



ISSN 1181-6465

Legislative Assembly
of Ontario
Second Session, 38th Parliament

Assemblée législative
de l'Ontario
Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Wednesday 16 November 2005

Journal des débats (Hansard)

Mercredi 16 novembre 2005

**Standing committee on
estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie

Chair: Cameron Jackson
Clerk: Trevor Day

Président : Cameron Jackson
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Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 16 November 2005

Mercredi 16 novembre 2005

The committee met at 1541 in room 228.

MINISTRY OF ENERGY

The Chair (Mr. Cameron Jackson): I'd like to call to order the standing committee on estimates. We are here to do the estimates of the Ministry of Energy. We're pleased to welcome the Honourable Donna Cansfield and her ministerial staff.

Before I begin, I want all members to know that there is now a second set of responses that are a year old. This is the second one we've had. The first one was from the Ministry of Education, and this is now from Energy.

Minister, normally I get a little exercised about this because it's very rare that this ever happens, so I won't necessarily put many comments on the record. They are for Mr. Duncan, they're not for you, but your staff is present, and they are either unable to perform these tasks in a timely fashion or they're instructed not to. That is always left to our imagination, unfortunately. But I do want to say that several of the new ministers have provided us responses in a very fast time frame. Ms. Chambers comes to mind, and I'm very pleased to say that because she and her staff performed very well.

At the end of this process today, you will have some questions that will be left open and remaining, and I would hope that you bring a similar kind of stamp to your ministry, as Ms. Chambers has been quite successful with her new ministry.

With those words, I would like to welcome you, Minister. The process is clear. You have up to half an hour to make your presentation, and then we will move to the official opposition, and then the third party. We welcome you. Please proceed. We're in your hands.

Hon. Donna H. Cansfield (Minister of Energy): Thank you, Mr. Chair. I'm pleased to be here. I will endeavour to be as swift as Minister Chambers in responses to any question.

Good afternoon, Mr. Chairman and members of the committee. I am pleased to have the opportunity to present the Ministry of Energy's 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.

Energy, and notably electricity, is an important part of our infrastructure, an important competitive factor in our economy and critical to the quality of life in Ontario. The

energy sector employs 75,000 individuals and is an important contributor to Ontario's GDP.

I'd like to take a moment to recognize the valuable service to this province and to the government of the staff of the Ministry of Energy. With 123 full-time equivalent staff and a budget that represents only 0.03% of total government operating spending, the Ministry of Energy is one of the smallest ministries in the Ontario government. At the same time, our mandate is also one of the government's top priorities.

Both in my former role as parliamentary assistant and today as minister, I continue to be impressed with the quality of work and dedication shown by ministry staff, and I remind committee members that this excellence and volume of work is being undertaken by a ministry with comparatively limited resources.

Several members of the ministry team are here with me today, and I would like to introduce them. They are James Gillis, the deputy minister, Jeanette Dias D'Souza, the assistant deputy minister of consumer and regulatory affairs and corporate services, and Rick Jennings, to my left, the ADM of energy supply. Rosalyn Lawrence is with us as director of consumer and regulatory affairs, and to my right, Tony Rockingham, the ADM of conservation and strategic policy.

I would also like to take this opportunity to acknowledge and thank the Honourable Dwight Duncan for the tremendous leadership he has shown as Minister of Energy until assuming his new role as Minister of Finance. He set in place many of the initiatives that I will speak about today.

Our overall goals haven't changed much since Minister Duncan spoke to this committee last year, but we've made significant progress in all areas. We remain focused on achieving results in five key areas. These are: creating a strong conservation culture among Ontario consumers; eliminating the gap between supply and demand; increasing consumer and investor confidence in our energy sector; aggressively developing renewable energy; and cleaning up our air by replacing coal-fired generation.

In short, our energy plan for Ontario consists of three key components: building new generation capacity, maximizing our existing generation and transmission assets, and creating a culture of conservation. I'm pleased to report to the committee that we are making substantive progress in all of these areas.

