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**Mercredi 6 octobre 2004**

**Standing committee on  
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Ministry of Energy

**Comité permanent des  
budgets des dépenses**

Ministère de l'Énergie

Chair: Cameron Jackson  
Clerk: Trevor Day

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 6 October 2004

Mercredi 6 octobre 2004

*The committee met at 0908 in room 151.*

## MINISTRY OF ENERGY

**The Chair (Mr Cameron Jackson):** Good morning. I'd like to call to order the standing committee on estimates. This morning, in accordance with the direction from the House, we are to sit seven and a half hours to review the estimates of the Ministry of Energy. We're delighted to welcome the minister, the Honourable Dwight Duncan. Committee members will know that we will begin with up to half an hour for opening statements by the minister. The official opposition and third party will each have 30 minutes for statements, following which the minister and those responsible for presenting the estimates will have up to half an hour for a reply.

Welcome, Minister. Would you please introduce your team, and then we're in your hands.

**Hon Dwight Duncan (Minister of Energy, Government House Leader):** Thank you, Mr Chair. On my far left is Deputy Minister James Gillis; on my immediate left is the assistant deputy minister, Jeanette Dias D'Souza; on my immediate right is director Rick Jennings; and in the first row over my shoulder and behind me, director Rosalyn Lawrence.

Good morning, Mr Chair and members of the committee. I am pleased to have the opportunity to present the Ministry of Energy estimates and to share with you some significant results that the ministry has achieved over the past 12 months, as well as its key initiatives going forward.

The Ministry of Energy knows and understands the fiscal, economic and social challenges that the government faces. We too face our own unique challenges in the energy sector. The sector employs 75,000 individuals. It represents 3.1% of Ontario's GDP. The potential economic impact of insufficient power is significant, as we all saw during the August 2003 blackout.

With 123 full-time-equivalent staff and a budget that represents 0.03% of total government operating spending, the Ministry of Energy is one of the smallest ministries in the government. At the same time, our mandate is also one of the Premier's top priorities.

I introduced the members of my team a moment ago. I would also like to acknowledge that my parliamentary assistant, Mrs Donna Cansfield, the member for Etobicoke Centre, is not here today. I did want to take this

opportunity to acknowledge and thank her publicly for the tremendous leadership, hard work and dedication she has shown to our government's energy conservation initiatives.

It is just about a year since I became Minister of Energy. When the Premier asked me to take on the portfolio, I found a sector that was in crisis. We faced four significant problems:

(1) Consumers and businesses told us they lacked confidence in our power supply.

(2) The price Ontarians were paying for electricity did not reflect the true cost of electricity. As well as adding to the already huge deficit that taxpayers were funding, that artificially low rate encouraged energy consumption, not energy conservation.

(3) There were predictions of a looming gap between electricity supply and demand.

(4) There had been little investment in conservation, new energy generation or transmission in the past 10 years.

In response to these concerns, our government took immediate and aggressive action to ensure that Ontario is a place where conserving energy is second nature and where individuals and businesses can rely on an energy supply that is reliable, affordable, safe, secure and sustainable.

At the ministry we are focused on achieving results in five key areas. These are:

First, we are committed to creating a strong conservation culture among Ontario consumers, a culture in which Ontarians learn to use energy more wisely.

Second, we are committed to closing the gap between supply and demand.

Third, we are committed to increased consumer and investor confidence.

Fourth, we are committed to aggressive development of renewable energy.

Fifth, we are fully committed to cleaning up our air by replacing coal-fired generation.

Our ministry is working hard to bring real, positive change to Ontario's energy sector. To do that, we are aggressively pursuing several major initiatives, and I'd like to highlight some of them for you now.

When I became minister, I had three priorities: supply, supply, and supply. Ontario cannot use power that it does not have.

I also knew, early on, that it was a top priority for us to attract and keep investment here and to ensure that Ontario has a reliable, affordable, safe, secure and sustainable energy supply. This is the foundation for a strong economy and a healthier, cleaner environment in Ontario.

To lay the groundwork, the Ministry of Energy is putting in place an energy policy framework that is designed to ensure we have the power we need over the long term. We must be confident that the lights will stay on, no matter how hot or cold it gets.

We have begun the process to rebuild, over the next 20 years, virtually our entire installed capacity to power Ontario's homes, schools, hospitals, businesses and infrastructure. This rebuilding will deliver on our government's commitment to replace coal-fired generation, encourage cleaner alternative sources, and make Ontario a clear leader in the development of alternative power and greener sources of energy.

The McGuinty government is charting new ground in the history of Ontario's electricity sector. A total reorganization of the sector was long overdue. If it had been left on the course set by the previous government, our electricity system would have ceased to serve us. It would have stalled our economy and it would have threatened our continued prosperity.

Now, after more than a decade of mismanagement, we are moving forward in a responsible way that protects the best interests of Ontario's citizens.

The legislative foundation for this restructuring and rebuilding process is Bill 100, the Electricity Restructuring Act, 2004, which I introduced in June of this year. Ontario needs to refurbish, rebuild or conserve 25,000 megawatts of generating capacity by the year 2020 to meet growing demand. Bill 100 creates a framework for helping us keep the lights on now and far into the future.

Our approach is based on a strong public leadership role, clear accountabilities and a coordinated planning approach. The proposed legislation includes the creation of a new Ontario Power Authority. The Ontario Power Authority would ensure an adequate, long-term supply of electricity for the province. Currently, no existing institution in the electricity sector has this mandate.

Under the proposed legislation, the Ontario Power Authority would establish Ontario's first Conservation Bureau, headed by a chief energy conservation officer. The Conservation Bureau would lead the promotion of a province-wide conservation culture in Ontario. Its mandate would include, for example, developing province-wide conservation programs that offer attractive incentives and tools to enable Ontario's homes and businesses to conserve energy and save money. It would also monitor the province's progress in achieving specific goals and benchmarks which the Ministry of Energy would be required to set, including targets for conservation, renewable energy and the overall supply mix for the province.

This is a challenging time for Ontario, and we need private ingenuity to support the construction of the

thousands of megawatts of electricity we will need over the next 15 years. To spark that kind of ingenuity, we need to send a clear and unambiguous message that Ontario's electricity sector is a great place to invest. The proposed legislation will create a positive environment for the private sector to invest more in new electricity generation.

The proposed legislation would also give the Independent Electricity Market Operator a new role and a new name, the Independent Electricity System Operator, and give the Ontario Energy Board the authority to regulate, adjust and approve prices in some parts of the electricity sector, offering consumers energy price stability.

Following first reading of Bill 100, the Ministry of Energy immediately launched an extensive public consultation on the proposed legislation and proposed a number of technical regulations that are not in the bill. We want to ensure that we get it right and that the changes the bill makes are in the best interests of the people of Ontario.

Many consumers, businesses and investors presented at the committee hearings that took place over the summer, and I want you to know that we heard them. Some of them raised concerns about how the system will operate, how the Ontario Power Authority, the Independent Electricity System Operator and the Ontario Energy Board will fit together, so we've introduced amendments to the bill. While each body will consult stakeholders independently, we've tabled an amendment to create a special advisory committee to the minister to advise on how the system is working together, so that we can make the necessary adjustments as we move forward. I want to thank everyone who filed submissions or presented before the committee for helping us make positive changes to this very complex bill.

Bill 100 is currently before the Legislature. I hope all members will give speedy passage to the legislation so that we can proceed with the necessary restructuring of Ontario's electricity sector.

We've taken a number of other measures to boost Ontario's electricity supply. For example, last month the ministry began discussions with Bruce Power to restart the remaining two units at the Kincardine nuclear facility. The potential restart of units 1 and 2 would result in an additional 1,540 megawatts of electricity-generating capacity, enough to power over one million Ontario homes. This would potentially replace more than 20% of Ontario's current coal capacity and related harmful emissions, meaning cleaner air and a better quality of life for everyone. In addition, we've endorsed OPG's decision to refurbish Pickering A, unit 1, which will give Ontario another 515 megawatts of electricity-generating capacity by late 2005.

The McGuinty government is committed to developing renewable energy sources. High on our list is expanding capacity in the Niagara region through the Niagara Tunnel project. This project will increase the amount of water flowing to the existing turbines at the

Sir Adam Beck generating station, generating an additional 1.6 terawatt hours of clean, renewable electricity per year—enough power to meet the annual needs of 160,000 homes, or a city twice the size of Niagara Falls. The Niagara Tunnel project is scheduled for completion by 2009. Clearly, the entire province is going to benefit from this project.

This project also offers significant benefits for the Niagara region. It will be the single biggest construction project for the region since the building of the Beck 2 generating station 50 years ago. We estimate it will create 6,000 person-years of employment, including direct construction jobs and indirect supplier and service jobs, plus jobs created as a result of increased spending in the local and regional economy. In comparison, the recently completed Niagara Fallsview Casino resort generated approximately 5,000 person-years of employment.

A sustainable, diverse electricity sector is key to building a strong and prosperous Ontario economy and ensuring that we have a quality of life that is second to none. Our government's renewable energy generation targets are 5%, or 1,350 megawatts, by 2007, and 10%, or 2,700 megawatts, by 2010. Earlier this year, the ministry took two significant and historic first steps toward achieving these targets with the issuing of RFPs for new supply and/or demand-side management initiatives and renewable electricity capacity.

In April, we issued the first RFP to supply Ontario with an additional 300 megawatts of new renewable electricity capacity. The results from this RFP have been impressive. Approximately 40 proponents submitted bids for roughly 1,100 megawatts, almost four times the capacity we were looking for. Evaluation of the proposals is currently taking place. I expect to announce the successful proponents by year-end.

In June, we initiated a second RFP to supply Ontario with up to 2,500 megawatts of new electricity generation capacity and/or conservation measures, to be in place as early as 2006. This represents one third of our government's commitment to replace polluting coal-fired generation through cleaner sources of energy and conservation. We are seeking, and will treat equally, new generation capacity projects and projects that conserve electricity. The McGuinty government is the first government in Ontario's history to put conservation and new generation on an equal footing. I announced on September 30 that we received overwhelming interest from more than 150 companies as a result of this process. The initial expressions of interest totalled over 60,000 megawatts of new electricity capacity or comparable conservation measures.

#### 0920

In seeking partners to work with us, I would like to stress the fact that we are looking for innovative, creative approaches that will deliver the best outcome for Ontario's electricity consumers. The dedicated Web site that we created especially for this RFP process reflects the open, transparent tendering process we are using to find

suppliers who will put the interests of Ontario taxpayers and ratepayers first. These two RFPs have sent a clear signal that Ontario wants suppliers at the table who are interested in investing in clean, renewable energy sources for our citizens.

However, we also realize the potential that energy efficiency and demand response have in Ontario. Hence, we have a clear, well-delineated plan to make conservation a cornerstone of Ontario's energy future. We want to find ways to encourage all consumers to use electricity more responsibly. As I indicated, under Bill 100, Ontario's new Conservation Bureau would develop province-wide programs to provide conservation incentives for electricity consumers.

We want to explore creative options that would allow consumers to get the maximum benefit from shifting demand. How do we propose to make that happen? Most electricity consumers have old-fashioned meters that only record how much energy they use. They currently have no way to get a break on their bill if they use electricity at off-peak hours. We are going to change that by implementing a smart meter installation program and more flexible pricing. Smart meters make it possible for individual consumers to benefit from shifting their demand for electricity to off-peak hours. This shift would lower costs and keep prices down for everyone. We plan to install smart meters in 800,000 homes by 2007. By 2010, all Ontario homes and businesses will have smart meters. We have also directed the Ontario Energy Board to develop a new pricing structure to be in place no later than May 1, 2005. The new structure will reward consumers who shift their usage to off-peak times, like evenings and weekends. The combination of smart meters and more flexibility in pricing will give consumers the ability to take advantage of time-based rates that are lower during off-peak times.

Another important initiative is net metering. We are developing regulations to provide province-wide access to net metering. This would make it possible for homeowners and businesses that generate renewable electricity to get credit for the excess energy they produce.

Here's what else we're going to do to help Ontarians conserve energy:

We have asked local distribution companies to deliver targeted energy conservation programs in their communities. For instance, Hydro One has launched a residential load control project. Under the pilot program, Hydro One is compensating participating residents in Kingston, Newmarket, Simcoe and Brampton for allowing the utility to automatically shut off their large electricity-consuming equipment for periods of time when the system is operating at peak demand. This means that on a hot summer day, Hydro One can lighten some of the load from the system by turning off electric water heaters, central air conditioners and pool pumps in an effort to prevent a power outage or brownout. Hydro One has also launched a real-time monitoring project. The installation of a special monitor gives participating customers in Peterborough, Timmins, Lincoln, Barrie and

Brampton the ability to track how much electricity they are using and know what it's costing them. This helps consumers to identify their excessive consumption periods and see which appliances are high energy users, and it will provide customers with information to make adjustments to their usage, allowing them to see the immediate results of their energy-saving actions.

These and other local programs are becoming a reality because our government is making it possible for local distribution companies to invest as much as \$225 million in conservation and energy efficiency initiatives. The funding comes from a rate increase that the Ontario Energy Board previously approved. It was never implemented because the previous government imposed a price freeze in 2002. Utilities can implement the increase only if they invest one year's worth of its value in conservation and energy efficiency activities.

We have also launched an awareness campaign across the Ontario public service to let our 62,000 public servants know what they can do to help conserve energy in the workplace. The McGuinty government has set targets to reduce our electricity consumption—that is, the province's—by 10% by 2007, which represents a reduction of 62 million kilowatt hours a year.

We've set up a conservation action team chaired by my parliamentary assistant, Donna Cansfield. The conservation action team is made up of parliamentary assistants from 10 Ontario government ministries with a broad range of policy and program areas. Under Ms Cansfield's leadership, the team is looking at options for conservation and demand-side management.

The team will be developing an action plan to help us meet our conservation target of 5% by 2007. That's equal to conserving the power that all the households in a city the size of Toronto use for an entire year. The team is also working to identify and remove barriers to conservation found in existing government policies and programs, and is exploring ways to incorporate conservation principles into new government policies and programs.

Our conservation strategy includes a major public education and outreach campaign. The McGuinty government is committed to giving Ontario consumers useful information about how to use less energy and to use it more wisely. For example, educational institutions will play a defining role in forming and implementing the conservation and energy renewal strategy. The Ministries of Energy and Education are currently working together to develop new curriculum tools that emphasize conservation and renewable energy.

We are also engaging community organizations, non-governmental organizations and public interest groups. I've had the opportunity to meet personally with municipal and business leaders throughout Ontario to discuss new approaches to conservation, energy generation and transmission. Many municipalities and business leaders have expressed their strong interest in working with the ministry on conservation initiatives.

As I have already mentioned, my parliamentary assistant, Donna Cansfield, has given tremendous leadership to our conservation initiatives. She has travelled tirelessly throughout the province, spreading the message of conservation. She has spoken with hundreds of organizations and groups, sharing ideas on how we can save money, save energy and protect the environment, and is actively seeking their ideas and input.

The Ontario Ministry of Energy Web site is also a great resource on energy conservation for consumers. Our Web site, [www.energy.gov.on.ca](http://www.energy.gov.on.ca), has had over 1.5 million visitors since January of this year. This huge response to the ministry's outreach and education initiatives reflects how much consumers want to be part of the solution when it comes to conserving energy in Ontario.

Creating a culture of conservation takes more than making wise decisions about how we use the electricity we have. It also includes paying the true cost. Protecting consumers from the true cost of electricity by way of an artificially low electricity rate cap encourages consumption, not conservation. Previous governments decided to maintain a freeze on electricity prices at unrealistic 1993 levels. This did not reflect the true cost of electricity. Furthermore, the previous government's price cap actually cost Ontarians close to \$1 billion. The 4.3-cent price freeze simply wasn't responsible or sustainable.

Our new block pricing structure that went into effect on April 1, 2004, gives residential, low-volume and other designated consumers in condominiums, apartments, co-ops and other multi-unit premises a real incentive to reduce electricity use and lower electricity costs. This pricing structure will be in place until the Ontario Energy Board implements a new structure. That will be no later than May 1, 2005. I have asked the board to come up with a formula for an annual rate plan that is stable and reflects the true cost of electricity. If the revenue from the interim pricing plan exceeds the true cost of the plan, all eligible consumers will get a credit for the difference after the OEB implements its pricing mechanism.

I want to emphasize that even after removing the price cap, electricity prices in Ontario are competitive with most of our neighbouring jurisdictions and they are in fact lower than prices in New York, Illinois, Massachusetts and Michigan.

The McGuinty government is committed to improving the value that the people of Ontario get for the dollars they invest in public services. As outlined in the speech from the throne, our government believes that transparency and accountability are the best safeguards of public service.

For nearly a decade, all Ontario government ministries, crown agencies and corporations, and publicly funded organizations such as hospitals, municipalities, school boards, universities and colleges, have been subject to the Public Sector Salary Disclosure Act and the Freedom of Information and Protection of Privacy Act. Until 1999, the Public Sector Salary Disclosure Act applied to the former Ontario Hydro. But in 1999, the

previous government decided it would keep the public in the dark about Hydro One and OPG's operations. Our predecessors denied the people of Ontario the right to access information about these two companies.

### 0930

Ontario Power Generation and Hydro One are publicly owned companies. They belong to the people of Ontario. They play critical roles in all our lives, and the people of Ontario pay these companies' bills. They must operate and be seen as operating with transparency and accountability to the taxpayers. To make sure this happens, over the past year the McGuinty government introduced sunshine legislative changes so that Ontarians would have access to information about Hydro One's and OPG's activities.

Effective April 15, 2004, the Public Sector Salary Disclosure Act applies to Hydro One and OPG employees. Along with other publicly funded organizations, OPG and Hydro One are now required annually to disclose the salaries and benefits that they paid to their employees who earned \$100,000 or more in the previous year. Hydro One and OPG were also required to provide this information retroactively for employees working for either organization from 1999 through 2003 inclusively. Hydro One and OPG made their first salary disclosure reports this year, providing the people of Ontario with the opportunity to see this information.

Going forward over the long term, it is our government's expectation that the Hydro One and OPG boards will ensure that salaries at these two companies are comparable to those at other provincially owned electricity operations.

A new regulation under the Freedom of Information and Protection of Privacy Act added all the records of Hydro One and OPG and their respective subsidiaries to the provisions of the act. Now the same rules apply to OPG and Hydro One as to other crown agencies, corporations and other publicly funded organizations that the act covers. Hydro One, OPG and their subsidiaries are also covered by the Audit Statute Law Amendment Act, 2003, that our government put in place. This act expands public sector accountability and the role of the Provincial Auditor to conduct value-for-money audits of institutions in the broader sector, including all crown-controlled corporations like OPG and Hydro One, school boards, universities colleges and hospitals.

I should also note that if Bill 100 passes, the Ontario Power Authority would be subject to FOI and salary disclosure.

Our government is confident that we are on the right path in how we are dealing with Ontario's energy challenges. As my Ministry of Energy staff, my parliamentary assistant and I have travelled around the province, we have felt very heartened by the comments we are getting from individual consumers, consumer groups, business and energy sector leaders. A great many individuals and organizations want to work with us and be part of the solution to securing Ontario's energy supply.

So what do the citizens of Ontario think so far? Here is a brief sampling of comments:

"My thanks and support for your strong leadership with regards to energy and the environment particularly concerning your decisions to increase output at Sir (Adam) Beck plant in Niagara Falls and initiating an RFP for 300 megawatts of renewable energy. I am confident you will have many proposals at your desk shortly."

"Thank you for your strong leadership and commitment to clean air in Ontario."

"It is heartening to ... know that your government is moving Ontario towards a greener, safer and more reliable electricity supply future for our children."

"I ... commend you on your suggestion of making a coast-to-coast electricity alternative. It is about time that we Canadians start thinking of what is best for our country. We have the resources and the knowledge to implement this viable option to ensure that we are protected from problems such as" the "blackout. I strongly support your efforts and hope it will lead to this 'made in Canada' solution."

Comments like these confirm that the McGuinty government's energy renewal strategy is sound.

Before we get into the detailed discussion of the Ministry of Energy's estimates, I would like to draw the members' attention to some changes in the 2004-05 estimates, compared to 2003-04.

The ministry's estimates for 2004-05 is \$26 million—a reduction of almost \$9 million, or over 25%, from the previous year. This reduction reflects the net balance of new initiatives funding and program wind-down. These include:

- \$10 million in new funding for the ministry's conservation strategy initiative. This public education and outreach program will help us achieve our goal of reducing Ontario's electricity consumption by 5% by 2007. Our conservation strategy asks individuals, businesses and other economic sectors to make good decisions about how they use energy. We are committed to giving them information and tools to do this. We will be reaching out to consumers in a variety of ways, including the Internet, print and broadcast media;

- A one-time \$1.55-million allocation to support the request-for-proposal process for new energy supplies. This allocation is for costs related to legal, financial and other expert advice;

- \$900,000 for electricity sector reform. This allocation ensures that we have appropriate oversight, coordination and due diligence during the reform and restructuring of Ontario's electricity sector;

- \$765,000 in salary and wage adjustments related to collective bargaining agreements;

- A \$1.5-million internal reallocation to the energy sector transformation vote, representing program administration costs—accommodation, information technology and communications;

- A reduction of \$670,000 due to the wind-down of the alternative energy office. Functions of this office were absorbed by the policy and programs unit;

—A reduction of \$20.5 million as a result of the change in the Ontario Energy Board's governance structure that came into effect on August 1, 2004. The OEB is no longer funded from the consolidated revenue fund.

I would, of course, be pleased to answer the members' questions about any specific areas of the ministry's estimates.

A year ago, our sector was on shaky ground. It lacked a sound organizational structure and had no clear vision for its future. Today, Ontario has a positive strategy and a clear action plan. It's a strategy and an action plan that will put Ontario's energy sector back on a solid footing by taking a balanced approach, one that addresses the critical need for new supply, an equally important need to focus on conservation, consumers' desire for price stability, the importance of public leadership, and the need for private investment.

By ensuring a reliable, sustainable supply of power at stable, competitive prices and by creating a conservation culture, we are delivering and will continue to deliver the real, positive change that will keep Ontario prosperous and healthy.

Mr Chairman and members of the committee, our focus shouldn't be on what went wrong in the past. Our focus should be on doing what is right, now and in the future. The McGuinty government is charting a new ground in Ontario's electricity sector. We are committed to ensuring Ontario's continued prosperity and to ensuring a quality of life that is second to none.

Thank you very much, and I look forward to our dialogue and discussion on my ministry's estimates.

**The Chair:** Thank you very much, Minister. I'd like to recognize, in rotation, Mr O'Toole.

**Mr John O'Toole (Durham):** Thank you very much, Minister, for your speech this morning. I have watched this file, as you know, pretty closely.

I'm very privileged to have with me the former Minister of Energy, Jim Wilson, and I know John Baird is watching this on closed-circuit TV. He wants to be in a position to follow up on any details or technical references that might be helpful to clarify for the people of Ontario where you're going, because it really isn't quite as clear as you may have suggested.

I'd just like to take our time and use our half-hour to give you kind of a perspective of where this started—mainly to put this stuff on the record, Minister. Hopefully, you know most of it already. I think it's always important to look at the history as you look ahead to make changes and make sure you learn from history, or you're doomed to repeat similar circumstances. I will mention your policy flip-flop or change in position that's been sort of your hallmark really, technically, prior to the election, during the election and, I might say, since the election.

There are really five areas that I will, at the end of my period of time, leave some questions on; five areas I'm quite interested in. There's the whole governance model, the OPA, its role, and the conservation authority under

that; the energy board and its independence or lack of it during the RFP process, and the new IMO systems operator, as well as the role of the LDCs, whom I've met with just recently. The price, at the end of the day, is really the issue here, and power at cost—I recall Adam Beck's premise there. You said recently in a press release that you can't protect consumers. That's important, I guess, if you're moving to a purely market model. There's conservation, smart meters, or not-so-smart meters, and the broader discussion around demand-side management. Then there are the real stories; item number 5 here would be the real stories. I think of my brother-in-law, who runs a delicatessen, and how much demand response he has within his scope in his small business. Then I think of the large consumers who actually appeared before the Bill 100 hearings, and—

*Cellphone ringing.*

**Mr O'Toole:** Is this causing a problem? I might need it; I have a lot of information. But I'll keep it off there.

I guess the other thing is that I think of real people, like my mother-in-law, who is on a fixed income. She has no discretionary margins to run around with. She's probably using around 600 kilowatt hours a month now. She'll be at the lower fee as we know it at the moment, but the idea of prices is certainly an issue.

Even this morning I was reading, as we all do, the very important clippings here, and I did happen, on my ride in on the GO train, to read two of the major papers specific to this issue. I've said from the beginning, in fact, when you announced the coal thing, that it was very laudable. In fact, it was part of our platform. Where we disagreed was on the dates. The coal discussion is a broad discussion which you and most of the experts know is not achievable, like most of your promises during the election. It's simply not achievable in the short term.

**0940**

But I do want to compliment you, Minister, because on the special committee that was set up by the former minister, John Baird, the electricity conservation supply task force—I had the privilege up until the election time of sitting on that task force with the industry stakeholders and experts. I can tell you that I learned more from that exercise than perhaps was necessary to know. I'm pleased to say that it's helpful. But I'm also saying that when I look at Bill 100, I think you've adopted a fair amount of what they've said in here. That's showing some respect for the work done by Courtney Pratt and the other stakeholders—Gunars, as well. I know that when the election was called, I was removed. I think Donna Cansfield sat on that for a while. So that report is worthwhile. It should be the primer for everyone who is interested in the topic. I really do think that it's extremely well done and balanced. It's fairly policy-based, as opposed to politically based. So that's sort of the story.

I may be sounding a bit rambly here, but if I start at the beginning, in a broad sense—this is primarily for the record, not for you—Adam Beck's premise in Ontario was power at cost. As such, it was an economic policy

area, and it has been and was probably right up until we got derailed on some of the nuclear expansion program in the 1970s, I guess.

When Donald Macdonald did his report and looked at the way the governance model worked and at the unsupported debt—what was in the rate then was called the debt retirement charge; it was called SDR, strategic debt retirement—and who played around with that, including probably Howard Hampton and his government, when they were unable to meet those debt obligations, I think Donald Macdonald gave us a very good footprint. Some would argue about the public versus private argument. That's more about where the money comes from. But when we opened the market, there couldn't have been a worse—the market design people must have set us up like a golf ball on a tee, because we had low supply and high demand and the worst possible weather conditions, unlike this summer, where you've had lousy weather and low demand for air conditioning and other consumption.

You were part of the opposition at the time, Minister. You know that you forced us—in many respects, you and Howard Hampton led the charge to freeze prices, much like the dilemma that Howard Hampton, when they were government, got into in the mid-1990s. They actually froze the rate. You would understand that. They froze the rate, and they froze it because there had been about a 9% or 12% increase in price. So you know how quickly and politically this thing gets charged. It seems to be, kind of in a contradiction of what you're saying to the media and the public, that you don't care about the consumer. Residential, small business, retired, large business—it doesn't—

*Interjection.*

**Mr O'Toole:** Well, I think you're in for a rude awakening. I really, really do. I don't know what the answer is, because when you look at the conservation policy, you're suggesting that there is enough elasticity in response that they can just shut off the ovens and the heating and the cooling; they can just shut things down. I think that is a laudable objective, and we may get there in time, but you voted for the 4.3 cents. In fact, we responded to the people and to the opposition at that time and sort of blinked, if you will—a good media line. You're just going full bore. You're going to hammer the customers, and we haven't seen the end of it yet.

I think we have to learn from history. Some of the things you're doing are laudable. The Beck project is something we were working on, as you know. I'm glad to see that project is going ahead. Some of the renewable is absolutely imperative. All experts say it. It's a mixed supply basket, and we completely agree with that. The thrust of your Bill 100 allows in regulation for that to happen.

I really do come down to the issue here of price, not just the broken promises and the promises that were made that can't be kept—the higher prices, the dilemma you are in on the coal issue. The governance issue is going to be the first one that leaps out of the breadbasket

and, as I see it, is going to be problematic for a number of reasons. One of them is—when I read the registry on regulations, I looked at regulation 275/04 where you're actually going to be bundling all of these charges—how are you going to pay for the OPA? You say the energy board and the OPA are all self-financing. How are you actually going to pay for it? These are new charges. I would like to have a detailed response to this very specific question, not at this time but probably in writing, for all members, because I'm sure the members of the government sitting on this committee haven't got a clue what the price is going to be on this.

