealing with the Kyoto Protocol and the impact it would have, if implemented, on a number of our economic sectors in this country.

I wanted to come forward today to discuss—strange as this may be, given that I'm from a different party—the parts of the legislation that deal with conservation. It seems to me that the provision for the Conservation Bureau and the provision for a conservation officer as a significant player in OPA is a step forward.

I also want to encourage, through this committee, the people who will eventually be in charge of OPA to be looking very closely at active co-operation with the federal level. The federal government has initiated what they're calling in the conservation area under Kyoto the one-tonne challenge, calling upon all Canadians to reduce their use of energy to the point that would save one tonne of emissions in the consumption of fossil fuels.

That hit a bit of a roadblock. I just want to update this committee on this. In the spring of this year, they were to kick off that program in a much more significant way by way of education and promotion—some traditional PR work, but mostly education and promotion right across the country. As a result of the—to raise a sensitive subject—scandal around the use of advertising dollars, the funds that had been set aside for that, which were some $45 million over a three-year period—all of the money was suspended; none of it could be spent. That's still the case, as far as I know. I've been out of the country a bit in the last few weeks, and I believe there's been no change in that. So the one-tonne challenge has not moved ahead at the federal level to a significant degree because of that problem. As a result of committee work that the environment committee did, the indication we got was that it will be moving ahead in the fall.

As I say, what I came today to do was to encourage the provincial government in Ontario, being the biggest market, to be actively involved with the federal government in the implementation of Kyoto, and specifically on the conservation side, to move toward the goals that have been set under Kyoto for the country as a whole and that part of it that applies specifically to Ontario.

The second point I wanted to make today is that—again, from some of the experiences I've had and some of the investigations I've done over the last few years—there is a need or a requirement, if conservation is in fact going to be a significant part of reducing the consumption of fossil fuels and of reducing the use of electricity and power generally in the country, for an active involvement by all levels of government, and I'm going to suggest in two ways. I would hope and expect, as we see the annual reports coming from the Conservation Bureau, that they would be looking at these areas.

These are the two areas: Conservation will not work unless the suppliers of energy are required to meet certain percentages of production. As part of that, they have to demonstrate where they've been able to encourage

consumers to reduce use. It flies in the face—I was listening to Coral just before I came up—of the free-enterprise capitalist system to do this, but from a governmental standpoint we have to be prepared, through regulatory power, to encourage private suppliers to conserve and to press consumers to conserve.

The other area that I believe requires government involvement is government procurement of services. When I'm speaking about this, I always speak of the initiative I saw in the city of Calgary. This was in the form of alternative energy, but the same could be said of methods that could be implemented for conservation. What they did there, in combination, was that the city, the local utility services and their rapid transit service contracted for wind power to supply the energy to the rapid transit service exclusively. In fact, they're about to double that over the next several years; the contracts are just being negotiated now.

I believe the same type of approach could take place at various levels of government on the conservation side. It has generally been used on the alternative energy side of the equation, but I believe it could also be used on the procurement side. Take the federal government: When we're negotiating for energy sources for our buildings across the country, in those contracts we would require the suppliers of that energy to meet a certain standard to conserve energy. So if we're going to buy 100% of the supply from them, they have to show that by using conservation methodology and encouraging the consumer to conserve, they will in fact reduce the amount of energy being used. I believe that federal, provincial and municipal or local authorities can use their procurement power to encourage suppliers of energy to determine methodologies and procedures that will conserve energy.

I believe those are the points I wanted to make. I'm open to any questions.

The Chair: We have about seven minutes for questions. This time I'll start with the government side, if they have any questions, and then I'll go the NDP and the Conservative caucuses.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Mr Comartin, we really appreciate your coming. As one who shares your vision of the potential for conservation, I think it's really important that we actively look at ways to partner there.

I'm particularly appreciative of your suggestion that the two levels of government need to be working together. Is there some vehicle, mechanism or entree that is obvious to you, which maybe we're not aware of, that you might share with us?

Mr Comartin: Yes. The way the Kyoto Protocol is slated to be implemented in Canada requires agreements with the private sector but also with the provincial and federal governments to enter into it. Up to this point, Ontario has not entered into those. Again, to be partisan, I think a good deal of that was the reality of the friction that existed on many levels between the former government in Ontario and the federal government in Ottawa. I expect that is improving. I know the negotiations are ongoing, and conservation would be part of that. In effect, Ontario would be hearing from the federal government: "We expect you, as a provincial government, to meet these levels."

They've signed agreements—Manitoba was the first, understandably, because Manitoba's consumption of energy is highly based on hydroelectric power, and they were quite capable of meeting the standards the federal government had set for that particular province. I believe there have been some preliminary agreements with one or two of the Maritime provinces and the territories, but those are preliminary. I believe Manitoba is the only one that has entered into a full agreement. The Ontario minister may know this better, but I believe Ontario is in the course of negotiating. That would be the entry point. It has been unfortunate that the negotiations haven't progressed more rapidly. Hopefully, if they had, we would actually have begun to implement.

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Mr McMeekin: We need to get on with it. I would just point out that when we were in opposition, as you probably know, we presented an opposition day motion supporting Kyoto and were very keen then, as I think we are now, to get on with the nuts and bolts of that. Thank you for those points.

The Chair: Minister, did you want to quickly respond?

Hon Dwight Duncan (Minister of Energy, Government House Leader): Yes. The government is clearly on record as supporting Kyoto, and those negotiations are ongoing. I should point out that when we achieve our coal goal, that will meet almost 80% of Ontario's entire Kyoto undertaking.

The Chair: Ms Wynne?

Ms Kathleen O. Wynne (Don Valley West): The issue of Kyoto and the co-operation of the different levels of government is going to be addressed at a government level, but I think also riding by riding. One of the things happening in Don Valley West in Toronto is that John Godfrey, who is the member, and I and city councillors are working on a grassroots project. I think the education campaign that's needed is going to have to start from the bottom up; it's not all going to be able to come from the top down. I wonder if you could comment on the need for a riding-by-riding strategy in terms of these conservation measures.

Mr Comartin: I was aware of Mr Godfrey's approach. He was sitting on the environment committee before the last election as we were going through these hearings, trying to figure out just where Kyoto was going and how rapidly it was being deployed. So, I agree with you.

In fact, I had some quite serious concerns about this sort of advertising, PR type of campaign. To be blunt, I thought the information we were being given at that point was almost to the point of being offensive in the sense that it presumed a total lack of knowledge on the part of the average Canadian citizen. From my own experience, I know that anywhere from children at the elementary

level all the way up to adults are much more knowledgeable, as a society, about what we need to do to conserve.

I think the type of endeavour that Mr Godfrey was attempting, and I guess your involvement, as well as municipal, is one that has to be done. The problem with the one-tonne challenge is that it almost assumes everyone as an individual. But if, for instance, you have four or five people living in your family unit, that means it's a four-tonne or five-tonne challenge for that residence. So it's really ambitious for people living in that kind of a family unit. I think bringing it down to the local level is really important.

Ms Wynne: Our experience in Don Valley West is that people are willing and eager to participate. They just need the tools. They need to know how to do it.

Mr Comartin: Again, this is why I found the rollout of this program offensive. The implication was that society generally is ignorant, and I think the support we got for Kyoto across the country—the polls showed that Canadians in the 70 to 75 percentile range understood what it meant. It showed they in fact were interested and knowledgeable. What they needed were mechanisms to do the implementation.

So the ad campaign was really offensive, because it was going to assume they didn't know anything and sort of had to be taught. That's not where it's at. I believe that right across this country—and I've travelled the whole country on these issues—people are knowledgeable and prepared to do things, and they need to have the mechanisms in place to do it.

Ms Wynne: I agree with you. Thank you.

The Chair: About one minute. Mr Marchese, do you have a question?

Mr Rosario Marchese (Trinity-Spadina): Sure. Thanks, Joe. Just a quick question on the suggestion of procurement, the idea of requiring suppliers to meet a standard to conserve energy: It appears to me that speaks to the role of government, obviously, and it would be in contradiction to what Mr Baden was saying, where, obviously, people like him would recommend we have a competitive market force that should prevail. How do you deal with that?

Mr Comartin: Well, you're going to hear this some later from some of the other presenters, but the whole issue of the private-public conflict, private sector versus public sector—I just believe there has to be a major regulatory role played by the public sector and, in many cases, outright ownership. In many respects, I don't have a lot of support for Mr Baden's position of allowing the private sector and the marketplace to control. We can go right across North America, you can go all through western Europe where that's been attempted; it has almost universally been unsuccessful in achieving the goals we've needed. In those markets, which are very similar, obviously, to ours, the regulatory function had to be very strong, and in most cases it required outright government ownership of the services.

The Chair: Thank you very much, Mr Comartin. We appreciate your presentation this morning.

BRUCE POWER

The Chair: I again ask if Great Lakes United is here.

If not, I'd now like to ask Bruce Power to come forward. Mr Hawthorne is the chief executive officer of Bruce Power.

Mr Duncan Hawthorne: I'm just waiting for the handouts to be distributed.

The Chair: I think that's been completed, sir. You can commence, and you have 15 minutes.

Mr Hawthorne: Good morning, everyone. Thank you for the opportunity to take part in today's proceedings. My name is Duncan Hawthorne. I am the president and CEO of Bruce Power, which is Ontario's largest independent electricity generator.

At the outset of these hearings, Minister Duncan spoke to you about the importance of this legislation, which he said was not bound in ideology but based on what would work. I was encouraged by those words, for it's time we looked at realistic solutions to the challenges that face us. Whenever energy policy gets tangled in politics, potential investors get nervous and tend to sit on the sidelines. We can't afford to wait much longer. Clear, strong regulations that will outlive the mandate of any one government are needed right now if Ontario is to create an attractive investment climate and overcome its supply-demand imbalance.

That's why I generally applaud Bill 100. As a member of Ontario's Electricity Conservation and Supply Task Force, I'm pleased to see this bill reflect many of our recommendations to achieve a balanced energy supply from a variety of technologies. The task force was a knowledgeable and inclusive panel that delivered practical and thoughtful proposals. It's gratifying to see that that work was valued.

One of the many items to emerge from the task force report was a recognition that nuclear power must play a crucial role in an energy landscape that also embraces both conservation and renewables.

While I represent a growing company within the nuclear industry, I'm not here to say that atomic power should dominate this market. I believe deeply in the need for a mix of technologies. However, the true story of nuclear power has become so distorted by myth that a genuine debate of its potential is hard to conduct.

For example, we have the recent claim from an anti-nuclear group that Ontario's nuclear fleet limped along with a capacity factor of only 54% in 2002—a far cry from the true figure of 82%. In fact, our capacity factor at Bruce Power in the last quarter was 92%, and in 2003, our units 6 and 7 ranked among the world leaders, with capacity factors of more than 97%.

1040

When you scratch the surface of this group's distorted data, you discover they were taking units that had been laid up for many years and counting them as zero in their calculations. That's a bit like counting the number of goals scored by a player who sat out the full season with an injury and then criticizing his lack of production.

Who is served by this kind of misinformation? What we need is an honest portrayal of every technology so we can arrive at the proper, sustainable mix. Another task force finding was the immediate need for increased public education on energy matters. Bruce Power strongly supports that notion if it fosters true understanding.