But before I outline where we are going in this province, I'd like to start with where we were just a few years

ago. There's no point in mincing words. The fact is that our government inherited this mess in 2003. In the 10 years leading up to the last election, there was no plan for new electricity generation, no plan for energy conservation, no plan to address the growing need for new electricity transmission facilities, no strategy for managing our existing assets, no accountability, transparency or oversight over our crown corporations, and absolutely no leadership whatsoever. Over those 10 years, electricity demand grew by 8.5%, and meanwhile our capacity fell by 6%.

I'll spare you the long version on market opening, price freezes and price caps. The short version is that the previous government flip-flopped 11 times, eventually closing the market. Those ill-advised schemes wound up costing ratepayers and citizens in Ontario \$1 billion.

Unfortunately, the mistakes of the past have left us with an even more significant challenge to meet today's needs. And what about tomorrow? With a growing population and a strong economy, electricity demand will continue to rise every year. Taking into account both our current needs and our growth, over the next 15 years we need to build, refurbish or replace almost 80% of the system. That's almost 25,000 megawatts of installed generating capacity. The good news is that we're well on our way to meeting new challenges. We have achieved a lot in just two years, and we are putting into place a sound plan for the future.

We're building new generation capacity. We're working swiftly to create a safe, diverse, clean and sustainable supply of energy, available at a cost that is reasonable and realistic. In just two years, our government has advanced projects that will provide us with nearly 9,000 megawatts of power by 2010—enough power for four million homes. In fact, there is no other jurisdiction on this continent that will create more new generation capacity than Ontario over the next five years. This is in addition to the more than 2,200 megawatts that have come on-line since October 2003.

We're opening up the energy sector to more wind, more water, more solar and biomass. We're also maximizing our existing major assets. For example, we're investing almost \$1 billion in a new tunnel to supply more water from Niagara Falls to the Adam Beck generating complex. This will add 1.6 billion kilowatt hours of new clean electricity for Ontario by 2009.

1550

As a further step in taking advantage of the impressive hydroelectric resources in Canada, Ontario is taking a leadership role in the development of an east-west electricity transmission grid. This development would reinforce and expand the country's electricity transmission infrastructure and increase Ontario's ability to supply its energy needs through clean, renewable hydroelectric power.

As a tangible step toward this goal, I was in Winnipeg on October 27 representing our province as we signed with Manitoba an agreement that will see that province transfer clean, renewable hydro power to Ontario starting

in 2006, through the clean energy transfer initiative, CETI. As early as 2006, Manitoba will supply 150 megawatts, increasing to 400 megawatts as transmission upgrades are completed in 2009. We are continuing to work with Manitoba concerning a second phase of the initiative, which would create a long-term clean energy transfer of up to 3,000 megawatts through construction of new generating facilities and transmission infrastructure in Manitoba.

To the east, we are working with Hydro-Québec and with Newfoundland and Labrador Hydro. A joint proposal submitted by Hydro-Québec, Ontario and SNC Lavalin was short-listed for the sale of hydroelectric power from the development of 2,824 megawatts on the lower Churchill River in Labrador and associated transmission through Quebec that would allow a transfer of approximately 930 megawatts to Ontario. If this bid is successful, Ontario would also pursue an HVDC link to Quebec, near Ottawa, that would allow the transfer of 1,250 megawatts of power between Quebec and Ontario.

The east-west power grids are important tools in helping Canada take full advantage of its energy resources and in meeting Canada's obligations under the Kyoto accord.

It is important that Ontario ensure a diverse portfolio of generation sources. To this end, we are also refurbishing our nuclear facilities where it makes financial sense to do so. Pickering A unit 1 is back on-line and on schedule, and an agreement has been reached between our government and Bruce Power on the restart of Bruce A units 1 and 2. It is a plan that will see Bruce Power invest \$4.25 billion in Ontario's economy, and which will see the creation of as many as 1,500 or more jobs in a community that is welcoming them.

In building new capacity, we're working hard to open the sector to renewable energy. Our commitment to renewable energy is an important part of our energy future. We have committed to ensuring that 5% of our supply is generated by renewables by 2007 and 10% by 2010, and we are well on our way to exceeding this goal.