What is the freight, or the weight, on the bill going to be for all of these bundled charges under 275/04? We went through many iterations of trying to get transparency in the electricity bill at the consumer's household. We also dealt with the stranded debt issue, the debt retirement charge, the 0.07 cents. At that time we knew that the 0.07 cents, as a fraction of the cost of electrons, was probably about a 20% increase in price. We knew that. We were trying to deal with saying, "OK, how much of this debt can we maintain and keep accumulating?" And we had a six-year plan—not a two-year plan—to deal with the market conditions of increasing supply over time and therefore lowering price and working on conservation, which is the demand side of it all. You interrupted that plan and you're going to use numbers in your response to say that we grew the debt, and I'm saying to you that that was looking at the debt then. I'm not saying that a plan can be looked at halfway through the game; you don't know who's going to win the game. So I think you artificially truncated that plan.

The coal issue: I want to cite an article in this morning's paper. It's what I've suspected all along. It's the obvious—I just call it obfuscation; I can't use any other word. You knew all along that you couldn't close the coal plants. In fact, the Electricity Conservation and Supply Task Force said the same thing. Our plan was 2015, but you've said this morning—this is by Alan Findlay; this is the Toronto Sun: "Under what conditions would Ontario need to relent to continue with coal-fired power production and for how long?" And it's on a program out there called the "supply mix" issue.

I really feel deceived. In fact, the people of Ontario should hold you to it, because if you do shut them down—I think of Nanticoke. There could be new technologies brought into play there called clean coal. There is a whole bunch of different things around that clean coal technology. I think of Thunder Bay and Atikokan, the other two of the five coal plants that are up there. They aren't even in our airshed, and most scientific reports indicate that they aren't constituting an immediate and imminent threat, and yet what are those local economies going to do if you have to import power from some other source? It'll probably be from Ohio or someplace in the United States and it'll probably be dirtier coal, the smog that we get from them, and the environmental impacts. I think it's short-sighted to look at it.

We, as government, Minister Baird and Premier Eves at the time, had committed to the Lakeview shutdown next year. Don't attempt to take any credit for that. I now even read that there are some problems there, that you might end up reactivating that plant as a natural gas issue. If you think the short-term solution is natural gas, the current 500-megawatt type of facility, well, look at the future price of natural gas or all petrol-based fuels. Good luck. If you're going to say it's power at cost, and it really is going to be cost plus all these other charges you're adding, who's going to pay for the smart meters? Who's going to pay for the governance model, the OPA and the energy board and the rest of it?

**0950**

I think you have a file here that's way beyond you. I have no problem with broadening your mandate, Minister, in terms of giving you more time. If I see a response where you're looking for more time, we'll probably be supportive of that. We recognized it. You cannot bring on new generation to meet your commitment of 2007. It's that simple.

If you do act short-sightedly and bring on two or three new gas-fired plants, who knows what the price is? You know that the supply of natural gas is argued by all the experts. They're going to have to go to liquefied natural gas. I see there was a contract signed yesterday with some European company to build the first station in New Brunswick or Nova Scotia—I forget just where; but down east. A huge issue in the States. Domestic reserves are hard to get to and very expensive; a lot of environmental issues to get it from the Mackenzie Valley area.

If you go for the nuclear option—which appears to be what your friends in the nuclear industry have said—you're still probably a decade away from getting them from concept to implementation. We see the nuclear option as an important part of the baseload.

I'm going to move to the fourth item here, which is the smart meter issue. I have a lot of questions about what is really required. If you want a meter that says you're using on-peak or off-peak load, that's a different type of meter. The smart meter has to be interactive so that it can respond to price. Nothing I've seen that you've talked about is going to be a smart meter; it's just going to be a mechanical mechanism of recording the time when the consumption occurred at the consumer level. Who's going to pay for that metering? What is the role of the LDCs, the local distribution companies? They're the interface with the consumer. The LDCs are anxious. I know you gave them \$225 million in terms of some kind of conservation initiatives, but I'm not sure that \$225 million is going to allow them to even upgrade their software to deal with the responsive billing software they're going to need to make sure the consumer is aware of when they consume the electrons. How are you going to resolve disputes when they say "yes" and you say "no" and there has been a power interruption, so they have no choice but to do things during the wrong peak, off or on peak? You haven't even come close on that file on the smart meters. I think it's smart metering by a bunch of

dummies. That's a term that George Smitherman used some years ago in smart growth planning. I thought it was a good line then, and hopefully it's a good one now.

The real stories I wanted to talk about are the delicatessen, the small farmer, the small business person. I have the CFIB's response, a letter to you, pleading with you to have some respect for prices and the threshold of prices while moving toward a market condition. They need more time, Minister, on that file.

On the MUSH sector, the municipalities, schools and hospitals: I have in my riding Lakeridge Health, who said they're going to have a \$400,000 increase. This is a hospital with a \$400,000 increase. That means fewer nurses, fewer doctors. Your Ministry of Health did not respond to that question yesterday at all in the estimates review for the Ministry of Health. How about the universities? How about the schools? They all want to be air-conditioned now, so that's even more. They're not looking at conservation. Is your capital funding for schools and municipal and public sector buildings going to be energy-efficient?

We asked during the Bill 100 hearings for two simple changes: price transparency—that is, more openness—and hearings—a commitment from you before prices would increase that there would be consultations. If you read Bill 100, you will be setting the price; you will be sticking this bundled rate under regulation 275 on top of the electron cost.

If you want to respond in the couple of minutes left, I want to know what your best guess at the price is a year from now. Just from looking at it, we're looking in the four- to six-cent range right now. That's not with the new charges. I'm putting to you that it's six to eight cents—

*Interjection.*

**Mr O'Toole:** You said, "We're going to pay the true cost." If you knew we're going to pay the true cost, what is it? If you don't know what it is, don't say it.

Adam Beck was never power at cost; you know that. The first project was three years late and three times over budget. Your projects today, even the RFPs you've got here—I don't know you're incenting these renewable projects.

Minister, you spoke with some degree of confidence, and I have less, not more, confidence that you're managing this file while at the same time respecting consumers. Large businesses drive the economy. You know the auto industry, the petrochemical industry, the chemical industry, pulp and paper, all of the heavy industry in Ontario, has very high consumer demands. They said it to you then, and if you don't get into demand management programs with them or allow them to cogenerate more freely, they're going to be stuck. If their energy costs are too high, a lot of manufacturing—steel etc—is going to be in serious trouble.

It has been a scattered approach here because this is the opening comment from the opposition. If I had more time, I'd be giving it to Jim Wilson because he has been down this road and back. John Baird, as I said, is watching on television.

What's the price? You're going to pay the real cost of power. You must know what it's going to be. Rick, you're an expert. I've heard you many times, and respect the work. Government and politics have screwed up energy for the last 40 years because it's public policy. It's an economic policy. You want to incent certain sectors like the ethanol commitment. To create ethanol is going to take huge amounts of energy. You can look at the efficiency in the environment, but what energy source are you using to create the ethanol? It's a full-cost recovery issue. This is a huge issue.

I want to leave the impression that I'm prepared to work with you and Donna Cansfield. I do respect the hard work, I do respect the challenge, but be honest with the people of Ontario. At least tell them the price—at least that. I know there is going to be a lot of governance and a lot of regulation, a lot of dispute resolution mechanisms, but I'm very concerned.

I'm just going to stop there, maybe not having covered all five points. I'm sure that during the seven hours I'll have time.

**The Chair:** No further questions from the opposition at this time? You have 10 minutes left. Do you want to use it?

**Mr O'Toole:** Minister, we can have a bit of a dialogue through the Chair on this.

**The Chair:** If that's your wish, then I'm sure the minister can accommodate you.

**Hon Mr Duncan:** I'll respond once I've heard the opposition, unless you have a specific question. You've raised 20 points.

**Mr O'Toole:** Yes, I've raised a lot of points.

**Hon Mr Duncan:** I intend to respond to them in the half-hour, but I'll wait to hear Mr Hampton.

**Mr O'Toole:** Jim, do you have a couple of questions, having worked on this file?

**Mr Jim Wilson (Simcoe-Grey):** Let the minister respond.

**Mr O'Toole:** He wants to go on and hear all the input first.

I have two questions, very simply, right now. Are you committed to the 2007 coal decision?

**Hon Mr Duncan:** Yes.

**Mr O'Toole:** Are you prepared to resign if you fail to make the 2007?

**Hon Mr Duncan:** No.

**Mr O'Toole:** Why not? I find that an ambivalent answer. This is the whole point I'm making. We're talking to a Liberal government here; that's why you never get the truth. You may as well just throw your questions in the wastepaper baskets.

The other question is: Minister, do you have any idea of the bundled cost for the governance and regulatory functions that are now going to be part of the consumer's bill?

**Hon Mr Duncan:** Yes.

**Mr O'Toole:** What is that number?

**Hon Mr Duncan:** Considerably lower than it was when you left office.

**Mr O'Toole:** You're telling me that the bill is going to be lower.

**Hon Mr Duncan:** No, you asked about bundled cost. The wholesale market price is 19% lower right at the moment than it was when you were in office. The bundled cost will be a decision set by the regulator and it will vary over time.

**Mr O'Toole:** That's exactly the point that the viewer, the listener and the reader of Hansard should recognize. In our six-year plan to deal with the stranded debt and restructure the generation transmission and distribution system, we knew what it was going to take to get the supply side up to drive the price down, and to implement strong conservation mechanisms, which were the EnerStar program, sales tax reductions, incenting water power by municipal and other tax holidays.

If those are the solutions you're suggesting that you're taking credit for—you haven't created one kilowatt of power; not one. So I guess you can take credit for it, and you probably will; I guess that's the way politics works. But we would like to see more supply available and lower prices, no different than you. In that respect we're prepared to work very co-operatively.

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We're for a supply mix. We understand baseload is nuclear; that's a given. I'm not sure how far we can move away from that in the short term. The long-term solutions, obviously, are to look to the renewables, and as the economics of that renewable portfolio evolve, you need certainty in policy. The certainty that I don't see in Bill 100 is the RPS, the renewable portfolio standard. What is it? The commission that Steve Gilchrist chaired—the Gilchrist commission, I call it—was called the energy—

**Hon Mr Duncan:** Very memorable.

**Mr O'Toole:** Well, the name of the report—it was an all-party report, by the way, and Sean Conway was on that committee. I have the highest respect for the work he's done in that field. They had standards, policy directions, for the government—and this would include you now—on demand-side management, on renewable portfolio standards. What are the renewable portfolio standards? Other countries have them.

**Hon Mr Duncan:** Five per cent by 2007, 10% by 2010.

**Mr O'Toole:** So 5%.

**Hon Mr Duncan:** That has been announced publicly.

**Mr O'Toole:** Yes, it has been announced publicly.

**Hon Mr Duncan:** As I said in my speech, we have now put out RFPs—

**Mr O'Toole:** But if you look at the regulations—

**The Chair:** Mr O'Toole, you asked the minister to answer your questions. If you let him finish, then the system will work well.

**Mr O'Toole:** Absolutely. Thank you, Chair.

**Hon Mr Duncan:** The renewable portfolio standard is 5%, 2007; 10%, 2010. I did an announcement in the House about that, a number of press releases; it was in

my speech today; it's reflected in Hansard in a number of questions.

There were a number of very good recommendations from the alternative fuels group that went well beyond electricity. None of them had been acted on by the previous government. We have begun to move on the renewable portfolio standard in electricity. My colleague the Minister of Agriculture will be dealing with the ethanol issue, as I understand it, in the near term, shall we say.

**Mr O'Toole:** It was supposed to be yesterday.

**Hon Mr Duncan:** Well, it will be done, and done right. So we've set those out very clearly. Those standards compare favourably to most other jurisdictions in the world. Some jurisdictions are ahead of us. We've said we would like to be the lead jurisdiction in the world on renewable electricity, which is where my focus has been.

**Mr O'Toole:** I didn't want to appear in any way belligerent. It is my role, as opposition critic, to point out concerns and uncertainties. I'm pleased that you are at least giving credit to the work done by the alternative fuels committee, Gilchrist et al. And yes, I am familiar, but I just want it on the record here—it's for the public and the public record. One promise here again that I only hope—I know you had an RFP out for renewables. I think it was 250—

**Mr Duncan:** Three hundred megawatts.

**Mr O'Toole:** Three hundred.

**Hon Mr Duncan:** A thousand have bid in.

**Mr O'Toole:** And have you signed those contracts back?

**Hon Mr Duncan:** As I understand it, they are being assessed now, and some could be in place as early as early 2006.

**Mr O'Toole:** Are you adopting—

**Hon Mr Duncan:** Nothing had been done until a year ago. In the year since we took office, we have initiated the process. We set up an outside group because, frankly, your government took apart our ability to negotiate these. There was nobody that could enter into a contract on this sort of thing. We now have 1,000 megawatts on the table of renewable power. My understanding is that three quarters of that is wind. There are biomass proposals in there. I believe we will have an announcement toward November on the renewable RFP, once the assessment is done of the bids.

The good news here in terms of price is that there are so many megawatts on the table that proponents, whoever they are, are going to have to sharpen their pencils. As you know, the price of renewable electricity at this point in time is higher on average than, say, nuclear or coal, but we believe that once projects are on-line, once they become economic, those prices will come down and will help put downward pressure on the overall price of electricity.

So we set it up; we started it. The initial processes have happened. We've whittled it down from 4,400 proposals to 1,000. As I understand it, negotiations are going on with the independent consultant on those issues,

and by mid-November we should have a response and a number of announcements.

**Mr O'Toole:** With Bill 100, if you talk about those standards, I believe the actual standards on the renewable portion, what will be defined as renewable, are actually in regulation. The issue I heard from some of the generation sector is, can you tell them clearly what would be defined as a renewable source? This becomes quite interesting when you look at some of the issues: the methane issue, the biomass issue. Some would argue that they aren't renewable in terms of the pure science of it all. Isn't it true that this is going to be done in regulation?

**Hon Mr Duncan:** The RFP specifies what projects are acceptable or not. You may want to go and have a look at it; it's on the Web. The same group was complaining about the amount of paper that goes with it, but those are very clearly defined in this RFP. Bill 100 has really nothing to do with it.

**Mr O'Toole:** Yes, it does. There's a portion in the regulation section that defines what you will determine to be renewable. Some are saying that nuclear could be renewable.

**Hon Mr Duncan:** Yes, but you raised it in the context of this—

**Mr O'Toole:** I said, under Bill 100.

**Hon Mr Duncan:** OK. Well, under Bill 100, those kinds of decisions will be taken by the Ontario Power Authority, and there will be the regulations set by the government. The government will lay out the original supply mix. For instance, this year the conference of Canadian energy ministers unanimously agreed that hydroelectric is a renewable source.

**Mr O'Toole:** Of course.

**Hon Mr Duncan:** Well, it's not "of course." There are a number of organizations that don't agree with that. But in this RFP, it specified what constitutes "renewable."

**The Chair:** Thank you, Mr O'Toole. This round is complete. I'd like to now recognize Mr Hampton.

**Mr Howard Hampton (Kenora-Rainy River):** If you don't mind, Chair, I simply have a few questions I'd like to ask the minister.

**The Chair:** It's your time, if that's what you choose and the minister is comfortable.

**Mr Hampton:** Thanks very much.

**The Chair:** As long as you agree with each other to finish before you answer or question, that would work out really well.

**Mr Hampton:** I guess my first question for the minister is, I heard Mr O'Toole ask you about your commitment to close the coal-fired stations by the year 2007. I believe your response was, yes, you were going to close all the coal-fired stations by 2007. Is that what I heard?

**Hon Mr Duncan:** Yes.

**Mr Hampton:** He then asked you if you would resign if you failed to close all the coal-fired stations by 2007, and you said no.

**Hon Mr Duncan:** That's correct.

**Mr Hampton:** You don't think you should resign if you fail to keep a major commitment like that?

**Hon Mr Duncan:** No, I won't commit to it at this point.

**Mr Hampton:** If you are so committed to closing the coal-fired stations by 2007, can you tell me why, at a Liberal policy conference which is going to be held in a few weeks, one of the issues you will be debating is:

**"6. Supply Mix**

"The party has committed to put an end to coal-fired electrical power generation in the province by 2007. What does that mean for other electrical power sources in the province (including importation of power)? Under what conditions would Ontario need to relent to continue with coal-fired power production and for how long?"

Why would you be debating under what conditions you would not close the coal-fired stations by 2007? Why would you even be debating that if you've decided that you're going to close them?

**Hon Mr Duncan:** I had a look at the whole document; you may want to do that. We are committed to closing by 2007. There's not going to be a relenting. We're moving relentlessly toward that goal. There are enormous challenges, as you and others have pointed out, with respect to achieving the goal, but we are moving relentlessly to achieve that goal. In that one document that you and the Toronto Sun referenced, if you go a little bit further into it and a little bit earlier, you will see that there's an unequivocal commitment to achieve the coal goal.

**Mr Hampton:** Well, it sounds as if in one place you're saying, "We're going to"—

**Hon Mr Duncan:** It doesn't sound like that to me. I can tell you, as energy minister, the government is moving relentlessly to achieve the coal goal.

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**Mr Hampton:** Then why would you even debate the question, "Under what conditions would Ontario need to relent and continue with coal-fired power production and for how long?" Why would that even appear if the decision has, a priori, been made that we're closing the coal-fired stations? It seems to me you simply reopen the argument, "Should we or shouldn't we? If we should, when?"

**Hon Mr Duncan:** The first coal plant will be closed next April. We have now, I believe, coming on stream in time to achieve the balance—we're almost up to 50% of what we need in terms of replacement capacity. We are relentless in that undertaking.

**Mr Hampton:** I want to talk a bit about the so-called replacement. When we look very carefully at the fine print in the documents calling for replacement power, it doesn't say that this must be on stream by 2007. In fact, it says it may not come on stream until 2009. If some of this so-called replacement supply doesn't come on stream until 2009, then how do you shut down coal-fired plants in 2007, when you're not assured of getting a replacement until 2009?

**Hon Mr Duncan:** You're referring to the Beck tunnel.

**Mr Hampton:** No, I'm referring to the documents that you put out.

**Hon Mr Duncan:** The 2009 relates to the Beck tunnel. The Beck tunnel does not add any new megawatts; it simply makes more effective use of the existing capacity at Niagara Falls. We expect, particularly with the two RFPs that are out now, that on the renewable side we will have projects in place by 2006. On the 2,500-megawatt proposal, we fully expect that many of those projects, depending again on which ones are successful, will be in place in time to allow us to achieve our full goal without undermining Ontario's overall supply.

**Mr Hampton:** Then why in the RFPs does it say, in terms of the timelines that new private producers are required to meet, that they've got until 2009?

**Hon Mr Duncan:** First of all, we didn't want to discourage proponents that may take longer, but you also neglected to mention the bonus provisions that are included for those projects that come on-line by 2007. That was in that document. You can't have it both ways. You can't on the one hand say that we're going to 2009 and then ignore the other part of the document that will bonus organizations that can be on-line by 2007. Once we go down to the point where we're getting projects on-line, obviously 2007 is important to us to have them on-line. At the same time, we didn't want to discourage longer-term projects, so we put in both those provisions. I know you'd want to make reference to both provisions in your statement.

**Mr Hampton:** It just seems to me that if the replacement power is needed by the end of 2007, it would be absurd to then say in the actual contract or in the legal requirements, "but you've got until 2009." It seems to me there's an inherent contradiction there. You can't have a legal requirement for it to be available for 2007, but then say, "You're OK if it doesn't come on stream until 2009."

**Hon Mr Duncan:** I don't see it the same way you do, and that's why we put in the bonus provision for those projects that complete by 2007.

**Mr Hampton:** We'll have a chance, I'm sure, to return to this.

**Hon Mr Duncan:** The other thing I wanted to mention is that you in your own platform said we could close coal-fired generating stations by 2007. You said that in 2003 in your platform.

**Mr Hampton:** Yes.

**Hon Mr Duncan:** Then you said on March 19 of this year, "I was asked this question during the election campaign and I said that you can't, in the space of three years, close all the coal-fired plants."

**Mr Hampton:** That's right. That's what I said.

**Hon Mr Duncan:** Yes. Well, you flip-flopped.

**Mr Hampton:** I was asked—

**Hon Mr Duncan:** Flip-flop.

**Mr Hampton:** No, look. Let's be—

**Hon Mr Duncan:** During the election, you said you could do it. Now you're saying we can't do it. You said it could be done by 2007. That's not me; that's your

campaign document. Which is it? You're saying we can't do it; your campaign document said it can be done.

**The Chair:** Minister and Mr Hampton, please. The Chair—

**Mr Hampton:** I'm glad Mr Matthews is here because, yes, I was asked during the fall of 2003, "Do you think all of the coal-fired stations can be closed by 2007?" I said then, during the election campaign, "The timeline is now too short. The best that we can do, in my view, is close the most serious offenders in terms of air pollution, but you will not be able to close all of the coal-fired"—

**Hon Mr Duncan:** That's not what your platform said.

**Mr Hampton:** I was asked by the media, "Do you still think you can meet that?" I said so at the time. You still insist you can close them. I'm sure we're going to return to this question again.

A couple other questions: pricing—because I just want to be clear on the pricing issues. On the one hand you say there will be a regulated price for some of OPG's assets, but then you say at another time that certain sectors of electricity production will not be regulated, it will be a market price or a long-term contract price or some combination thereof. I just want to be clear, then.

From your earlier Bill 100 statements, I think you said that the price of electricity from the Niagara Falls hydro generating plants and from the Saunders hydroelectricity plant on the St Lawrence River would be regulated. I asked you at that time, "What about the other hydroelectricity plants, the falling water plants that are owned and operated by OPG? Would they have a regulated price?" I believe you said no.

Again, to be clear, I'm asking you. There are a number of falling water hydro plants in northeastern Ontario, northwestern Ontario, central Ontario, eastern Ontario. Will those other falling water plants have a regulated price, or will they play the spot market?

**Hon Mr Duncan:** The baseload plants, the ones we identified?

**Mr Hampton:** Saunders and Niagara.

**Hon Mr Duncan:** Saunders and Niagara are the regulated ones, and the nuclear assets. The so-called falling water ones will bid into the market.

**Mr Hampton:** They will bid into the market.

**Hon Mr Duncan:** Yes.

**Mr Hampton:** So if the price of electricity on a given day in the very hot summer when electricity use is way up, they could be bidding in at 14 cents a kilowatt hour, 20 cents a kilowatt hour, whatever the—

**Hon Mr Duncan:** Given they're essentially hydroelectric, they should help to keep the price moderated and the price down.

**Mr Hampton:** What we saw with Brascan—when the former Conservative government sold the hydro plants on the Mississagi River, Brascan turned those essentially into peaking plants, and they would bid those plants in at a very high price. Even though the price to produce electricity in those plants is around 2.5 cents, three cents a kilowatt hour, they were bidding them in at 15 cents, 20 cents a kilowatt hour.

**Hon Mr Duncan:** These are baseload plants and will continue to operate as such.

**Mr Hampton:** To be clear, Niagara and Saunders are baseload plants, but the other falling water hydro plants, even though owned by OPG, will not be subject to regulation; they will play the market. Is that right? I think that's what I heard you say.

**Hon Mr Duncan:** They will sell into the market; they won't play the market—

**Mr Hampton:** Will they be regulated or unregulated?

**Hon Mr Duncan:**—which means their lower costs will help moderate prices in the open market.

**Mr Hampton:** It's not a question of cost; it's a question of at what price they will sell. If their price is not regulated, then they will sell at the market price.

**Hon Mr Duncan:** They will sell to be competitive, I would assume, and help bring prices down and sell their power.

**Mr Hampton:** We have an example in the province—

**Hon Mr Duncan:** I'm not sure what example you're talking about.

**Mr Hampton:** —of falling water hydroelectric sites: the four Mississagi plants that were sold by the former government to Brascan. They are unregulated. They bid into the so-called competitive market. Historically—it's all documented; it's documented in their own financial returns—they bid in at a very high price.

**Hon Mr Duncan:** These are OPG assets, first of all. They're not—

**Mr Hampton:** But you've just said—

**Hon Mr Duncan:** We want them to run when demand is highest, and they will run when demand is highest, which we believe will help moderate price at those peak times.

**Mr Hampton:** But they will not sell at a regulated price.

**Hon Mr Duncan:** Pardon me?

**Mr Hampton:** They will not sell at a regulated price.

**Hon Mr Duncan:** Those? No. We never said that. What we said was Niagara Falls, Saunders and the nuclear assets—

**Mr Hampton:** So OPG will essentially be able to bid those plants in at whatever the market price is on that given day.

**Hon Mr Duncan:** Yes.

**Mr Rick Jennings:** Rick Jennings. Of the about 34 terawatt hours of water that OPG has, the regulated covers about half of that—17 to 18 terawatt hours.

**Mr Hampton:** So Niagara Falls and Saunders, and the other half—

**Mr Jennings:** Well, they're all going to be offering in at the market price.

**Mr Hampton:** Pardon me?

**Mr Jennings:** They're all going to be offering in at the market price. The question of those assets is, you want them to run when the demand is the highest. Otherwise, if they operated like the baseload, you'd run out of water and power.

1020

**Mr Hampton:** That's not the issue. The question is, will the power that is produced by those other plants, roughly 50% of the water capacity of OPG—will they sell in at the regulated price—and the minister keeps saying the regulated price will be lower—or will they sell in at the market price?

The historical experience is, when those Brascan plants moved to market price, they bid in at a very high price. Brascan boasted about how much money they made off those plants. They said, "It only cost about three cents a kilowatt hour to produce electricity, but we were selling it at 14 cents, 20 cents a kilowatt hour." That's why people's hydro bills went through the roof. That's the question I want you to answer. Will they be selling in at a regulated price, or will they be selling in at the market price? Yes or no? Which is it?

**Hon Mr Duncan:** They will be selling in at the market price, but—this is where your logic is—first of all, to compare Brascan with OPG is wrong. Number two, you have very different objectives. I would say this: The only way you're going to get price down is to increase supply or decrease demand, or some combination thereof. None of that has happened in the last 14 years.

I was delighted to hear Mr O'Toole congratulate the conservation supply task force, whose recommendations we have followed, even though he's voting against the bill—or at least you've indicated you're voting against the bill. We believe the model we have constructed will moderate prices at peak times, will lead to more supply and decrease demand. It's an overall package.

If OPG doesn't have the resources to reinvest—for instance, Mr Hampton, you know this; you represent the north. There are dams and so on up north that haven't been fixed in years. They're not operating efficiently. That's another part of what we have to do.

**Mr Hampton:** I find your belief issues quite interesting, but I want to get deeper into the issue of pricing. Will Darlington and Pickering receive a regulated price? That regulated price will be set by whom?

**Hon Mr Duncan:** By the OEB.

**Mr Hampton:** By the OEB.

**Hon Mr Duncan:** Yes.

**Mr Hampton:** And how will that regulated price be determined?

**Hon Mr Duncan:** By government regulation initially, until the OEB has its pricing plan up.

**Mr Hampton:** So you're regulating that price now?

**Hon Mr Duncan:** Once the legislation is passed. This is the draft regulation, which has been published.

**Mr Hampton:** All right. So we can look at that draft regulation and we'll be able to determine what the regulated price will be for Niagara Falls, for Saunders, for Darlington and Pickering?

**Hon Mr Duncan:** The price isn't in the draft. The regulation governs how it will be set by the OEB, and this is public. We circulated that. It's section 2. It's on the Web site as well.

**Mr Hampton:** So do you have any sense of what that regulated price will be now? Do you have any sense of what it will be, how high it will be?

**Hon Mr Duncan:** No. Not yet, no.

**Mr Hampton:** OK. What about the OPG coal plants? Assuming they're going to be producing electricity in 2005, 2006, and, it looks like, 2007, will they sell at the regulated price as well?

**Hon Mr Duncan:** No, they will not.

**Mr Hampton:** They will not. Now, if my memory is correct, that's 25% of the production in Ontario.

**Hon Mr Duncan:** Until next April, yes. Then it will be below that considerably.

**Mr Hampton:** Now, what you said to the public is that you will use the publicly owned OPG assets to, in effect, moderate the price of electricity. But as I understand it now, half of the falling water capacity will not sell at a regulated price; it will sell at the market price, while Darlington and Pickering will receive the regulated price. That's going to be very high-priced electricity, because we now know that there are a number of costs at Darlington and Pickering that have to be included in the price.

**Hon Mr Duncan:** As we said, just to—

**Mr Hampton:** Just hang on. Let me ask the question.

**Hon Mr Duncan:** Well, no, let me answer one of the first five you've asked. The other thing you've neglected to say—

**Mr Hampton:** Coal assets will not sell at the regulated price. It already looks as if—

**Hon Mr Duncan:** You're not being clear. You're misleading.

**The Chair:** Gentlemen. First of all, Minister, I'd like to give you an opportunity to withdraw the remark.

**Hon Mr Duncan:** I will withdraw the remark.

**The Chair:** None of this is going to be recorded on Hansard. It looks terrible on television. We are capable of better.

I would ask you to state your question and then indicate to—

**Hon Mr Duncan:** Let me answer.

**The Chair:** Well, you're both enjoying a debate here, and we're not. So I would ask you to please try to bring this to a more formal proceeding because we have seven more hours of this to do.