The reality is that nuclear power is the workhorse of Ontario's electricity system. It powers almost half of the homes and factories in the province and emits none of the gases that contribute to greenhouse global warming. It's also improving. Since assuming operations of Bruce Power, we've not only set new industrial safety records, we've increased our electricity output from 20.5 terawatt hours in 2001 to 24.5 in 2003. After investing $720 million of private money to restart two laid-up units, we're on track to generate approximately 34 terawatt hours in 2004. In the space of one year, that means we will have generated nearly 10 terawatts of clean electricity that otherwise would have come from fossil fuels. To give you an idea of what 10 terawatts look like, that would be sufficient energy to empower the entire city of Windsor and the surrounding area for a full year. That's equivalent to removing more than six million tonnes of CO_2 from our skies, or the equivalent to removing one million motor vehicles.

Another myth which was hinted at during some of the earlier submissions is that private companies like Bruce Power are merely profiteers, here to drive up the price of electricity so we can generate huge profits and deplete our assets. That's not only false, it's offensive.

First of all, nuclear units are baseload generators that do not set price. We are price takers in this market and have not for one second established the price of power in Ontario. Second, any revenues we have generated thus far at Bruce Power have been reinvested right back into our plant. Consequently, we remain a reliable supplier and a major contributor to stable pricing. But we're also facing the possibility that all of our units will reach the end of their operational lives by 2018 if an investment environment to finance their refurbishment is not created. Gas companies say they can fill the breach, but the rising trend of natural gas prices means that every megawatt of nuclear power replaced by gas will put upward pressure on the price of electricity we all pay. That's why we are looking to Bill 100 to provide the clarity and stability that will allow us to consider future restarts, refurbishments or even new build. With that in mind, let me run through a few thoughts on the legislation as it currently stands.

Like many groups that have appeared before you, we are seeking additional clarity on the accountabilities of the various agencies within the bill. We need to understand the full role of the Ontario Power Authority. We're looking for assurance that it will remain an arm's-length agency with the authority and freedom to negotiate appropriate, long-term contracts with generators.

As a price taker, we require a better understanding of the price-setting mechanisms that will emerge from this latest round of reform. We rely on the market for our revenue stream. The spot market is simply too unpredictable for generators whose costs are largely fixed, like our own. We need to match our costs with stable revenues from contracts in a market that continues to be liquid and viable, contracts that offer secure prices and match our long-term investment horizon.

With the legislative details still to be worked out, we wonder if the real market value of electricity will be distorted by having a large slice on the supply side covered by rate regulation and another by contracts with the power authority. We need to analyze where Bruce Power fits within such a market. We need to know how the power authority will structure its contracts and whom we will compete with in the future. As always, we embrace the notion of competition, but look for assurance that the playing field will be level so no generator will be disadvantaged because it wasn't offered a power authority contract.

We look to the government to be thoughtful as it drafts the regulations to support this bill and answer the questions I have posed. Those regulations will have a crucial impact on the viability of the market, and the government must guard against any unintended consequences that could shake confidence in the system.

Like any investor, we are wary of the prospect of ongoing government interference. When we first came to Ontario, our assumptions were that we were making a major investment into a company that would operate in an open and competitive market. That changed with the appearance of the price freeze and the disappearance of half of our market and potential counterparties. While we coped with these changes, the technology we employ and the fixed nature of our costs can put us at the mercy of an ever-changing market. Stability is the key word for us.

There is a clear intent in the bill to create a favourable climate for new investment. While this is to be commended, it is also important that the legislative changes are not introduced in a way that is detrimental to those investors who were early movers and who have done much to improve the supply position in Ontario. Since Bruce Power was created in May 2001, we have invested more than $1.8 billion into electricity generation assets in Ontario, investment that has resulted in an additional 1,525 megawatts of installed capacity and an increase in Bruce Power's energy output of 13.5 terawatt hours in 2004 compared to 2001. To put that in context, 13.5 terawatt hours is just shy of 10% of Ontario's annual electricity consumption.

We are proud of these achievements in improving Ontario's electricity supply situation and want to make sure that generators like us who made early commitments to the Ontario market are not penalized unfairly by this new legislation. As Minister Duncan has already told this committee, this is our time to get things right.

Looking to the future, we are faced with some key decisions at Bruce Power surrounding the potential restart of Bruce A units 1 and 2 and the refurbishment of our four Bruce B units. Despite the rhetoric by some activists, it is worthy to note that a recent poll conducted by Ipsos-Reid shows 67% of Ontario residents to be

supportive of nuclear refurbishment. Indeed, our own initial study of these projects suggests that the restart of units 1 and 2 and the refurbishment of our Bruce B units could be very cost-competitive options, but neither investment will take place against the backdrop of a short-term contracts market. For our investments to make sense, we will need contracts that are long enough to match our investment time horizons and robust enough to offer fair returns.

A robust power purchase agreement will be dependent on the actions of the Ontario Power Authority, which in turn will rely on consumer rates that are determined via the Ontario Energy Board. For the sake of securing future supplies, it is vital that an accurate understanding of these issues surrounding nuclear expansion exists by all parties in that chain.

In conclusion, we're not here to ask for changes to any specific pieces of Bill 100; rather, we are emphasizing the need to be thoughtful in drafting regulations to implement the bill's intentions. Through this legislation, the province has a great opportunity to secure its historic, competitive energy position well into the future. As we see it, Bill 100 is essential if there is to be the long-term, strategic investment needed to achieve that goal.

Thank you very much. I'd be pleased to take any questions.

The Chair: Mr Marchese, please. You're up first on this round.

Mr Marchese: Mr Hawthorne, you talked about having "a recognition that nuclear power must play a crucial role in an energy landscape that also embraces both conservation and renewables." What kind of mix do you envision there? How much conservation do you think we should be doing, and renewables? How much do you think that should consist of?

Mr Hawthorne: Obviously, the rule of renewables will be heavily biased on other mixes. For example, if renewables are to be in the form of wind power, then you get into a situation of, because of the variable output from wind generators, then you have to think of a balance. I would tell you, in terms of stability, if we're taking coal out, then you have to think of a balance which has probably no more than 10% renewables because without that, you need a lot of reserve capacity to be available whenever the wind doesn't blow.

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Mr Marchese: And conservation?

Mr Hawthorne: On the conservation front, if you look at the most ambitious demand-side management initiatives, you're looking for it, at the very least, to hold demand growth, which would mean you would have to do about 1.6% per year of conservation measures. Ultimately, you're looking to reduce the load by maybe 5%. That would be very ambitious but, I think, doable.

Mr Marchese: Nuclear should represent how much, in your view?

Mr Hawthorne: Right now, nuclear is representing, by installed capacity, about 43%, but, by energy, it's probably close to 60%. My view, in an ideal market, is that that shouldn't increase. I'm not, as I said in my remarks, a "let's take over the world" nuclear person.

Mr Marchese: But you could try.

Mr Hawthorne: Well, I'll always try. The reality is, too much baseload nuclear isn't healthy for the market either, so I certainly wouldn't suggest that it ever be more than 50%, because you need the flexibility that other generators provide.

Mr Marchese: What do you make of the fact that Germany has announced, I think a couple of months ago, that they're getting rid of nuclear altogether? I forget the time frame, but they're getting rid of nuclear. Are they nuts, or what?

Mr Hawthorne: Announcing it and doing it are two very different things. I can tell you that I've spent a lot of time at international conferences. I was at an international conference in Germany not so very long ago. Most of the utilities will tell you that they support, as I do, the increasing renewables' role. But they can do the math the same as everyone else, and they cannot meet their energy needs by closing their nuclear plants; it can't be done. What it does is it certainly lights a fire under the initiatives for renewables, which, as I say, I don't see as a bad thing, but if you ask me honestly, I don't think they'll get there because it's such a big contributor.

Mr Marchese: But it's very ambitious, isn't it?

Mr Hawthorne: Yeah, but it's driven by ideology, too.

Mr Marchese: Ah, that's the problem.

Mr Hawthorne: Well, sometimes, like all of these things, an energy policy has to be a 20-year landscape within a four-year mandate. That's the challenge: All elected officials have to lay out a long-term vision in a short-term mandate.

Mr Marchese: Could I ask you a question about restarting—

The Chair: Mr Marchese, we're just about out of time. Quickly, your question.

Mr Marchese: I was interested in your opinion about restarting the various nuclear plants. In July, Minister Duncan said that the cost of restarting the second reactor, unit 1, at Pickering would be $900 million—four times a 1999 estimate of $213 million. What do you make of these costs? In your view, is it competitive; it's all right; it's not too high? Should we be looking at something different if the costs are so staggering?

Mr Hawthorne: Like all of these things, I think there has to be a competitive assessment done against other forms of generation. We're doing an assessment of our units 1 and 2 right now. I look at it and say that each unit is 750 megawatts. I'm looking for a refurbished unit to run for 25 years. I do a calculation of the costs associated with that, and I can estimate what the cost of power coming from that plant would be. I then compare it with the cost of alternatives, and if it's an economic case, then I've got an investment case. I can't speak to the Pickering one, but I'm pretty certain the same calculations are done. If I've got renewables coming into the market at $85 a megawatt hour and I can bring my units in at $60 a megawatt hour, why is that a bad deal?

The Chair: Thank you very much, Mr Hawthorne. We appreciate your presentation.

CITIZENS ENVIRONMENT ALLIANCE OF SOUTHWESTERN ONTARIO

The Chair: Next we have the Citizens Environment Alliance of Southwestern Ontario. Mr Coronado is making the presentation.

Welcome, sir.

Mr Derek Coronado: Good morning. My name is Derek Coronado. I'm with the Citizens Environment Alliance of Southwestern Ontario. Thank you for the opportunity to make a presentation this morning.

The Citizens Environment Alliance of Southwestern Ontario is a regional, independent, non-profit, environmental research and education organization based in Windsor, Ontario. The organization is otherwise known as the CEA. The CEA has had a long-standing interest in power generation and its impact upon the environment of this region.

The main feature of our regional ecosystem, which you can see outside if you look out the windows of this hotel, is the Detroit River. The river is a major connecting channel of the Great Lakes, along with Lake St Clair and the St Clair River; the source of drinking water for many people in this region; and the foundation of the culture that has developed in this area since European colonization.

The Detroit River and the Great Lakes have been used and abused over the years in order to generate electricity. Some of the local examples of power generation include the downstream Detroit Edison (DTE) Monroe, Michigan power facility, which is the largest single source of air pollution in Michigan. Along the Detroit River are additional fossil-fuel-burning plants, including Trenton Channel, Rouge River and the Brighton Beach power station in Windsor. Also nearby, of course, is the Lambton generating station located upstream of here, south of Sarnia, which is the second-largest single source of air pollution in Ontario.

Environment Canada has given Windsor the dubious title of smog capital of Canada, and the Ontario Medical Association, through its study entitled "The Illness Costs of Air Pollution," has estimated for this past year 73 premature deaths as a result of poor air quality in Essex county, with hundreds more subject to emergency room visits and hospital admissions.

Major change is needed in the electricity structure in order to accomplish environmental improvements throughout the province—not only in this region. The CEA is pleased that the government has so far maintained its commitment to phase out coal-fired power in the province by 2007—a commitment shared by all the major parties in the last election, although with varying timetables. The CEA appreciates that the government has committed to obtain 5% of Ontario's electricity supplies from new renewable energy by 2007, and 10% by 2010. A commitment was also made to meet 5% of demand with conservation efficiency measures by 2007, and 10% by 2010.

However, the CEA believes that the government is moving too slowly while attempting to achieve very conservative green energy targets. The request for proposals for 300 megawatts of renewable energy with in-service dates between 2006 and 2007 has yet to be expanded or advanced, despite the expressions of interest received that totalled approximately 4,400 megawatts of capacity.