Our government sees tremendous potential for alternative forms of energy. In fact, we're creating a brand new renewable energy industry in Ontario. In just two years, our government has created a green energy marketplace for business that will bring almost \$3 billion in new investment to Ontario and thousands of direct and indirect jobs. Through the Ontario Power Authority, there will be more opportunities for businesses in the future as we nurture this rapidly growing industry.

Increasingly, large wind turbine manufacturers are looking at Ontario as a hub for their growing North American operations. In fact, just recently, I had the pleasure of welcoming DMI Industries to our province. Their decision to locate their new wind tower manufacturing facility in Fort Erie is an investment in both the people and the future of Ontario. In making this announcement, DMI cited as a key reason Ontario's very supportive environment for wind energy. That is a statement that can only have been made about this gov-

ernment. Construction at DMI is set to start later this year, with deliveries from the plant to start as soon as next summer. That plant will employ close to 100 people in the first year, with potential for expansion.

In the last few months, we have had groundbreakings for four major Ontario wind farms: Erie Shores, Kingsbridge, Melancthon Grey, and Prince Wind Farms. This summer, I attended the groundbreaking for the Melancthon Grey wind project near Shelburne. At the time of my visit to the Shelburne site, the first seven of the planned 45 turbines had already been erected.

When we came to office only two years ago, there were only 10 wind turbines in Ontario, totalling 15 megawatts of capacity. Today, as a result of our government's first renewable RFP and the responsiveness of the wind industry, Ontario has over 200 turbines and over 300 megawatts of capacity slated for completion over the next year. Wind proposals accounted for five of the first 10 successful renewable energy RFP projects and over 80% of the approved 395 megawatts.

When we include the other five approved water, landfill gas and biogas projects, the first RFP represented a total capital investment in our province of close to \$700 million.

The ministry has also received an overwhelming response to our second RFP for 1,000 megawatts of renewable energy, with 22 proposals totalling over 2,000 megawatts of renewable energy generation, more than double our request for enough energy to power 200,000 homes. We will also be issuing a third request for proposals for up to 200 megawatts of clean, renewable energy for projects under 20 megawatts. Combined, the government's three RFPs will help us meet our target of generating 1,350 megawatts of renewable energy by 2007. The growth of renewables is going to continue.

Wind power is the world's fastest-growing energy source, increasing in excess of 30% annually for the past five years, and it is projected that it will increase fivefold in the next eight years. I want to ensure that Ontario industry takes its place at the forefront of this development.

We are also opening up opportunities for all Ontarians to participate in producing green energy. The government recently finalized a net metering regulation that will allow consumers to connect their renewable energy systems to the grid and reduce their energy costs. Going forward, we will open up the opportunity for small businesses, homeowners and farmers to set up renewable energy systems that can sell clean power to the grid.

We've asked the Ontario Power Authority and the Ontario Energy Board to report back with a standard offer approach that will greatly reduce barriers that prevent the development of small, clean generation projects. Imagine a future where businesses, farmers and communities can take advantage of a whole new revenue stream.

On other fronts, as you know, the McGuinty government made a bold commitment to shutting down the coal-fired generation in Ontario, a decision that we did not

make lightly and to which we are profoundly committed. We closed Lakeview. Three of the four remaining coal-fired generating stations will close by the end of 2007. Seven units at Nanticoke generating station will close through 2008, and the last unit will close in early 2009. That will not change.

1600

Many, many studies have been done over the years which conclude that air pollution has a very negative impact on people's health. These include studies by: Health Canada, the United Nations, the World Health Organization, the Ontario Medical Association and other health organizations, Environment Canada, the city of Toronto, and by our own environment ministry, among many other environmental organizations. The conclusions drawn within these reports have never wavered: the health impacts, the environmental impacts, including air pollution and climate change, are devastating.