**Mr Hampton:** You said earlier that the electricity produced by the coal-fired plants will not sell at the regulated price but that it will sell at the market price; yes or no?

**Hon Mr Duncan:** We have said that 60% of OPG's output will be a regulated price. That has been in all of our announcements, it's clarified in the document that's on the Web site and it remains the policy of the government.

**Mr Hampton:** What comprises that 60%, then? So far it's Darlington, Pickering—

**Hon Mr Duncan:** Have a look at the regulations. They've been made available to you at committee and they've been made available on the Web site.

**Mr Hampton:** Darlington, Pickering—

**Hon Mr Duncan:** Adam Beck, Adam Beck 2, Adam Beck pumping and generating station, DeCew Falls 1 and 2, Saunders, Pickering A, Pickering B, Darlington: Those are the key ones. That represents 60% of OPG's regulated output.

**Mr Hampton:** If coal represents 25% of the general output in Ontario, and then of the hydro, half of the hydro is not regulated—half of the hydro capacity will play the market price.

Just to be clear, the electricity production of OPG—Darlington, Pickering, Niagara Falls and Saunders will be regulated price and everything else will play the market.

**Hon Mr Duncan:** Yes.

**Mr Hampton:** OK. I just want to be clear on that.

**Hon Mr Duncan:** Just in terawatt hours, there's a total of 109 terawatt hours. Nuclear is 45. Hydro is 18 terawatt hours. That's how we get to the 60% regulated figure.

**Mr Hampton:** We'll have a chance to come back to this, I'm sure.

Will Bruce produce electricity at a regulated price or an unregulated price?

**Hon Mr Duncan:** Bruce is unregulated price.

**Mr Hampton:** OK. It's my understanding that in your so-called hybrid market, new generation will bid into the spot market but will also sign long-term fixed contracts. It seems like you have two prices here.

Let's say TransAlta contracts with the Ontario Power Authority to build 1,000 megawatts of new natural gas generation. I think that'll be very expensive power, but let's just assume that you do some of that natural gas. Mr McGuinty was very fond of natural gas in the run-up to the election.

So TransAlta puts in a bid with OPA, saying, "We'll provide 1,000 megawatts of natural gas-fired electricity," and they sign a contract for, let's say—I'll give you the benefit of the doubt—seven cents a kilowatt hour. I think the natural gas will be much more expensive than that. In fact, I'm sure it will be much more expensive. But then they will also bid the day-to-day spot market?

**Hon Mr Duncan:** What we've set up is a capacity support payment system. I'm going to let Mr Jennings explain it in some detail to make sure that it's clearly understood.

**Mr Jennings:** The RFP that we have for the 2,500 megawatts is based on the project proponents identifying a support payment requirement, what they need per month to operate. The way it is set up is that when they're deemed to be economic to run based on the market, the money they make then will be subtracted from the support payment. Basically, the government is sharing the risks with the proponent. So if the proponent is operating once the plant is built—

**Mr Hampton:** So, the day-to-day dispatch price.

**Mr Jennings:** Yes. Say the support payment was identified, just as a hypothetical number, as \$10 a kilowatt for that month. If, during that month, in the operation of the plant based on the market, they made

\$11, then the government wouldn't only not pay them; the government would extract it. If they made \$5, then the net payment would be \$5.

So the government is identifying their support payment, what they need to be viable to run, but any money they make above that, the OPA will be keeping. The capacity, in other words, is there as a result of the contract—

**Mr Hampton:** So let's say TransAlta bids in at 10 cents a kilowatt hour, says, "That's what we need on a 20-year basis to cover capital costs, financing, operation, the price of natural gas." If on the spot market on any given day they only get eight cents, it doesn't matter, they're still going to get the 10 cents?

1030

**Mr Jennings:** As part of this RFP, they identify what they need—

**Mr Hampton:** Yes, long-term, all included costs.

**Mr Jennings:** —so say it's 10 cents per kilowatt. During that month it's tracked basically when it is economic for them to run. They have to identify what their efficiency is. Gas prices are tracked. So it will be identified when it is economic for them to run and when it isn't. So if they didn't run, but it was identified that they should have run, then that comes off their support payment. The point of this is that they have an incentive to run whenever their costs are covered. So it should mean you're bringing more supply into the market, plus you're reducing that support payment.

**Mr Hampton:** You want to talk about cost. What I'm talking about here is price. If they bid in at 10 cents a kilowatt hour, that's their long-term fixed price. That's what they bid in on.

**Mr Jennings:** They would be incented; in fact, they would be penalized if they are not trying to run whenever it is economic for them to run. So they will have an incentive to run because their support payment—

**Mr Hampton:** I understand that. But let's say that on a given day the price in the market hits seven cents a kilowatt hour. Are they going to get the seven cents or the 10 cents?

**Mr Jennings:** They will be paid whatever the clearing price is. If they're running, they will get the clearing price. If the prices are high, it reduces the support payments they get from the government in the month. So if you look at what the net impact is on the consumer, yes, when the price is high the consumer has higher prices, but the support payments are reduced if they are operating in the market and making money.

**Mr Hampton:** You're still not answering my question. On that day, when the price of electricity only hits seven cents, do they get seven cents or 10 cents?

**Mr Jennings:** No. If they are running, they will get the market price in place that day. The revenues they get during that month are taken into account in looking at what support payments they get. So those revenues, if they are making money that month, will reduce their support payments.

**Mr Hampton:** And if they don't make money that month, then they'll get the 10 cents from OPA.

**Mr Jennings:** The difference is that one is an identified number for the capacity. If they're not running, they're not going to get fuel and operating costs covered, for instance; they will just have their identified fixed costs. If they're operating and making money, those will come down, depending on—

**Mr Hampton:** So on that day or in that period of time, they'll get seven cents, then at the end of the month they'll get a top-up figure, as I understand it, which will bring them up to 10 cents.

**Mr Jennings:** Well, basically this is to bring on the capacity. So they've identified the costs of the capacity—

**Mr Hampton:** I don't care whether it's to do this or that. I'm asking you about price. As I understand what you've set out here—

**Mr Jennings:** They will receive the market price. What they make in the market will be factored into their support payments.

**Mr Hampton:** Plus they'll get the top-up, in this case.

**Mr Jennings:** It will be—

**Mr James Gillis:** I think the distinction here is that they probably wouldn't run at seven cents; they would only run if the market price were 10 cents. It's not that we would be rebating them the three cents, because they wouldn't in fact run. The point that Rick was trying to make is that if they don't run, there is a capacity payment that's made to them to have the capacity available should the price go up.

**Mr Hampton:** And you can call that a standby charge or standby whatever to be there.

**Hon Mr Duncan:** A capacity payment.

**Mr Hampton:** All right. Some people call that a standby charge; there are different names for it.

If, say, during the month the price exceeds 10 cents—let's say the price gets up around 11, 12, 13 or 14 cents—at the end of the month they would have to pay some money to OPA?

**Mr Jennings:** If they end up making more money in the market than the required support payments, that's right, then the money would flow the other way.

**Mr Hampton:** All of it?

**Mr Jennings:** The way it's structured now, yes.

**Mr Hampton:** All of it would flow back?

**Mr Jennings:** Yes.

**Hon Mr Duncan:** Ninety-five per cent.

**Mr Hampton:** Ninety-five per cent? So they still get an incentive to play the market. In other words, they're still going to get to keep money above what they bid in at long-term with OPA.

**Mr Jennings:** But the sharing is 95.5%.

**Mr Hampton:** I hear that. I'm simply saying, if the price goes above what they bid long-term—10 cents—they're going to keep more than 10 cents.

**Mr Jennings:** Well, it provides them—you obviously want to have an incentive to have them run as much as possible. If you're building the capacity—

**Mr Hampton:** Yes or no? Are they going to keep more than the 10 cents if the market price on a given day or over a given month goes above 10 cents? Yes or no?

**Mr Jennings:** Well, sharing is 95%, yes. They will get 5% of that.

**Mr Hampton:** They'll get 10 cents plus they'll get 5% of whatever amount is over 10 cents?

**Mr Jennings:** No.

**Mr Gillis:** That's right, actually. From your example, if their actual cost is 10 cents and the market price is 11 cents, they get 5% of one cent for every unit they produce, over and above their return on capital etc.

**Mr Hampton:** Minister, you will remember Steve Thomas. He's an economist at the University of Greenwich. He commented on your pricing model, and one of the things that he said would be very important would be that a review of gas resources available to Ontario should be carried out if it's expected that a significant proportion of new plant will be gas-fired. Has the Ministry of Energy carried out that review of gas sources available to Ontario?

**Hon Mr Duncan:** The ministry itself has not. However, we do get reports from various sources, as I'm sure you know. Again, depending on who you ask, you'll get different estimates about future gas supply, but the salient question is, how reliant should we be on natural gas? I suspect you're heading in the same direction that we are, that we can't be too reliant on any one source. Our objective is a diverse portfolio. That's why we're looking at renewables the way we have.

Natural gas will continue to be a component. There is debate around how much natural gas there is left in North America, and natural gas prices are very high right now, as you know, in part because of that uncertainty. Liquefied natural gas would be more expensive. It's imported from wherever it's imported. We don't have a liquefied natural gas port anywhere in Canada right at the moment, although there are a number of proposals.

Our objective over time is to have a balanced portfolio, a mix of supply, so that we're not overly dependent on any one form of fuel.

**Mr Hampton:** So the short answer to my question is, no, you have not conducted a review of gas resources available to Ontario.

**Hon Mr Duncan:** We get reviews provided to us by outside consultants that are available regularly. I believe we get monthly—is it fair to say, Rick, "monthly"?

**Mr Jennings:** Yes.

**Hon Mr Duncan:** Yes, monthly. CERA has its own team out doing research. We don't have the expertise in terms of this.

**The Chair:** Minister, you and your deputies now have an opportunity to respond to the questions raised in the preceding session.

**Hon Mr Duncan:** All right. Mr Hampton didn't really give a statement, so I'll just limit my comments. I have how much—30 minutes' time?

**The Chair:** Up to 30 minutes.

**Hon Mr Duncan:** I did want to respond to some of the points raised by Mr O'Toole in his opening statement. He raised 20 issues, and I just want to quickly respond to them.

Our voting to remove the price cap: I've said it before and I'll say it again—we were wrong when we voted for it. We acknowledge that. We've removed the price cap. It had a detrimental impact not only on consumer behaviour but on our entire supply. So we were wrong, and we see that now.

#### 1040

Since you raised the issue, I've had a chance to look at—you indicated that we forced you to do it. That's not what the minister and the Premier of the day said when they did the announcement about it out in Mississauga. In fact, they were quite delighted to do this and said it would lead to lower costs and more supply. It's all available here and I'll make sure that's distributed to members of the committee so they can see it. To suggest that the opposition forced you to do that when you had a majority government is a little bit disingenuous.

Price is the issue; power at cost. There is no doubt that price is a key issue, absolutely, and there's no doubt that we all are concerned about the cost of electricity. You raised Adam Beck and his old power-at-cost model. That model worked extremely well when Ontario's natural gifts could supply all the electricity we needed. It worked very well. The problem is, we began to exceed that supply about 40 years ago. The reason it worked well is because hydroelectric power is relatively inexpensive. You can build a dam and it'll function for 100 years. I think Niagara Falls is producing electricity today at about seven tenths of one cent a kilowatt hour and requires low maintenance. As long as that situation was there, we could it.

But about 40 years ago our domestic demand began to exceed our ability to supply it with just hydroelectric, so we looked at a number of alternatives. You know the history. The nuclear programs had huge challenges in terms of cost. We still don't know what the cost of storage of the waste is. That's why, when we look at Sir Adam Beck's model, we have to be careful to understand that it's a very different world and that we cannot supply our entire need simply with hydroelectric.

There are a couple of things I did want to say. First of all, Mr Hampton's government cancelled the deal with Manitoba on Conawapa. Your government launched the beginning of feasibility on it and we just released the first phase of that feasibility. We're moving forward on that.

Number two, we believe there are 3,000 to 6,000 megawatts of clean, renewable hydroelectric power throughout this province that I think, because of our nuclear preoccupation over the last 30 years, have not been looked at carefully. We're going to have another look at those. There are, throughout the north, some dams and generating facilities that haven't been repaired or updated in years. We think that's important to look at as we move forward as well.

The point I want to make is that Ontario did have power at cost. There were problems throughout Sir Adam's tenure and right up until the advent of nuclear. The bottom line is, we can no longer supply our demand with hydroelectric power; we haven't been able to for some 40 years. We've been importing, I think, for some 30 years, if I'm correct—25 or 30 years.

You spoke about demand response and demand management and how you spread the benefits of that to small consumers. I acknowledge, you're absolutely right. A small consumer, someone like your mother-in-law or somebody in a small unit, will not have the same ability to conserve as somebody in a 2,000-square-foot home with a gas-heated swimming pool. We're looking at other models around the world to see how the benefits of conservation have been spread. District heating is one potential. We have small district heating systems in a number of our large urban centres, but there's no doubt that it's more difficult for a small consumer to take advantage of the benefits of conservation.

We see right here in Ontario, in my experience now, as brief as it has been, success. Woodstock is a very good example. I know you're familiar with that program. Many of their consumers are small power users. I believe about 25% of their customers are on this smart card system, where you literally go to the convenience store, fill it up like a phone card, put it into your meter, and it measures how much you use. They're saving, on average, 15%. I met with Ken Quesnelle, the vice-president of that particular LDC. Many of their consumers who are saving this money are small consumers. So there are opportunities.

I'll relay the story of a fellow who's our butcher at home. Ted Farron runs a small, high-quality butcher shop. Through changes to some of his fridges and so on, he's indicated to me that he's saving almost \$300 a month on his electricity bill. So there are a lot of opportunities. They're well documented.

I do agree that spreading the benefits of conservation to people who have low levels of consumption is a challenge and it's something we have to meet.

We endorsed the conservation supply task force report and its recommendations and have incorporated them into Bill 100. We felt those recommendations from the group that was chaired by Mr Pratt at the end represented a consensus among experts, elected and non-elected, about what the best way to go forward is, recognizing there is no absolutely right way, that there are challenges in no matter what we do. I'm glad to hear you endorse their recommendations, because that's what's contained in Bill 100. My hope is that you'll see the linkage, and, given your support for the conservation supply task force and their recommendations, that you'll see the wisdom of Bill 100, which incorporates those recommendations, almost in their entirety.

I addressed that we didn't force you to freeze the price.

I want to acknowledge that your government had been working on the Beck project for close to nine years, I

think. I'm delighted you support our initiative. I guess the question in my mind is what took you so long and why you didn't announce it. The economics are very clear on the tunnel.

Let me address the Beck 3 issue. The economics weren't as clear. The economics on Beck 3 were such that the price of electricity that could be generated would be so high as to make it completely uncompetitive and unrealistic to proceed, so we proceeded with the tunnel. The other problem is water levels. To do Beck 3 might have entailed making the Horseshoe Falls a giant rock-climbing centre in Niagara Falls. I'm delighted you support our initiative. I know your government looked at it for some nine years, but we're out doing it. We had the announcement within six months of taking office.

The coal promise: Yeah, you folks did promise to close the coal plants by 2015. We thought that was unacceptable, as Mr Hampton's platform said. We agree. We believe we can do it by 2007, and we're moving to do that.

With respect to regulation 275/04, I've asked my officials to prepare a written response for you. We'll get that to you, hopefully before day's end.

You mentioned the debt retirement charge. I just wanted to put in a part you forgot to mention: Even though your government slapped a charge on every consumer in Ontario for that, we failed to pay down any of the debt that was accumulated. The project was supposed to be 12 years, I believe, and none of it has been paid down. Again, a pretty bad failure of previous policies.

Clean coal: This is a fascinating debate that's going on around the world. Clean coal comes down to the question of CO<sub>2</sub> in the emissions. It's the CO<sub>2</sub> that contributes to the greenhouse gas problem. Clean coal gets out the so-called NO<sub>x</sub> and SO<sub>x</sub>; it doesn't get at mercury, it doesn't get at what they call the particulate. I don't know the precise definition of "particulate." Perhaps one of my officials can enhance that at a later point in our discussions. But suffice to say, it doesn't get at the CO<sub>2</sub>.

#### 1050

The one thing I think we need to focus on here, particularly now that Russia has ratified Kyoto—and Kyoto is going to happen regardless of the Bush administration or whatever—the key, is the CO<sub>2</sub>. If we close our five plants by 2007—and that is our objective, our unrelenting goal—we will make 80% of Ontario's Kyoto commitment. What does that mean in terms of economics? It means it takes pressure off our manufacturing sector, who are concerned about the cost of coming into compliance with Kyoto. That's another reason we've proceeded to the next level at Conawapa. The real name for that is the clean energy transfer initiative; that is, greenhouse-gas-free transfer of electricity between Ontario and Manitoba.

So we're not prepared to support clean coal. Some have indicated to me that over time the technology will develop that will remove the CO<sub>2</sub>. I don't know if that's true or not. I'm not a scientist. I'm not in a position to

make those judgments. As the technology improves, I think any government, whether it's this government or a successor government, would be obligated to look at it closely. Obviously, again, to reinforce, we want a diverse supply of fuel for how we generate our electricity.

I'm glad you met with local distribution companies, because your government didn't. I think if one group was relieved to see a change of government, it was the local distribution companies. They are faced with a number of challenges. We have indicated that toward the end of this year we are going to begin looking at the coal transmission distribution system.

I've engaged in a number of discussions with the local distribution companies, the Electricity Distributors Association, and they felt that for the first time in many years they had a government that was listening to them. That's not to say we've solved all their problems. It's not to say that there aren't going to be challenges as we go forward. It is, however, to suggest that they were delighted at a number of the changes we've brought about and have said so publicly. I'll provide you with those comments as we move forward throughout the next few hours of discussion.

You raised smart meters. Smart meters, combined with flexible pricing, in my view will give small and large consumers the real tools to manage their electricity bills, to better manage them. We've seen a number of pilots in North America. One system we've looked at very closely is in Italy.

The Italian government is in the middle of installing 30 million smart meters, every meter in the country. They are now up to 18 million. The system savings associated with the smart meters have been so high that they don't have to charge individual consumers for the meters themselves. The biggest problem Enel is running into right now—that's the Italian equivalent of the old Ontario Hydro, I guess—is consumers not being able to get their meters fast enough. They're installing them at the pace of 40,000 a day. It's a tool that will help many consumers, and I believe it will help particularly the small business sector, those consumers who use anywhere from 15,000 to 250,000 kilowatt hours a year. It will help small farms, because these are the folks who are most affected by price and up until now have had the fewest tools with which to manage their energy costs.

Output: You talked about the MUSH sector and its impact. There's no question that our public sector institutions are going to have to make adjustments. I met with one hospital that estimates they can save \$1 million a year through better use of electricity, better flow of electricity within their walls. That's money that can be re-invested in nurses, in long-term care and in other vital things that we need in the health care sector. So there will be a challenge.

Transparency on pricing: You asked for my best guess of the price. Well, you need to understand the regulatory role of the Ontario Energy Board, which has extensive public hearings. All of these issues will be subject to OEB rules and regulations which allow for input. I

believe they also provide intervener funding, if I'm not mistaken, at least on the gas side right now. I don't know if that decision has been made on the electricity sector. So there are many opportunities for transparency and accountability with respect to the OEB and the way it regulates the price.

What do I think the price will be? I said last year I can't predict that; I won't predict it now. What I can say is this: If we are going to be responsible to consumers and if we're going to be responsible managers of the public, we have to try to divine a system that will yield stable prices. I said last week, and I'll say it again, that you cannot shield consumers from the real price. The price caps that have been in place since 1993 shielded ratepayers but inflicted a very large cost on taxpayers and, finally, inflicted a horrendous cost on the system itself where there wasn't new investment and new supply.

What I believe, John, to be in everyone's interest and the best way to mitigate upward pressure on price is through the creation of more supply and reduction in demand. It's simple; you learn it in first-year economics. When you cut through it and you get through all the regulatory mumbo-jumbo, trying to confuse price issues and pretend that somehow your plan today won't lead to a 43% increase in price, as it did in the first couple of years of the NDP government, is really doing a disservice.

Our objective is stable, predictable pricing and giving consumers the ability to manage their bills as best they can. I believe we can achieve that and I believe we can continue to be competitive on the price of electricity. I said in my statement today that we are still below Michigan, Illinois and New York. We're not lower than Quebec and we're not lower than Manitoba, and you know what? We never have been and we never will be. They have natural gifts. Unless you can figure out a way to somehow tilt Ontario toward Hudson Bay and create more hydroelectric opportunities, it's just not going to happen. By the way, those two jurisdictions have the lowest prices in the world. I know we differ on a lot of these issues, but our key challenge is to provide the regime that will yield stability, predictability and opportunities for consumers to manage their consumption.

You raised the issue of ethanol. Mr Peters, the Minister of Agriculture, has carriage of that file. I was reading in the *Globe and Mail* yesterday that apparently our government is going to be moving on that file fairly shortly. The *Globe and Mail* is never wrong, so I would presume we will see an initiative at some point. Ethanol is certainly a huge opportunity, if done right. I believe Mr Peters and his colleagues at the agriculture ministry will be in a position to have an announcement shortly.

With that, Mr Chair, I'll turn it back to you.

**The Chair:** Thank you very much. At this point in the rotation we have about an hour remaining before we adjourn for lunch. It's my intention to divide that into 20 minutes to each party, and we'll begin with the governing party.

I will just state for the record that the television coverage of these estimates has been very difficult. We're putting staff through a very difficult period unless we go through the microphone system properly. So I have made arrangements to have committee room 1 available for this afternoon if this gets out of hand, and I will not hesitate to remove the proceedings from this televised room and take them to committee room 1 in order to allow Hansard to do its job and to record these estimates accurately. That is just a simple suggestion as to how we will maintain proper decorum.

I would ask the governing party to respond.

**Ms Caroline Di Cocco (Sarnia-Lambton):** Thank you, Minister, for being here today. One of the things I've noted with regard to the ministries that preceded us, when you were talking about the size of the actual ministry, is the number of empty chairs behind you that were not there for either health or finance. The room was certainly packed with staff. I guess now I'll be able to just take a look behind the minister to decide how large the ministry is.

**1100**

I have about three or four questions and also a question about the Ontario Power Authority. I understand that in the past, at one time there was a sector within Ontario Hydro that actually dealt with capacity and looking long-term at how to fill that capacity. That had been removed, had it not? My understanding was that it was non-existent.

**Hon Mr Duncan:** It was non-existent. Under Mr Wilson's legislation, it was left to the open market, and it didn't work. It didn't work in California and it didn't work in Ontario. So when we got to office, we had no mechanism, even if we wanted to—and we hadn't even made the policy decision at that time—by which we could enter into a power purchase agreement.

The other side of that, though, and one of the reasons we've chosen the model we did and one of the reasons the supply and conservation task force recommended the model they did was that having that function within the old Ontario Hydro was one of the more odious parts of the large single monopoly. They controlled everything, in a sense. Various experts had advised us, including the supply and conservation task group, that in order to make the sector function best, you should separate those functions out.

I did want to respond to the empty chairs behind me. The people you see at this table have made a yeoman's effort in the last year. It is a small ministry. It's a policy-setting ministry. Obviously, the resources of Hydro One and OPG are in the background as well, but with a very small band of very dedicated public servants, we've done an enormous amount, and they deserve a lot of credit for that. They've burned a lot of midnight oil.

**Ms Di Cocco:** I can believe that.

I have a question, particularly dealing with my constituency. I am certainly committed to cleaner air in Ontario. We need to move forward in reducing the emissions, particularly our coal-fired plants etc. I'm looking forward

to the positive impacts long-term, particularly because of the area in which I live.

On the other hand, I'm hoping the government will look at viability for conversion to cleaner forms of energy. I know there's a cost attached to it, but I think in my area it certainly has a substantial impact because of the industry there and the Lambton generating station that's there.

**Hon Mr Duncan:** Absolutely. Let me address your question, because it's very important and it's part of our deliberation as we move forward.

First of all, let's deal specifically with Lambton. You've made a number of representations to me and in the House with respect to the jobs there and your desire to ensure that there is no job loss. Lambton would lend itself very well to the conversion to gas. There would be a debate around whether it's single cycle or dual cycle. You're sitting just above the Dawn station. There is access to gas. It appears at this point to be a natural.

One of the challenges we're going to have is that the number of people it takes to run a gas station is considerably lower than the number of people it takes to run a coal-fired station. We're very cognizant of that. Our hope is that by increasing and looking at how much electricity is generated, we can help offset the job impact. But no final decision has been made.

Interestingly, all of our coal-fired plants lend themselves relatively easily to conversion of one form or another. Part of the challenge we're going to have going forward is the number of jobs associated with natural gas or some other form versus how many jobs it takes to run a coal plant.

Like you, my home in Windsor overlooks the Connors Creek coal plant in Detroit. I see it every day. People say, "Why are we closing ours when they've got these things?" Interestingly, I think there are 150 coal plants at various stages of development in the United States right now, and the Bush administration has removed a number of the emissions standards that were in place.

Our view is that we have to lead by example. I'm also pleased to tell you that we have had discussions with a number of Americans, and there are a lot of Americans who agree with us. In fact, Ontario was sued by the Attorney General of New York over, I believe, Lakeview; I can't remember which one. In any event, I believe there are now roughly 40 United States senators and others who have made comments. The Premier's parliamentary assistant, Laurel Broten, has been asked to work with some of our American counterparts. Back in the 1980s with acid rain, Ontario led by example. You can't go and tell your neighbour to clean up his yard if your yard is still dirty. As I understand it, I think Nanticoke is the most polluting plant in North America. I often say when I'm at public gatherings, "Did you ever imagine, when we were young, that we'd have weather broadcasts saying to keep your children indoors today because of air quality?" Did we ever think we'd have a smog day in Algonquin Park, which we had?

We believe that there's a cost associated with conversion. We've done some preliminary work, and we'll have more to say about this later. But when you factor in the costs and benefits associated with our policy, there's actually an overall benefit associated with closing the coal plants, factoring in the price of electricity and a whole variety of inputs. So we think it's the right way to go.

**Ms Di Cocco:** As you know, in my area we have a concentration of industry—the petrochemical industry in particular. Last year there were two significant blackouts before the actual big blackout, something that had never happened in the history—and I've lived in Sarnia, in that area, certainly since 1957. No one could remember that there was no power to all of the refineries at the same time. It was unprecedented. I think they happened within a couple of months of one another, and then we had the big blackout.

There was some suggestion that there were going to be some improvements done in the area by Hydro One. Do you have any update on that at all?

**Hon Mr Duncan:** Yes. Hydro One made the improvements. I've forgotten the total amount we spent but there was quite a bit of money invested in repairing the problem that caused those two blackouts.

This leads to a larger policy issue, and that is the false economy associated with hiding the price. We have literally fallen behind in the maintenance of our wires, both at the transmission and distribution end. What you saw is happening in other places more frequently. That, as you know, because I know you met with the industries affected and advocated on their behalf, is a huge disincentive to investment.

When the medicine men of lower prices come about and try to argue the benefit of it, and they forget what has been lost in 10 years on—and we haven't even really begun yet to look at the transmission and distribution side, as I've been saying. We're going to turn our attention to that likely later this fall or early in the winter.

When you're driving down the 401 or anywhere in the province and you see those big wires, how long has it been since you've seen one of them changed? Or how long has it been since you've seen a new one? This is in an environment where we've had an increase in demand, every year, of 1.7%.

Last year I asked the board of Hydro One to give me an in-depth review of the investments they believe we need to make to ensure that we still have the best system in the world.

By the way, we just opened the new Hydro One centre in Barrie, which will improve our ability to manage—it won't prevent a blackout like last August but it'll make it easier for us to respond more quickly. But there's still considerable work to be done.

We believe Hydro One has responded appropriately regarding what happened in Sarnia. I don't believe we've had a blackout or a brownout or a lack of power this year. I believe at this point that they've taken corrective steps. But, again, I know you will continue to advocate if and

when those things happen again. Our hope is that they won't happen again.

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**Ms Di Cocco:** One of the things I'm hearing from industry, particularly from some of the people who want to invest in cleaner energy in Ontario, is that there's a hope of some stability; there's a hope of actually having a policy going forward that is going to provide a sense of stability. One of the other things I've been told is that at least they're able to meet with you. There is a sense of access so that the various issues can be brought forward to the ministry.

**Hon Mr Duncan:** There was this huge distrust of the energy sector and the policy that had been pursued. One of the first things we had to do was stabilize it so that consumers and investors, small business, everybody, would have more confidence. We have not achieved the level of confidence that I'd like to see. However, I think the response to our RFPs is one indication that there's more confidence.