The other bidding process for 2,500 megawatts of new generating capacity and/or conservation measures with in-service dates between 2005 and 2009 also, we believe, is a relatively slow and conservative program.

The CEA is concerned that the cautious approach that the government is taking with green energy programs will diminish our electricity options such that the province will continue with its excessive reliance on nuclear power and fossil-fuel-burning stations.

The energy minister's recent approval of a restart of a second reactor at the Pickering A nuclear station is an obvious contrast to the government's green energy program. The cost of refurbishing Pickering has been staggering and well documented. The CEA is concerned that continued expenditures on nuclear reactors in this province would impede the development of green energy programs. In order to promote a balanced mixture of conservation and generating technologies in the province, reliance on coal and nuclear power must be reduced.

There have been a number of studies published by independent non-government organizations examining Ontario's electricity system. I know the standing committee has received some of these presentations, and some of these reports have already been submitted. I'll just briefly mention one of these.

These studies show that a balanced and reliable electricity system is one that is based upon conservation and efficiency programs and renewable energy. Recently, the Canadian Environmental Law Association and the Pembina Institute published "Power for the Future: Towards A Sustainable Electricity System for Ontario." The main conclusions of these studies were that electricity consumption could be reduced by 40% by 2020; renewable energy could provide 30% of supply by 2020; residual requirements of 4,500 megawatts by 2020 could be met by high-efficiency cogeneration gas plants; a total investment of $18 billion would be needed; and the savings would be accomplished through the adoption of commercially available energy-efficient technologies, additional cogeneration in the industrial, commercial and institutional sectors, and fuel switching for space and water heating in the residential, commercial and institutional sectors.

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The financial cost developed by the model from this study, although high, compared favourably to the $32 billion required to build new nuclear stations to provide the same amount of power saved through the green energy scenario. The cost scenario developed in the study

also compared favourably with the nuclear-dependent $39-billion program proposed recently by the Electricity Conservation and Supply Task Force. In fact, that proposal was put forward in January 2004.

The design and operation of the electricity supply system in this province has major implications for the health and safety of residents and for the quality of the province's environment. The public health and environmental implications of the province's electricity supply system must be clearly recognized in Bill 100. The protection of public health, safety and the environment as a fundamental goal of the design and operation of Ontario's electricity system should be included in the "purposes" section of Bill 100. The protection of public health, safety and the environment should also be incorporated into the mandates of agencies created by or affected by the bill.

The bill does not sufficiently recognize the importance of conservation and efficient use of electricity. For example, the use of the term "to encourage" instead of "to promote" conservation and efficient use of electricity, in section 1 of the "purposes" section, downgrades the importance of conservation and efficiency. Conservation efficiency and the use of renewables are minimized in the direction given to the Ontario Power Authority by the bill.

The bill also proposes to remove existing references to the promotion of energy conservation, efficiency and cleaner energy sources from the mandate of the Ontario Energy Board: Ontario Energy Board Act, section 1, paragraph 6.

A sustainable ecosystem approach should be taken toward directions given to agencies by the bill. A sustainable ecosystem approach would, first, maximize energy efficiency opportunities; second, optimize renewable energy sources; and finally, meet remaining grid demand with least-cost and lowest-impact non-renewable sources of supply.

We would also recommend changing the term "encourage" to "promote" in schedule A, section 1(b). The approach of, first, maximizing energy efficiency opportunities; second, optimizing renewable energy sources; and last, meeting grid demand through least-cost and lowest-impact non-renewable supply should be inserted into section 1.

The Ontario Power Authority should be required to adopt the sustainable ecosystem approach, which I have already mentioned, in its integrated power system plan.

The promotion of energy conservation, energy efficiency and cleaner energy sources should be reincorporated into the Ontario Energy Board's mandate in Bill 100.

In section 2, the definition of "alternative energy source" requires the source to be "cleaner than certain other generation technologies in use." CEA is concerned that this requirement is vague. Coal-fired electricity generation, including the so-called clean coal technology, is not an environmentally acceptable form of electricity generation, and nuclear power is not a cleaner form of electricity generation than goal or gas-fired power. Nuclear generation produces highly toxic radioactive waste as well as routine and accidental radioactive emissions that are harmful to human health and the environment. The bill should explicitly exclude coal-fired power generation, other high-carbon emission alternatives such as petroleum coke-fired facilities, and nuclear power from the definition of "alternative energy source."

The environmental and human health consequences of coal-fired electrical generation and nuclear generation are such that the bill should set timetables for the phase-out of both generating systems. The bill should include the 2007 deadline for the phase-out of coal-fired generation. The bill should also include a phase-out of all nuclear power plants at the end of their normal commercial lives by 2018.

That concludes my comments.

The Chair: Thank you very much, sir. We appreciate your presentation. The rotation this time will be the Progressive Conservatives, the government, and then the New Democratic Party. We have about five minutes. Mr Arnott, I'll start with you.

Mr Arnott: One of the best parts of the standing committee process is that it allows members of the Legislature to visit communities like Windsor and hear from people in their local communities. I assume you're from this area, southwestern Ontario.

Mr Coronado: Yes, I am.

Mr Arnott: We certainly appreciate your willingness to come forward and offer us your views.

One of the previous presenters this morning, in answer to a question about Germany's commitment to eliminate nuclear power, indicated that perhaps the authorities in Germany know full well that they can't eliminate their nuclear power but they're trying to light a fire under the renewable sector to try to get as much renewable generation as possible built quickly.

We have heard from a number of witnesses and a number of experts over the last number of months that it's going to be very difficult, if not impossible, for the current provincial government to eliminate coal-fired generation by 2007. In fact, many experts are very skeptical as to whether that can happen, yet the government continues to follow through on public statements that it made during the election that this is their intention. Yet you pointed out quite correctly that, if they wanted to, they could probably put in Bill 100 a section which absolutely commits itself to doing so.

Do you think that the government's true intent is just simply to send a signal to the renewable sector that "You've got to get going," and that really they don't believe they're going to be able to eliminate coal-fired generation by the end of 2007?

Mr Coronado: I can't really speculate on the government's intentions. Certainly I would put forward once again some of the presentations that have already been made on alternative energy strategies to this committee, including from the Ontario Sustainable Energy Association, the David Suzuki Foundation, as well as the

Pembina Institute. The experience in other jurisdictions is that renewables can make up a much greater percentage of supply throughout the province. Additionally, it has been pointed out to this committee before that this province has very high per-capita electricity use in comparison to other jurisdictions. So the combination of conservation measures and a sustainable energy supply, to us, would not seem to be an option at this point, but it seems to be a vital requirement.

Mr Arnott: Yet at the same time I understand you said you would be reassured if the government amended Bill 100 to state explicitly its commitment, as an amendment to this bill, that it will definitely phase out coal-fired generation by the end of 2007.

Mr Coronado: We would be more confident in the government's proposal if it were included in this bill.

The Chair: Anything further?

Mr Khalil Ramal (London-Fanshawe): Thank you for your presentation. You mentioned when you were speaking about the government encouraging, not promoting, the way to conserve hydro in Ontario in order to have green hydro and utilities in this province. I wonder if you have seen section 25.11, where we talk about establishing a bureau in order to conserve hydro in this province and the things that bureau will do in promoting conservation in this province.

Mr Coronado: We do not believe that alone is sufficient to promote renewables and conservation throughout the province.

Mr Ramal: So what's your alternative?

Mr Coronado: The alternative, as I mentioned in the presentation, would be to start by changing some of the language in the bill itself, as well as that every agency mentioned in the bill be altered—such as the Ontario Energy Board, but I've made specific recommendations around that—so that its pre-Bill 100 efforts around conservation or its mandate should be returned within the bill; also that, of course, each agency mentioned in the bill should have a conservation, energy efficiency and renewable supply mandate.

The Chair: Thank you very much for your presentation this morning.

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RENZO ZANCHETTA

The Chair: I'd next like to ask Mr Zanchetta to come forward, please.

Good morning, sir. We'll just wait until the clerk distributes your presentation to committee members. You have 15 minutes, sir.

Mr Renzo Zanchetta: Thank you for the opportunity to speak today. My name is Renzo Zanchetta and I'm with the Windsor chapter of the Ontario Electricity Coalition.

In June of 2002, I addressed the standing committee on Bill 58. As a member of the Ontario Electricity Coalition, I know that the case against privatizing hydro was made in cities and towns across Ontario. When I say "made," I mean that people in Ontario overwhelmingly stated that they wanted a publicly owned system that delivered power at cost. Municipal councils—and I might add here that Windsor was the first—passed resolutions opposed to deregulation.

The act of public consultation, as we are engaged here today, did not lead to democracy triumphing. The Conservative government of the day did not implement the will of the people. What triumphed was the ideology of market-driven solutions, and what followed, as history will tell you, was a failure. Should that failure have been a surprise when anyone listening would have heard that, wherever an electricity market had been deregulated and privatized, it too had failed? In fact, there are no successful examples anywhere. So why, one would ask, should things be any different here?

Now, as then, the government of the day has no mandate to proceed with privatization of the hydro system. To quote James Laxer, "What was created through the direct expression of the will of the people ought not be swept aside in the absence of a similar expression of the public will." In fact, that was the law until the Eves government changed it in order to proceed with privatization. For the record, I do not believe that today's proceeding is an adequate substitute for public referendum.

Prior to the last provincial election, Dalton McGuinty said, "I will not move to deregulation. I will not move to privatization. The market is dead." For the Liberal government to move to privatization now is not surprising. In fact, it is consistent with their recent electoral behaviour of saying one thing and doing another.

Electricity has been essential to the creation of the culture and society in which we live. It underpins every aspect of progress and buttresses the standards of comfort and security that we take for granted. The question arises as to who best is to manage this essential service and what is in the public's best interest.

It is clear that the cheapest possible price for power is not part of the criteria for determining this. In this case, as in all cases involving privatization, there is the introduction of profits, for a whole list of people, all of them basically middlemen, all ready to add their fee to the final bill that only the consumer will pay. For the record, private power will always cost more than public power and therefore add to the cost of everything we take for granted.

The primary goal under a privatized system is to make returns on investment. However, success for investors does not guarantee any benefit for the consumer. Private producers will find a hungry market south of the border. Any private sale of power into the US will trigger NAFTA rules. We will end up paying inflated US prices for power generated in Ontario, simply to maximize return on investment.

So it would seem that sovereign control over energy supply is not part of the criteria favoured by the current government either. George Bush has expressed interest in a North American energy zone, and allowing private

power sales into the US is a way of accomplishing that goal. In Canada, we have lost control of our gas and oil resources; do we want to give up control of our electricity too?

Much of the grid in the US is in private hands. In fact, it was the negligence of a privately owned power company that was responsible for the blackout of last year. Following that blackout, a review was conducted and recommendations were made. One year later, those recommendations have not been implemented, leaving Ontarians vulnerable to another blackout. If we are to build energy security in this country, then our power lines should run east-west, not north-south.

One must ask the question: What plan does the McGuinty government have if an attempt to privatize goes wrong? The Eves government could not make it work, and it did not work in Alberta or Pennsylvania or New Zealand. After being gouged, Californians had to pay billions more to buy back their system. What are the implications of such a scenario under NAFTA? Will Ontarians be forced to pay some US corporation billions to regain control of what has been our birthright for over 100 years?