Even so, in making our decision to replace coal with cleaner sources of generation, we commissioned an independent study to fully examine the impacts of coal and all of our options going forward. This report clearly demonstrates the relationship between increased air pollution from coal generation and its impact on Ontarians. Based on this work, here are some of the numbers that we all need to consider when we talk about the true costs of coal generation in our province: 668 premature deaths per year; 928 hospital admissions per year; 1,100 emergency room visits per year. The report pegged the annual financial, health and environmental costs of coal-fired power at \$4.4 billion annually, significantly higher than all other electricity generation options, such as gas-fired generation, renewables and nuclear. Recognizing the true costs of coal to our health care system and our environment, there truly is no other responsible choice. That is why we are replacing coal-fired generation with cleaner, greener, affordable energy.

Before I leave the topic of supply, I want to spend a few moments on one fundamental issue regarding our supply of electricity: the future of nuclear energy in Ontario.

We have asked the Ontario Power Authority to develop an integrated 20-year plan to meet Ontario's power needs. That plan will serve as a road map for this government and future governments on the investments that are needed to boost supply and our transmission capacity. As part of the review, we have asked the Ontario Power Authority to seek the best possible advice on the issue of new nuclear power generation, so we can move forward judiciously when it comes to nuclear energy in Ontario. This approach makes a great deal of sense. In fact, one of the first actions that this government took was to take the politics out of electricity pricing and planning, and to put sound decision-making back in.

Moving forward, with Bill 100, we ensured that four independent institutions would be responsible for key aspects of our electricity system. We made the Independent Electricity System Operator, the IESO, more

independent and gave it the responsibility to ensure our system and supply is reliable. We charged the Ontario Energy Board with developing and implementing fair pricing. That took the politics out of electricity pricing.

We created a conservation bureau and gave a newly appointed Chief Energy Conservation Officer a mandate to fully exploit opportunities for conservation and to develop province-wide programs that will help businesses and communities save.

Lastly, we created the Ontario Power Authority. The OPA's mandate is to develop an integrated 20-year plan for conservation, supply and transmission that will ensure we meet Ontario's ever-growing power needs.

We told the OPA to build the plan on the facts, not politics. Through their efforts and those of this government, at last Ontario will have a system and a plan for a sound, sustainable energy future. This is something that hasn't been in place since 1989.

A critical part of ensuring that sustainable energy future is creating a culture of conservation in this province. As parliamentary assistant to the then Minister of Energy, I had the privilege of leading efforts to move forward on conservation. I was pleased to chair the conservation action team and to establish a strong relationship with Ontario's active and committed conservation community. As minister, I can assure you that my own commitment to conservation remains just as strong and that conservation will continue to be a key element in the government's energy plan.

This government has set a goal to reduce Ontario's peak electricity demand by 5% by 2007. We are also committed to showing leadership by reducing consumption in our own operations by 10%. And in two years we've achieved much, including, but not limited to, the following:

- introducing Bill 100, the Electricity Restructuring Act, 2004, which implemented the recommendations of the energy supply and conservation task force;

- enabling Ontario's local electricity distribution companies to invest more than \$160 million for energy conservation measures across Ontario;

- through the Ontario Realty Corp., the ORC, reducing electricity demand in ORC-managed buildings by as much as 7.8%, well within reach of the 10% target by 2007;

- creating a net metering program that allows farmers, small businesses and consumers to reduce their use of electricity from the grid; and

- directing the Ontario Power Authority to carry out three province-wide conservation programs designed to assist Ontarians to make a real difference and to help our most vulnerable people.

These are just some of the energy conservation measures that we have implemented, and we have gone further. Earlier this year, we appointed Ontario's first chief energy conservation officer. Through the conservation bureau, the chief energy conservation officer will develop province-wide programs that will encourage Ontario's homes and businesses to conserve and to save

money. We know that the potential savings are real, and as we move forward, the conservation bureau will spearhead innovative and successful initiatives that will advance the imperative for energy conservation in our province.

These kinds of actions are aimed at removing the barriers to conservation and energy efficiency, and promoting new technologies and new ideas.