On the bigger RFP of 2,500 megs, as you know, the SOQ, which is really people taking a place in line—it's not a huge commitment but we've had over 60,000 megawatts proposed. On the first RFP, the renewable one, we had 4,400 megs and when they got through the SOQ phase there were 1,000 left. That's three times what we had asked for and 25% of the original SOQ. So if we apply that ratio, we probably have somewhere between 15,000 and 20,000 megs of power being offered right now. To me, that's a real statement of confidence in the direction we're going.

It's not perfect. I sat in on some of the committee hearings on Bill 100, I've met with the stakeholders before introduction and after and I continue to meet with the folks who are on the conservation supply task force. Most people have been supportive and they all have issues. We brought forward 94 pages of amendments to try to get the bill right. I think one thing we need to do as a Legislature is acknowledge that this sort of thing is always going to be evolving, always changing.

I also benchmarked every other jurisdiction in North America and most in western Europe before we proceeded. Every stakeholder I met with, and some of them were great experts in their field, I'd say to them, "If there's one jurisdiction we can emulate, who would it be?" Out of about 150 consultations when I first became minister last November, through February, I think three responded, and all three disagreed as to which jurisdiction we should emulate.

What we know is that the model that was followed here in Ontario and in California failed. What we know is that under certain circumstances a public monopoly can work, assuming you have a huge reliance on hydro-electric power and no need for any other types of source. So what we tried to do was craft something that we believe will bring stability, bring reliability of pricing, transparency of operation, clarity to the system and the sector and, over time, provide the stability that has been lacking for most of the last 10 to 15 years.

**Ms Di Cocco:** Chair, I'm not sure how much time is left for my colleague here.

**The Chair:** About six minutes.

**Ms Di Cocco:** I'd like to turn it over to my colleague.

**The Chair:** Mr Delaney, please proceed.

**Mr Bob Delaney (Mississauga West):** Minister, I'd like to follow up on a remark you made about maintenance of our wires. Like most Ontarians, in 2003 I stayed home for two days in August using a windup radio to keep track of when the power would come on again in northwest Mississauga, where I live. I'd like to discuss with you the issue of our security and the security of our supply here in Ontario.

Our grid, like our power generation facilities, is starting to show its age. As consumers we need to know that our government is investing some of the money that we pay through our monthly bills into ensuring that our grid will not be brought down through a failure or a surge originating outside Ontario. Would you please discuss how our grid, our distribution network, is going to grow more secure in the years to come? As well, would you update the committee on how Ontario has drifted from being a net energy exporter in terms of electricity to being a net energy importer, and what plans and actions your ministry has taken to restore Ontario to self-sufficiency in electricity generation in the coming years?

**Hon Mr Duncan:** Consumers at home will know that on their bill there are a number of lines; I think there are nine lines. One of them, the money goes into distribution and transmission—transmission specifically.

First of all, I want to say that last year's blackout was imported to Ontario. It was not the fault of the Ontario system. It was not the fault of the government of the day, as much as I might like to try to blame them in some of my more political moments. It was not the fault of a government. It was an imported blackout.

I should tell you that one of the things we did learn from the task group that the federal governments in the United States and Canada put together is that, in fact, Ontario has one of the most reliable transmission networks in the world. In fact, many experts from the United States came up here to look at our transmission system.

We have mandatory reliability standards which they don't have in the United States. So you had a system where one—again, it's like anything else: The weakest link in the chain can cause what we saw. When you think about what triggered that blackout, it was essentially tree limbs on big wires, and it led to a cascading series of events. Poor maintenance, untrained workers—it just grew and grew and grew, and it happened fast and spread quickly.

Before the United States Congress there is a bill that would provide for mandatory reliability standards in the US, but my understanding is, that bill is not going to see the light of day, which is regrettable. We are linked very closely with the US.

To answer the other part of your question, we opened the new Hydro One control centre in Barrie this year, which is state-of-the-art, and I would invite members to

come up and have a look at it. They can pick up a problem within two seconds anywhere in the province. The question was put to the officials there: Would this have prevented the blackout? The answer was no, but it would have allowed us to assess more quickly what was happening, and it may have allowed us to get back on-line more quickly.

Hydro One, as a corporation, is back on solid footing now. We've got a new management team in place. The new board there has representatives as diverse as Bob Rae and Murray Elston, and many others have helped get that organization back on a very solid footing: Rita Burak, the chair of the board there who's known to many members around here, a former principal secretary to cabinet, is doing a terrific job; Tom Parkinson, the CEO. Things have really come together well at Hydro One, and I've asked them to provide me with their analysis of what we need to do in the next 10 to 15 years to ensure that this aging system doesn't collapse, and it shouldn't, because it's pretty strong right now, but it's going to be in need of some real investment.

There are a number of things that need to happen relatively quickly. For instance, near Sudbury, there's a bunching up of wires that doesn't allow for the efficient flow of electricity. Down our way, in Essex-Kent-Lambton counties, there are bottlenecks as well that need to be fixed. But we also want to have a handle on what we need to do to ensure that our transmission system, which has served us well—one of the interesting anecdotes is about the ice storm a few years ago. I remember how Quebec had so many of its towers collapse, while Ontario didn't. It's because our standards were higher in terms of the steel that went into them. Quebec now, with its new towers and so on, is doing what we've been doing.

So there's going to be a need for a large investment in the future that will have to be borne by the rate base. It will have to be factored into the stable, reliable pricing model that we have to have, and the OEB will make those determinations to ensure that the false economy associated with artificially low prices doesn't translate into a transmission nightmare comparable to what we were faced with on the generation side several months ago.

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**The Chair:** We'll recognize Mr O'Toole.

**Mr O'Toole:** Thank you very much, Minister—a much more pleasant exchange of technical questions and clarifications. I guess we all have different duties.

Initially, just to respond to one of the comments you made in response to the questions I raised, the example you used is problematic. When we talked about hydro-electricity at Niagara Falls and that it virtually operates at no cost, it just shows the inappropriate business risk model that's being used to assess the real cost, because it doesn't. Even if you call it a heritage asset, eventually you're using the asset. Eventually you're consuming its usable life. In fact, if you factor in the probable growth in demand through the growth in the economy, there's no

power that is under a cent per kilowatt, period, even the heritage assets, because that asset is being used and it has to be maintained.

I find that a pretty immature response to a very complex issue when you're looking at two-cost power. This just explains to me that in the future we're going to see a fair amount of fluff around some of the heritage assets supporting the real cost of power. Then there's a regulated portion and what the consumer really sees. I guess politics will still play a major role.

I guess I'm advocating to some extent for some of the small, less-able-to-pay consumers who will need to be supported, because it's not a product like any other product. Probably my position going forward is going to be those persons on fixed incomes, when you get to some threshold of consumption, whatever the experts deem that to be.

One specific question, as opposed to just comments, is about the smart meters. You made an election promise that 800,000 of them would be introduced by 2007. You used a reference of Italy, and I'm a bit familiar with that and their expectations in some of those experiments with smart meters or metering technology. Their success has been highly overrated. An example would be California. Their expectation on recoverables would be less than satisfactory, to put it bluntly. You made that commitment of 800,000. Is there an RFP out to purchase those meters?

**Hon Mr Duncan:** We have not defined a process yet. We have announced our intention. I imagine we'll have more detail on the precise process by which we would proceed this fall.

**Mr O'Toole:** So we have no model. I see from ministry correspondence something between the cheaper version, the \$100 type of thing—it's not very smart; it just basically measures off-peak—and the really smart ones that are interconnected to the spot market, technically. They can turn on and off a variety of different things, whether it's a computer or your swimming pool heater or whatever. So I think there are great diversions there. I just think it's an investment that the consumer should be concerned about.

My suggestion there—and I'll ask the question in a minute on smart meters—would be to look at the low-fruit issue, which would be demand-response mechanisms. If you look at the blackout a couple of years ago, with the US interconnect problem and the transmission grid's failure to recover, most of the load was shifted or demand was stopped by the large consumers, not the residential. Simply, the lights went out, so they didn't respond any more than they had to. The people who allowed the grid to come back up were the large consumers: General Motors, Stelco, the petrochemical industry in Sarnia, which Ms Di Cocco would probably like to shut down. They were actually the ones that responded. The CFIB report said that they had to incur millions of dollars in expenses. Are you looking at any measures to bring those large consumer groups into the fold in terms of contracted price or power purchase agreements or demand response agreements, where they

will get power at a certain price provided they will go off-line on high-peak demand periods, or those kinds of solutions?

**Hon Mr Duncan:** Yes. The RFP we have out right now for 2,500 megawatts includes demand response. I am given to understand that there are a number of proposals in that are coming forward. We've also announced our intention to do net metering, as I said in my speech. Those are the key areas.

In terms of smart meters, I think it's also important to note that many of the large consumers already have them and use them quite effectively. In order for smart meters to work, of course, we have to have a different pricing structure in Ontario, and we will. There have been pilot projects here and full implementations going on in China, Australia and Italy to great effect and to great management.

Somebody said to me, "The technology on the meter in our house is about 100 years old." It literally is that old. I'd invite anybody today—first of all, the meter is outside, for most houses. Second, if you've ever tried to read one—I know I can't—and understand what's going on, you've got that thing spinning around and then you've got those little dials. We rely on meter readers, in many instances, to tell us how. Somebody said to me that it would be like buying gasoline at the gas station. If you go up and you have an imprecise meter, somebody may make an assessment two months after you use it. You pay for it up front. It just is so far behind the world. In Mississauga, they have a pilot going on now where folks sitting at their desks at work can, through their home computer, go in and turn the heat down in their house or turn the air conditioning down and control their consumption.

The challenge with those technologies, and I acknowledge this, is that low-income people or people of more modest means don't necessarily benefit from it. That doesn't mean we shouldn't be proceeding.

The other interesting sidebar to these smart meters in some jurisdictions is that they've effectively shut down marijuana grow house ops, because they can precisely measure how much electricity gets to point A and how much gets to point B, and if there's a big chunk of it missing between point A and point B that's outside of the normal distribution of line loss, they can pinpoint that. So there are a lot of benefits. We are moving aggressively to explore them and to give consumers, particularly small business—this is who will benefit the most from smart meters: small businesses. We've had expressions of support from very, very many of those groups.

**Mr O'Toole:** I completely support going at the—see, if you look at the overall demand curve, you'd look at it as probably 35% being that group, the residential base. The rest is basically the large consumer, progressively, as you said, the 200,000 kilowatts per year and above. They're really a large, large part. It's like looking at any solution and learning the new initiatives, as you go forward, on the appropriate technology for the sector you're dealing with. When you're dealing with a small-volume

user, to put an inordinate solution on to the metering problem there, they are eventually going to pay for it in their bill. The large consumer has lots of choices to make. The cogeneration option, which is part of that current RFP, I think is important. I think distributed generation, as you said, is part of the solution in the north.

So I'm anxious to see a fuller debate and hope you do convene that debate on some of those solutions to the demand shaving that you're trying to do. You're trying to cut down demand. Some of that is directly through conservation, obviously, and some of it, indirectly, is by other technology solutions, more efficient appliances and solutions. So I'm not too critical on that side. They're all initiatives that I think were underway to some extent.

On the cogeneration file, which I think is extremely important, especially for certain sectors, we tried to find agreement with a couple of the—I think down in Sarnia they had a proposal in the petrochemical area. I'm not sure who actually was doing it, but I think they had a 500-megawatt generator for the purposes of their own consumption, and then they would also be afforded to sell on to the grid, a net metering kind of agreement. Is there more of that kind of issue going forward? The steel sector and the pulp and paper sector are huge consumers.

**1130**

**Hon Mr Duncan:** The short answer is yes. Again on the RFP, I believe there are going to be a number of cogeneration projects that come out of it. In terms of net metering, we're proceeding on that. So yes; that's the short answer to your question. Again, I'm not familiar with the specifics of the proposals that are being evaluated, but I'm given to understand that there are a number of cogen projects included in that.

There are issues around cogen, John, that, regardless of the government's intention will be difficult to manage; for instance, steam and the price of steam. If you can't fetch the price of steam you want, that could become an issue. So we're trying as best we can to encourage cogeneration where it can happen, and we believe you'll see a lot of that.

Rick, did you want to add anything to that on the cogeneration side?

**Mr Jennings:** Just that there are numerous projects that have been looked at. You mentioned the steel industry, obviously, as an example of companies that have looked at that and have certain potentials.

**Mr O'Toole:** I've got a couple of lines on this in the short period of time. For a moment I just want to shift the topic a bit, but I will be coming back to the large consumer group under the Canadian Manufacturers and Exporters' input into Bill 100. They had a terrific presentation that may only be important to those interested in it at the economy level.

You mentioned the Kyoto accord, which I would say is certainly an objective I would agree with in the longer term for our quality-of-life issues, and we're on the record as saying that. Ethanol is certainly part of that, and the coal solution is part of that. How long it's going to

take to get that technology in place and get agreement—I did read the same article. I understand that Russia is going to be—whatever conditions or exemptions they're being given, there have been sectors in our economy, under the Kyoto accord, that have been given exemptions. One is the auto sector.

I have a very serious concern about our resource sector, and I mean specifically the cement industry. The cement industry is dead in the water on Kyoto; they're closed. They cannot meet the emission targets of the Ministry of the Environment or under the Kyoto thresholds. It's not the fuel they're using; it's the chemistry of the limestone. When you heat it, the emission is CO<sub>2</sub>. When you melt the rock to make the cement, you produce CO<sub>2</sub>. Not from the fuels that are melting it; you could be using natural gas. That's going to close the industry down. So I think we have to be quite realistic in terms of the balance of the economy as you move forward, the underlying factors of the generation of wealth, and the meeting of laudable objectives.

In my riding, St Marys Cement is owned by a Brazilian company. That Brazilian company has excess capacity and low labour, low input costs, if you will. Guess where the cement to build the 407 or the bridges or whatever is going to come from? Brazil. So we're not saving the system a cent. The whole Kyoto thing is a transfer of wealth, in my view. It's good, but they'll be producing it in Brazil, which is exempt; in Mexico, which is exempt; in China, which is exempt. Look at the economy of China: It's growing at 12% to 15%. Who are the ones who are driving up the current price of steel?

Even the general response and the honesty of the response we're getting on Kyoto, despite Paul Martin's best efforts to smokescreen it—we've got to pay attention on the Kyoto file, and coal is part of it. If we're going to be importing coal, we should be monitoring how much coal or power you're going to import and its source, and hold you accountable for all the power you're using and importing at a spot price, because coal is peaking power. If you're getting it from Ohio, who are you kidding? You've exported the jobs at Atikokan and Thunder Bay and Nanticoke to Ohio, and we're going to be buying it at what price? So let's be straightforward with the people and have reliable, sustainable—all those laudable terms—here in Ontario.

I want to go back to the issue—

**Hon Mr Duncan:** If I could interrupt, we do import coal now from the United States. Unfortunately it's not always the cleanest coal or the lowest-sulphur coal. But we do now import a considerable amount from the United States to fire our coal-fired plants.

**Mr O'Toole:** I get the IMO reports on where we're actually getting the generation of electrons from. I get that report too and I do read it.

That's the issue I'm trying to raise. If we close them down, we still might not go into the dark or the brown but we'll be getting the power at spot from somebody else paying much more money for it until we have real

domestic solutions to our problem—which leads me to the next question.

The agreement with Manitoba is very worthy of consideration. One of the most obvious frailties with it is—you say you're going to get 1,500 megawatts or something like that—that there's about a 20% line loss in transmission with the current technology; there's a huge line loss. It's a 20% premium you're paying for this, what you consider a price setter, a three-cent or four-cent power, as you said, or maybe even under a cent. To build and maintain the infrastructure as we know it today, that has to be factored in the costs.

I'd like to see what the costs are. I hope this assessment will bring that forward. Line loss is just one part—or transferring to higher-voltage transmission, or going, like Quebec does, into DC transmission, which reduces line loss, and converting it back to AC. These are huge, expensive solutions that need to be clear to the public before we just say that water power is better.

**Hon Mr Duncan:** That's why we're doing the analysis and why your government did. If you had a chance to review what we released last week—

**Mr O'Toole:** Yes, I have the report with me.

**Hon Mr Duncan:** You'll know, then, that there are a number of issues: Whether you use AC or DC is one; how you route the lines is another; whether there's a federal contribution to the transmission networks is another. We've moved to the next phase of analysis. Then, at the end of the day, when you're looking at a 20- to 50-year time horizon, there's going to be considerable uncertainty. Our view is that we want to proceed expeditiously but cautiously in doing this analysis. As you know, the project was originally approved in 1989. It was then cancelled in 1992 or 1993. There are a number of things that are being looked at. The preliminary results of the first phase say that we should proceed to the next stage.

I believe that whole report is available to the public. They can assess it and have a look at it. Then we'll see where the cost winds up relative to other sources.

**Mr O'Toole:** Good. Just the last little—

**Hon Mr Duncan:** The other point I wanted to make, though, if I could—I wish I had brought the map with me. If you look at a map of our transmission networks, you'll see that northern Manitoba feeds areas as far south as Texas. You'll see that northern Quebec feeds as far south as New York. There's no doubt that those—and you're right that depending, again, on whether you have AC current or DC current, those line losses can be significant. But the power is still very competitively priced. It just strikes me as unusual that we don't have greater east-west linkages in this country.

I met with Murray Smith, the outgoing energy minister in Alberta, who is retiring from public life when the next Alberta election is called, which I guess is imminent. To extract the oil out of the tar sands, Alberta needs a huge amount of electricity—huge. They are anxiously watching how this progresses. On an informal basis they

have been very supportive of the concept of an east-west grid.

**Mr O'Toole:** I guess the grid is a separate debate, technically. I understand only what I read, I suppose. But the interconnect capacity is pretty limited. We have about 4,000 megawatts of interconnect capacity, as I understand it. So, we have a lot of work to do. But that's making an admission to—that's kind of what I understand. Rick, is—

**The Chair:** John, your time is up. The minister will get a chance in a moment.

**Mr O'Toole:** Am I done, then?

1140

**The Chair:** You are done, and Mr Hampton has 20 minutes. That will take us to the top of the hour.

**Mr Hampton:** I want to continue with some questions about pricing. As I understand the statements you've made, Minister, you say that residential and small business consumers are going to end up paying a fixed, regulated, blended price. Is that right?

**Hon Mr Duncan:** What we've said is that consumers will have a regulated price. Its inputs are combined, regulated and off the markets. It's a hybrid model.

**Mr Hampton:** And that price will be adjusted every year by the OEB?

**Hon Mr Duncan:** Annually at this point in time; over time that may be more frequent.

**Mr Hampton:** That adjustment will reflect what's happening in the growing privatized generation and the decreasing public generation?

**Hon Mr Duncan:** When you cancelled Conawapa, that's 1,500 megawatts of public power. Assuming we don't do anything with any of our other hydroelectric possibilities in the north: 3,000 to 6,000. So you're not painting the entire story when you say that. We believe that this model will provide for stability of pricing and, as I've said before, I cannot guarantee that prices will go down.

To answer your question—you're concerned about price; you're going to make the argument that prices are going to go through the roof—I don't agree with you. I think you'll see a stable pricing regime, and when you give consumers, whether small or large, the tools they need to manage their consumption, in fact that will help, along with the framework we've established, to provide greater reliability and stability of pricing than we've seen in the last number of years.

The final point—I alluded to it earlier—is that failure to come to terms with that reality has led to where we're at now, and that is no investment in generation, either publicly or privately, in any kind of manifest fashion. Under the previous government's policy there was complete instability, so much so that they had to revert back to a fully regulated price, a transmission system that has not had significant enough investment in it in the course of the last 10 to 15 years to ensure that we're moving forward. So we believe that the system we've come up with will provide consumers with the best pricing model.

**Mr Hampton:** OK. You believe prices are going to remain relatively stable and affordable. There are others, such as the major power consumers of Ontario, who say that your model is going to result in at least a further 30% increase in the price of electricity, possibly 53%. I'm not going to argue with you. You can state your beliefs, and good luck to you.

**Hon Mr Duncan:** And many of them support our policy as well. They understand that when you combine it with distributed generation, when you combine it with a number of the other initiatives we're undertaking, this will allow us to have more affordable prices than what you are otherwise intimating is going to happen.

**Mr Hampton:** In addition to what is already a fairly complicated pricing scheme you're going to have unregulated prices, which look as if they are very quickly going to become a major component of the market. Then you're going to have the regulated assets. Some of the assets of OPG will be regulated.

**Hon Mr Duncan:** Sixty per cent of the assets of OPG. Let's be specific.

**Mr Hampton:** That's your argument. We'll see.

**Hon Mr Duncan:** No, that's the facts.

**Mr Hampton:** So it's already a fairly—

**Hon Mr Duncan:** It's 60%. I want to be clear. Sixty per cent of OPG's assets will be regulated, as defined in the draft regulation that's been put out.

**Mr Hampton:** We'll see.

**Hon Mr Duncan:** No, it's not, "We'll see." That's what it is.

**Mr Hampton:** We'll see.

**Hon Mr Duncan:** You said "some." It's 60%.

**Mr Hampton:** Well, we'll see.

**Hon Mr Duncan:** I think you need to be accurate.

**Mr Hampton:** We'll see. You can state that belief.

**Hon Mr Duncan:** Accuracy is important.

**Mr Hampton:** Historically, we'll see.

**Hon Mr Duncan:** Historically, prices went up 43% when you were the government.

**Mr Hampton:** You're also going to bring back what you call retail competition. I understand that means that consumers will have another round of the door-to-door salespeople trying to sell them long-term fixed hydro contracts. Is that right?

**Hon Mr Duncan:** My suspicion is that it won't affect small consumers. We believe it will give larger consumers, mid-sized consumers, the opportunity to participate in different plans. When you're dealing with small consumers, given the regulated nature of the price the OEB will be setting, I believe that private retailers will likely serve a market such as small businesses, those consumers who use 15,000 to 250,000 kilowatt hours per year. So I don't think you're going to see what you saw previously.

**Mr Hampton:** Well, what we did see previously—and I remember in particular one of your own colleagues in the Liberal Party, Mr Lalonde, pointing it out on several occasions—was how people, some of them business owners and some of them residential consumers,

were visited by the door-to-door direct marketers. He gave chapter-and-verse details of how some people had had their signatures forged, how other people had simply been lied to on the doorstep, whether it was the doorstep of their business or the doorstep of their home or their apartment building, and had essentially either been tricked into signing contracts that were grossly exploiting or had had their signatures forged or certain information extracted from them such that somebody could fill out a contract on their behalf. In fact, there were several media reports of how badly people had been taken advantage of.

Now, you may be right: We may not see much of this in terms of residential consumers. But even if we see it in terms of small business consumers, what measures are going to be put in place to ensure that people are not taken advantage of, not ripped off in the same way they were the last time the retail marketers were turned loose on the street?

**Hon Mr Duncan:** First of all, you're absolutely right; there were some unscrupulous operators who took advantage of people. I think even those in the energy retailing business would acknowledge that. Under Bill 100, I've empowered the Ontario Energy Board to set much stricter regulation with respect to protecting consumers from that and how organizations must function. There are specific provisions in the bill for that because there were those cases. We always said when we raised those cases that there had to be opportunity for better consumer protection.

I and most of those I have consulted with on this issue believe that you will see retailers moving into a different segment of the market. I'm not saying they're going to disappear, but you'll see a much more aggressive approach with respect to marketing aimed at small businesses, those consumers between 15,000 and 250,000 kilowatt hours a year, as opposed to the small residential consumer.

So we've enhanced the power of the OEB to regulate their practices. I believe that's an important first step, and it includes a code of conduct. But again, my own view in this, and I believe it's shared by a number of experts in the energy field, is that those retailers will be aiming at larger customers than individual residential clients. That being said, we've provided provisions in Bill 100 for that protection.

**Mr Hampton:** Could you specify what those provisions are and what additional protections they will give?

**Hon Mr Duncan:** Yes. The board is updating its code of conduct for electricity retailers and gas marketers to reflect legislative changes emanating not only from our legislation but from Bill 58, Bill 210 and Bill 23 and industry best practices for ensuring consumer protection. The board has proposed improvements to these rules governing fair marketing practices, consumer complaints, services and information to be maintained by electricity retailers and gas marketers, confidentiality of consumer information and breaches of the code. We are engaged now, both with consumers and retail organizations, in

these consultations to determine the final product, if you will, that the OEB will have in terms of better regulating these practices.

**Mr Hampton:** I remember when I used to ask this question of people like Chris Stockwell and Jim Wilson when they were the Conservative Ministers of Energy. Their response was, "This is the responsibility of the OEB." You seem to be saying the same thing: "This is the responsibility of the OEB." Yet at that time the OEB failed miserably.

**Hon Mr Duncan:** Yes, and as you know, there have been a number of legislative changes to the OEB. There has been a strengthening of the OEB by this government. Floyd Laughren, the former NDP finance minister, who was there at the time, is no longer the chair. So we believe the strengthening of the OEB that has been provided for by a number of pieces of legislation will provide for that. We agreed with you at the time that there had to be better regulation of the retailers.

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**Mr Hampton:** So your response is essentially the same as the Conservatives: This is the responsibility of the OEB and the OEB is prepared to protect consumers.

**Hon Mr Duncan:** No, it's very different from the previous government's. We've already made the changes that give the OEB the real power to regulate, so it's very different from the previous government's. In fact, your government's behaviour on these issues was more akin to the previous government's than this one's.

**Mr Hampton:** The Electricity Distributors Association estimates a one-time capital cost of between \$1 billion and \$1.4 billion to install smart meters. They anticipate that this works out to about \$300 per meter. Do you agree with the Electricity Distributors Association estimates?

**Hon Mr Duncan:** Can you tell me what their assumptions going into that were?

**Mr Hampton:** They just roughly did the math. They said based upon their surveys they thought that the one-time capital cost of installing smart meters would be between \$1 billion and \$1.4 billion.

**Hon Mr Duncan:** I'm not familiar with that. Did they provide any indication of savings to the system resulting from those installations, or is that just the cost? Did they include the benefits to the system associated with smart metering?

**Mr Hampton:** As you know, there's some debate about that.

**Hon Mr Duncan:** There's debate about the cost as well. Let's assume for a minute that I accept that, which I may or may not. I'd be curious to know what they said about the system benefits. Do you have that?

**Mr Hampton:** I can get that, but I want to—

**Hon Mr Duncan:** Let me tell you what the benefits—

**Mr Hampton:** Do you agree with their estimate?

**Hon Mr Duncan:** Not necessarily. It would depend on the benefits. Let me tell you what the benefits—

**Mr Hampton:** What do you think the estimate is?

**Hon Mr Duncan:** I'll tell you. First of all, it would depend on the number of meters, how they're sourced. Interestingly enough, most of the people in the industry I have spoken to, including distributors, tell me that the magnitude of an order in Ontario will be so large that the cost of the meters themselves will come down.

Second of all, again, I'm going to reference the experience in Italy. There are now also experiences being developed in China and Australia, which we're looking at very closely, that indicate that the savings to the system have been such that individual consumers don't have to pay for the meter. There have been a number of benefits that haven't been realized.

So among other things, the OEB hasn't defined what standards for these meters will be in place, so it's premature to estimate the cost. I've directed the OEB to look at the experience in other parts of the world. My hope is that we can bring in a system that doesn't ultimately cost consumers and in fact saves them money. The experience in any pilot project we've seen is that the cost benefit of this has a payback of under two years. That needs much more careful scrutiny than we've yet given it and that will certainly happen before we embark, but I hope you wouldn't be opposed to efforts to conserve.

I know you cancelled all Hydro's conservation programs in the 1990s. I know you cancelled Conawapa, which in my view was one of the worst decisions a government has made. I would hope that before you have a good look at this you do what we're doing and study what the experience has been, study what the payback is and not just try to—

**Mr Hampton:** The question was, do you agree with the electricity distributors' assessment or not?

**Hon Mr Duncan:** No.

**Mr Hampton:** You don't agree with it?

**Hon Mr Duncan:** No, and I don't believe they've researched it.

**Mr Hampton:** What's your assessment?

**Hon Mr Duncan:** My assessment is what I just said. I'm not going to answer it again. But I would hope that you won't be opposed to conservation.

**Mr Hampton:** Do you have a number?

**Hon Mr Duncan:** I've directed the OEB to look at the parameters, and we're looking at other jurisdictions to see what the costs have been. I would hope you're not going to oppose conservation yet again. I would hope you're not going to set back green power and a cleaner environment in this province, trying to protect I don't know what.

I would urge you to do what we're doing, and that is to look at it and study it.