Two years after Bill 58, the fight against privatization goes on. The concerns that opponents expressed then are just as relevant today. Despite the refurbished spin and gimmicks like smart meters, it is the same battle. Though the name of the party in power has changed, the agenda has not.

If the government were truly concerned about meeting our energy needs, it would legislate measures that promote conservation. Rather than throw more money into the bottomless pit of nuclear energy, the government could take a fraction of the $900 million it intends to spend and retrofit homes across the province with compact fluorescent bulbs. This would go a long way toward meeting our energy needs.

It is a fact that more energy has been produced through efficiency and conservation than from all other sources combined. But talk as they may, conservation is contrary to creating the conditions investors will flock to. After all, investors want to sell as much electricity as possible, not less.

The minister said the government cannot solve the electricity problems of Ontario alone, that it needs the help of the private sector. To me, this is an admission of failure and is an abdication of responsibility. If this government cannot manage this essential service in the public interest, then Ontarians should elect one that can.

I said, when addressing the committee on Bill 58, that "the government pursues this course at its own peril, which will be evident in the next election." As history shows, the Tories were turfed.

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True, Ernie Eves was saddled with more than his own energy debacle, but the Common Sense Revolution will pale in comparison when voters are confronted with the disaster that hydro privatization will bring. The only question then will be, can the damage be undone and how much will it cost?

I will conclude by again quoting my address to the committee on Bill 58:

"I ... urge the government to consider how this valuable public asset could be better managed for the benefit of all people in Ontario. I suggest a new round of public consultations should be held to tackle the important issues of accountability, the debt, security of supply and hydro's role in the environment. Public ownership means public responsibility. The citizens of Ontario are ready to participate in that process."

Thank you.

The Chair: Thank you very much, sir. We have about three minutes for questions. Let's start with the government caucus.

Mr Ramal: OK. Thank you very much for your presentation. I'm sorry, I mentioned your name earlier for a different speaker.

Anyway, I just want to ask you some questions. You mentioned three very important points, especially about pricing. You mentioned that the government was just looking after investors, not after the people of this province. You don't believe that supply and demand, which control the prices, also drive the prices down? That's one question.

The second question is about the blackout. Hopefully, the Minister of Energy will correct me if I'm wrong. I believe that as a result of government work and effort, we have an extra 25% energy in this province, and a blackout will be out of the picture for this year.

The third question is, I listened to so many speakers from Toronto to, of course, Windsor today about nuclear energy. It's proven, after listening to many scientists, that it's the cleanest and the cheapest and most sustainable energy in the whole earth. I know your position is moved by certain political ideology. You don't believe that all these efforts, combined together, will provide a good service for the people of this province?

Mr Zanchetta: Excuse me, but I have three questions here?

Mr Ramal: Yes. First, supply and demand; second, nuclear; and third, the blackout, the extra 25%.

Mr Zanchetta: I'll deal with the last one first, as I remember it best. There was a report just two weeks ago in the media stating that recommendations that had been made had not been implemented in this time and in this moment. The point that I was making there is, why do we want to tie ourselves into a system that is not properly managed, namely being a privatized system where certainly infrastructure has been neglected in this? So under a privatized management, we have situations like this occurring, which cause tremendous dislocation, which cost Ontario billions of dollars.

I don't know if that answered you. And your other questions?

Mr Ramal: Talk about nuclear and—

Mr Zanchetta: I just want to tell you that once you said "nuclear"—there is a problem that we're saving for future generations here. There is no way to manage the toxic waste safely. It will have to be stored in perpetuity.

It will be a bill that the consumers in Ontario will have to pay, because when Bruce is done with making money, they're leaving town.

Mr Ramal: But it's proven that nuclear facilities are the safest and the cheapest, and we can produce—

Mr Zanchetta: From an environmental point of view, that doesn't register with me, sir. I'm sorry.

Mr Ramal: I respect your opinion, but that's what the scientists said and mentioned over and over. It's been proven in China and in many different countries on the earth. They produce a lot of capacity, of hydro, and they're clean and safe, and they've never experienced any problems. So that's why, as a government, we aren't just saying "only nuclear." We listened to the chief officer from the Bruce station. He mentioned it shouldn't be more than 50%—

Mr McMeekin: Forty-three percent.

Mr Ramal: Forty-three percent—and open it up for other alternatives, with windmills and water and whatever, other ways to make electricity. So as a government, just as we heard today in Windsor and probably tomorrow in Toronto and after in Ottawa, we want to listen to people like yourself and other people to create a direction for our approach to the hydro problem in this province.

Mr Zanchetta: I really don't have a response for you.

The Chair: Thank you very much, sir. We appreciate you participating in the democratic process in committee hearings.

DALE LANE

The Chair: Next we have Mr Lane, please. Welcome. Just before you start, the clerk is passing out your presentation.

Mr Dale Lane: Yes, thank you.

The Chair: You can commence, sir, and welcome.

Mr Lane: Mr Chairman, Mr Minister, honourable members, thank you for the opportunity to speak today regarding the Electricity Restructuring Act. I would like to start by saying I am a proud employee of Ontario Power Generation, but my remarks today are my own and do not in any way, shape or form represent my employer. My attendance here is as a user of electricity, natural gas and a life-long resident of Ontario.

Unfortunately, electricity is a somewhat abstract commodity. It cannot be seen or heard in a usable form but it is one of the most important commodities on earth. In fact, it was just over one year ago that millions of people in North America simultaneously found out how our lives and economy depend on it.

I'm sure it's the importance of this commodity that led to the bill which is being discussed today. It's also the importance of this commodity that requires the effects of any proposed changes to how it's produced, transmitted or used be carefully considered with as much stakeholder input as possible. Research supporting the proposed changes should be repeated and even expanded to ensure it's as up to date as possible and the intended results will be achieved. In the words of the old woodworking adage: measure twice, cut once.

The stated purpose of the bill—to promote the expansion of electricity supply and capacity—doesn't do justice to the complex issues around its production, transmission and use. I would respectfully suggest that qualifiers are required to indicate appropriate amounts of supply and capacity, and strategic areas are required in order to maintain a reliable and economic supply of electricity for the province.

The proximity of electricity production sources to load centres is almost as important for the stability of the provincial electricity grid as adequate supply and capacity. Producers in these strategic geographic areas should be limited to not-for-profit companies so that grid stability is never held ransom. Without a doubt, it was appropriate amounts of supply and capacity in strategic areas that helped supply reliable and economic power, which allowed Ontario to become the economic engine of our country. It deserves mention in the purpose of this bill.

In order to have reliable and economically priced electricity, diverse sources of electricity supply are required, as appropriately listed as one of the objects and character of the Ontario Power Authority. It's a prudent strategy for such an important commodity to not put all our eggs in one basket.

With words supporting diverse electricity supply in parts of the bill, it's surprising to find other areas of the bill limiting it. By my count, cleaner energy sources are referenced five times in the bill, which I'm sure is linked to everyone's goal of cleaner air; however, what's more important than the cleanliness of the energy source used for producing electricity are the emissions released to the environment in the process. This concept is so important, it does deserve mention in the bill and should specify emission levels per unit of energy produced. It would do no favours for the environment to have a large number of small generators that on their own have relatively low total emissions but have high emissions for every kilowatt hour of energy they produce. Considering only the cleanliness of source could exclude the use of synthetic substitutes for natural gas.

Synfuels are synthetic fuels that are substitutes for crude oil and natural gas. The chief sources of synfuels are gasification or liquification of biomass, bituminous sands, oil shale and coal. Gasification breaks down virtually any carbon-based feedstock into its basic constituents, enabling the separation of pollutants to produce clean gas for efficient electricity production. In one method of gasification, hydrogen, methane and carbon monoxide gases are produced by combining oxygen and steam with coal to produce cleaner-burning gases. Again, the more important issue is the emissions from the process used for electricity production, not the cleanliness of the source.

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Coal is found on every continent in the world, with reserves exceeding one trillion tons. The largest reserves

are found in the US, the former Soviet Union and China. The US and the former Soviet Union each have about 23% of the world's reserves, with China having approximately 11%. However, China is the world's largest producer of coal, followed by the US. In fact, the energy content of the coal reserves in the United States exceeds the energy content of all the world's known recoverable oil. With coal being North America's most abundant hydrocarbon, it is not a question of whether it will be used for future electricity production but how it will be used. The same can be said of the former Soviet Union and China, in that it will only be a question of how it will be used.

The United States government fully appreciates the energy contained in its coal reserves and the significance of having such an abundant domestic supply. It also appreciates an energy source that will not be affected by political instability in foreign countries or affected by organized efforts of a group of countries to manipulate its price. It's also the reason why the United States government is sponsoring a $1-billion demonstration project to create the world's first coal-based zero-emission electricity and hydrogen plant, based on gasification and liquefaction. Why would the United States government be involved in such a project? The answers are simple: to keep American-produced goods competitive in the global marketplace and to reduce emissions when using North America's most abundant hydrocarbon source.

While its abundance and limited uses are great positives for using coal as a fuel for electricity production, the emissions produced by burning coal are certainly a great negative. Technologies exist to retrofit existing electricity plants burning coal to remove approximately 90% of the sulphur dioxide, 80% of the nitrogen oxides and 85% of the mercury to significantly and substantially reduce emissions from coal-fired plants.

Developed nations such as Canada and the United States should take the moral high ground and set examples for developing countries to follow on how to use the world's natural resources in an environmentally responsible manner to minimize emissions from any industrial processes.

Unfortunately, air pollution knows no boundaries. Studies indicate that approximately 75% of the mercury landing in the United States comes from other countries, but it is predominantly from China. In fact, those same studies indicate that Asia is responsible for emitting approximately half of the worldwide total annual mercury emissions.

Pollution comes from a variety of different industries. This chart shows sources of sulphur oxide emissions for Ontario in 1995. The two largest Ontario-based sources were total industrial emissions and non-ferrous smelters. Other Ontario sources, while smaller but still significant, were electric power generation, petroleum refining, transportation, the iron and steel industries, iron ore mining and the cement and concrete industries. For reference, electric power generation from Nova Scotia, Alberta and Saskatchewan are also shown. While the data may not be current, it does show significant sources of sulphur dioxide emissions in 1995, which are still likely significant sources today.

The next chart shows sources of emissions of nitrogen oxides in 1995 with, not surprisingly, many of the sources repeated from the previous chart. Lost in the scale of the chart is the 28% NO_x reduction from 1995 to 2002 for electric power generation in Ontario. If 2003 data were available to compare against, the reduction would be even greater, due to the installation of equipment to further reduce NO_x emissions from coal-fired power plants. While the data may not be current, it does show the significant sources of nitrogen oxides in 1995, which are still likely significant sources today. Again, what's important for everyone's goal of cleaner air are emissions to the environment, not the cleanliness of the process inputs.

I would respectfully suggest that the bill requires qualifiers for the price of electricity produced in the province. Without electricity being affordable enough to allow Ontario-produced goods to be competitive in the global market, having all the supply and capacity in the world will be of no good.

There has been a complete about-face in the last four years on the choice of fuels for power generation in the world. In 2000, it was assumed that all capacity increases would be met by turbines burning natural gas. Since then, the cost of natural gas in the US has risen to or above the price of the electricity that would be sold by the plant and has resulted in a number of recently built high-efficiency plants not running.

Using significant amounts of natural gas to produce electricity in the province could also make Ontario-produced goods uncompetitive in the global market because of high natural gas prices. When speaking at the 2004 Canadian Gas Association general meeting this past May in Ottawa, TransCanada CEO Hal Kvisle talked about slow processes to bring liquefied natural gas to North American markets and building new coal and nuclear generating plants and how they are driving industrial users of natural gas out of business.