Our government doesn't see conservation as a fad of the moment. We see it as a real opportunity to help Ontarians prosper and as a valuable strategy to enhance the competitiveness of our province. That is why I recently introduced the Ontario Energy Conservation Responsibility Act. This bill, which we will be debating in the Legislature this session, sets out the government's plans for the implementation of smart metering in the province and reducing the barriers to conservation that have, often inadvertently, found their way into the law books and contracts of this province.

This bill would also ensure that publicly funded agencies and institutions become partners in energy conservation, and indeed that we can work effectively with the many community and non-governmental organizations that have kept conservation alive in this province in past years.

1610

The Ministry of Energy is committed to moving Ontario forward with a positive strategy and a clear action plan. It is a strategy and an action plan that will keep Ontario's energy sector 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 we will continue to deliver, the real, positive change that will keep Ontario prosperous and healthy.

Mr. Chairman, members of the committee, I thank you, and I look forward to our dialogue and discussion on the ministry's estimates.

The Chair: Thank you very much, Minister. Now I'll recognize Mr. Yakabuski.

Mr. John Yakabuski (Renfrew–Nipissing–Pembroke): I just have a question for you, Chairman. We're going to ask questions, because we don't have a lot of time. It's not an extended hearing like some of the other estimates. So if we ask questions, they are then answered, or we can continue to ask questions and pile them up?

The Chair: Both are correct.

Mr. Yakabuski: OK. We'll learn as we go along. Thank you very much.

The Chair: I will say this. We have another two hours less 10 minutes, so there will be half an hour for you, half an hour for Mr. Hampton. That will consume an hour. Then we'll have half an hour for the minister to respond directly to questions, and then we'll have a very brief

time after that for a few questions. We must be completed today, in accordance with the House schedule and direction.

Mr. Yakabuski: Thank you very much, Mr. Chairman. That certainly helps.

Thank you, Minister, for the depoliticizing of the energy file. Yes, we certainly saw much of that here today.

One question for you is this. You have a commitment to shut down the Lambton generating station through 2007. Knowing government and knowing the world, and knowing all of the problems you're already experiencing in some of your RFPs and some of the contracts that have been given with regard to local problems, municipal opposition to some of your proposals etc., let's just say for the sake of argument that it's possible that you may not be able to fulfill that commitment by the end of 2007.

One thing we do know is that you can't buy coal over at Loblaw's. You can't go over and pick up a load of coal to keep the station running. You have to have long-term contracts in effect not only for the commodity but also to ensure that the shipping lanes are booked, the ports are booked, the freighters are booked and all that kind of stuff. And it has to be an ongoing thing; you can't all of a sudden not have a fuel available for a generating station.

I'm wondering what steps you have taken, contingencies, under the possibility that you don't fulfill that plan. Have you got contracts booked into 2008 to ensure that there will be a continuity of supply if we have no choice but to operate those stations? What have we done to ensure that we will have competent staff still there? Because a lot of these people may be looking for work elsewhere if they know or expect that those stations will be shut down. If you have those steps in place, what is the cost of cancelling them, if you do meet your goals? And if you don't have them in place, what are the expected costs of buying a commodity on an emergency basis to keep that station open?

Hon. Mrs. Cansfield: Mr. Chair, are we accumulating the questions, or does he want them answered one-off?

The Chair: I think he's looking to you for a short answer.

Mr. Yakabuski: I'd like an answer to that one, because I don't know whether we'll get to it in the next two hours.

Hon. Mrs. Cansfield: We are committed to Lambton shutting down in 2007. As you know, it is an aging plant. As to the issue of the steps we're taking, I'm going to ask the ADM of supply, Rick Jennings, to give you the information around the expected costs and others you asked for.

Mr. Rick Jennings: In terms of the issue about contingencies around the shutdown date, Ontario Power Generation has been planning on that basis, so they are looking at flexibility with respect to coal contracting. I guess one of the questions is that if you do contract beyond that point, you can always sell the coal afterwards. It is a commodity that has a market price. You could always buy it in the spot market as well. Ob-

viously, on an ongoing basis, you have ongoing contract commitments, but there are spot options and there is the option to sell some if you have additional. I believe they've also been working in terms of staffing to ensure that there's flexibility for those plants going forward. So there is planning throughout the sector on a contingency basis.