**Mr Hampton:** Do you have a number? You're advocating this—

**Hon Mr Duncan:** I've directed the OEB—I've advocated the OEB to go out and get us the best information we can.

**Mr Hampton:** Assuming, since you don't have a number—

**Hon Mr Duncan:** May I finish answering the question, Mr Chair?

**Mr Hampton:** Since you don't have a number, let me ask you this question.

**The Chair:** It's customary for the Chair to ask the questioner if he got the answer he was looking for.

**Mr Hampton:** I still don't have an answer. My question was—

**The Chair:** Then you should let him finish if you still haven't got the answer.

**Hon Mr Duncan:** Thank you. It's premature—

**Mr Hampton:** Let me ask—

**The Chair:** I recognize the minister.

**Mr Hampton:** OK.

**Hon Mr Duncan:** It's premature, as I indicated to you, to determine the cost. We've directed the OEB to do that. What we know is that there have been savings, a net benefit, to every system that has implemented smart meters that we've looked at to date. We're studying it more carefully and we believe there's a benefit to moving forward.

**Mr Hampton:** Since you do not have a figure for what smart meters will cost—the Electricity Distributors Association assumes four million residential households. They look at \$300 per meter. In other words, \$300 per household to install the meters works out to between \$1 billion and \$1.4 billion. I guess the next question I would ask is, who will pay for those meters? Who will pay that \$1 billion to \$1.4 billion and how will it be paid?

**Hon Mr Duncan:** The experience in other jurisdictions is that the savings to the system have paid for it.

**Mr Hampton:** Who will pay for the upfront costs? It will take some time to achieve the savings.

**Hon Mr Duncan:** We haven't made those determinations, but whoever pays for it, there will be a saving to them over a period of time.

**Mr Hampton:** Do you know how long the savings will take to accrue?

**Hon Mr Duncan:** The experience in other jurisdictions has been about two to three years.

**Mr Hampton:** Can you point out what those jurisdictions are?

**Hon Mr Duncan:** Italy, China and Australia.

**Mr Hampton:** China has installed how many—

**Hon Mr Duncan:** China is beginning. We're still doing the research on that. The largest installation—I'd invite you to have a look at this. They were over here in the spring. I know you didn't have time to meet with them. They are installing 30 million meters, and they have now installed roughly 18 million of them. They're installing at a rate of 40,000 per day. Other jurisdictions are doing what we're doing: actively looking at these issues. The overwhelming evidence that I've seen says that not only does this save consumers money, it saves the system money. The meters wind up getting paid for by the savings that accrue to the system.

**Mr Hampton:** Low-income households in Ontario and even modest-income households have seen a significant increase in their hydro bills. In Ontario house-

holds, the lowest-income quintile spent about 6% of their pre-tax income on electricity in 2002—nearly five times more than households in the top quintile, who spent about 1% of their income. Now, with the increases in electricity prices that we've seen since 2002, that's gone up even more. A far greater proportion of low-income households has electric heating units as their principal heating equipment, about 25%, compared to a much smaller number for those in the highest-income quintile. Given those numbers, how do you justify a paltry \$2-million energy assistance program to help low-income Ontarians with energy costs?

**Hon Mr Duncan:** Low-income Ontarians have paid for artificial price caps through their taxes, so it's really disingenuous to suggest that they're saving money, because they had a price freeze. They pay for it through their taxes.

**Mr Hampton:** How so?

**Hon Mr Duncan:** The cost of the freeze was \$1.8 billion gross, for instance—\$1 billion net. They pay taxes and they pay regressive taxes; they pay sales taxes.

**Mr Hampton:** Are you saying—

**Hon Mr Duncan:** I agree with you—if I may, to answer the question, Mr Chair. I don't disagree that rising electricity prices impact on people of modest means. There's no question. We put together a program for last winter that was a start. We are looking at other jurisdictions and how they manage these issues. The best public policy, in my estimation, to ensure that low-income consumers of electricity are not unfairly hurt is more supply and less demand. The policy your government practised and the previous government practised was to increase demand and decrease supply, and that hurt poor people more than it hurt people with higher incomes. That policy, Mr Hampton, and your failure to move properly to address supply and to be upfront about the cost of a price freeze has left, in my estimation, the poorest and those of more modest incomes much more vulnerable than they were 10 years ago.

**The Chair:** We'll resume the balance this afternoon. It's 12:01, and this committee stands adjourned till one o'clock this afternoon.

*The committee recessed from 1201 to 1308.*

**The Chair:** The standing committee on estimates has reconvened, and we're welcoming the Minister of Energy. I move in the rotation and now recognize Mr O'Toole.

**Mr O'Toole:** Yes, thank you, Chair. Again, thank you, Minister, for this morning's informative exercise. Perhaps some would characterize it as less than informative, but you are here and you are giving answers to some of the questions.

I just want to follow up on about four different themes here and, again, they'll probably come across in a fairly disconnected manner. Some of them are in the interest of recognizing—one of the very early chairs of Ontario Hydro was Ross Strike, who came from my riding. I know his sons well. He's very eminently respected. He was chair of what were then the local distribution com-

panies. In fact, he was instrumental in bringing electricity to Bowmanville, the community I live in. I'd just like to put that on the record.

In fact, I've sent you a copy: The archivist for the community has compiled a pretty extensive history, because my riding is not just home to the Darlington nuclear station; it is home to many employees, of course, as well as people who work in the sector, both on the commercial side as well as in the actual generation and transmission.

More recently, I'd have to say that John Wiersma, who has just been appointed to the technical safety authority, or something like that—he was the founding chair of Veridian, chief operating officer. He's a very respectable gentleman, and I would say he's still acting in a capacity with Veridian.

Veridian is one of those local distribution companies that took the challenge to diversify and amalgamate, where possible, local distribution authorities, with some success, I think. When we froze their revenue side, which you're still dealing with, at the rates, they ended up with a bit of unsupported debt, if you will. I'm sure they even have applications for cogeneration themselves in some of their bids. I'm not privy to that information, but I'm certain they had one when we were the government.

It even goes further than that. If you look at the newest university in Canada—indeed the newest one in Ontario, which, thankfully, Minister Chambers has recognized—they are going to go ahead with the engineering faculty of that new university. It's the first degree in nuclear engineering in Canada, and maybe in North America. It's a very innovative program. In fact, with having two nuclear plants in Durham, it's going to have a lot of work-study experience or opportunities for young students in an area of expanding and emerging technologies. Besides nuclear, I think the electricity generation and transmission sector will benefit.

In fact, it was identified as part of—I think it was Minister Baird at the time. I believe there are four centres of excellence that were designated. I'm going by memory here—I believe there was Queen's, University of Toronto—my alumnus; but I didn't take engineering—Waterloo and UOIT. I'd like you, in any response to that, to make sure those centres of excellence, which are completely objective institutions that will play a great role in some of this alternative energy supply debate at an academic—and then of course those concepts can be brought on commercially with government support on the R&D side.

But I did want to put Dr Gary Polonsky's name on the record, the president of Durham College and the University of Ontario Institute of Technology, as one more example of the great footprint-of-energy enthusiasts who reside and live in Durham and have for a long time. I just happen to be privileged in my riding. The former deputy minister, Ken Knox, lives two or three concession roads north of where I live, as well as two or three former VPs of Hydro and a couple of former Deputy Ministers of Natural Resources. These people, in the broad sense,

have provided for me a very strong and well-informed policy advisory group locally. In fact, when we have public meetings on energy—I may invite you some time—it's not a lynch mob kind of thing but it's pretty intense. They're well-informed and they're well-intended as well.

I think it's a responsibility of mine to drive it even to the current debate, the discussion. As you know, we had committed, as the province, to fund—as Wayne Arthurs would know, being also from Durham—the ITER project, which was the international thermal nuclear reactor that has since kind of dissipated. It was a partnership amongst a number of players. That site, the Darlington site—I'm sure your staff know all about ITER and you probably do too—seems to have gone into oblivion. I'm not sure if that megaproject is even on the radar screen. There were three or four countries bidding. I think Spain was involved, and Japan, and potentially Russia could come back on stream because it's thermonuclear; it's basically replicating the sun on earth. It's quite an interesting concept. It was a huge experimental project and technically was going to use a lot of our own energy. Given the current circumstances of, as you said earlier, supply, supply, supply—that's the first part of the equation—it may have run into some challenges there. I don't know the status of that.

That site at Darlington was initially scoped out when I was a regional councillor in Durham before I arrived here. That site initially was supposed to have another set of reactors on it. I'm sure it went through a very extensive and exhaustive EA process. I am of the understanding, having attended a mayor's annual state of the nation, that Mayor John Mutton from Clarington did indicate there were discussions going on with the ministry about potential—this could be federal too because nuclear plants and ACB and all the rest of it are federal, I guess; they're licensed provincially but the CANDU kind of design is federal. I'd like a response on that. Is there in fact ongoing discussion with the potential of siting a new nuclear facility, a CANDU 5 or CANDU 6 or whatever or the advanced CANDU at the Darlington site?

I know it's all preliminary, but that's a very important economic consideration, given a bunch of other discussions that are going on in a very rapidly growing area. Durham region council has endorsed it, it's my understanding. The infrastructure will be under some stress if that isn't part of other things: The expansion of the dock at St Marys is an ongoing consideration of bringing in materials and other resources; the 407 expansion east is extremely important to have the infrastructure in that respect. So that is another thing where Durham is very progressive, very supportive. It is a host community today of nuclear plants. I am a resident who lives there and have, like Wayne Arthurs, sat on regional council. The energy issue is very widely supported. In fact, Wayne Arthurs—I should pay some respect—was mayor of Pickering. There was a time when the Pickering nuclear plant was a friend to no one, and the turnaround

there has been phenomenal, even though they had difficulty on the retrofit of the reactors there. Some of that is probably explainable by just plain interference. But the community itself is well-positioned to be a resource for an expanding megalopolis, what I call the city of Toronto or GTA; it's really huge. Twenty years from now it'll be one city, technically, in some respects in governance; certainly in transit, I would hope it's one organization.

I think I've said enough on the record for Durham and the centre of excellence; that should be continued, and it's there. The leading nuclear PhD people are working there. I am also privy to a couple of professors at the University of Toronto who are on an advisory committee I have set up here locally. On that advisory committee—I'd be pleased to share the list with you; I'd be pleased to have you speak with them. These are not political people. These are people who are a mixture of academic and what I'd call stakeholder groups. I find it quite helpful to be kept abreast. They comment on the regulations being posted, because Bill 100, as you know, is an empowering bill. It's mostly a regulations bill.

I need that kind of help. Like you, I live here. I'm much older than you, over 60, so I need to have safe, reliable, environmentally friendly and affordable power. I underline the affordable part, because I won't have a pension when I leave Queen's Park, unlike you, Minister; you probably will, because you're younger. I still think it's a commodity I need irrespective of price, and there's some point where my own personal interests are very much at stake here as well. That's the Durham piece.

I know that previous Energy Minister Wilson has a comment. We have an hour, so I'm going to save him at least five minutes. I wanted to talk about the LDCs, the local distribution companies. There are three or four issues I need to speak about, and it's important, as the critic, to do that. One of them is a presentation on Bill 100 from the Ontario Mining Association. The Ontario Mining Association talk to a great extent about the fact that they are price takers in the international commodities market and cost is an absolute for them. They say that in addition to the electricity rates, as well as the Kyoto accord, this will have economic implications for that very important sector, the mining sector. Avail yourself of that presentation on August 12.

The Canadian Manufacturers and Exporters, in a conjoined presentation, also presented a very extensive brief; that was on August 12 as well. This is where the tire hits the pavement on this issue or, if you will, where the smoke hits the sky. They are looking at the potential upside risk of 53% increases. These are informed, technical, competent industry leaders who are talking about the economic impact. They're saying the economic impact of these policies for the Ontario economy will mean slower growth, or a drop of about 1.4% of GDP. We know that every point in the GDP basically represents about \$1 billion in revenue; it's \$700 million, roughly, but if you take the economic costs and add those on, a lower economy means a higher social cost, so it's about

\$1 billion for every point—and lower employment, of course, 140,000 jobs. They're questioning whether this is a wise suggestion.

These industries went on to say—and I think it's important for the record; this is what this is about. This is what they call the first-quarter cost squeeze. In the overall cost of doing business, the cost of production, the selling price is about 6% of price, wage rates are about 11%, raw materials are about 22%; payroll, taxes and benefits, about 18%—that doesn't include the increased cost of liability insurance that we're seeing; electricity, surprisingly, is 32% of the cost of production—a huge issue—and industrial fuels make up a large portion, let's put it that way.

### 1320

This is an economic policy discussion to that group of large consumers, some of whom can migrate to other offshore, non-Kyoto components: Mexico, Brazil and others. This is very important for you to respond to, how you are going to address this. They question the ability on the coal, as do many groups. I looked a little closer at lunchtime at the conservation and supply task force. The wording in there is quite specific about the doability of the elimination of coal in the short term.

I have talked about the large consumers. Having worked for General Motors for over 30 years, not just in Ontario, I might add, I know just how important the cost of inputs is. Raw materials themselves, if you look at the total supply chain, all have the energy factor related, whether it's the supplier side or at the end, the steelmakers and all of the supply-side people. It isn't just the assembly plant operation; it has a ripple effect throughout the economy which affects jobs, people and their ability to pay for a product they can't live without. So it's an integrated economic challenge.

The last point, and this is probably the most important and more difficult to describe, is the advanced role that I would see, if I were in your position, which I hope to be in about three years—

**The Chair:** I can hardly wait for those estimates.

**Mr O'Toole:** Yes, right.

I think the EDA should be part of the solution here on the conservation culture mindset change that has to occur. I have to say that I am familiar with Shane Pospisil, who did a lot of work to try and educate consumers in advance of the market opening condition. I think there could be more work done on that education, and the LDCs or the EDA should be the natural owners of that. They have the interface with the consumer. That's certainly a much easier, already-in-place organization—I'm not sure who would get that mandate to educate the consumer in advance of any price increases—and even working in co-operation with the energy board.

Some of them today have demand management programs in place, which you mentioned, at Woodstock and—you mentioned a couple. There are two or three. I think there's one in Collingwood that's extremely good. Through a radio signal they can shut off a bunch of

demand and monitor their own demand within their own distribution area.

I don't think there's a one-size-fits-all in remote or rural parts of Ontario. We don't all work from 8 to 4. If you look at dairy farming, as an example, they are high energy consumers. These people are facing hundreds of thousands of dollars of increase in operating costs, which they have no control over technically. They have to produce the food we eat. Greenhouse growers are another good example. They're going to use a lot of energy. Most of the supply management and livestock groups, as well as the horticultural people—well, basically all of agriculture—are going to need specific mechanisms to mediate prices. At the end, the point that's been made all day is the price implication.

I would like you to define the role of the LDCs; not just the \$250,000 for conservation mechanisms. I've talked to a few of them actually. Bob Lake in Peterborough is probably one I've talked to more recently. They would want to play a role in commenting on the smart metering technology. Some have said to me that this whole end-of-line stuff, end of service, the last mile of service, whether it's in water, cable service, Internet service, can be done in urban settings in partnerships through technology. In some cases, wireless technology will be used because there is no Internet service. But certainly, where there is a wire going into the house today, there's no reason why we can't turn off and on certain things; respond to price signals; set little thermostats that say if the price goes over six cents, do these things in my house. I'd like to think the LDCs could play a huge role in that area and I'd like some commitment today.

The LDCs have gone through a fair transformation, you would recognize, down to some 180 that exist today. I think there used to be 350 of them. So there's been a fair amount of rationalization.

When you talk about regional distribution systems, what better way to do it than give some policy direction about regional functions of local distribution companies and their relationship with generating their own power, buying a purchase agreement themselves, that they become part of doing some of the price interfacing with end users?

On the Manitoba project, which I was going to follow up on, I'm going to leave that with Jim Wilson. But if you wanted to take a couple of minutes, just before I get too carried away—because we do have an hour or something—and then perhaps Jim—

**Mr Wilson:** I just want two minutes.

**Mr O'Toole:** Well—

**Hon Mr Duncan:** May I respond now?

**Mr O'Toole:** Sure, those three areas I've covered there.

**Hon Mr Duncan:** ITER: my understanding was the federal funding fell apart there. Ontario, under your government and our government, pledged to maintain its commitment to that. In fact, Wayne had me up there to

talk about it and we maintained our desire to maintain funding.

Darlington B: You're right; there certainly is room there for more reactors. That was part of the original plan. The same is the case at Bruce. Pickering, I'm not certain about.

**Mr Jennings:** Less space.

**Hon Mr Duncan:** Less space at Pickering. In any event, the question was, have we actively engaged in dialogue on that. The answer is no. The mayor of Clarington did come to see me to express the desire on your community's part to see new reactors on those sites. I can tell you I've had representations from a number of communities across the province that would welcome a nuclear power plant. The government has not yet taken a decision on the issue of new nuclear at this point. I'm not certain when we will be doing that. Obviously, that will be subject to a great public debate, if and when the government is in that position.

So, yes, there is room at Darlington. There have been no formal discussions, or informal for that matter, involving me as minister, other than I've had representations made to me by the mayor of Clarington, who you mentioned, and a number of mayors from other communities in Ontario that have expressed an interest that if the government goes ahead with nuclear power, either more nuclear power or replacing our existing fleet, they expressed an interest in having that. Our answer has been, we're not discussing those issues right now.

We have proceeded with the refurbishment of Pickering A, unit 1, as you know. Depending on the success, or lack of success, of bringing that project in on time and on budget, we'll determine whether we proceed with Pickering A, units 2 and 3. You know the history around Pickering A, unit 4. I don't have to go over that ground again.

Another question you raised was about the centres of excellence. As far as I know, those are under Minister Cordiano's and Minister Chambers's spheres of influence.

One issue you raised, John, that I think is a very valid issue is the need for highly skilled workers in the electricity sector. I've had representations made to me, not only by some of the individuals you have referenced, but by others. The average age of our workforce is fairly well on in the electrical business. There is a need to train more young people. Obviously, the new university in Durham makes almost infinite sense when you contemplate the concentration of the nuclear assets in that area. But I would concur with you that there is a need to train more people. We are going to have nuclear in our future, at least until 2020, and there is a severe shortage of trained, skilled workers in that field.

**1330**

You raised the role of LDCs and then drifted into the government's pricing policies and the response of organizations such as the Ontario Mining Association and AMPCO. We acknowledge, obviously, that price is an important issue, not only for small consumers, but also

for larger consumers. I would caution organizations like AMPCO. Last winter they said the wholesale price would go up and in fact the wholesale price went down by 19%.

We are constantly watching the delivered price of our electricity relative to other jurisdictions and we remain very competitive. The challenge, as I indicated earlier, was that once our demand exceeded our ability to supply our needs through hydroelectric, governments of various stripes dealt with the nuclear question, and it hasn't been an entire success. Moving forward, we have to make sure that prices remain competitive. We are considerably below California; we are considerably above Manitoba. In a sense, it wouldn't be fair to compare us to either extreme. What I look at, virtually on a weekly basis, is Michigan, Illinois, our immediate neighbours with whom we do compete very directly for jobs.

Another issue I want to address—you raised in your comments that electricity costs can approach 34% of operating costs. That is certainly the case in an industry like pulp and paper. It's certainly not the case in other industries where electricity costs can be as low as two to three percentage points. I've met with a number of organizations and industry groups, and it differs, certainly in pulp and paper. An issue of great concern to the government is the impact that electricity prices have on the pulp and paper sector and one that we need to be very cognizant of.

Again, with respect to AMPCO's position, they argued for deregulation in the mid-1990s, and now they want us to be setting prices and are coming back to ask us to set prices. Like many other organizations, they have struggled with how best to regulate the sector, how best to keep prices affordable.

What cannot happen is that you cannot expect to be paying 1993 prices in 2004 any more than you can pay 1993 prices for any other input cost in 2004. It's simply unrealistic. The fact is that somebody is paying for them, and that somebody is the taxpayer, either directly, as was the case during the price freeze, or indirectly through the reduction of revenues and profit to both OPG and Hydro One, and therefore the transfer to the government. So in my estimation, in my view, John, that's a mug's game.

With respect to local distribution companies, the last mile of service is something I think we all have to keep in mind. They do a good job. There are in fact, I believe, 94 LDCs left in the province. They have gone a long way, in my estimation, to rationalizing the services they provide. This government's preference is that that kind of rationalization will occur in a voluntary way and will lead to better management of existing resources so that we have an efficient local distribution system.

Bill 100 introduces specific changes that allow LDCs to directly engage in conservation demand-side management initiatives, for instance, load control and load management. The Ontario Energy Board has been directed to work with them on guidelines for this and is engaging them in the smart meter consultation as we speak.

I believe there is an important role for LDCs. I believe they are the front-line service provider. They bring con-

siderable expertise to the table. It's my hope that we can continue to work together with them, as we have over the course of the last year, to help bring about the kind of change that we need in the electricity sector.

I think I've responded to the several issues you raised.

**Mr O'Toole:** Jim wants to ask a question.

**Mr Wilson:** Thank you, Minister, for being here today. I'm just going to take—

**The Chair:** Excuse me.

**Mr Wilson:** I'm sorry, Mr Chair.

**The Chair:** If you don't want me to identify you, then you have to identify yourself. Mr Wilson, please.

**Mr Wilson:** Thank you for being here, Minister, and thank you, John O'Toole, for doing a great job on behalf of my party. You have a great grasp of this portfolio.

I just have a simple question, but first of all, a comment. It seems to me the more I look at this—and I've never spoken publicly since leaving the ministry, but I'll say one thing: The sooner we get to a free market, the better, especially when you see wholesale prices down. When we did open the market, after a couple of months prices did go down a little bit. They fluctuate.

It's a very difficult thing to do. I think we're on the right track; I just think it's a very difficult thing to do, given the business we're in, called politics. Certainly, there was an imperative coming from all three parties just prior to the last election that we cap prices, because consumers weren't prepared to pay the cost of power even in a free market. But I think at the end of the day, when I leave here maybe in 20 years, I hope we'll actually have a free market in this province and forget about all the studies and the nonsense.

I have one simple question which involves my riding. If you're going to expand the interconnect between Manitoba and Ontario to allow more power into the province, the last time this was tried—and I was at the meeting at 7:30 at night when George McCague, who was Chair of Management Board, capped the north-south expansion of the north-south transmission corridor. We call it the Essa transmission line. It goes right through my riding. It would be a huge expansion and a huge environmental upheaval. I can tell you that the people there aren't going to like it. They didn't even like our small proposed extension of the 427 which was to parallel the 400 in my riding. There were huge protests. Your candidate, during the last provincial election, was totally opposed to any expansion.

I would like to know whether that will be required this time. I've read somewhere, and Mr O'Toole told me, that your plan is to parallel existing transmission corridors. I can just say you're going to have a hell of a time, because the main corridor goes through my riding and local people are already touchy about the fact that it's there. They worry about radiation coming off the lines, and if you double it, which you'll have to do to get the power to the GTA, or build a new corridor somewhere else in the province—what's your comment about the Essa transmission line and its future?

**Hon Mr Duncan:** The corridors exist, as you know. I've toured the specific one you've talked about. It's premature at this time, especially in the context of Conawapa, to say precisely what is going to happen. Suffice to say—and you would know this, Jim, in your experience—that no matter where you do these things, there are going to be environmental challenges, there will be neighbourhood reaction, and Hydro One will have to deal with that issue when it comes about.

I did want to say in response to your opening comments as well that a number of factors buffeted your government's policy, like natural gas prices. There was an assumption built in that natural gas prices would remain stable. Politics charge all of these issues. We looked at every jurisdiction we could think of to see where in fact a market exists. The fact we discovered was that it doesn't really exist anywhere, even in those jurisdictions that claim to have a market. In fact, there's a highly regulated set of factors.

Our view is that with the hybrid model we've adopted, we can at least gain some of those benefits that have accrued. Even Mr Eves said on October 2, "I still think the principle of competition is a good one, but the competition wasn't there." A number of factors combined with the opening of the market that undermined that. My hope is that this policy will outlive this minister and this government and that the kinds of factors that gave rise to that instability will be somewhat better managed.

**Mr Wilson:** Thank you, Minister. I appreciate the answer. Not to cut you off, but I have to run. I'll just say one thing to add to your comments there. I think the greatest, most honest sentence I read after the market opened, and I guess after Mr Eves announced there would be a cap on prices, was when one of the largest independent producers said to one of the Toronto newspapers, "I guess we got too greedy."

There's a whole story to be written about how that market functioned. I agree with your comments; in spite of all the regulatory framework we put in place to try to make sure there wasn't gaming in that, in a short period of time there clearly was gaming in that market. So producers, not just politicians, have a lot—I haven't seen any of the media go after that side of the story at all. We get all the blame for what happened, but the fact of the matter is there's a certain amount of trust in starting up a new market, and at least one producer out there, one of the very large ones, said that perhaps they got too greedy.

**1340**

**Hon Mr Duncan:** Gaming in the market is a reality. A very astute private sector guy said to me, "You know, 19 kids at Berkeley university with a computer can game the entire North American electricity market." That's part of the challenge that any government faces with respect to regulation, with respect to how you craft the market.

Our view is that by using the so-called heritage assets—and this comes out of the conservation and supply task force—60% of those heritage assets, in addition to the other regulatory factors that are in place, gives us

enough influence that it will help to put, if not downward pressure, at least hold the upward pressure down and it will help us manage against the kind of thing you've talked about.

In any event, those are difficult questions that have been faced by virtually every jurisdiction, some with more success than others, but none with entire success, at least in my observation.

**Mr Wilson:** Thank you. I'll turn it back over to Mr O'Toole.

**Mr O'Toole:** Jim did speak to me earlier about the importance of that transmission issue, and I hear the same thing. Any time you have a grid in your riding and when you have a generation facility in your riding—obviously you've got lots of the grid that crosses your riding and it's a bit of a blemish. I don't know how else to do it. I would hope technology would have some new and better way to transmit electrons, not forgetting the fact that we all wish to have more reliable electricity. I'm sure there will be new solutions in rebuilding the grid.

I don't want to get off topic too much here. I want to go back to the large producers. I probably get a call a week about the OPG asset referred to as Wesleyville. It's amazing. When I was taking graduate courses in economics at U of T—I was a part-time student—the professor at the time was Dr David Drinkwalter. He was a PhD in economics. He was the professor on this course, or the adviser, I guess. He was the chief economist for Ontario Hydro at the time. Now he's vice-president of economics or something at Hydro.

The issue back then—this was quite a few years ago—was that he was part of expanding the generation. At that time, there was a huge plan, and Wesleyville was a site that was pretty well built but never commissioned. In fact, it's probably dormant today. I don't think even the smokestack is of any value. But, Minister, I get at least a call a week and I could start directing them to you or your staff, if you wish. I've probably written you many letters on it already. I wrote previous ministers the same letter. There's something that should be made clear to the people, and this is where this transparency issue comes up. I look in their annual statements to find their asset lists and I'm always plagued with trying to find where the hell they hide this 3,500 acres that has a 401 signalled interchange on Lake Shore Road, a rail siding and is sited on Lake Ontario. That is in the future.

This is something that has been brought to my attention. I'm not passing any judgment on it. I have forwarded it to ministers and I'll forward the same package to you. I had investors who came to see me, not for approval but just to talk about it. They had done a fair amount of due diligence in terms of contract and funding and pension fund discussions etc to build a clean—it's hard to put this in context. I hope you're listening. An incinerator project is really what they have in mind. The project would be the new technology; it would be a plasma-type furnace and all this kind of stuff. They're very high-tech, using natural gas as a catalyst and these various ways of increasing temperature. They have a rail

siding connected directly to Toronto. They can create energy from waste, as they do in many parts of Europe. It's a policy in Europe. Holland, for instance, is a good place to look. When I was a regional councillor, Mr Arthurs would know, they had a very extensive review of energy from waste in Holland, the Netherlands.

Is there anything on the horizon for Wesleyville? OPG, I believe, should divest themselves of that asset. It's not part of their core business, but it gives you some kind of link. And they have a grid interconnection; the grid connection is there already.

**Hon Mr Duncan:** There are several questions.

**Mr O'Toole:** Well, it's all on Wesleyville. You're familiar with the file.

**Hon Mr Duncan:** Let me just, for the benefit of other members, give them a little bit of the history of the Wesleyville site, because it is quite a fascinating story, and, by the way, it's an example of why the old Ontario public monopoly failed in so many ways.

The site is 1,700 acres. It was acquired by Ontario Hydro in the late 1960s for the purpose of constructing an oil-fired electrical generating station. Construction of the station commenced in the mid-1970s, but for economic reasons was halted in 1978. No electricity generation ever took place at the site.

Improvements to the site consist of an unfinished powerhouse building with a 625-foot smokestack, a variety of industrial type buildings, six residences and a 100-year-old former schoolhouse. Since the 1970s, the site was used by Ontario Hydro for non-generation purposes, including fire training, material storage, vehicle maintenance and metal fabrication. At the present time, the primary use of the site is for fire and other training of Pickering and Darlington staff, along with storage. The fire facility is used by a number of local fire departments. There's also an ongoing biodiversity program in place.

As of April 1, 1999, ownership of Wesleyville was divided between OPG, 1,300 acres plus buildings, and Hydro One, 400 acres.

New projects involving generation or waste disposal at this site would require a full environmental review.