This slide, along with limited uses for coal and the many uses for natural gas, I believe, explains the shift in industry focus. With natural gas representing only a relatively small percentage of North American hydrocarbon reserves, it's easy to see why there has been upward pressure on its price, which will likely continue.

In closing, I would respectfully suggest that qualifiers are required in the bill to indicate that appropriate sources and amounts of supply and capacity in strategic areas are required in order maintain a reliable and economic supply of electricity for the province. To achieve everyone's goal of cleaner air, references to "cleaner energy sources" should be changed in favour of "low emission rates" for every unit of energy produced.

Thank you for your time today. I would ask that when it comes to electricity restructuring, please measure twice and cut once.

I'd be pleased to try to answer any questions you may have.

The Chair: Thank you very much, Mr Lane. We have about three minutes. Mr Marchese, you have the first opportunity in this round.

Mr Marchese: Mr Lane, I want to ask a question to see how it relates to your presentation, because I'm trying to follow the conclusions to get a sense of your view about Bill 100 in terms of its limitations or positive aspects of it. The government clearly has two proposal calls in progress: for 300 megawatts of green power, and 2,500 megawatts of clean power, largely gas-fired generation. The former, which will pay the higher cost of renewables, has drawn major interest, with proposals totalling 4,400 megawatts. Clearly there is an interest in that type of green power generation. You support that, I assume, based on this presentation.

Mr Lane: Green power is good. The question around it is, how much does it cost?

Mr Marchese: So cost is an issue for you, mostly?

Mr Lane: Yes. I believe it's an issue as well for the economy.

Mr Marchese: It would seem to me, given such a high level of interest in producing green power—presumably, totals to 4,400 megawatts—that we should be pursuing that a little more aggressively. Do you think the government should do that, or do you think it should look at that in relation to the cost over a long term, and is that the only consideration you want us to worry about?

Mr Lane: I think the price can't be ignored; it has to be considered. The other issue that one of the speakers earlier today spoke to was that with some renewables you still need capacity to back them up when they're not available to produce. So, yes, renewables should be pursued, keeping in mind their cost and the required backup capacity.

Mr Marchese: So the issue is cost, and it should be at lower levels or as low as we can possibly get. If that's the case, what is it that you recommend the government should be doing?

Mr Lane: I think the cost issue is to allow Ontario businesses to be competitive. I wish I could give you a figure, a percentage of different generation sources, but I just don't have the knowledge to do that. It's a fine balancing act, and frankly, I'm quite happy that I'm not involved in determining what those percentages are. But I think the key is allowing Ontario businesses to be competitive while still respecting the environment.

Mr Marchese: Is nuclear a big part of that?

Mr Lane: I believe so, yes.

The Chair: We have maybe a minute and a half. Mr Arnott, do you have a question?

Mr Arnott: I want to express appreciation for your presentation today, because I think you've put forward some facts that haven't yet been brought to the attention of the committee. Certainly the statement that much of the mercury pollution in North America—you said the United States, but I assume it's the same for Canada—is coming from Asia.

Mr Lane: I assume it would be.

Mr Arnott: We are certainly aware that pollution doesn't respect geopolitical boundaries, but that's a very interesting statement that I wasn't aware of.

Mr Lane: To put a number to it, the US produces approximately 45 tonnes annually. What's coming from Asia is approximately 1,100 tonnes.

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Mr Arnott: You said that the United States is spending a billion dollars to create a demonstration project whereby clean coal technology can be employed, which is zero-emission. Where is that being built? How far along are they?

Mr Lane: They haven't started. It's a 10-year project. The big issue for coal is CO_2 sequestration. There are demonstration projects for other clean coal technologies, the gasification and liquefication, but they don't include the CO_2 sequestration right now.

Mr Arnott: Because it's been a long-standing concern of the government of Ontario that about 50% of our air pollution in the province comes from the United States, predominantly from coal-fired electricity generators in the Ohio Valley. If that is the case, certainly the Ministry of Energy should be monitoring, you would think, the developments in the United States, and that should be part of the decision-making process before irrevocable decisions are made in the next three years about coal-fired generation. Would you not think so?

Mr Lane: I think I'd agree with that, yes.

Mr Arnott: Thank you.

The Chair: Parliamentary assistant, quickly, do you have a question? We have about half a minute.

Mrs Donna H. Cansfield (Etobicoke Centre): Very quickly, the issue around China—and I was recently there. My understanding is that they are actually looking to renewables. They are shutting down their coal and building more nuclear. The interesting part is that now they're discovering that the health-care-related costs are skyrocketing. My understanding—I met a teacher who had been there—was that they could only stay for a certain number of years before they would end up with a respiratory problem. So my question to you: I can't quite figure out—are you a proponent of coal, suggesting that coal has to be a part of that mix, and what portion?

Mr Lane: I'm proposing that clean coal can be a component of the mix. I'm not able to say what proportion it should be. I think if the developed countries had developed the processes to clean up coal, China wouldn't have the issues you mentioned. So it's unfortunate that the developed countries haven't been more responsible to deal with the emissions from coal in the past.

Mrs Cansfield: It's interesting. I sat with the person who probably owns most of the coal in Canada, and he was very straightforward: You can clean up the SO_x, you can clean up the NO_x, but you cannot deal with the CO_2 emissions. He was quite up front with that. So do you trade off one problem for another?

Mr Lane: Today they cannot deal with the CO_2. There is research underway to deal with total CO_2 capture and isolation from the environment. I'm not familiar

with where the work is, but I know the research is underway to achieve that goal.

Mrs Cansfield: Yes, I actually heard about it this morning myself, and I understand it's a fair piece away. So the question still rests: Do you trade off one problem for another in keeping the coal, or do you deal with—the comment was that in the United States, they have the coal; they're going to burn it. Most of it's for security reasons, to become self-sufficient. Do we follow that process just because they're doing it, or do we actually become a leader in getting rid of something that we know develops respiratory problems within our citizens?

Mr Lane: I think it's a balance that's required. Unfortunately, there are many industrial processes that cause respiratory problems and many luxuries of our modern life that kill people. We all drive cars, and unfortunately people are killed in car accidents too. So it's a balance that's required. It's not an easy question to answer, how the balance is achieved and what percentage it should be, but I believe it's a balance that's required.

Mrs Cansfield: We need to start somewhere. Thank you.

The Chair: Thank you very much, Mr Lane. We appreciate your input.

ALBERT DRIEDGER

The Chair: Next we have the London Health Sciences Centre, department of nuclear medicine, Dr Albert Driedger, please.

Just wait a minute, sir, before you start. The clerk is just passing out your material.

Dr Albert Driedger: Thank you very much for allowing me to come to speak to you today.

You might well wonder, why is a physician interested in electricity production? I've been privileged to participate in various professional activities for the last decade or more that gave me an excellent catbird seat to look in on the industry and to see what was going on, and I've come to realize that this is integral to the health of the population.

I have three messages I'll give you today. I'll give them to you as a synopsis and then I'll give you my arguments. First, I think there is a linkage between health and the means of production—or the availability, first of all—of energy. Second, I'll talk to you about the importance, as we see it in medicine, of clean energy and environmental sparing, and the links to health. Third, I want to talk about the importance of appropriate long-term planning for the system as it should be in the future.

First of all, worldwide, you can look up the statistics and see that there is a linkage between health indicators and the availability of energy that is generated country by country. That is to say that if you have energy, you have jobs, you have economy, you have infrastructure, you have health care systems that can be afforded, and these link to the health outcomes of the population.

Second, I want to emphasize that there is a strong linkage between health and the methods of energy generation. I'll point out to you the OMA's study on the air quality issues in health and their observation that air quality issues largely linked to the production of electricity are responsible for about 1,900 premature deaths per year in Ontario. In addition, it's tragic enough to lose the people, but the associated care of not only the people who die but those who struggle to survive with problems amounts to about $650 million a year, and the lost productivity resulting from those premature deaths is nearly another $600 million.

I want to give you a personal anecdote just to emphasize that I'm one of many tens of thousands of people who have respiratory problems. Since the coal-fired plants were restarted in Ontario, I've spent more than $1,000 a year on medications to keep me breathing reasonably well. I think that a number of us might be much better off if more money had been spent perhaps on the hydro bill and maybe it would have been a little less on the drug bill.

The third thing, and I'll spend a lot of my time on this, is the issue of a long-term, comprehensive energy policy. I'm saying "energy" and not specifically "electricity" because I think there are moving boundaries inside the energy sector, and the changes that are forthcoming need to be recognized because they'll have an impact on the uses of electricity and other forms of energy.

More than a decade ago, I was on a fact-finding mission that had us in a meeting with a number of senior then-Ontario Hydro people, including some of the vice-presidents. I asked the question, "Considering that it takes on the order of a decade to think about what you need down the pike in new energy production, what is being done today"—that was 1992—"to foresee the energy needs of the future?" I was told that Ontario did not need any more means of energy production, that the whole solution lay in conservation. That brings us to today, essentially, four administrations and three political parties later, and we're facing what I think we agree to be a crisis.

We need an energy policy system, a way of thinking about energy, that transcends the limitations of political administrations, and to see where the technology is heading, what changes are to be foreseen. The energy policy has to address the needs of the domestic and commercial sectors in a timely manner. It has to be consistent with our international obligations, such as Kyoto. I haven't seen the most recent numbers on our CO_2 production but, in the main, since the Kyoto accord was signed, our emissions have continued to go up rather than down. That was largely the result of the closure of the seven reactors in Ontario and the switch to coal production, which basically put about 35 million extra tonnes of CO_2 into the air each year.

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I think as a country and as a province we're extremely fortunate in that we have a range of energy choices. In order to have a stable energy policy, a stable economy, we need to utilize those resources selectively and not place excessive reliance on any one source. We do have

the full range of hydroelectric, fossil fuels, nuclear, and perhaps wind and solar. I suspect that wind and solar have a sting in the tail, but we'll perhaps come back to that.

I understand it's seven gigawatts of electricity that are being produced by the three coal-fired stations in southwest Ontario. If they're to be closed in 2007, where are we going to get the electricity from, given the time that it takes to replace sources of generation? The amount of electricity that needs to be generated from different sources is roughly equivalent, depending on how you want to look at it, to the construction of 10 new nuclear reactors of about 600 or 700 megawatts capacity, or about a dozen combined-cycle natural gas turbines, or about 7,000 windmills, assuming—my engineering friends tell me I'm too generous in the output of windmills and that the contribution wouldn't be as great as I've indicated here.

We have problems with reconfiguring the system within this time frame. Natural gas reserves in Alberta are rapidly dwindling—diminishing, as I'm told. My colleagues there tell me that they're looking at perhaps reducing their exports within nine years unless major new finds come forth. So does Ontario want to build a lot of natural gas capacity at this time? It would seem like a hazardous, high-risk gamble.

Wind energy is costly to build. There are many issues of land use and rights of way and such that are not addressed by the proponents systematically yet, that I've seen. There's also the question of what you do on a cold night in January when there's no wind. You have to have the standby capacity, so wind becomes an add-on to your grid rather than a replacement for major facilities.

If we shut down the coal-burning stations prematurely and have to look elsewhere for energy, that might mean importing from the United States, which of course, as we've already heard, would likely lead to an increased production of pollutants from the Ohio Valley. So we haven't really dealt with the issue of cleaning the air in an effective way by that manoeuvre.