Mr. Yakabuski: But you can't tell us what the costs of those will be?

Mr. Jennings: I don't think they've been firmed up. In fact, they will depend in part on what the actual price of coal is at the time. Coal is obviously not as volatile as natural gas, but can change quite significantly year to year. It has run up recently.

Mr. Yakabuski: So you have nothing in place. You could be sitting in a situation where you have to try to sell coal and take whatever you can get for it at some point.

Mr. Jennings: If you've got a contract for coal and you have to sell it at the market price, you're probably not going to take—you may even make money doing that, depending on timing.

Mr. Yakabuski: Well, you're not going to stockpile it in a non-operating location, so you're going to get rid of it one way or another.

Mr. Jennings: Yes, but they're on the shipping lanes. You can bring the coal in and you can bring it out. There is certainly a need to plan contingencies, and OPG has been doing planning on that. The key issues, as you suggest, are the coal contracting and staff flexibility.

Mr. Yakabuski: We know all plants are aging, Minister, but Lambton has about half of its life left yet, according to OPG's own numbers, so it's not that old.

I have another question with regard to what you've been talking about here in your report on the evils of coal, according to your ministry and your reports. When Minister Duncan spoke to the Empire Club, he indicated that you were not locked in on the basis of ideology, but everything was about emissions. It wasn't that they were against coal; it was emissions.

For all your studies, there are just as many other studies that indicate that coal is not the big problem, that other forms of emissions are a far greater problem in the airshed of Ontario. In fact, the Ministry of the Environment released a study indicating that in Ontario, less than 10% of the total sulphur dioxide and nitrous oxide comes from Ontario, and that shutting down the coal plants could actually increase those emissions if we're buying more power from neighbouring states, which actually cause a much greater problem in our airshed than our own plants here in Ontario.

Something else the minister said was that they must ensure that we have a supply, but that we were not locked in by ideology but the emissions. He was also visited by companies that have invested millions and millions of dollars in developing clean technology for burning coal. Yet your position—or at least the previous minister's, and you seem to be dancing to the same tune—is that you're not in the least interested in exploring whether the

fuel is not the issue, but the emissions, whether we can burn coal cleanly in the province of Ontario, a commodity of which we have an infinite supply. According to standards, a 300-year coal supply would be considered infinite. One that is being used and developed in other jurisdictions is clean coal technology. Are you simply not interested in examining whether we can burn while keeping the air clean? If we're only interested in emissions, will you not pay any interest at all to increasingly improving standards for burning coal cleanly?

1620

Hon. Mrs. Cansfield: Our government remains committed to the closing of the coal-fired plants. I'd like to share with you that the Coal Industry Advisory Board of the International Energy Agency recently published a report that examined the role of coal in sustainable development. Clean coal technology encompasses both removing the carbon dioxide emissions from fossil fuels and the incremental reduction of emissions through improved combustion efficiencies. The group concluded that the short to medium term could only encompass investments in technology to somewhat improve the efficiency of coal-fired generation and that "Proven cost-effective means for removing and sequestering most of the CO₂ emissions from coal-based power plants do not currently exist." In fact, the technologies for CO₂ capture can be divided into three categories.

The CO₂ captured before combustion has both higher costs and lower efficiency, meaning that more coal must be burned to produce the same amount of power. Demonstration plants have been government-subsidized, and industrial-scale demonstration is needed to prove to some satisfaction its application. CO₂ can be captured after concentration in flue gas. Oxyfuel technology is still a theoretical model. A laboratory plant-scale demonstration has not yet been done. For CO₂ captured after combustion, the technology is expensive and suffers from significant efficiency losses. The environmental impacts specific to coal need to be assessed.

Mr. Yakabuski: Excuse me, Mr. Chair, can I ask for answers, as opposed to—

The Chair: This is a bit awkward, but let me just try and explain. If the question is rather general, then I will allow more latitude. If it's a very specific question, like seeking a number, then I will not—

Mr. Yakabuski: It is very specific. I'm asking, will you—

The Chair: Do not interrupt the Chair. Cut off his mike. Thank you.