I did want to respond to that. The government can review how to optimize OPG's assets. Clearly that has not happened recently. We are in the process of trying to rebuild or at least set right OPG. Any reasonable proposal for utilization of the Wesleyville site must show benefits to Ontario and be subject to a full environmental review.

On the question of energy from waste or incineration, I think the member knows well that in Ontario that is not nearly as accepted a practice as you find in jurisdictions such as Denmark, Holland, other European jurisdictions. I'm not certain that politically or culturally we're there yet. There are pluses and minuses. But any proposal of that nature would have to go through a full environmental assessment. I've seen nothing formally brought forward. But the real lesson to me from Wesleyville is what can go horribly wrong in a public monopoly and how investments like this or rainforests in Costa Rica or what have

you can divert us away from the business at hand, and that is to produce reliable, affordable and adequate amounts of electricity for the people of Ontario.

**Mr O'Toole:** If I just might ask the clerk, how much time do we have left here?

**The Clerk of the Committee (Mr Trevor Day):** Twenty minutes.

**Mr O'Toole:** Twenty minutes? Fine. I'll go for the 20.

I would first qualify anything I say from here on as probably less than newsworthy, but I would say we need to have an understanding of the whole issue of reserve capacity. I hear different standards. The IMO just didn't have a complete mandate. I think they did a very good job in modelling and forecasting, I really do. I think they are all going to find themselves at the IESO anyway. But they didn't have the mandate to go out and contract. That's what the OPA is going to do. I don't know why you organized it the way you did.

I thought Dave Goulding, from everything I heard from him in forums, not necessarily just giving speeches, but just listening—and with some of the people I had the privilege to talk to and phone and find out more information on their forecast models, the idea of reserve capacity came up. It's a very complicated issue, when you look at the market.

1350

The point I'm trying to get to is this: Technically, reserve capacity is like a stranded asset. I'm a layperson; to me, it's stranded. If it's just going to be used for reserve, is a contractor going to be allowed to sell into the spot market? Let's say reserve capacity was 10%. That's 3,000 megawatts, but you'd need to have spinning reserve or water ahead, something, somewhere. Reserve means to me that you can switch it on, and there are only a couple of ways to do that. Coal was peaking; it could be offline until it was really needed. Water can be dammed, and now this new tunnel thing will help you deal with reservoirs. There's no other technology, outside of hydrogen, that could store off-peak load and go back to create electrons with it some time later.

But when you look at this, if we're going to say a reserve capacity for safety and reliability is going to be 10% to 20% on a system that's probably growing, like the economy, 3% to 5% in demand a year, without some real initiatives on the capitalization side for conservation—I read in your election document that you had lots of promises on helping small industry become more conservation-oriented.

I'm still going back, first of all, to get your clarification on what are the reserve capacity targets. When would we arrive at that, since it's all a supply issue, or are you just going to go to the spot market? Who's going to own that spinning reserve? Who's going to have their pension funds tied up in an asset that's not being utilized? Could you bring a little light on that issue? It's a very interesting area.

You see, if you look at the cycle in the day, if you say, I've got 15,000 megawatts that I need pretty well every

day, all the time, and I need something as high as 28,000 on a worst-case hot day—everybody's working; a full economy—you've got to be able to switch on an extra 10,000 megawatts, and a nuclear plant just doesn't switch on. It takes a week, basically, to get them up.

**Hon Mr Duncan:** The experts agree that a 20% reserve capacity is safe.

**Mr O'Toole:** Ten per cent?

**Hon Mr Duncan:** Twenty per cent.

**Mr O'Toole:** Twenty per cent. That's what I thought.

**Hon Mr Duncan:** We are at about 20% right now. In the summer of 2002, I believe, we went down to about 11%. In the summer of 2003, we were around 12% or 13%. We weren't at the 20% mark.

The one very simple property of electricity is that you can't store it, so you have to have extra capacity or reserve capacity. Most jurisdictions, in North America, certainly, view the 20% figure, give or take a percentage, as where you want to be, and that's where we want to continue to be.

I'm not sure I followed your question about who owns it, so I'm going to let Rick try to answer that and see if he can do a better job than I can. Suffice it to say, we need to be at or around that 20% figure.

The other interesting aspect of Ontario is that we have two peaks now. We have a winter peak and a summer peak. The challenge, John, is—I remember, one day last winter, the conveyor belts at Nanticoke froze. It took off I forget how many megawatts of power, but all of a sudden you're very close to having to import more. Of course, when you import, and you're importing at peak, you're paying the highest price. So it's a double whammy, if you will.

I'm going to turn it over to Rick on the other aspect of that to see if he can do a better job than I of answering your question.

**Mr Jennings:** In terms of the reserve margin and how it's used, there are about 1,500 megawatts that you have to have as operating reserve, so that hour by hour, in case there are fluctuations or a unit goes down, that has to be either on-line or very close to being on-line.

In terms of the larger amount, it isn't that it is always idle. When other plants are down for maintenance, that generation would be used. So if you looked at the system now, a plant like Lennox has the highest operating costs, so it would normally be at the very top of the stack. But if there are plants that are out, it will run. There aren't really plants that are idle all the time, and how would it get compensated?

For instance, in the RFPs we talked about—I don't want to get into the pricing structure again but basically that is, in a sense, going to support capacity being built. It may not initially run—some of it may not run as much as others—but over time, as you have demand growth, that capacity would be used more. Over time, once Bill 100—when that structure is in place, the Ontario Power Authority would be looking at all these issues and developing its integrated system plan.

**Mr O'Toole:** We're getting close. I'm trying to actually give you some wiggle room here. I looked at some of the performance charts from the IMO, and the coal plants were used as price setters and peakers, technically. Don't forget I'm just a citizen. I don't know anything about this except that I tend to read more of the paper.

I thought you would be cutting yourself off with an easy solution. I think people would understand that in very unusual circumstances, depending on how your grid works and where the power actually comes from, balancing all the load, some of the coal plants could be set up exactly as Rick is saying; it would be called reserve, whereas Lennox apparently, when gas prices and oil prices—it's an oil plant, isn't it? It's coal-fired.

**Mr Jennings:** It runs gas and oil.

**Mr O'Toole:** It's coal-fired. That's right. We put that in, actually—cogenerated, gas and oil. We converted it. They didn't use the gas. In fact, it was too expensive.

**Mr Jennings:** Depending on market prices, it can run.

**Mr O'Toole:** The oil price is now \$50 a barrel. It's going to become even less competitive. So you're right; that plant is what I'm referring to here as a stranded asset, technically, a real capital asset that has to be maintained. Whether it's on-line is another issue. That's where it gets into that whole technical thing of synchronization. I don't know much about it, but if that's tied to the grid and you've got generating capacity somewhere, apparently to balance the whole grid system—can you explain that to me? That's the problem with Lakeview.

**Mr Jennings:** Just for that plant it is, in part, because we have had returning nuclear plants at more capacity that can run more often, so it has moved up. In a year like 2002, Lennox did run much more than you would normally expect. So whether the plant will run or not depends on market conditions. Some do get mothballed over time but most of them can be in place and able to run if necessary.

**Mr O'Toole:** I'm not just filling time here, because I find this whole topic fascinating. Durham region passed a resolution. I sent that to you. The regional council were concerned that they were barred from bidding on the new 2,500 RFP. They were saying—

*Interjection.*

**Mr O'Toole:** Yes, there was a resolution. I'm sure Wayne is familiar with it. We were both copied on it. Had capacity basically—

**Hon Mr Duncan:** John, they weren't barred from bidding. They're not in the bonus zone. There's a very big difference. They're not barred from bidding.

**Mr O'Toole:** They're not bonused.

**Hon Mr Duncan:** They're not bonused; that's correct. The point you raised earlier about placement of generation on the grid is an important consideration. You can't just set up anywhere. I believe something like 40% of our installed capacity is in the Durham region. They weren't barred—I want to be clear about that—but they weren't bonused.

One of the big challenges with Nanticoke, for instance, is that when you've got 4,400 megawatts in one

spot like that, you can't just build new power somewhere else. The way the wires work—and I'm not an engineer—there has to be some balance.

I just wanted to clarify that. I think I responded in a letter to you to that effect.

**1400**

**Mr O'Toole:** Yes, you did. I did acknowledge that you did and sent it on to Roger Anderson et al.

But the point I'm kind of making is that the location of the generation is extremely important, and whether it's the Winnipeg issue or taking out of service the Nanticoke plant, how much wind installation you're going to install and where, because they have to get on the grid. There's line loss; there are inefficiencies. Even though it looks and smells and sounds really good, sometimes the wind isn't where you want it and sometimes it isn't when you want it at all.

It isn't even able to deal with peaking; it isn't able to respond to unusual demand. When you have high pressure systems, I guess it is, when there is no wind, you have the highest weather situations and the lowest capacity is wind—

**Hon Mr Duncan:** I don't think anyone would differ, including the wind industry and the wind energy associations. There are challenges associated with wind. However, there are opportunities associated with wind that we are not taking advantage of in Ontario. Twenty per cent of Denmark's current electricity is generated by wind. They have a national target of 25% by 2008. I believe that 14% of Germany's current installed capacity is wind. We have had the experts come in and tell us there are many wind opportunities in Ontario. We've had a number of responses.

The issues around reliability and around transmission are all being dealt with through the RFP, and eventually we will land at a number of proponents, I'm sure, who will bring forward solid and sound proposals that will allow Ontario, instead of lagging not only the world but even Canada at the moment, certainly of the large provinces—Quebec just made a big announcement the other day based on work they began some two and a half years ago in wind. There is opportunity there for us and I don't think we can afford to overlook it.

**Mr O'Toole:** I'm quite familiar with the recent renewable energy tariff forum held in Toronto on Ontario sustainable energy—the David Suzuki Foundation. I know Mrs Cansfield chaired part of it. Even there they talked Germany. This is code language for tax or higher cost. It's called an energy tariff. You said earlier and I fully agree: It's an economic sizing circumstance when you have low-volume capacity in manufacturing, construction, business risk, all these various costs. To get those four or five wind turbines or solar activities up, there's the cost of doing business to make them economically efficient and competitive. They call it a tariff. They basically say we're going to subsidize it in some way. Call it a tax, because it comes from general revenue, or it's on the system and I'm paying for it. Do you understand? If you're going to put it on the grid and the OEB

exercises some kind of tariff thing for high emitters, a tax on coal or something like that, that's how it's handled. I'd like you to give us a response. Do you think there should be some subsidy directly through the users to support the advancement of alternatives, renewables?

**Hon Mr Duncan:** What we know now is the price of a kilowatt of renewable energy. Wind, for instance, is above coal, is above gas.

**Mr O'Toole:** It's eight cents or more.

**Hon Mr Duncan:** I believe Ontarians would be prepared to have that integrated into their system. There's a cost to not having it. It's estimated in the United States that there's almost \$1 billion on the table in the renewable energy side if we can just get away from our carbon-based economy. I happen to believe that and I've seen it in action.

One of the things we hope to do in the next year or so is give consumers a choice on their bill.

**Mr O'Toole:** Good idea.

**Hon Mr Duncan:** You check off a box. If you want renewable energy, then we think that's a good idea.

**Mr O'Toole:** I want to see that. That's part of this marketing thing. We're just having a dialogue through the Chair, respectfully. We discussed that, saying there's three-cent water—or one cent, you said it was; I think it's more like three to four cents—and then you've got five-cent high-cost, if you really factor in debt, fuel containment, emergency and decommissioning for nuclear, all these costs. If they're actually real costs—you say it's full cost—I want to see the bill. You will still be artificially huge.

**Hon Mr Duncan:** Interestingly—

**Mr O'Toole:** If you put all this on the bill immediately or even by 2007, because after that we'll be the government, hopefully.

I really am concerned that you're not being straightforward with the people. I still think these charges—and that's what this whole discussion can be boiled down to. You haven't answered the question on price, tariffs, what I call cost of doing business, the OEB, the Ontario Power Authority. I think the electrons are five cents per kilowatt and the services are going to be almost five cents. If you say that power is going to be between—come clean, Minister. Right now is the time to do it. Seven to 10 cents is what I'm looking at.

**Hon Mr Duncan:** The delivered price of electricity has been there for some time now.

**Mr O'Toole:** I'm talking the new stuff you're going to add. They'll be higher.

**Hon Mr Duncan:** The delivered price has already been there and we're still competitive with our surrounding jurisdictions. It's not free.

**Mr O'Toole:** I agree.

**Hon Mr Duncan:** And it's not free if you don't try to develop alternative sources of energy. Earlier you raised the spectre of natural gas, and some estimates say we have a 60-year reserve of natural gas in North America. Again, you raised the question of nuclear. We don't know what the disposal costs are of nuclear.

**Mr O'Toole:** Decommissioning.

**Hon Mr Duncan:** And decommissioning. Interestingly, coal has gone up. I think it has almost doubled in the last 18 months.

**Mr O'Toole:** China.

**Hon Mr Duncan:** Because of demand in places like China, absolutely.

I think it would be a mistake to pursue the policies of previous governments that didn't actively try to encourage wind, biomass and other alternative sources that will help power our grid in the future. The technological improvements in wind in the last five years are astounding. In Denmark they have windmills that are producing four megawatts of power. They have the technology to do 10. We may not have the same wind opportunities as they do. The thing that's troubling is that Ontario is lagging behind everyone. In terms of percentage, the Danes can make it to 25%. They consume a lot less electricity than us. But there's no reason, in my view, why we can't attain the goals this government has set—5% by 2007, 10% by 2010—and do so in a way that keeps prices relatively low.

**Mr O'Toole:** A one-cent increase per kilowatt hour would cost a large producer \$2 million—just a one-cent change. I don't care if it's in the electrons or the service charges. So you've got to keep that in mind. It's an economic decision. You will be pressed to talk about price range and competitiveness. You've said two things to me today: You can't commit to the coal without resigning—that's another broken promise by any other language—and the second part is, we have no idea what the price is; after all this discussion, not one clue. I'm telling the people today—I'm going to speak right to them. Where's the camera? I think it's about seven cents. Get ready for the biggest shock in your life.

**Interjection:** We'll see.

**The Chair:** Mr Hampton, you've been patiently waiting. The floor is yours.

**Mr Hampton:** I have a few more questions I'd like to ask. I had the opportunity over the noon hour to get out the calculator and do some addition. Perhaps you or one of the officials can just confirm this to me. As I understand it, Darlington, with all four units operating, is capable of delivering about 3,900 megawatts of electricity.

**Hon Mr Duncan:** About 3,500.

**Mr Hampton:** About 3,500; OK. Pickering B is capable of delivering about 1,100 megawatts?

**Mr Jennings:** Pickering B is 2,064. There are four units at Pickering B.

**Mr Hampton:** Oh, I'm sorry; 2,064. OK. And Pickering A is capable of now delivering what?

**Mr Jennings:** It has one unit up of 515 megawatts.

**Hon Mr Duncan:** Unit A is under refurbishment. That's another 515 or 530?

**Mr Jennings:** Yes, 515.

1410

**Mr Hampton:** We're waiting to see how successful.

**Hon Mr Duncan:** We all are.

**Mr Hampton:** So, as I see it, about 6,000 megawatts of the so-called regulated-price electricity will come from Darlington, Pickering B and Pickering A.

**Mr Jennings:** Now this is baseload power, so it will produce a lot of energy.

**Mr Hampton:** Pardon me?

**Mr Jennings:** When I was talking about the 60%, I was talking about the energy generation. These will be running at 80%.

**Mr Hampton:** Assuming they're running at all.

**Mr Jennings:** So in terms of that estimate of 60%, it's based on these units being able to generate about 45 billion kilowatt hours.

**Mr Hampton:** Right.

**Mr Jennings:** So it's the energy rather than the capacity.

**Mr Hampton:** I get the difference.

My point is this: Given the announcements the minister has been making—I think you've held about three or four press conferences since you became minister basically announcing to the public how expensive nuclear power has become. Saying that this is a regulated price does not mean that it's a relatively lower price. In fact, what I think I've heard you say from your announcements is that the power that will come from these three stations is relatively high-priced electricity when you factor in the financing cost, the cost overruns, the ongoing refurbishment. It's fairly expensive.

So, as I understand it, there are 7,000 megawatts of hydroelectric capacity. As I understand it, about 3,500 of that is Niagara and Saunders.

**Mr Jennings:** Approximately.

**Mr Hampton:** Approximately, and that 3,500 at Saunders and Niagara is regulated price. In the scale of things, looking at the cost of production, the cost of producing that power, that would be relatively low-cost.

**Mr Jennings:** Its operating cost, yes.

**Mr Hampton:** They've been around for 40 or 50 years now. I assume all the capital costs have been paid. I would hope.

**Hon Mr Duncan:** It's relatively inexpensive.

**Mr Hampton:** Yes, it's relatively inexpensive. So I hear what you're saying, that 60% of OPG's assets or 60% of the power that's delivered by OPG will be regulated price, but I think you'd agree with me that since 6,000 megawatts of that is high-priced nuclear and 3,500 megawatts of that will be relatively lower-priced hydroelectric, even the term "regulated" should not be taken as meaning that this will be lower-cost, because the lion's share of that regulated is going to come from the expensive nuclear plants. You yourself have been making announcements about how expensive it is.

**Hon Mr Duncan:** I don't think the term "regulated" was ever designed to say lower-price. I think it was designed to say, and what we've talked about is, stability and predictability. We believe the hydroelectric assets and the nuclear assets—I stand to be corrected, but nuclear power cost is still below natural gas. Is that accurate?

**Mr Jennings:** Below natural gas.

**Hon Mr Duncan:** Below natural gas, below renewables.

**Mr Hampton:** That's factoring in the cost overruns, the debt associated with the nuclear and everything?

**Hon Mr Duncan:** Yes.

**Mr Hampton:** OK. I guess this is a technical question for you. Can you actually provide for us what the all-in cost is now of the electricity being produced by the nuclear plants?

**Mr Jennings:** Well, I think we talk about this regulation as being developed, and there will be price information that's part of the development of this regulation. So I think when the decisions on that are made, obviously that would then be available.

**Mr Hampton:** But you must know that information now. I mean, you're telling me it's lower than, say, bringing on natural gas or something else. You must know that information now. What is the all-in cost of the electricity being produced at Pickering A, Pickering B and Darlington?

**Mr Jennings:** The regulated cost is going to include the operation and maintenance. So just as a regulator would have to assess what they would include and what they wouldn't include—I mean, the proponent would present what they have. There are fuel costs. Then there is the return on assets, so whatever the asset value of those facilities is; so there has to be a determination on capital structure and return on those assets. Those are all things that would have to be decided on before the regulation was finalized. Those are all going to be components.

**Mr Hampton:** You must have estimates of that now.

**Mr Gillis:** It's not quite as straightforward as you might think it would be, in the sense that OPG has existed as an entity for a few years and formerly as Ontario Hydro, and it has assets which are going to be regulated and it has assets which are going to be not regulated. To allocate out the costs to each plant is a complicated exercise, and everyone has to agree on proper allocations to the regulated side and to the non-regulated side. That work is currently ongoing, so for us to provide you with a detailed breakdown right now would be a little premature.

**Mr Hampton:** You must have some rough estimates. You did answer the question that it's still cheaper to produce electricity at the nuclear plants than it is through some of the other modes that are being considered. You must have some rough estimates; otherwise, you wouldn't be able to make that statement.

**Mr Jennings:** As was discussed, there have to be decisions around—

**The Chair:** Gentlemen, excuse me. To assist Hansard and television, would you please, when you're answering a question, indicate who you are? Unless Mr Hampton asks you the question directly, we'll have no record of who's answering unless we interject. Would you please identify yourself when you're responding?

**Mr Jennings:** Rick Jennings. As identified here, these issues are being worked through and the regulation will be available when those decisions have been made. If you had this through a regulatory process at the OEB, which would be where these will be decided down the road, it would only be at the end of the day that you would have decisions that would actually have the rate. You would have things that were submitted before, but they would be preliminary.

**Mr Hampton:** I'm not asking you necessarily what rate. I'm simply saying that you must know now, because you did answer the question, what the all-in costs of producing electricity at Pickering A, Pickering B and Darlington are. You must have the ongoing capital costs, you must have the ongoing finance costs, debt servicing costs, operating costs. You must know that.

**Mr Jennings:** One of the key components in determining the regulated price is the assigned asset value, the capital structure and the return that you assign to those assets. There are things like that for which there haven't been determination or decisions made.

**Hon Mr Duncan:** There is going to be a regulated price. The regulated price isn't set. That will be done by the OEB.

**Mr Hampton:** I understand what you're saying about regulated price, and I'll be quite interested to see that process unfold.

**Hon Mr Duncan:** I think a lot of people will be.

**Mr Hampton:** What I'm interested in, though, is that you must know now—I can't believe that you would not have some numbers telling you what the cost is of producing electricity, say, at Pickering A, what the cost is at Pickering B, what the cost is at Darlington. You must have those. Even though you do not have the new rate structure, you must have some numbers associated with cost, and I'm—

**Hon Mr Duncan:** We know that, relatively speaking, electricity generated from nuclear is less expensive than natural gas, more expensive than coal.

**Mr Hampton:** More expensive than falling water.

**Hon Mr Duncan:** Certainly more expensive than falling water, absolutely; less expensive than certain renewables. It is the premise of the legislation, in setting up the pricing mechanism, that those input determinant factors will help moderate price to both small and large consumers, particularly small consumers, who will be in the regulated market.

**Mr Hampton:** So if you know relative cost differences, can you make any numbers available to the committee telling us roughly what the cost is of generating a megawatt of power at Darlington, a megawatt of power at Pickering A and a megawatt of power at Pickering B?

1420

**Hon Mr Duncan:** Yes, within a range, we could.

**Mr Gillis:** Like I said, you have to understand that it's a huge organization and the allocations—

**Mr Hampton:** I would take some range right now. When can you make those figures available?

**Hon Mr Duncan:** We haven't made decisions on those yet. That will be part of the regulated rate. It will be part of the posted—it's pretty common knowledge, and I think it's posted what a megawatt of nuclear costs versus natural gas versus wind versus hydroelectric. The hydroelectric, the water costs, I talked about earlier this morning. The cost of production is about 7 cents. With nuclear, you get a range because there's not agreement on how you calculate the cost of disposal and eventual decommissioning.

**Mr Hampton:** OPG must have some figures. The Ministry of Energy must have some figures. If you say it's a range, can you make those range estimates available, along with the assumptions that lie behind them?

**Hon Mr Duncan:** Again, I go back to what I said a few minutes ago. You're asking us what the regulated price is going to be. We don't know that.

**Mr Hampton:** I think that's different. I understand that regulated price will look at something else. What I am simply asking you is, OPG must have and the Ministry of Energy must have access to what the cost of generating a megawatt of power at Pickering A is, what it is for Pickering B, what it is for Darlington. If you're saying you have price ranges, that's what you have. Fair enough. Can you make that available, along with a detail of the assumptions that lead to those price ranges?

**Hon Mr Duncan:** Let me undertake to see what we do in fact have available and get back to you.

**Mr Hampton:** OK. I asked you earlier this morning about low-income Ontarians. It is a fact that there are a number of First Nation communities in my constituency where people's electricity bills, since the increase in the price of electricity which happened in the spring, have increased substantially and a number of people have had their electricity disconnected. I'm told, just by reading, for example, from Toronto Hydro, there are similar problems in Toronto. Low-income families, low-income individuals have increasing difficulty paying their electricity bill.

Now, your government made available, as I understand it from reading the briefing note, \$2 million in one-time money to be spread across Ontario, excluding aboriginal people living on reserve, excluding people living on First Nations. It just seems to me that \$2 million, if you're talking about four million households—and we know, from the figures available from StatsCan, a great number of households are low-income—just seems absurd, in terms of meeting the problem.

**Hon Mr Duncan:** First of all, I acknowledge that rising energy prices do affect people of modest incomes. There's no question about that. I can't dispute that with you. We did set up a program. You raised the issue in the House, as I recall, around First Nations. There were federal programs in place at the time. On June 30 of this year, the Ministry of Community and Social Services approved a proposal to extend the provision of energy emergency assistance to First Nations on reserve by investing an additional \$50,000, to be managed as a pressure approach. The Ontario Native Welfare Administra-

tors Association determined their interest in and capacity to administer an energy emergency fund on reserve. In terms of the amount that's been put into that, I'm just checking the figures. But the number of shut-offs this year certainly did not exceed last year's. We're watching that carefully.

We are also looking at other jurisdictions with respect to how they manage these issues, because these are issues in virtually every jurisdiction, particularly jurisdictions such as ours where you have long, cold winters.

We understand the impact that price can have on consumers, especially those low-income earners or those on fixed incomes, as I said. Our objective is to provide stability and predictability so that families and other low-volume consumers can better manage their costs. But at the end of the day, this has been a problem that has bedevilled governments and I don't for a minute diminish the significance of it. It's one that we are doing our best to address.

**Mr Hampton:** Let me just take you up on the First Nations issue. I did some quick calculation. As I understand it, \$50,000 has been set aside for First Nations. Some 10% of that will be for administrative costs, so that's then reduced to \$45,000 that is available for energy assistance costs, hydro bill costs. In my constituency alone there are 55 First Nations. If you do a quick division, 55 into \$45,000, it works out to \$818 per First Nation. Just a quick calculation: If you have two households that get behind on their hydro bill, in my constituency alone, that \$45,000 would be exhausted in one month.

**Hon Mr Duncan:** Well, I don't agree with your calculations. I want to say again that we acknowledge there is a challenge for people on modest incomes and First Nations. We believe we've taken an appropriate first step. A program of this nature hasn't been around for a very long time in Ontario and we think it's the correct approach. We are looking at what other jurisdictions are doing to help address these problems. There is no evidence to suggest that the number of disconnects went up last winter, in spite of the fact that we had a winter that was comparable to the previous winter. We'll continue to watch it carefully and respond as we need to.

**Mr Hampton:** I don't think people were worried about last winter, because the price cap was in place. What they're worried about is what is going to happen this coming winter. In some places the weather is already cold, snow has already fallen and the temperature is already below zero Fahrenheit. I'm simply saying to you, do the division: \$50,000 set aside for energy cost assistance for aboriginal people living on reserve, but 10% of it is to go for administrative costs. Ten per cent of \$50,000 is \$5,000, so it reduces the amount that's available to help families pay their hydro bill to \$45,000. I'm simply saying, in my constituency alone there are 55 First Nations. Do the division: 55 into \$45,000 works out to \$818.20 per First Nation. I'm simply saying to you, if two households on each First Nation get into trouble

paying their hydro bill in the month of October or November, there goes the energy assistance fund.

**Hon Mr Duncan:** I acknowledge that there is an enormous challenge to assisting people of modest incomes to cope not only with their electricity costs but everything they must deal with, and we're doing our best. We're looking at other jurisdictions. The number of disconnects did not increase last winter, last fall—

**Mr Hampton:** The price cap was in place.

**Hon Mr Duncan:** People were predicting before the winter, about this time last year, that the number of disconnects would go up and people wouldn't be able to meet their bills. At the end of the day what we are aiming to do is to give people price stability, predictability and a better ability to manage their electricity costs. It's an enormous challenge for people of modest incomes, people on First Nations. You won't allow us to stop debating this and we certainly are not going to stop looking at ways that we can help those people who are impacted by whatever price changes happen, but I believe we've taken the important first steps to addressing this.

**Mr Hampton:** Since the energy assistance fund that's available to First Nations would likely be exhausted in the first month in one constituency alone—

**Hon Mr Duncan:** We haven't seen that.

**Mr Hampton:** —what more can we expect, and when will we see something additional to deal with what I suspect is going to be a very serious problem this winter?

1430

**Hon Mr Duncan:** We'll see what happens this winter. I should stress too that my officials just remind me that local distribution companies have been very helpful with respect to working out alternative payment arrangements for vulnerable consumers. Staff in my ministry dealt with about 100 instances of arrears last winter, and all were resolved without power being shut off. We'll continue to work closely with the LDCs this winter, the same as we did last year, and we'll continue to monitor what's going on out there.

I think the point is that we all have to be sensitive to the challenges faced by people of modest incomes as they attempt to deal with their hydro bill, whether it's high, low or in between. At the end of the day, we'll continue to monitor it. I'm sure you'll bring instances to our attention as you hear of them, and we will do our best.

We believe this program was a start. Our officials are looking at other jurisdictions to see how they handle these problems. This is a problem that is comparable in many other jurisdictions. There's no easy answer; there's no quick fix. More money won't fix it necessarily. The previous government's answer didn't work.

My colleague Sandra Papatello, the Minister of Community and Social Services, with responsibility for the program, is continuing to look at it along with our officials. Our hope is that we can help those people facing higher bills manage them more effectively.

**Mr Hampton:** You would be aware of the study by Professor Steve Thomas on the Ontario's government's proposal on electricity restructuring and his comments?