I gave you some numbers from the Ontario Public Health Association concerning the emissions from coal-burning plants in Ontario, and you can see that we're producing about 150,000 tonnes of SO_2 and 50,000 of nitrous oxides, 35 million tonnes of CO_2, and I didn't get into particulates. You should notice that on the nuclear side, there are none of these emissions and, furthermore, for those who are afraid of the radiation issues concerning nuclear plants, I'd remind you that coal-burning plants emit more radiation because of the radon that is freed up from the burning coal. I'd remind you that the operation of each reactor at Pickering, at an efficiency of about 85% over a year, avoids the emission of five million tonnes of CO_2. I've given you some numbers for what the three most severely polluting coal-fired plants are emitting in southwest Ontario.

So what are the solutions? In the short term, I think conservation is important but I do not believe it can be the whole answer or even a major part of the answer. Given the time frame, I believe we have no choice except to return the laid-up reactors at Pickering and Bruce to full service.

Contrary to other views, I would emphasize that nuclear is green, nuclear is clean, and nuclear is cost-effective. It may, in the short term, be necessary to do something about emissions from coal-fired plants that need to continue to operate, but I don't know what that technology is.

Longer-term planning must consider that natural gas prices are not likely to fall. The economics of intermittent production by wind and solar will play a role and limit what we can harness them to. I believe we will have to continue to have nuclear in the mix in a big way in the long term.

I want to emphasize here that the radioactive emissions from nuclear are manageable, they're measurable, and they are not a public hazard. Indeed, I took a busload of my graduate students to Bruce in the spring because I was emphasizing to them and wanted to make the point that health care is an integral part of the nuclear industry, and they saw the fuel that's stored in the fuel basin. You should see it if you haven't. We're told that this is all the fuel that Bruce has used for the last 30 years and it has produced consistently about the amount of electricity that's needed to power Toronto. My students looked at it and said, "Is that all there is? That's not a problem."

I can tell you that I believe our descendants will fight each other for possession of the nuclear fuel depots because they still contain so much energy. In an environment where we weren't torn apart by fears of terrorism, I think we would be using and reusing many of those fuel sources.

I think that's the gist of my message for you, and I thank you for allowing me to speak to you.

The Chair: Thank you very much, sir. We have about a minute and a half. The Progressive Conservative caucus is first in this rotation. Mr Arnott, please.

Mr Arnott: Thank you very much for your common-sense presentation, if I can call it that—

The Chair: Is that the new platform, Ted?

Mr Arnott: —and for bringing forward your practical advice on this issue. I think you've taken a completely non-ideological and practical approach, and your understanding and study of this issue is evident throughout your presentation.

I was just thinking about the idea of conservation. You recognize that there's an important role for conservation, but there are limits to how much we're going to be able to conserve. I think it would be prudent public policy to try to encourage conservation every way we can but recognize that there will be limits.

I was just thinking, sort of off the top of my head—one of our previous presenters talked about encouraging the government to retrofit homes across the province with compact fluorescent bulbs. I was just thinking, what would happen if Hydro One sent a voucher to every residential household in Ontario and people could take that voucher into a hardware store and get one compact fluorescent bulb? It would get them thinking about con-

servation. It would give them some reason to take direct action. Maybe they'd buy a handful, half a dozen of them, if they get one for free, whatever. What would you think about that kind of idea?

Dr Driedger: That sounds like déjà vu. Back in about the early 1990s, I believe Ontario Hydro had various rebates. I was building a new house and I got a rebate for putting in a heat pump rather than a pipeline. I believe people were getting rebates if they bought new energy-efficient refrigerators. But then, I don't know; I think a lot of them just said, "Well, this old fridge is not too bad. Let's put it downstairs to keep the beer cold." So our energy uses have gone up.

I think conservation when you can is fine. In certain areas we need to change the way of thinking, and if you have a clever way of doing that, fine. But I don't think it will work easily.

Mr Arnott: I said that for the minister's benefit, and I hope he was listening.

Mr Marchese: It'll have Duncan's picture on it. It will help.

The Chair: Thank you very much, sir, for coming this morning and for a very insightful presentation.

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STEPHEN THOMAS

The Chair: I'd now ask Mr Thomas to come forward, please. We're just passing out your documentation, sir. We'll be a moment.

Mr Stephen Thomas: My name is Stephen Thomas. I'm a senior research fellow at the University of Greenwich in London, England. I was asked by the Society of Energy Professionals to look at Minister Duncan's proposals for the Ontario electricity industry and to comment critically on those on the basis of my experience.

I've been an energy policy researcher for the past 25 years. For much of the last decade or so I've looked at reforms in the UK, Europe and in other countries such as Mexico, Brazil, South Africa and Korea.

Mr McMeekin: A previous presenter referenced your work and drew to our attention his hope that you might be able to present. So it's good to see you here.

Mr Thomas: Thank you. First, I'd like to thank you for the opportunity to make this presentation and to congratulate you on what seems to me to be a very open process—much more open than I've seen in many countries which have carried out reforms.

I will try to go quickly through the conclusions of my papers and leave about five minutes for questions at the end. If it's not too presumptuous, I would say that as I am in Canada for the rest of the week, if any of the members here would like to take the opportunity to talk to me afterwards, I'd be very happy to spend as much time as is necessary.

The Chair: Thank you for that very generous offer.

Mr Thomas: Let me turn to the conclusions, then. What struck me in reading Minister Duncan's proposals was that the overall need for new investment over the period till 2020 was not overwhelmingly large. If you looked more closely, you would see that a lot of the requirement was in the early years. In fact, it seemed to me that about three quarters of the investment need was required in the next four or five years if the coal-fired plants were to be closed in 2010 and decisions taken on the future of most of the nuclear power plants which will be needed in the next four or five years. As a result of that, it seemed to me a very risky proposal to move to an untested solution requiring the investment by private investors who it's not clear will be interested in investing in Ontario, and it's not clear what the costs would be.

It seems to me that a much more reliable solution would be to look to Ontario Power Generation for a much stronger role in building this capacity. I noticed that the proposals, at least initially, do not allow OPG to participate very strongly in the requests for proposals. Given that you have a company that has produced reliable electricity over many decades, to exclude them from the process seems to me unnecessarily restrictive.

My next conclusion was on wholesale competition. It's my strong belief that the illusion that you can create wholesale competition in electricity should be abandoned. If we look at the experience in Europe in the areas where wholesale competition seems to have been most successful—and I suppose you would be looking at the Nordic countries and the UK—if you look more closely, the experience is not so positive. In the Nordic countries, after about 13 or 14 years of liberalization they still have not built any new capacity. In Britain, after 14 years of a wholesale market we still have about 0.5% of electricity purchases going through the transparent market. The rest is mostly generation for companies supplying their own consumers or via long-term confidential contracts. So even in Britain after 14 years we don't have anything like a wholesale market.

If we look at countries which have reformed and which have had a great need for new generating capacity, like Brazil or California, you can see that attempts to reform have led very quickly to chaotic situations.

My next conclusion was on gas. From a European perspective, gas always seems to be the answer, because in Europe we're surrounded by about 80% of the world's gas resources, easily accessible to the European market. All around Europe the liberalization process has been lubricated by gas supplies. North America has a very different resource position. I think if gas is going to be the fuel that will fuel the expansion of new capacity in Ontario, you need to look very carefully to make sure those resources are going to be available for the time scale required.

My next conclusion was on international trade agreements. I think you need to look very carefully at NAFTA and the GATS agreement, the General Agreement on Trade in Services, because it seems to me that both these agreements mean that once a reform is undertaken it will effectively be irreversible. This is not an area where you can afford to make experiments and then, if things don't go as well as you hoped, go back to the old system. Once

the market is opened under GATS and NAFTA, effectively, that process is irreversible. So I think you need to be very sure that the new market will work before you commit to it.

My next conclusion was on retail competition. I think the idea of retail competition should be abandoned. Experience in Britain is that retail competition makes small consumers have to compete against very large consumers like aluminium smelters to get cheap prices. I don't think it's realistic to expect small consumers to be able to negotiate as hard as an aluminium smelter or a chemical manufacturer.

As a result, what we've seen in Britain is that the relative price for small consumers has gone up. Within the small consumers, if you make it an open market, then the companies will target the most profitable consumers. So within small consumers, companies will target the richest consumers, the consumers they'll make most money from. Again, in Britain, we have seen poor consumers do very badly from the opening up of retail competition.

On the publicly owned companies, I welcome the decision to maintain Hydro One in public ownership. With the blackouts we saw in North America and Europe last summer, you can see the importance of a very strong transmission system, and I think keeping it in well-managed public ownership is a good step to maintaining a strong infrastructure. I think OPG should also be retained in public ownership as a reliable means of building new capacity.

Finally, on the coal and nuclear plants, it seems to me that retiring the coal-fired plants before it's clear that you have replacement capacity for them seems an unnecessarily risky strategy. If you are going to retire the coal-fired plants, you need to be sure that the replacement capacity is in place.

There is flexibility on the coal plants; their life is fairly extendable. That's not the case for the nuclear power plants, which have a finite lifetime before they either need to be retired or fully refurbished. About two thirds of the nuclear capacity will come into the category of needing major decisions within the next five years. If the decision is to refurbish, you will need to take the necessary logistical steps to make sure you can do that process in a timely and efficient fashion. Thank you.

The Chair: Thank you very much, sir. We have about seven minutes or so for questions. We'll start with the government caucus first, the parliamentary assistant.

Mrs Cansfield: Thank you very much for your presentation. I have a couple of questions. One is, could you give me the mandate which you were working under to create this paper?

Mr Thomas: I was asked by the Society of Energy Professionals to look at the statement by Minister Duncan and to use my experience of analyzing liberalization and privatization experiments to look at those proposals and critically comment on them.

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Mrs Cansfield: Did it include going beyond previous Ontario Hydro employees, to the marketplace, to other generators? Did you talk to people other than just the professional engineers?

Mr Thomas: No, I just spoke to the professional engineers.

Mrs Cansfield: The reason I asked is that you have suggested in here that despite some faults in the old publicly-owned monopoly model, which would be Ontario Hydro—I guess I was just trying to come to terms with how a $38-billion debt is a slight fault and how you rationalize that. If you could help me understand, that would be very helpful.

Mr Thomas: I don't pretend to have detailed knowledge of the Canadian companies, and clearly, calling a $38-billion debt a slight fault is totally inappropriate and I apologize for that.

Mrs Cansfield: That's the challenge, when you don't get a chance to talk to a whole lot of folks.

Then the other question I had was the issue around the gas in Europe. Having done a little bit of homework, and not a lot, my understanding is that Germany now has over 19,000 windmills. I appreciate the fact that wind is intermittent, it works better in winter than it does in summer, and it can only go from maybe 18% to 30% capacity at a time, and often you combine it with another source. But to me, that doesn't show just gas as being the answer for a lot of countries. Certainly, they're looking at the renewable energy source, so I was curious as to why you specifically identified gas as the issue.

Mr Thomas: If you look in Europe at the decisions made by companies purely on commercial grounds, then I think, without exception, they've all been for gas-fired power stations. If you're looking at Germany, you're looking at a much more guaranteed, subsidized environment. Where companies are risking their own money, then that's where they're choosing gas.

Mrs Cansfield: Then my last question really comes to the whole issue of cogeneration. Again, I understand we're behind, but in Europe they are so far ahead in how they develop, especially with their companies, small and large alike. Do you have any comment on that?