I'm explaining to you to help you, but we both can't talk. If it's a short answer, then I will cut off the minister, but if you feel the answers are too long, I will ask the minister to tighten them up.

Mr. Yakabuski, you have the floor.

Mr. Yakabuski: I ask for a short answer. There is all kinds of documentation on either side, Minister. Some like it, some don't. You happen to prefer the studies that don't like it because it fits with your political interests. If it can be shown that clean coal technology is available

and working in other jurisdictions, will you look at it or will you not look at it?

Hon. Mrs. Cansfield: I'm trying to indicate—the question that was asked was really around the emissions, dealing with clean coal, and I'm trying to respond. I guess the question I need to ask is whether the member is for the shutdown of coal or not, because that was certainly a commitment that was made by his government.

The issue around emissions: Over \$4.8 billion was spent by the United States over a 15-year span to deal with CO₂ emissions, and nothing has been accomplished. In fact, they spent \$297 million on an Alaskan plant that is currently shut down. There is no clean coal at this point. If, in the future—and the study done by the coal advisory board is saying in the long term. Obviously, you look at all technologies, but there is nothing in the short to medium term, and to me, that's the next 20 years.

Mr. Yakabuski: We have studies that show that a company has brought forward a process that removes 98% of the SO_x and 96% of the NO_x, and their studies are verified and approved by the US Department of Energy as well as Environment Canada. I would suggest that maybe you do take a closer look at what is available out there with regard to that.

Your answer is exactly what I would have expected: You're not interested in exploring options. You are locked in on the ideology of coal and not clean air.

Hon. Mrs. Cansfield: Mr. Chair, if I may, the emissions that come from—

Mr. Yakabuski: That wasn't a question.

Hon. Mrs. Cansfield: I'm still speaking to the emissions. The emissions that come from coal are not only SO_x and NO_x but CO₂, and it was to the CO₂ in particular. There is obviously an opportunity to use scrubbers, and they will to some extent clean up the SO_x and NO_x, but at this point in time there is no technology that will deal with the CO₂, and they are emissions as well.

As a matter of fact, when you look at the emissions from all of the coal-fired stations, when you look at the carbon dioxide, you deal with everything from 996,000 tonnes from Atikokan to 19,737,000 tonnes from Nanticoke, 9,499,000 tonnes from Lambton, and the city of Thunder Bay is 1.5 million tonnes. So even with the sulphur—and I can give you those figures as well, if you would like. If you'd like to have additional information on the clean coal technology, I can certainly ask my ADM to—

Mr. Yakabuski: Mr. Chairman, I'd like to use my time. I'd say the question has been answered.

The Chair: Thank you.

Mr. Yakabuski: Minister, you're talking about your deadlines and timelines and new power generation on-line. This year, you announced that the 280-megawatt Greenfield North Power project in Mississauga would not proceed, that the 570-megawatt Invenergy project in Sarnia was refused rezoning, and now the city of Thunder Bay is calling for a full environmental assessment on the natural gas pipeline for the conversion of 310

megawatts in Thunder Bay. Can you explain how these projects are proceeding, how far they're behind time, and how we expect to meet our timelines if we continue to get these types of delays?

Hon. Mrs. Cansfield: Thank you for the question. I can let you know that as of this date, we have 2,769 megawatts that have come on since October 2003. That's Bruce A unit 4 and Bruce A unit 3, Imperial Oil, Brighton Beach, Northland Power, Eastview Landfill gas site. Pickering A unit 1 returned to service as well. That's a total of 2,769. By the end of 2005, we will have the GTAA cogen that will be on-line, Glen Miller hydro will be on-line, and the Kingsbridge wind will be on-line for an additional 138 megawatts. Expected in 2006, and we are through this process, we have the Melancthon Grey wind, of which the 45 turbine—

Mr. Yakubuski: Mr. Chair, I asked on a couple of specifics there.