**Hon Mr Duncan:** Yes.

**Mr Hampton:** Actually, what I found interesting is that he went through your proposal step by step, piece by piece. What strikes me is, he says that in the end he finds very little difference between what you are proposing for Ontario's electricity strategy and what the previous government proposed. In fact, I can quote him on page 18 of 21:

"The solution proposed by the current Ontario government has much in common with that of the previous administration, relying on a wholesale power market," more private profit-driven electricity generation, "retail competition and on private sector investment in new generating capacity."

I've heard you condemn the previous government's proposal a number of times. What's your response when someone like Professor Thomas says there's very little difference between your proposal going forward and the previous government's proposal?

**Hon Mr Duncan:** I disagree with him, number one. Number two, the good professor didn't interview anybody around here, didn't talk to us, didn't seek our input before he published his paper, which is fine. You can read it and draw whatever conclusions you want. It would have been helpful had he even spent some time in Ontario before doing his paper.

Let me tell you what our policies are about and what they're not about. Bill 100 is not about selling assets. We have been clear that we are not selling off our public assets the way the previous government did.

NAFTA has been in place and applied to the Ontario electricity sector as well as other parts of the economy since 1994. The previous government restructured the Ontario electricity sector through the Energy Competition Act in 1998 and fully opened up the Ontario electricity market to competition in May 2002. US suppliers and customers have had full access to the Ontario market since that time.

The private sector has had an increasing role in supplying new generation capacity in Ontario since the early 1990s. Indeed, Mr Hampton, it was under your government that they first really came in.

Bill 100 would not expand the scope of the competitive market. In fact, under Bill 100, a large portion of the electricity supply will receive a regulated price rather than the wholesale market price. Small consumers will benefit from a regulated price plan which smoothes prices over the course of the year rather than following the daily fluctuations of the market price. Bill 100 would not expand the role of the private sector in terms of existing supply. In fact, we will end the previous government's requirement that OPG sell off much of its generation capacity. Bill 100 will, however, provide a clearer, more certain framework for investors to build new supply as it is needed. We believe it is very different. The professor's report was interesting. I listened

to him present it in Windsor at committee hearings and I disagree with him from top to bottom.

**Mr Hampton:** Just some follow-up questions, then. You are saying that Ontario Power Generation will sell off none of its existing assets?

**Hon Mr Duncan:** None of its existing assets.

**Mr Hampton:** You are also indicating that new supply will be by private sector, profit-driven operators.

**Hon Mr Duncan:** Not necessarily. For instance, if we do a deal on Conawapa, that will be Manitoba Hydro in co-operation with Ontario—

**Mr Hampton:** Excluding Conawapa.

**Hon Mr Duncan:** There may be other hydroelectric opportunities in the north. We may want OPG—for the moment, OPG is not involved in the RFP process. We're not excluding them down the road from being involved.

**Mr Hampton:** You're not excluding them down the road?

**Hon Mr Duncan:** No. We've never said that.

**Mr Hampton:** As I understand it, though, they're not excluded, but there is a directive to their board of directors that they can't bid. Is that a fair assessment?

**Hon Mr Duncan:** On this particular RFP, I think it's fair to say that, first of all, even if we wanted them to, because of the mess the company has been in, they were in no position to do it. We've got to get that corporation back on a solid, firm footing. The new chair, Jake Epp, and his board are doing that in consultation with us.

One of the potential proponents is Portlands, which OPG is in partnership with. That was an existing project before on this RFP. So we've certainly not said down the road that OPG and/or successors wouldn't be involved in the production of new supply, but on this particular RFP, they're not. We have to balance a variety of interests in making those decisions; future governments will. If we believe or a future government believes that there is additional opportunity—Conawapa is 1,500 megawatts. That's a significant investment. That will be provided by Manitoba Hydro. We'll see what happens going forward. What we're saying is that a portion of the market will be delivered by the private sector. We think it's appropriate. We do not think it prejudices consumers either small or large. In fact, we think they'll benefit from it.

**Mr Hampton:** Professor Thomas makes the prediction that, at least in the early years, much of the new generation will be natural-gas-fired. Since the responses to the requests for proposals are in, you must now have a sense of the cost per kilowatt hour of those natural gas proposals. Can you share that with us?

**Hon Mr Duncan:** I do not have that. We have their expressions of interest now. As you know, we engaged an outside firm to conduct that process. They are in the process of assessing the bids with the various proponents. Rick, did you want to give him a little bit more on that?

**Mr Jennings:** The deadline for the submission of firm proposals is November 22. What we have had to date are expressions of interest.

**Mr Hampton:** What do those expressions of interest show?

**Mr Jennings:** Well, they're non-binding—

**Mr Hampton:** I understand that, but somebody must have presented you with ballpark figures. Somebody would not send in an expression of interest without saying, "We anticipate costs would be in this range." If they did, that would really be bizarre, I think.

**Mr Jennings:** But for that to be a fair process, we're obviously not—the submission of those and the price are all—

**Mr Hampton:** You must have some sense of the range now.

**Hon Mr Duncan:** At this point, we don't. Certainly I don't. We've engaged a firm to take us through that. They will winnow down this particular—it will go from the SOQ to the formal proposals in November. They will then assess and they'll present recommendations one way or the other. We may not go with any of them.

1440

**Mr Hampton:** Let me get this straight. I've asked you what the cost of producing electricity at Darlington, Pickering A and Pickering B is, and I'm prepared to accept ranges, and you say you're not sure about that. You're one year into your mandate now and you're the one who says we face a very tight supply situation, and you're saying to me you don't have a sense of what the expressions of interest are saying in terms of the cost of new natural gas?

**Hon Mr Duncan:** I'm not involved in the analysis of those proposals. What I can tell you is that there is a total of 60,000 megawatts presented. What I can tell you is some of those megawatts are demand-response initiatives, demand-management initiatives. What I can tell you is that there are natural gas initiatives. Interestingly enough, I can tell you there are wind proposals under the big one. The other day, some of the organizations were complaining about the size of the paperwork associated with these.

So, no, I can't give you an accurate figure. We can, once they're through the process and you have a chance. One of the challenges with this whole process is making sure that we're comparing apples to apples, that whatever proponents are successful, it will be based on a fair and open process, which we believe is there.

I'd invite you to go and have a look at the Web site. I'm sure you have already; I know you take these matters very seriously. As the process moves forward and as decisions are taken, clearly the price that's being bid in will become clearer.

**Mr Gillis:** May I just make a comment here? We've employed a fairness commissioner here and we have taken direction from the fairness commissioner that we're actually not to talk in public about the RFP process, since there is a huge economic implication potentially of our communicating something that we're not supposed to do. I'm happy to have you speak to him in the future so you can understand the actual restrictions that we're under.

**Mr Hampton:** I'm not asking you to disclose specific bids. I'm not even asking you to disclose, say, a group of natural gas bids. What I find astounding is that you've

got the minister and three of the most senior officials in the Ministry of Energy in a province where you've said repeatedly in your press releases that we're really in a difficult supply situation, and you can't tell the committee what the range of prices will be for proposed natural gas. Are they generally saying eight cents, nine cents, 10 cents, 11 cents a kilowatt hour? I just find this astounding. When the Conservatives used to give us these answers, we said to them, "Where's the accountability?"

**Hon Mr Duncan:** My officials tell me that at this point they've only indicated what their project is; they haven't even firmed up their bids at this level of the process. That'll come about as of the end of November. What I can tell you is that it appears as though there will be a number of firms competing. They'll likely have to sharpen their pencils and make sure they bring in lower prices for Ontario consumers, at least relative to their competition. What that will wind up at, we don't know. We're not privy to the information at this point in the RFP. On the larger RFP, they haven't even been required to submit prices yet; they've just outlined, as I understand it, the broad parameters of their proposal. We expect that will be winnowed down to a smaller number, as happened with the RFP, and at that point in time those detailed discussions around price will be undertaken by the consultant without any involvement from us at that point until the process is done.

**Mr Hampton:** I want to get this straight. I've heard you on the radio, I've seen you on television, I've seen your words quoted in print boasting that you have all this interest. You have all that interest, yet you don't know even within a range the critical question of what the price will be.

**Hon Mr Duncan:** They haven't at this point, Howard, been required to put that on the table with the consultant who's conducting this. On the renewable RFP, they're down to the next stage. They've gone from 4,000 that were bid in to about 1,000, which is just about three times what we thought. Again, I'm not privy to what's in those proposals. They're being assessed. It's not like putting out a tender for pavement of the parking lot; it's complex. Particularly in this RFP, what makes it particularly challenging is that for the first time in history, we're putting demand-side initiatives on an equal footing with new supply.

Once the process is finalized, the price will be very clear, just as once the Ontario Energy Board is mandated and Bill 100 is passed, the regulated price will be very clear, very transparent and subject to public processes, and this government or any future government will have to be accountable for the price of electricity.

**Mr Hampton:** I find this incredible. You've been saying since day one that this is a really critical issue, that we have to get moving, and here you are one year later, as Minister of Energy, and you can't answer the question, "What is the price range for new natural gas?" I find that astounding.

I want to ask a couple of other questions that Mr Thomas points out in his analysis. One of the points he

makes is that a couple of years ago, in the request for proposals of new electricity generation by the private sector—a couple of years ago, you probably would have had even a number of American companies prepared to bid, but as he points out in his analysis, electricity deregulation has not gone that well in the United States. Enron has been a bit of a headline grabber around the world. A couple of other private electricity providers in the United States have gone bankrupt or are in serious financial trouble. This has caused the financing agencies—the banks in the United States, not to mention a few Canadian banks like the CIBC and Toronto-Dominion—to be very careful about advancing money to private electricity generators.

In his analysis, he says that this has become a very narrow market now. There are very few companies that are prepared to take on the risks. There are even fewer financial institutions that are prepared to take on the risks. He says what that means is that any proposal for private generation is likely going to have to carry very significant financing costs. Do you disagree with that?

**Hon Mr Duncan:** I'm going to refer that to my deputy. I don't agree with it in its entirety. Some of the background you provided is well known and well understood, but I'm going to turn it over to my deputy to respond in greater detail.

**Mr Gillis:** Just to clarify, I'll repeat the question. You're saying that, within the context of what's happened in the North American generation—

**Mr Hampton:** He says not just North American. He said to look at Great Britain as well. Government had to step in there and subsidize British power. A couple of other companies have gone bankrupt or close to bankrupt. He says this is almost a worldwide phenomenon in terms of private electricity generation.

**Mr Gillis:** As a result of the instability, then, you're saying financing costs will be markedly higher for these types of projects.

**Mr Hampton:** That's what he's predicting.

**Mr Gillis:** The situation, as we've designed it here in Ontario, is a little bit different than the one you're talking about, where a lot of the risks that are normally assumed by the market generators in a purely commodity market have been shared between the province and the generators. As a result, the financing costs, we expect, will be substantially less than has been the case in the US and Great Britain.

**Mr Hampton:** I understand that. That leads to the next question. I'm glad you've jumped in here, because I think this is where your expertise is helpful. If the risk is being shared, you must have some estimate, financially, of how much of that risk is being taken away from the private, profit-driven companies and now will be placed upon the electricity consumers of Ontario. Do you have a number for that?

1450

**Mr Gillis:** For how much of the risk—to actually quantify the—

**Mr Hampton:** You must be able to quantify it in percentage, because certainly a financial institution will quantify that. Before they lend the money to build, they will say, "We have an assessment that so much of the risk lies with the private sector company, so much of the risk lies with the Ontario Power Authority and the people of Ontario." They must apportion that risk percentage-wise and they must also break it out in terms of dollars. Have you broken it out in terms of dollars?

**Mr Gillis:** It doesn't actually come with a dollar figure. Risk is a notional thing that gets attached to very specific items.

**Mr Hampton:** Financial institutions have no trouble deciding what that is when they determine an interest rate.

**Mr Gillis:** I think one important risk that's being borne by the private sector that the banks deem them to be very capable of managing in this case is the construction risk and the construction cost. For example, as we know, Darlington went significantly over budget, which is one of the problems. The policy directed from the government was that that's not a risk this government would like to take. So that's been hived off and given to the private sector. From the banks' perspective, most of the project developers are quite skilled in being able to bring their projects in on time and on budget, so the banks are willing to back them up on that at a relatively reasonable rate. That's one of the risks that has gone to the private sector.

**Mr Hampton:** It's interesting, I just finished reading Ron Osborne's account of OPG. He thought since most of the Pickering project was going to be handled by private consortiums, everything was going to be well in hand and everything was going to very clearly and carefully handled. He found out much to his chagrin that that wasn't so.

**Hon Mr Duncan:** OPG, the public authority, ran that project. The one point you need to understand very clearly is that up until now, the ratepayer has borne all the risk. Frankly, Pickering A, unit 4, is probably one of the best arguments around for questioning the ability of a public authority to manage a project of that nature. That was one of the challenges we had in making the decision to go ahead with Pickering A, unit 1. Right now, in terms of risk associated with new energy development, it's borne by the ratepayer or the taxpayer entirely.

**Mr Hampton:** I think the sad experience in California was that, at the end of the day, this is such an essential service, the public will pick up the pieces no matter what.

**Hon Mr Duncan:** This model is very different from California's, and I reject absolutely the fact that you would try to compare it to that. The previous government's model was modelled on California, and that's what we've done away with. I will predict today that Ontario will be a much more stable electricity place than California has been, and it will be a result of the policies this government is pursuing to help balance the risk that's been borne by the ratepayer and taxpayer, with private

investment that can hopefully bring projects in on time and on budget.

**Mr Hampton:** That may all be very interesting, but it seems to me one of the things that needs to be determined here—and when I ask the questions, you all seem reluctant to answer—is that there has to be a price associated with the public providing a private sector company that is profit-driven with guarantees. Whether it's a guaranteed contract for 15 or 20 years or whether it's guaranteed to cover this cost or that cost, that has to have a price figure, a dollar figure, associated with it. Certainly the private sector financial institution will notionally say, "This is what is being covered by someone else." I guess I'm asking you, do you have a sense going forward of what will be added on to the price in order to give, whether it be TransAlta, ATCO or TransCanada, a guarantee?

**Hon Mr Duncan:** Right now the price to consumers is 4.7 cents and then 5.5 cents. On the wholesale market, prices have come down in the last year. I certainly didn't predict that.

**Mr Hampton:** It was a cool summer.

**Hon Mr Duncan:** Actually, it came down before the summer. If you look at it year over year, month over month—and, by the way, I'm not taking credit for that. The point I'm making—I've said this and I'll say it again—is that it's a mug's game to try to predict what prices will be in a year's time.

The valid question you raise about the regulated price—we're not there yet. That's a valid question. It will be done through the OEB. It's a very public process, with public input, and, in fact, intervener funding to allow input into those decisions.

One thing we do know is that there is also a cost associated with a large single monopoly doing projects that it doesn't have the capability to do. There's an unfunded liability right now that still stands in testimony to that. We talked about Wesleyville as an example of what can go wrong in the other system.

I am not for a moment arguing that there are not challenges with what we're doing. I do not have the certainty to say, however, as you seem to, that one model will work perfectly when the experience everywhere has been that it doesn't. We looked at California, we looked at Texas, we looked at virtually every state in the northeast, we looked at Britain, we looked at Europe—everywhere. This model is unique to Ontario but it reflects the general trends that have happened in most other jurisdictions, at least where there are comparable circumstances.

I wish we lived in a province where our hydroelectric capacity could fuel our demand. If that were the case, as it was up until about 40 years ago, it would be a much simpler equation, not only for us but for any government of any political stripe. There are costs associated with buying a rainforest in Costa Rica. Whether or not that's a good investment—

**Mr Hampton:** It's an investment that never happened.

**Hon Mr Duncan:** Well, you know what? It was a plan and it was supposed to benefit everyone. There's a

cost to cancelling every conservation program that the old Ontario Hydro had. We are taking what we believe to be the right set of steps to provide price stability, reliability and predictability for consumers, and to provide large and small consumers with opportunities to manage their costs. We believe the whole package—the regulated price of OPG assets, getting private sector capital involved in helping to bring on new supply, an aggressive conservation platform, coupled with a look at, and indeed significant investments in, renewables—is the best combination of policies that will give consumers the most predictable, reliable and stable prices we can.

At this point, I would suggest if you can predict a price for next year, good luck. Predicting electricity prices is notoriously difficult. You can't even get consensus estimates of what the price will be next year because of the nature of the commodity. For goodness' sake, if we have a lot of rain, it will reduce the price; if it gets colder, it will reduce the price in the summer and raise it in the winter. There are so many variables that we can't control. What we can do is move away from an ideologically driven agenda that tries to apply overly simplistic solutions to very complex issues and try to find a balance that protects the interests of small and large consumers. That's another interesting component of our whole electricity sector. Some 50% of our power is consumed by—

**Mr Jennings:** One to two per cent of customers.

**Hon Mr Duncan:** —one to two per cent of our customers. I acknowledge that the price to those customers is going to be extremely important. I think it was John O'Toole who said earlier that this is very much about economic policy and very much about economic development. I think we all know that. We have great challenges, but we believe the combination of policies we've put forward in Bill 100, what we've talked about in terms of conservation, is the right combination of policies that will provide the stability and reliability we think is essential moving forward.

**The Chair:** You've got about seven or eight minutes.

**Mr Hampton:** I guess what I'm trying to get at is this: As Professor Thomas points out—and others have pointed this out—it will cost a private sector firm borrowing from financial institutions a couple of percentage points more in terms of interest to get financial capital. If they're building a plant and the cost is \$1 billion, they'll probably pay a couple of percentage points more in interest than simply government bond financing. As Professor Thomas points out, that gets added to the electricity bill. That's a fairly hefty expense. As he also points out, a private sector supplier's goal will be a 15% profit. So when you add those figures together, the private sector provision of electricity is going to cost in the range of 20% more than the provision of electricity through public, not-for-profit means.

I'm asking you, in terms of the requests for proposal that you've put out there: Have you looked at what will be added to the cost as a result of private profit and higher interest rates being added into the calculation?

1500

**Hon Mr Duncan:** You also have to factor in the cost associated with a public monopoly and cost overruns and mismanagement in terms of the alternative. I reject the alternative view you support. We talked about Wesleyville earlier. Talk about Pickering A, unit 1: The cost overrun on one reactor was \$1.2 billion.

**Mr Jennings:** The final cost was \$1.2 billion. Originally it was \$400 million.

**Hon Mr Duncan:** Originally it was \$400 million, and this by a public sector company owned and operated by and for the people of Ontario. You chuckle, but that's the reality. The old Ontario Hydro was prepared to buy a rain forest in Costa Rica.

**Mr Hampton:** It didn't happen.

**Hon Mr Duncan:** But you were prepared to do it until you got caught.

**Mr Hampton:** It didn't happen.

**Hon Mr Duncan:** Then you cancelled all—all I'm suggesting to you is that you're taking a multi-dimensional argument and you're trying to make it a single-dimension argument, which is disingenuous, to be certain.

I agree with you that there are certainly risks inherent. Somebody earlier today talked about gaming the market, and we're very cognizant of that. But I'm certainly not going to put my faith in the old Ontario Hydro and the billions and billions in debt that were racked up by that organization that we are all on the hook for.

Interestingly, as you study OPG and you study the model, on the hydroelectric side it was very profitable; a very well-run organization. They do hydroelectric very well. The wheels came off with nuclear—I don't know when precisely, but it afflicted all governments. What we're trying to do is preserve the best of the public assets. The company was virtually bankrupted and there are huge requirements for capital. Where is that going to come from? Are you suggesting ratepayers?

**Mr Hampton:** It comes from the ratepayers in either case.

**Hon Mr Duncan:** So you want prices to go up. I would suggest your plan will drive prices through the roof, more so than our plan.

**Mr Hampton:** Look—

**Hon Mr Duncan:** Howard, listen. We fundamentally disagree. I've been listening very carefully to you. What will happen under your regime is that prices will go up more than any other regime. That has been the experience. If you want to go back to Pickering A, unit 1, and that kind of project management, if that's the best you can agree to, I'm not there. I'm not going to put the entire risk on the ratepayer like you just said. You just said that ratepayers should bear all the risk and therefore the higher cost: the higher cost associated with mismanagement that was present for many years. I don't think so. I'm trying to spread that risk around. You asked for a precise calculation. The only calculation I can give you is that under your model the ratepayer bears the entire risk, either as a ratepayer or as a taxpayer. That

model didn't work in very many places. The only places it has worked, that I've reviewed, is where there was enough hydroelectric capacity to meet a market's—let's say Manitoba or Quebec—entire demand. We were in that enviable position until about 40 years ago.

**Mr Hampton:** I think what we need to admit here is that at the end of the day, because this is an essential service, the ratepayer is always going to carry the freight. If it's a private sector company, they may go out and borrow the money. They'll have higher borrowing costs than a public, not-for-profit utility. The ratepayer will pay for that on the hydro bill.

Just yesterday someone looked at your government's private-sector-financed hospitals, looking at the difference in interest rates, and said that the difference between the government borrowing \$536 million on the bond market and a private sector firm going out and borrowing the money from financial institutions, over the repayment period, is an additional \$175 million if you go the private financing route. That gets added to the hydro bill.

**Hon Mr Duncan:** I want to get back to electricity. I don't want you to just skirt off that topic. The cost of mismanagement by a public utility, wholly owned, is on our books now in the form of an unfunded liability. I know we disagree firmly on this, but my view is that the costs associated with that are higher, and would be higher to the ratepayer, than the costs associated with the program we've put forward. Neither program is without risk, without challenge. Both programs, in my estimation and my view, have strengths. As I say, the hydroelectric assets have been extremely well managed.

If you haven't had a chance to go down to the foot of Adam Beck, the dam at Niagara Falls, go down and have a look up, and imagine what people must have thought 50 years ago when they were building that and the challenge and cost associated with that. On the other hand, I look at the experience with nuclear, which has been costly. Every government's been bedevilled by that.

**Mr Hampton:** Every private sector firm as well—British Energy. The number of nuclear—

**Hon Mr Duncan:** Yes. But my view is that the cost associated with a public monopoly running it, in terms of inefficiencies, is greater than the cost associated with financing charges and so on, with the model on one portion of the market we're talking about. I remind you that we're talking about a hybrid that will regulate 60% of OPG's assets. We'll keep the hydroelectric assets and nuclear assets in public hands. We believe it's the right combination. We believe it spreads the risk. We believe that, by engaging the private sector, we will be able to manage new projects in a better way than the old public monopoly could.

**The Chair:** Thank you very much, Minister, and thank you, Mr Hampton. I would now like to recognize Ms Di Cocco.

**Ms Di Cocco:** Thank you, Chair. I have learned a lot more about electricity this afternoon and this morning than I think I ever wanted to know. I have to say that the

minister certainly has a lot of stamina to sit through the number of hours of discussion. I'm glad, though, to have the opportunity to pose a couple of questions that deal with some issues.

Again, in Sarnia-Lambton we have built two cogens. Industry is looking at that approach because they're able to use the steam as well as the other generation. We have a company called TransAlta. I believe that there they built the largest cogen in Canada at this point in time. As well, Imperial Oil built a cogen.

One of the concerns I have is that in the model that had been there in the past, I think for some reason they've been alluded to as orphans in the whole system. So here we've got two generating capacities. We've got TransAlta, and I came to learn that TransAlta is now functioning, I believe, at 25% of its capacity—something like that—and Imperial Oil is not using theirs at all. So my question is, are we going to be able to resolve this at some point in time?

**Hon Mr Duncan:** It's a terribly complex issue. These existing generators, who made recent investments in anticipation of a fully competitive market, find themselves in the unusual position that the output cost—the electricity, the money they can get for that—is less than the input cost, which makes it uneconomic to run these facilities. That is, electricity prices are lower, in this case, than natural gas.

Since we took office we've been trying to undo the problems created by the previous government's policies that caused confusion in the investment community. It went from a fully open, deregulated market to—wham—a fully regulated market at a price below the cost of producing. That has created situations like this.

**1510**

It's particularly unnerving, I guess, to think that while these plants sit idle because they can't run economically, we've got our coal plants burning. It's a huge challenge but, again, one that I believe we'll be able to resolve. There are a number of these existing plants that are affected, and my hope is that over the next few months we'll be able to address these issues, but it's one of those anomalies.

Everybody last year said prices are going to go through the roof under the Liberals. Well, the price of electricity in the wholesale market is lower than the input cost right now to these folks. So therefore the plants can't be economically competitive. We're trying to find a way to right that wrong.

**Ms Di Cocco:** One of the challenges, of course, in this whole mix of electricity—it's such a complex sector. Until I became an MPP, I had no idea that turning my lights on at home was such a complex endeavour somewhere down the pipe. I find it sometimes troubling when we look at very simplistic arguments about dealing with it. I know there are huge complexities when it comes to bringing stability.

What I hear from some of the people who have invested—because we now have this public and private mix, which is what I think we're trying to get and which

is a different model than had been proposed before. I certainly understood the notion from the previous administration was, "We'll just privatize it all, and that's going to answer all our questions." I believe we've had no investment for the last 10 years or so.

**Hon Mr Duncan:** We've had a little bit, but certainly not enough. It's not fair to say "no investment."

**Ms Di Cocco:** But it has been a small amount.

I guess it's the stability in the policy, to provide some stability so that if there is going to be any private sector coming into the mix, they know what the rules are. I think that's the big problem that I've certainly heard from them.

**Hon Mr Duncan:** I think, too, Caroline, you have to focus not just on the investor, but on the consumer. For there to be a market, there have to be buyers and sellers, and the buyers, for most of us as MPPs, are our constituents. If Mrs Smith doesn't buy the policy, that's just as important to us as the big company that wants to supply some electricity.

I think that's part of what was the undoing not only of the market here in Ontario that the previous government—Mr Wilson still thinks that's the solution in spite of the failures right around the world, which I think Mr Hampton alluded to earlier in the day. In order for a policy to survive, in order for a policy to work over time, there has to be acceptance by both. It is certainly not in this government's interest that prices to our constituents—those folks who have a bungalow, whether it's in Bright's Cove or in Tecumseh, who use 1,000 kilowatts a month—go through the roof. The policy won't survive. We've got to balance all of these interests.

We've discovered that everywhere there's been an approach like the previous government's approach, it fell apart. Everywhere there were the old, big, public monopolies, the same problems were there. Different jurisdictions have tried different approaches, all with differing degrees of success. Again, success is a very subjective thing that you have to apply your best judgment against.

Predictability, stability, realizing that you have to pay the true cost of electricity—there's a cost associated. We had this discussion with Mr Hampton earlier. There's a true cost associated with a monopoly inefficiently providing a service. There's a true cost associated with a private-sector company that pays more to borrow money to finance a project. On balance, we believe that a mix, a hybrid, will serve the interests of both small and large consumers and will protect this province's economic advantage.

The final point is that we have to have a broader horizon than we've had, certainly in the last 10 years, in Ontario. We should not have cancelled the Conawapa project in the early 1990s. We should not have cancelled all demand-side initiatives in the early 1990s. We should not have gone to the market that the Conservatives brought forward in Mr Wilson's legislation. We, as Liberals, should not have voted for the price freeze; it was a mistake. We're trying to undo that and, at the same

time, protect the interests of both small and large consumers.

I think we have the right balance here. Is it perfect? No. Are they're going to be problems? Yes. Are there incongruities in the future? Yes. Are there situations that we can't anticipate? Yes. Are these things going to evolve and change? Yes, and not only here but everywhere. Having been at this a very short period of time, the one lesson I've learned is that you just have to be flexible, take a balanced approach and allow your sector to evolve and adapt, look at best practices elsewhere and try to find those that will work best in your jurisdiction.

**Ms Di Cocco:** Just a little bit on conservation, which I think is another component that culturally in Ontario, if not in Canada, is an attitude that we don't really have as individuals. I see that. I heard that you looked at the metering system Italy is putting in there. But I also see the attitude that is different about turning the light off whenever I do go to Europe. One of my pet peeves is going into a mall in the middle of winter with my coat and boots on, sort of dressed for the outside, and in there we're all taking our coats off because the temperature is about 72 or 73 degrees, or higher in some cases.

The changing of that attitude is probably the most difficult part because it takes literally generations, but I'm glad to see that at least we're talking about it and we're moving in that direction. How do you see that playing out over a period of time?

**Hon Mr Duncan:** It's interesting you raise that. You don't need to go as far as Italy. Go to Woodstock and talk to the folks at Woodstock Hydro and they will tell you that what has made their pilot—they still call it a pilot project; it has been in place since 1989. What has made it successful is that it has taught people the value of electricity. We don't value electricity in Ontario. We had the good fortune, until the early 1960s, to have bountiful amounts of relatively inexpensive hydro, because our demand could be met by hydroelectric generation, which is, as we had talked about earlier, the least expensive. Today at Niagara Falls I think they produce it at about seven tenths of a cent per kilowatt hour. It's just marvellous. I wish we had a few more opportunities, and I think we may.