Mr Thomas: Europe is very uneven. Some countries have a very well-developed cogeneration sector, like the Netherlands. To a certain extent, it depends on your industry structure. If you have a heavy industry structure which uses a lot of steam and which can use the cogeneration, then there is a lot more scope. In other countries, it's not so well exploited. But certainly in some countries, as I say, like the Netherlands, to a certain extent Germany, and Britain, increasingly so, then there is a lot more scope for cogeneration.

Mrs Cansfield: If I may, one last question. I'm curious that nowhere in—and I obviously haven't read all of your paper, so I apologize if it is in there, but you didn't mention it in your summary, and that's the whole issue around the demand side and the fact that, for the first time in Ontario, we have put demand side on the same platform as supply. Certainly, that again is a whole new way of doing business, and we've just started to learn it. So I was curious as to why that was not included in your paper as well.

Mr Thomas: My instinct is always to look at the demand side, but it's very specific from country to country and I don't have detailed knowledge of how efficiently energy is used in Ontario. Certainly in Britain there is a lot more scope for energy-efficiency measures than has been taken up now. I do note in my paper that the projections of electricity-demand growth seem to me quite low and it seems to me likely that they are based on an assumption of quite a strong demand-side management program. I think it's about half a percent a year demand growth, which by international standards is quite low. So I am assuming there is a strong demand-side program.

Mrs Cansfield: I welcome the opportunity and offer to you the opportunity to come in and speak with the staff at the ministry. Maybe they could give you some additional information. Thank you.

The Chair: Mr McMeekin. We have about a minute and a half.

Mr McMeekin: Thanks very much, Mr Thomas. I'm impressed with what you've done. I haven't read it, but I certainly will. You raise a number of interesting questions.

I want to raise a question for you because I represent roughly 130,000 people. We're a new government; we had certain financial challenges when we came to power. We raised, through an OHIP premium, $1.6 billion and all hell broke loose, to be frank. We've got the energy minister and his minions in the ministry telling us we're lucky to get between a $40-billion and a $100-billion expenditure. Here's my dilemma: My constituents aren't lining up and saying, "Please hit us for another $10 billion a year in taxes." They're not doing that. In fact, a lot of them are saying, "Is there some way we can spread the risk? Is there some way of being better risk managers? Is there some better way of creating supply that isn't going to add to a $38-billion stranded debt?" That's my political problem, even though in an ideal world I like what I'm seeing here. Can you help me with that?

Mr Thomas: The debt problem is clearly important, but I think you have to put this in perspective. In most developed countries, electricity demand has been growing for about 60 or 70 years at about 7% a year. So the system is doubling every six or seven years. If you look at it in those terms, then the investment requirement is not unusual; it's one the electricity industry has been meeting for the last 60 or 70 years. So it's not necessarily clear to me that it is that unusual. It seems you need the political will to make that money available. Maybe it will need higher electricity prices, but maybe they'll be lower than if you gave the jobs to the private sector, which will require, particularly if the investment is seen by financiers as very risky, a very high rate of return on capital, and that will go to consumers. They might not like paying more taxes, but I don't think they'll like paying for expensive electricity.

Mr McMeekin: You understand our dilemma, though, don't you?

Mr Thomas: Oh, yes.

The Chair: Thanks for your presentation, Mr Thomas.

ENWIN POWERLINES LTD

The Chair: Next we have EnWin Powerlines Ltd—Mr Kosnik, president.

Mr Tom Kosnik: Thank you, Minister, Mr Chairman and members of the legislative committee, for the invitation to participate in this hearing process.

EnWin Powerlines distributes electricity in the city of Windsor and is fully owned by the city of Windsor. The shareholder has participated in a recent strategic planning session, and we believe our strategy and focus is doing what's best for the consumer.

EnWin is in agreement with the general principles of Bill 100, in which true cost of power is the basis of electricity charges to the consumer and a contract-based pricing system for default supply to protect the consumer. We are in agreement with the OEB assuming responsibility for market rules, the creation of the Ontario Power Authority to lead demand-side management programs, and the expanded role of the LDCs in demand management.

There are some issues with Bill 100, as we see it.

Split-supply obligations: The requirement under subsection 29(1) of the act for a distributor to sell electricity "to every person connected to the distributor's distribution system, including" consumers who purchase some but not all of their electricity consumed from a retailer will create consumer confusion, substantial billing system upgrades and additional consumer cost. A blended cost of energy is preferred to any split-supply option. Further, extensive billing system changes equate essentially to LDCs incurring more costs. The LDC is currently trying to recover regulatory costs for getting into the market opening in 2000. As a result, the commodity costs would increase distribution costs.

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Municipal Freedom of Information and Protection of Privacy Act: The LDCs have enjoyed an exemption from the municipal freedom of information act since 1998. The large increase in requests for information that would be anticipated should this exemption cease would translate into an additional position being created, which will obviously translate into additional costs for the consumer.

Demand-side management: The expanded role of the LDCs' implementing demand-side management programs and energy-efficient programs recognizes the important relationships LDCs have with their consumers and recognizes the differences in geographic areas of the province. For example, a large, local manufacturer has an additional three megawatts of supply available at their plant but is limited in its use because of minimum-load consumption contracts with EnWin. The minimum-load contract was necessary to ensure that EnWin could pay for the $6-million expense of constructing a dedicated transformer station on-site. So you see the Catch-22. By ensuring EnWin is held whole in distribution revenue, a

net system peak load reduction of approximately three megawatts could be achieved with little or no cost.

EnWin has purchased market settlement software that provides wholesale and retail settlement. This program provides its retail users with up-to-date consumption information within 24 hours of load consumption via the Internet. This investment will provide Windsor's large consumers with timely information to make load management decisions going forward into the next day or week.

In addition, EnWin is continuing to replace old, deteriorated distribution infrastructure and convert it to higher distribution voltages, thereby reducing system losses. For those of you who aren't electrical engineers, the higher the voltage, the lower the losses. And the relationship is not linear; it's exponential. This reduction could literally provide energy to hundreds of new homes in the city of Windsor without an increase in demand.

These programs should be recognized as energy conservation programs for the year 2005 as part of the last third of a market-based rate-of-return program.

I must stress the importance of the principle of the LDC being held whole for any lost revenue in consumption reduction. A simple way to deal with this issue is to eliminate the variable component of distribution costs on the bill and replace it with a fixed charge. Currently, distribution revenue for EnWin comprises approximately 40% fixed charge and 60% volumetric charge. I must emphasize that any program that is utilized to ensure LDC revenue is kept whole should be simple and transparent. The fixed distribution rate would be such a system.

Discussions are ongoing with the OEB on the implementation of smart meters and separating the operating costs from meter services so that competition could occur for meter services in the future. This opens the door for potential privatization. The meter is used by utilities as a means of disconnecting and reconnecting customers and of determining the charges that would apply to consumers of electricity. In addition, this sort of meter service would confuse the consumer in an already complicated marketplace.

When considering the use of smart meters, the OEB and the Ministry of Energy should consider a simplistic, two-tier commodity pricing scheme in which off-peak and peak pricing data are provided on an annual basis and loaded into the meter. This would eliminate the need for the on-line downloading of market pricing data on an hour-by-hour basis.

The LDCs should be allowed to claim community educational conservation programs as demand-side management programs for 2005 as well.

The interval meters, the smart meters, certainly will impact billing systems. There's no question about it. It's certainly going to impact the cost of the utility going forward. The question is, how does that LDC recover the cost? I would suggest to the committee that the LDC should be able to recover its cost and should be guaranteed that recovery.

Thank you for your time.

The Chair: Thank you very much. We probably have about four minutes for questions. Mr Marchese, you're first up in this rotation.

Mr Marchese: So, Mr Kosnik, how does the smart meter—and I'm not a big fan of the smart meter necessarily, in terms of at least the objectives the government thinks it will have. But how does it confuse the consumer, again?

Mr Kosnik: I don't think the smart meter necessarily causes any confusion with the consumer. I think the smart meter provides knowledge, and knowledge is power going forward. There's no question about it. So I don't think there's an issue with regard to the smart meter data being confusing to consumers. I would suggest to you, though, that if you were to separate the cost of meter services, and being able to put those costs or those services out on the market for competition for meter service providers, for consumers, that will certainly create the confusion that I'm talking about.

Mr Marchese: I'm still trying to understand how that—

Mr Kosnik: It's the unbundling of the meter service's costs. So, for example, you have a meter at your residence, and what is being advocated is that we separate the costs associated with providing that meter. That cost, then, would be unbundled. Then there would be an opportunity for the private sector to go in there and provide that same billing service or that meter service. The issue there is, by providing that opportunity, it will provide that consumer with some additional confusion in the market. I don't suggest that you go forward doing that.

Mr Marchese: Have you talked to the government about this issue, or to some of the ministry people?

Mr Kosnik: We have certainly sent a letter forwarded to the Ministry of Energy.

Mr Marchese: Did you get a response?

Mr Kosnik: It was a recent letter, probably a couple of weeks ago.

Mr Marchese: What did they say?

Mr Kosnik: It was a recent letter that I sent, so I didn't expect a response.

Mr Marchese: Oh, a recent letter you sent, not their response.

Smart meters would encourage privatization, yet you're a private sector individual, obviously. Right?

Mr Kosnik: We're an Ontario business corporation, a company.

Mr Marchese: Right. This would encourage, you said, privatization. That's what I wrote down.

Mr Kosnik: There's talk in the industry with regard to further unbundling of the meter services. Those meter services—the thought is that you can have competition in that area, and then that competition will lower the price of those services. I would suggest to you that all that will do is cause greater confusion in the marketplace and very little cost savings to the consumer.

Mr Marchese: OK. Thanks.

The Chair: We still have about a minute and a half. Mr Arnott, you're next in the rotation.

Mr Arnott: I want to thank you very much again for your presentation today. I'm not an electrical engineer, as you may guess. I don't know if there are too many of us around this table, so your presentation is very helpful in terms of giving us some of the technical background as to how some of this works.

I'm wondering about smart meters, and I know the government is committed to moving forward in that direction. What kind of electrical infrastructure is required for a smart meter to work? Do you need a dedicated telephone line for the smart meter to receive and send the information back and forth? Is it a coaxial cable? Do we have the infrastructure right now to enable people to put a smart meter in their home and have it work? What's required to make that happen?

Mr Kosnik: There's a number of decisions that have to be made with regard to the type of meter we're going to be using, so we could use a standard meter going forward.

The other issue that you've alluded to is the communication issue: uploading and downloading information. We're not talking about taking one meter reading per household any more. We're talking about 1,720 readings per household per month, and you multiply that by the customer base. So it's a massive issue with regard to data.

The question with regard to downloading information: We currently have smart meters that are in use for industrial and commercial customers, customers that are over 500 kW, and we use the telephone line. Off hours, between, say, midnight and four in the morning, we certainly use a telephone line, and we use that as a means of communicating and getting information.

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Mr Arnott: It's a dedicated telephone line, I assume?

Mr Kosnik: In our case it is a dedicated telephone line, but certainly from a consumer perspective, I suspect 99.9% of consumers have telephones in their homes and I suspect that would be another opportunity of using that piece of equipment.

There are other technologies available: fibre optics, radio frequency and things of that sort. Technology is not the issue. It's a matter of going forward using the most common databases and the most common technology so that we don't have an over investment in some of this communication technology that will skyrocket the price of providing that service.