That being said, what characterizes smart jurisdictions is the value they put on electricity, in conserving it. The Europeans are far ahead of us. Anybody who grew up in Britain in the post-war period will tell you about having to put a shilling in the furnace, which is not, by the way, unlike the meter program they have in Woodstock.

The Italians have a whole set of their own problems, including the fact that their reserve last year went down to zero. It's interesting, when you see their major transmission wires, they kind of hang like this, which means there is far too much electricity going through them.

Every jurisdiction has its own challenges, but we do have to change the culture. We're going to be introducing legislation later this year on conservation, from minor things to changes to the building code, changes to school curriculum. We're all of the age here that we can remem-

ber when getting rid of your waste was putting it in a Glad bag and sending it to a landfill. Back in the early 1980s, progressive environmentalists working with government changed the culture. Some communities are diverting as much as 50% of their waste now. In Windsor we have blue box, red box, green box, home composter, centralized composting. That's the same kind of cultural shift we have to have here. That will take time, and that's why we're moving on the conservation file.

**Ms Di Cocco:** We have some time left, so Mr McNeely wanted to ask some questions as well.

**The Acting Chair (Mr Bob Delaney):** You have time for one short question.

1520

**Mr Phil McNeely (Ottawa-Orléans):** One of the issues that has been discussed somewhat in looking at conservation is that if municipal utilities come up with a program that cuts energy use, it's to their detriment. This has been one of the criticisms of this government, that we have not come out with shared saving mechanisms that would give utilities that incentive to get out there and do what they can do very well with their monthly hydro bill, the way Enbridge Gas did in my community of Ottawa. What are the reasons we haven't gone with the shared saving mechanisms, Mr Minister?

**Hon Mr Duncan:** We're negotiating those now and we're looking at a whole range of options, I think it's fair to say. I find it a little amusing that anybody would be critical. We've had a lot on our plate. We did say we were going to address those issues later this year, transmission and distribution. But our view is that the local distribution company has a major role to play. You're absolutely right: There's no incentive to them. By encouraging conservation, they cut their revenue. We're working with the Electricity Distributors Association and others to find ways to make that policy work. We also freed up last year a quarter of a billion dollars, and I think you're going to see some pretty exciting proposals coming forward from a number of them in the not-too-distant future.

Finally, on the conservation side, I agree entirely that we have to engage them, and a lot of conservation is going to happen there. We've also set up the Conservation Bureau under Bill 100, with a chief conservation officer. Again, that was a recommendation of the conservation supply task force, that we in effect needed a champion. There was some debate around whether that should be a centralized versus a decentralized function, and we think we've struck the right balance there. We continue to dialogue with the distributors' association and others as we move forward on the conservation file.

**The Acting Chair:** Mr O'Toole?

**Mr O'Toole:** Thank you very much. I'm pretty much exhausting the ramble here. I have a couple of specific questions that I want to just put on the record, and you can deal with them as you wish. These, I took time to prepare.

Would the minister provide a list of stakeholders that have been consulted in drafting the regulations accom-

panying Bill 100? They're all posted, so I guess there are a lot of commenting agencies, but there are formal consultations as part of establishing the regulatory process as well.

Question number two—

**Hon Mr Duncan:** John, if I can just clarify, do you want meetings that I personally had or do you want meetings that either myself or my officials had?

**Mr O'Toole:** No, just what you would wish to declare—building a stakeholder list, really.

**Hon Mr Duncan:** OK.

**Mr O'Toole:** Second, would the minister provide clear information on the \$225-million conservation fund that has been established for local distribution companies, and explain how these funds will be used and what constitutes demand-side management programs?

Third, would the Minister of Energy provide a definition for “smart meters”—I have a research paper on that, so there's lots written on it—explain what they are, what is technically involved, and what type the minister intends to bring forward on the first tranche?

Next, would the Minister of Energy explain who will pay for the purchase and installation of new smart metering technology, and will it be mandatory as it's rolled out?

The next question is, would the Minister of Energy provide details on how much the new bureaucracy proposed in Bill 100 will cost? What will it cost to administer the new OPA, the new Conservation Bureau and the Independent Electricity System Operator, as well as the Ontario Energy Board?

Finally, would the Minister of Energy provide details on how the new administration costs of the Ontario Power Authority, the Conservation Bureau and the IESO proposed in Bill 100 will be funded? Will they be part of the electricity rate? How much will these new administration costs be for all rate classes per kilowatt? You've talked about different rate groups, regulated and non-regulated. Will consumers see these increased costs directly related to consumption? That's very important: Are they base fees, like the service charge to my house is so much a month? Whether I have it turned off at the panel, it's still so much a month to have the privilege of having power.

Would the Minister of Energy give details on how the government will encourage the development of wind energy in Ontario? Specifically, are there any renewable energy tariffs being considered?

I've mentioned all of those in some respects. So that's formal. I can give you copies of that as well if you wish.

**Hon Mr Duncan:** I'll undertake to respond in writing to those questions.

**Mr O'Toole:** I have a couple of things, Minister; I would like it on the record if possible, without interfering too much.

I have my annotated version of Bill 100 here. It's pretty hard to follow, except it can be said in a general sense that not one of the amendments that were proposed by either Howard Hampton or the Conservatives was

adopted. With some of them, I understand that; some of them I don't understand. I quite honestly think there are a couple there that exempted you from review. That's the pile of amendments I'm looking for. Just give me a second while I stumble through my own plethora of paperwork here. Actually, too much paper is a bad thing.

These are all the government regulations, all of which passed, because you carried the bill at the end of the day.

Just give me a second. I must have misplaced them, because I pulled out most of the government regulations. Some of them are a bit of housekeeping in nature, but some aren't. I think there was one here, and if you look at the bill, you will see yourself—I mentioned it earlier today. You didn't give me the right answer—that's why I got a little upset—at least as I understand it; that's the qualifier here.

It's on schedule A, section 2, and it says:

“‘Alternative energy source’ means a source of energy,

“(a) that is prescribed by the regulations....”

In other words, I guess an alternative energy source could be coal; it could be anything. An alternative energy source could be biomass. It could be a whole bunch of different things. It could be nuclear. It could be described in regulations, so it's important to put that section there. I thought that was a bit—

**Hon Mr Duncan:** Would you like me to respond as to why we didn't take your amendment?

**Mr O'Toole:** No. I'm not finished.

Here's a big one. This is your government motion number 11 to Bill 100, so it did carry. It says:

“I move that schedule A to the bill be amended by adding the following section:

“‘The minister shall establish an advisory committee to provide advice to the minister on such matters relating to electricity as the minister may specify.’”

We tried to establish there that all of the advisory committees—and I think there are three. The OPA has one; the conservation commission has one. I think they all do—the IESO has one. I think the energy board might have one as well.

It says:

“Appointment

“The minister shall appoint the members of the advisory committee.”

There's no public oversight or review. To me, these are all political appointments, somebody who's onside or offside. That's kind of the point there.

Amendment number 18 goes the same way. It's section 13 of schedule A to the bill:

“... be struck out and the following substituted:

“The act is amended by adding the following sections:

“Subject to the bylaws of the IESO, a panel established by the board of directors may use the services of,

“(a) the IESO's employees, with the consent of the” systems operator.

Here's the point: You have appointed them. They have to have consent. So anyone who's inside the culture who

wants to say anything—I guess I’m implying here that I’d like to see some whistle-blower legislation attached. If you want to improve and strengthen this bill, integrate some whistle-blower so that people can say, “Here are some inefficiencies that could be rooted out.”

We were unable to establish these arguments during the hearings. I felt that the members of the committee, in all true consideration and recognition of the time they spent sitting there, were under directions to just vote yes and no. I understand that. I may have done it once or twice myself when we were government. But it’s very complicated stuff, and we’ve heard that admitted by Ms Di Cocco today. I think she’s the only one—and Mr McNeely has spoken as well.

Recommendation 19—this is another one. These are interesting:

“The IESO shall, at least 60 days before the beginning of each fiscal year, submit its proposed expenditure and revenue requirements for the fiscal year and the fees it proposes to charge during the fiscal year to the board for review, but shall not do so until after the minister approves or is deemed to approve the ... proposed business plan ... under section 19.1.”

You have complete control of the fees and basically all their operating budgets: how much they’re going to get paid, how much for their lunch per diem and all the rest of it.

**1530**

I have concerns that all of this, as Howard has pointed out relentlessly—I’ve read your book, *Public Power*. Is it all about electricity? It’s broader public union issues, if Sid Ryan or Leah Casselman had co-authored it.

My point here is that you’re going to eventually be offloading a lot of these, but you’ve not told us today how you’re going to put them in. We’ve asked very clear questions: When is it going to be? What is the price of electricity? You signed off on who is on the board, who is on the advisory boards. There’s no whistle-blower protection. Now you’re the one who signs off on the fees that are going to be part of their budgets—very complicated budgets too.

Another amendment here, 22/23, is a complete revision of the business plan for the IESO. This one here is, “The OPA shall establish one or more processes by which consumers, distributors, generators, transmitters and other persons who have an interest in the electricity industry may provide advice and recommendations....” These are under the authority of the minister as well.

You’ve centralized all of the decision-making, yet you’ve created this whole new bureaucracy of the OPA specifically. I see this as being another layer of government, another cost. We’ve not heard one iota of information about what it’s going to cost, and there are new obligations.

Setting up the OPA and its creditworthiness—I’ve got the Dominion Bond Rating report on that, which says, yes, it’s creditworthy, but at the end of the line, it says, “based on the government of Ontario’s liability.” In other words, the payer is the government of Ontario, not based

on that they have any creditworthiness. We tried to establish them as a—

**Hon Mr Duncan:** Are you suggesting the government of Ontario doesn’t have any creditworthiness?

**Mr O’Toole:** No, no. They are not creditworthy. The OPA—

**Hon Mr Duncan:** I must have misunderstood.

**Mr O’Toole:** —is out doing the RFPs at arm’s length, blah, blah, blah. You’re paying the bill. The question that I’ve raised is, what is the cost of the RFPs? It’s a simple question. What’s the cost of the RFPs to do the two that you’ve done so far? You’re going to do smart meters; you’re doing all this consultation. “The OPA’s recovery of its costs and payments related to procurement contracts shall be deemed to be approved by the board” and then approved by the minister. So you have full control. If this thing blows up, you’ve said you wouldn’t resign. Didn’t he say that today? I’ll expect that to happen imminently. I think you’re trying your best.

This is the final one I want to mention here. Section 30 of schedule A to the bill, subsection 25.19 of the Electricity Act:

“Transitional, 2005 fiscal year

“(6) Despite subsection (1), the OPA shall submit its proposed expenditure and revenue requirements for its 2005 fiscal year and the fees it proposes to charge during that fiscal year to the board for review not later than 30 days after the minister approves or is deemed to approve the OPA’s proposed business plan for the 2005 fiscal year under section 25.20, but shall not do so until after the minister approves or is deemed to approve the proposed business plan.”

Again, you have complete authority, complete responsibility and, as a sign-off here, I just want you to let us know: My first question today was, how much do you expect—Howard asked a lot of complicated questions. What’s the real cost of power? Does that include the depreciation of capital, does it include unforeseen circumstances, does it include all these various things? Have you got a crystal ball? You’re telling the people in almost every news column that people are going to pay the real cost of power. Generators are going to go, “Wow.” They did it to us, actually.

**Hon Mr Duncan:** I’ll say.

**Mr O’Toole:** They saw the Enron crystal ball and said, “Gee, now’s the time to score.” So you’re going to be in the same boat. Seven or eight wouldn’t be bad for you; bad for the consumers. The point I’ve been making all day is it’s bad for the economy in the context that even the energy board—if you read the content of Bill 100, the energy board really won’t be approving price and there will be no hearings. The energy board is just going to accept the RFP and the contracts the OPA signs, or we’re going to have \$1 million worth of legal fees, wrangling about something the minister has signed off on. How can they approve these things without the minister intervening? The OPA, in my view, is going to have to talk to the minister; otherwise he’s going to be a price-taker like the rest of the consumers of Ontario.

Yes, I want a mixed basket of generation supply, and that includes, as we did in our discussions on this as government, recognizing the important role of educating the public, employing conservation, encouraging people for any energy efficiency, working with the large consumers, the AMPCO group, and also looking at alternatives. We had initiated the phase-out of coal. We had initiated the Bruce Power project. We had initiated the assessment of all the wind sources in Ontario; the mapping is being done. A lot of the initiatives were underway, as well as the Beck project and other projects.

To act as if we did nothing—we responded to the very dimensions I’m setting up with you. We responded as elected people, and each of you, unfortunately, will have to deal with this, because when your constituents start screaming that they have to shut the ventilator off for a child because they can’t afford it—as Howard’s pointed out, they’ll switch the power off; they’re paying the bill. What process do they get to address the frail elderly and these situations in the MUSH sector and all these pressures?

This is a public policy discussion that’s tried many governments, probably including the NDP. I just hope you’re prepared to be forthright. Somebody said earlier that there is or isn’t intervenor funding for the Ontario Energy Board. I’ve asked for public hearings on all rate increases. Are you prepared to do that?

**The Chair:** Is that a question?

**Hon Mr Duncan:** I made a list of questions. Can I respond to them, Mr Chair?

**Mr O’Toole:** I’ll table the questions. They’re all written.

**The Chair:** Did you want an answer, Mr O’Toole?

**Hon Mr Duncan:** I can answer. I want to take a few minutes to respond to the questions that were raised about amendments to the legislation.

First of all, we sent the bill to committee after first reading for extensive public input and consultation. The bill will likely go back to committee a second time for more public input. In the ministry, we’ve also had many consultations on Bill 100. So far, I and my staff have met with hundreds of stakeholder groups and organizations. Consultations have been wide-ranging and have included energy sector, environmental and consumer groups. Some 293 written and oral presentations were made to the committee. Many of the amendments put forward by the government incorporate feedback from the presentations and consultations. Most of the opposition amendments, in our view, simply tried to resurrect failed PC and NDP policies. We’re taking a new and balanced approach. The old ideas didn’t work then; they won’t work now. We will continue to consider the ideas of the opposition as we move forward with the bill.

Mr O’Toole raised a number of specific amendments, and I’d like to respond, if I might, Mr Chair, to those specific amendments.

With respect to the Conservative amendment on subsection 2(1) of schedule A to the bill, that is, the definition of “alternative energy source” in subsection

2(1) of the Electricity Act, 1998—it’s important to note those sections—the amendment that the Conservatives placed seeks to add the use of clean coal technologies to the definition of “alternative energy source” and seeks to add to the definition of “alternative energy source” sources of energy “that can be used to generate electricity through a process that is cleaner than certain other generation technologies in use in Ontario before June 1, 2004.”

Our response, and our reason for rejecting that particular amendment, is that although there are emission control technologies such as selective catalytic reduction, SCR for short, to reduce nitrogen oxides, the so-called NO<sub>x</sub>, and scrubbers to reduce sulphur dioxide, the SO<sub>2</sub> emissions, there are no commercially available technologies for reducing carbon dioxide, mercury and the many other toxic emissions released by the coal-fired plants that compromise the quality of our air. I do believe I responded to that earlier today.

Mr O’Toole then raised a government amendment that we put to the bill, and that had to do with section 2.1 of schedule A to the bill, which amended section 3.1 of the Electricity Act, 1998. That proposed section originally read:

“Minister’s advisory committee

“3.1(1) The minister shall establish an advisory committee to provide advice to the minister on such matters relating to electricity as the minister may specify.

“Appointment

“(2) The minister shall appoint the members of the advisory committee.”

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What this amendment did was create a single advisory committee reporting to the minister on electricity issues. Bill 100 originally called for separate advisory committees for each of the IESO and the Ontario Power Authority, reporting jointly to the minister and the board of directors. The Ontario Energy Board Act also provides for an additional advisory committee reporting to the minister and the board. In consultations on Bill 100, stakeholders pointed to the potential conflicts and second-guessing that could arise from this governance structure. We believe this amendment, which seemed to be supported by most of the stakeholders, will avoid the conflict.

The next specific amendment Mr O’Toole raised was section 30 of schedule A to the bill. That’s section 25.19 of the Electricity Act, 1998. Under the bill, the Ontario Power Authority “shall submit its proposed expenditure and revenue requirements for the year and the schedule of fees it proposes to charge during the year to the board for review.”

The PC amendment seeks to remove the requirement for the OPA to submit its proposed schedule of fees to charge during the year to the board. It also seeks to remove the section that states, “The OPA shall not establish, eliminate or change any fees without the approval of the board.” It seemed to us, and the reason we rejected this is, the Conservatives seemed to be

arguing for less scrutiny of the Ontario Power Authority. Furthermore, they seemed to continue to reject the notion that the OPA's costs should be recovered through the rate base.

Those are the specifics, and there were several others you raised.

**The Chair:** Minister, if you could wrap up this answer, I do need to recognize Mr Hampton.

**Hon Mr Duncan:** OK. I just wanted to respond to—

**The Chair:** You're doing a great job. I was just hoping you could get to the conclusion of it so I could move to Mr Hampton.

**Hon Mr Duncan:** OK. Well, Mr O'Toole did raise a number of questions, with respect, that he put in writing, and we will endeavour to respond in writing.

**The Chair:** That's very much appreciated. Mr Hampton?

**Mr Hampton:** I have some questions. One of the briefs that were received by the Bill 100 committee was a fairly detailed brief by the Association of Major Power Consumers in Ontario. They indicated they had looked very carefully at your proposed Road Ahead for electricity policy and their prediction is a likely price increase for industrial power users of 30% by 2008, possibly as high as 53% by 2008. They said this will cause major problems for companies like them, companies which utilize a lot of electricity in the production process.

Specifically, there were three companies that came to the hearings: a steel company; a mining company, Falconbridge; and a forest industry company, Bowater. In fact, Bowater made the case that, given the 30% increase in the price of electricity for industrial users that happened under the Conservatives between 1999 and 2000, a number of forestry operations were already beginning to close down in Ontario. I know, for example, that when Abitibi closed a paper mill in Kenora and put 150-some people out of work, the price of electricity was one of the big considerations. When Weyerhaeuser closed a paper machine and shut down their sawmill in Dryden about a year ago and put 300 people out of work, the price of electricity was a major consideration. The price of natural gas is also a consideration, but the price of electricity is a big problem. The irony is that at about the same time as Bowater made this presentation, they laid off a further 50 workers in Thunder Bay. They shut down some of their operations and said, "This is very directly related to the price of electricity."

Do you agree with the AMPCO predictions in terms of price?

**Hon Mr Duncan:** No.

**Mr Hampton:** You think the price will be where? Less?

**Hon Mr Duncan:** Last year they predicted they would go up; they didn't. Under the Conservatives, they predicted deregulation would lead to decreased prices; it didn't. Their track record isn't stellar.

That being said, I want to acknowledge that there are serious—particularly with the pulp and paper industry. In my understanding, because I've met with Bowater and a

number of the other large pulp and paper organizations, particularly in the north, electricity costs can be anywhere between 28% and 34% of their operating costs. That presents a real challenge. It presented a real challenge when prices went up 43% under your government, and there were significant job losses.

So I don't accept what they are saying. Like I said, last year they predicted wholesale prices would go up; they went down by 19%. It may well be that prices rise. It may well be. Prices for all kinds of energy have been rising. But how much specifically, I can't make that prediction. I don't believe they are going to be as extreme as they would have us believe. I don't accept that analysis.

Again, these challenges are not unique to Ontario. Wholesale prices have been going up more in other jurisdictions. We continue to monitor competitive jurisdictions here in North America, those that we compete against for jobs.

The other point I wanted to make, and I made these points earlier, I think, in questions from Mr O'Toole, is that prices were artificially held low from 1993; there was a brief period and then the price freeze was slapped back on. Let's just see. Over the past two years, industrial customers have received \$1 billion in electricity rebates. They are also not talking, again, about the eight-year price freeze that went on between 1993 and 2001. Again, two years ago the government authorized special transitional rates that have benefited large industrial customers by over \$240 million.

So I reject the percentage increases that they project. I acknowledge that electricity is an important commodity in pricing, particularly for the pulp and paper industry. Through a number of initiatives that we are undertaking, we believe they will be able to manage the cost of electricity and continue to be competitive with surrounding jurisdictions.

**Mr Hampton:** One of the points that Bowater makes in the paper is that at this time, production and jobs are leaving Ontario and going to other jurisdictions. I believe the head of Tembec said earlier that Tembec in fact was looking at moving production out of Ontario to Quebec, Manitoba and British Columbia, where they have other forestry operations.

There's a particular case I want to ask you about. Cascades, which operates a paper mill in Thunder Bay, has said very clearly over the past couple of months that the price of electricity is a major pain for them; it's a major pain at the mill in Thunder Bay. They have other mills in Quebec, and I think they have other mills outside Canada. But it's my understanding that the closure of the mill in Thunder Bay, with the loss of about 600 direct jobs, is a real possibility now. Do you have any answers for Cascades, for the workers there, and for the city of Thunder Bay?

**Hon Mr Duncan:** First of all, I met with Cascades. In their presentation to me, they identified electricity as one of a number of factors that have influenced the cost of that operation. Among other factors was softwood lumber. The capital on the one line—as you know, it's one

line that's particularly inefficient and unproductive. There hasn't been sufficient capital reinvested in that over the years.

We have undertaken to continue to work with Cascades on the one area in which we believe we can be of some assistance, which is electricity, but there are a variety of other factors that they themselves pointed out to me—the softwood lumber dispute is one of the major ones—that have affected the competitiveness of that plant. So I acknowledge that electricity costs impact on the pulp and paper industry, but to suggest that the cost of electricity is the sole determining factor I think would not be adequately reflecting the challenges faced by that company as they were expressed to me both in meetings and in letters.

We are working with my colleagues at northern development and at economic development and trade to try to work out a way of assisting the pulp and paper industry to deal not only with the electricity issue but a variety of other issues that are impacting on their operation.

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The final point that needs to be made is in terms of electricity cost. Quebec will continue to be a lower-price jurisdiction than Ontario, although they face certain challenges of their own moving forward. As I said earlier today, we will not be able to compete on the price of electricity, at least in the near or mid-term, because of the great foresight and development that Quebec showed in its hydroelectric system back in the 1960s, when we were moving principally into nuclear. Perhaps, had Conawapa not been cancelled in 1992, we would have access to that power as well.

I should also say that I've been speaking with the government of Manitoba with respect to possibly purchasing electricity from Manitoba Hydro to service those companies in the northwest. Those discussions have been at the preliminary stage, but at the highest levels of government.

So we're looking at a number of options, and our hope is that we can assist in some way. But I want to be clear: Cascades was very clear when they met with me. Bowater was very clear when I toured their plant in Thunder Bay that, while electricity is one of the factors, there are a number of factors, many of which are beyond my control as energy minister and beyond the control of this government. A number of ministers have undertaken to work with these organizations to try and preserve the jobs in northwestern Ontario, and particularly Thunder Bay.

**Mr Hampton:** You mentioned that you're having discussions with the government of Manitoba in terms of northwestern Ontario hydro supply. Do you want to tell us what those discussions are?

**Hon Mr Duncan:** What I can tell you at this point is that the preliminary discussions have been about our ability to access a lower-priced hydroelectric power from Manitoba as a way of servicing northwestern Ontario. We have put them in the context of the CETI initiative.

**Mr Hampton:** Of the what?

**Hon Mr Duncan:** CETI, the clean energy transfer initiative—Conawapa—because calling it Conawapa does it a disservice. It's in that context, and our hope is that as we build the relationship with Manitoba that was cancelled in, I think, 1992 or 1993, there will be opportunities to access less expensive power for the north-west.

**Mr Hampton:** So you're talking about a long-term purchase agreement, or what's the nature of it?

**Hon Mr Duncan:** We're not at that stage yet, Howard. We've had three or four meetings now and it would be fair to say that, as we move forward on CETI, Manitoba would share some interest in helping us address the problems of ensuring competitively priced power for northwestern Ontario.

**Mr Hampton:** I want to actually delve into your estimates for a minute. They're basically divided into two parts, as I understand it: ministry administration and energy sector transformation. I'm puzzled: Why would you set it up as ministry administration on the one hand and energy sector transformation? As I see, part of energy sector transformation is policy and programs. Why the distinction here?

**Hon Mr Duncan:** I'm going to let my officials answer that question for you.

**Ms Nancy Whynot:** I'm the director of business and resource planning for the ministry.

Every ministry in the government's budget is set up with one vote, which is ministry administration, which we have also done. It contains the general administration of all ministries, such as the minister's office, the deputy's office and usually business, resource and financial planning, human resources and communications.

The other vote in the ministry is energy sector transformation, which includes the policy branches of the ministry.

**Mr Hampton:** OK. In connection with that, I'm looking at energy sector transformation, and I just want to be sure of this.

**Hon Mr Duncan:** What page, Howard?

**Mr Hampton:** Page 22: vote summary, energy sector transformation. You've got salaries and wages, 44%, is that right, at the top of page 22? So your estimates for 2004-05, and this would be the policy and programs branch of the ministry, is \$5.8 million. Am I reading it right?

**Ms Whynot:** That's the salary budget for the ministry, yes.

**Mr Hampton:** Can you tell me, if that's wages and salaries, how many full-time equivalents does that translate into for the policy and programs side, roughly? I'm not going to mark you on the test.

**Ms Whynot:** It's about 75 staff.

**Mr Hampton:** Of the 75 staff, about how many work on electricity policy and programs?

**Ms Whynot:** I think you—

**Mr Hampton:** Well, you've got natural gas, you've got some other issues over there, but how many work on electricity?

**Ms Whynot:** I'd probably be hard-pressed to give you the exact number, just because it's a dynamic area. I know the directors would probably be able to talk about their individual staff. I would say out of the 75, there are a few who would be admin staff, support staff to the economists etc who are there, but a large portion of those would at some point, I think, work on electricity. Granted, we might have a few who are just nuclear.

**Mr Gillis:** It's a very small ministry and, as you can imagine, there are quite a few things going on. We might normally allocate people to do specifically natural gas or, "You'll do specifically conservation and you'll do specifically other things." It's more or less a team environment. When we have big projects on the go, such as the RFP etc, it's all hands on deck on that, and if we had something else on the go, it would be all hands on deck on something else. So it's very difficult to actually determine how many people are allocated to any one specific area at any one time. It's a little project-based, and we tend to work on many things at many times.

**Mr Hampton:** You must have some folks there whose principal focus is natural gas. You must also have some folks there whose principal focus would be oil, because Ontario has some oil reserves.

**Mr Gillis:** Yes, we do have that. As I said, when we're really busy those people also chip in on electricity policy.

**Mr Hampton:** Let me refine the question: Of the 75 staff there, how many would have as their principal focus the electricity sector and dealing with electricity issues—their principal focus?

**Mr Gillis:** Probably the vast majority.

**Mr Hampton:** Is that 40, 50?

**Mr Gillis:** Yes, I think 40 to 50 is the approximate number.

**The Chair:** Mr Hampton, you have a minute left. I think the minister and the deputy would be more than pleased to furnish you with more of a detailed profile of the staff and complement to the ministry before we reconvene.

**Mr Hampton:** I'd like those details. What I'd also like—

**The Chair:** Within one minute.

**Mr Hampton:** It just seems to me that a lot of the work is being moved to the Ontario Energy Board, the independent market operator—or the Independent Electricity System Operator, whatever you call them now—and the Ontario Power Authority. I wonder if you could provide us with information on what will be the budget, the salary and wages there in those three bodies—the OEB, the OPA and the independent market operator—and the number of personnel working there as well. I assume that information is available.

**Ms Whynot:** I don't have it with me today. I can see what we can get. The energy board is no longer part of the ministry's voted appropriation.

**Mr Hampton:** But they are accountable to the minister, as I understand it.

**Ms Whynot:** We'll work with those agencies to get their current details.

**Mr Hampton:** OK. And you must have some projections for the Ontario Power Authority.

**Hon Mr Duncan:** It's very preliminary at the moment. We did not want to run the risk of being held in contempt of the Legislature by developing these things as though the bill had been passed, but we do have preliminaries.

**The Chair:** Thank you very much, Minister and Mr Hampton.

I wish to inform the committee that there is still at this point one hour remaining to complete the estimates for the Ministry of Energy. Beside me is David McIver, who is the researcher. I've had one request for some research information. If other members wish any of that, please let him know.

**Mr Hampton:** Maybe I could clear that up right now.

**The Chair:** It's fine.

**Mr Hampton:** I asked him a question, and Mr Jennings could probably correct the record in 30 seconds. When I was asking you earlier about—

**The Chair:** Howard, I'm sorry. He'd be more than willing to correct it for you off the record. I'm just simply saying, I'm obligated as Chair to tie things together. If there is no other business, this committee will stand adjourned, and reconvene at 3:30 or after routine proceedings on Tuesday, October 12, to complete the final hour of these estimates. This committee stands adjourned.

*The committee adjourned at 1601.*





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