Mr Arnott: I think you've pointed out from the perspective of the local distribution companies some of the issues that have to be brought forward. The association of local distribution companies made a presentation in Toronto and did an effective job in that regard too, but I think it's important for the government to work hand in hand with what we used to call our public utilities commissions as we move forward in this regard.

Mr Kosnik: Absolutely.

The Chair: Thank you very much, sir.

CLAIRE McALLISTER

The Chair: I now ask Claire McAllister to come forward, please. Good afternoon and welcome.

Ms Claire McAllister: Good afternoon. I have Jim McAllister, my husband, here as well, if that's OK. I haven't provided copies for everyone but I hope that's OK.

The Chair: You can now proceed.

Ms McAllister: I appreciate the opportunity to address this committee concerning Bill 100. Previous to Mr McGuinty's election as Premier of Ontario, he supported deregulation and privatization of electricity. When 42 cities, representing about seven million people in Ontario, passed resolutions against deregulation and privatization and for retaining public power, he campaigned in support of public power. However, once in power he is now embracing privatization, along with Mr Duncan, as a solution to Ontario's electricity needs. Does this government have any integrity if it doesn't respect the will of the people?

The public system in Ontario has been operating well for almost 100 years. It looks like the governments of Harris-Eves and now McGuinty-Duncan have created a crisis of debt and supply and present privatization as the only option. There is no evidence anywhere in the world where there has been privatization of public power that has worked in the best interests of the people and provided cheaper power.

Why are we going this route? Because of the ideology of privatization? We all know that markets are designed to operate for private interests, and that means profits. Rates will increase considerably when you have to add in the profits to the generators, distributors, retailers and shareholders. We need only to look to the United States, and in particular California, to see how greedy corporations can manipulate the market. There, Enron created the crisis that caused so much chaos and blackouts and huge increases in rates that deleteriously affected so many people and businesses.

After costing billions of dollars, and much more, to reverse the decision, 20 US states backed away from the deregulated electricity market. Today, all states and provinces using competitive pricing have much higher prices than they did before the deregulated market was introduced. In fact, public power is cheaper around the world. Electricity rates in Ontario are 18% lower than private power in the United States. So why the push to private power? Can Mr Duncan clarify his stand? He has been quoted as saying, "Electricity is a great place to invest." Well, I think we know what that means: tax breaks and incentives to attract investment.

The people of Ontario own the asset, and this government, like the previous government, wants to give it away. Our government wants to privatize profits but the public gets to keep the debt, as in the case of the Bruce nuclear plant giveaways: leasing two for the price of one. The leasing company gets to keep the profit while Ontarians continue to pay the debt on them. The citizens of Ontario will have to pay for all damages when accidents

occur and bear the cost of clean-ups at Bruce. Additionally, major repairs, which are incredibly expensive and always way over budget and well behind schedule, will be the responsibility of us, not the lessee.

When these plants have to be shut down and decommissioned, as they surely will after around 30 years of operation, guess who assumes full responsibility for the guarding of these radioactive mausoleums with their tonnes of radioactive materials that will have to be guarded for hundreds of thousands of years, as well as the cost of decommissioning? It's not only all those radioactive spent fuel rods but it's also all the mine tailings that go along with the mining of uranium—Elliot Lake, with tonnes of mine tailings, Saskatchewan, anywhere in the world where there is mining of uranium. It's not the lessee, who simply closes the door and walks away. For the lessee, it is a no-lose situation, with no upside for Ontarians.

This government and the previous Conservative government, it appears, seem to put private investors' interests ahead of those of the people of Ontario. Under then-Premier Mike Harris, a sweetheart deal was concluded whereby private investors bought three hydroelectric plants in northern Ontario at a bargain price for export to the Michigan market. These plants, which were producing power for less than one cent per kilowatt hour, charged the Ontario government 17 cents per kilowatt hour when it had to buy power during a power shortage.

Bill 100 gives the Ontario Power Authority the ability to sign contracts for electricity when the market doesn't supply it. The bill also opens the door for private investment in building capacity. It leaves the door open for the building of coke-fired plants, such as the one proposed in Thunder Bay, which cause serious health hazards. The risks and costs are transferred from suppliers to consumers.

Ontarians do not want private, deregulated power and the government does not have a mandate to proceed with this action. Instead of having stable pricing and environmental protection, NAFTA will ensure permanently entrenched high prices for power in Ontario if the government doesn't close the electricity market. When export controls are removed, we will not be able to guarantee adequate supply in a shortage. It will go wherever and whenever the owners decide.

Under American ownership, which is most likely, we will be subjected to the higher-cost American electricity market. This will have a devastating effect on the Ontario economy, the engine of the Canadian economy due in large part to our low-cost and reliable electricity, and will cause untold hardship on Ontarians, especially those most vulnerable.

Has the government given any thought to how the elderly, the poor and those on fixed income will cope with the double whammy of higher electricity costs, skyrocketing energy costs and the new health tax? There are millions of Ontarians who will be devastated if the level of our electricity costs reach those of the United States.

This government needs to be taken to task for its total lack of planning or policy development on innovative ways toward conservation. Since this government has been in power, there have been no concrete steps taken to create incentives for conservation. A new report suggests that Ontarians are using more electricity now than before the blackout of last August. If the weather had been normal this summer instead of unseasonably cool, the resultant pressures on the electricity supply would have been disastrous. Ontario, after almost a year of Liberal rule, still has no comprehensive conservation plan in place. On the other hand, California, within weeks of the electricity crisis, instituted a wide-ranging conservation program that immediately saved, and continues to save, huge amounts of electricity.

With all due respect, John Manley and Jake Epp, two former federal cabinet ministers with many ties to the corporate world and the nuclear industry, were singularly unqualified to render an unbiased opinion as to what is wrong with Ontario's electricity industry and how it should be fixed. Their solution was a foregone conclusion.

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Even in this morning's Globe and Mail, there were dire warnings from Steve Thomas, an internationally recognized energy expert and a senior research fellow at the University of Greenwich in London. He contends that Ontario should go back to the proven practice of mandating a government agency, like the old Ontario Hydro, to ensure adequate power supplies.

"To abandon the old, publicly owned monopoly model, which, despite some faults, has a good record of ensuring supply security over many decades, in favour of a model with, at best, a mixed track record, seems unduly risky."

In 1908, a Conservative Adam Beck concluded, after surveying the Ontario electricity scene, that public power was the key to Ontario's prosperity. It would provide low-cost and reliable electricity. He was right on both counts. Why would we want to tamper with success?

The Chair: Thank you very much. In rotation, this time we have Mr Arnott, the government and then the NDP. We have about three and a half minutes for questions.

Mr Arnott: I want to thank you for coming in and expressing your view today. I don't have any particular questions. I want to compliment you on your articulate presentation. You asked some questions of the government, and, by good luck, we have the Minister of Energy here, and I would certainly be willing to allow him to use my time to answer and respond to some of your statements and questions if he chose to do so.

Hon Mr Duncan: I'd rather leave it to committee members.

The Chair: I think we'll let the committee members—carry on with your question, Mr Arnott.

Mr Arnott: I just thought the minister would in fact use the time and would wish to respond to some of the questions you raised, because you make some very valid points.

The Chair: The minister has duly noted the questions, and, at an appropriate time, the minister will respond. Mr Arnott, it's your opportunity for questions.

Mr Arnott: Well, he's sitting right here, and I was just thinking it might be appropriate. He's got a microphone.

Ms McAllister: Could I ask a question, maybe? Has the government sought a legal opinion on the effect free trade will have on its proposed electricity privatization? If there is a legal opinion, will this government make it public?

Hon Mr Duncan: First of all, yes.

Second of all, you and Professor Thomas, I think his name is, want to go back to a $38-billion unfunded liability that relies on nuclear—

Mr Marchese: Sounds like you guys—

Hon Mr Duncan: No, it relies on nuclear. I mean, we're 50% nuclear. You're opposed to that, but you want to go back to the model that produced that.

Interjections.

Mr Marchese: Please, Ted, he's doing fine.

The Chair: Mr Marchese, please.

Hon Mr Duncan: Mr Arnott asked for my response.

Third, we have the dirtiest coal plants in North America, which were built by Ontario Hydro, and no money invested to upgrade them.

Fourth, we have been an electricity importer for almost 25 years; that started under the previous government. Here in Windsor, if we didn't have access to the US market, we wouldn't have lights. I don't know if you've ever heard of the Lake Erie loop, but that's how we imported the blackout.

Interjections.

Hon Mr Duncan: Let me finish, because I listened attentively to a lot of misstatements, things that weren't accurate and certainly were incomplete.

That's one thing. So if you're suggesting energy self-sufficiency, we agree. You're not going to get it inside of 10 years, minimum. I think people have to be realistic about that. Part of our problem in Ontario—and by the way, you also said our prices were lower than in the United States; the fact is, we're about midpoint. California is the highest—way, way higher than us. I don't think I'd want to emulate them on price; the same with New York. Michigan, Illinois and Ohio are within a cent or two of us. A range of US jurisdictions are below us. The lowest-priced power is in Quebec and Manitoba, and I would submit to you that that has to do with the fact that they have the good fortune to have a topography—we have exceeded our demand.

Mr Marchese: Do you have any other questions?

Interjections.

Hon Mr Duncan: I was asked to respond, so I'm responding. I want to respond more completely.

Finally, the reason those are lower-priced is because it's hydroelectric. Mr Marchese's government cancelled the Conawapa dam project in 1992. Had we done that, we wouldn't be in this pickle. His government also cancelled every demand-side management program the old Ontario Hydro had, and you ought to be ashamed of that. In the last Parliament, they voted against putting on a price freeze, and then in this Parliament they voted against taking it off. The hypocrisy around Mr Hampton's argument, which you've put, which is an incomplete, inaccurate and, frankly, wrong argument—I disagree with you entirely on your premise.

The other thing you failed to mention is that we are not deregulating price. In fact, we're reregulating price. You need to read the legislation, with respect. The polemic you and Professor Thomas from England offered—we're regulating prices. I have these guys in the private sector telling me, "Don't do that."

So I just want to set the record straight on those things. I appreciate the time to respond, Mr Arnott.

The Chair: Mr Arnott, you still have about 30 seconds.

Mr Arnott: I listened to the minister's strong response to the witnesses who have come forward. I would again point out a statement that the current Premier, the former Leader of the Opposition, apparently made during the last election: "I will not move to deregulation. I will not move to privatization. The market is dead."

Certainly their current policy does appear to be different from that.

Ms McAllister: Are you moving toward privatization?

Hon Mr Duncan: No. We've said explicitly that we're not selling—that's what this is all about. Read the legislation. It's called "heritage assets." You have to listen to that. We're not privatizing. In fact, we're reregulating price. I thought the opposition would understand that.

Mr Arnott, we reject what your government did entirely—entirely. We are reregulating prices for small consumers. The challenge we have with large consumers is, we're giving them the freedom to take the regulated price if they want or to get other electricity if they can. But we're offering a reregulated market.

Mrs Cansfield: Mr Chair, if I may, just on a point of order and a piece of information, because you had identified that the people of Ontario will be paying vis-à-vis the nuclear waste: It is my understanding—and I cannot give you the figure at this point, but I will get it for you—that the industry itself has set aside those funds separate from the debt load to deal with that issue. Elizabeth Dowdeswell is running a commission at the federal level on that issue. So it will be done.

The Chair: Thank you very much for your presentation.

I would ask one more time if Mr Stack from Great Lakes United is here. No.

That concludes our hearing this morning and this afternoon. Thank you very much for your input.

The committee adjourned at 1246.

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