The Chair: Fair enough, but you asked for—perhaps if I can be helpful, you might put on the record that you'd like this information. If the minister can offer a brief response, fine, but failing that, if we could get a detailed response to that question. I have to let the minister have sufficient time to answer such a broad question.

Mr. Yakubuski: Well, the question dealt with three specific projects.

The Chair: Fair enough, and she was getting to that. If she's not prepared to get to that, then she'll take it under advisement and she'll give us a more detailed response. Can you give us a specific—

Hon. Mrs. Cansfield: Absolutely, Mr. Chair.

The Chair: Thank you.

Hon. Mrs. Cansfield: I'm sorry. My understanding was that the question was asked about how we were going to deal with those, and I was providing that information in terms of the supply that would come on-line.

In fact, the decision by the OPA and Eastern Power not to proceed in terms of Greenfield North does not impact our plan to phase coal-fired generation. This was a decision taken by the Ontario Power Authority. If you have additional questions, obviously they could be directed to them, since they were the ones who went through the process.

I was in Sarnia recently. It's a wonderful place. I know Invenegy is examining several options, including alternative sites at this time that do not require zoning change, and they're actually also appealing the decision to the Ontario Municipal Board. But I'm quite happy to go through and tell you about the projects that are on line to compensate for those in the interim, and if you would like me to, I will continue, or I could provide this—

Mr. Yakubuski: I'll ask you a couple of other questions instead. How's that? It might actually get to that.

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Eastern Power had a couple of contracts up in Mississauga; it was the winning party on a couple of RFPs. One of them was the one that was cancelled, and

another one is currently experiencing difficulties, we'll say. You awarded a contract to Sithe power; that's probably one of the alternatives that you might be talking about.

When we heard about the announcement on the Bruce Power deal, a \$4.25-billion deal, we were also told about the details of that deal. They were released at the same time; they're available to the public. Because the supply and the price of power are obviously of great concern to people, those details were important. Now, we have no details as to what kind of contracts have been signed with Sithe in Mississauga or Calpine in the Lambton area with regard to what we can expect to pay for the price of power under the completion of those projects, what kind of escalator clauses might be involved if the price of natural gas rises dramatically, and what responsibilities we can hold these companies to, if the price of natural gas becomes so high that they don't feel it's economical to run these plants, such as the TransAlta installation, which they don't even feel is worth running at most times. Why do we not have the same—no, I'm going to make the question direct: Will you release the terms of those contracts so that the people have the right to examine them the same way that they can examine the contracts with Bruce Power?

Hon. Mrs. Cansfield: All of the contracts that have been signed through the RFP process are public, and I could ask Mr. Jennings to give you more information.

Mr. Jennings: The projects—the Calpine project, the Invenegy project, the Greenfield South project—were all the product of a competitive request-for-proposals process. As part of that process, the request for proposals was put on the Web site. The standard contract was put on the Web site. All of the parties ended up having to sign a contract as put up on the Web site, absent their particular price they've put in. So all of it is public.

In terms of the way those contracts work, the proponent receives a fixed support payment, based on what they offered in as part of the bid. In terms of the natural gas or their fuelling costs, they will run when it is economic in the market. So when the price of electricity makes it feasible for them to run, they will run, and they won't run otherwise. If the question is—they will run when the power is needed, and they basically won't when it isn't needed.

Mr. Yakubuski: The Sithe project was not part of an RFP process, correct?

Mr. Jennings: That particular project was in fact the next-lowest-cost project in the queue that was picked on the 2,500 RFP. A point about that project in terms of the specific reliability requirements is that the Independent System Operator identified that there was a need to relieve the constraint and bring the power into Toronto. Toronto gets all its power from two points, basically the east at Cherrywood, and west at Claireville. This generation is particularly poised to relieve congestion on the system during the peak summer period, so there was a requirement to move on that to have some in service by 2007.

Mr. Yakubuski: So the reason for moving was the necessity? Or is it standard procedure that if the winning bid on an RFP process is clearly failing on its side of the bargain or whatever—clearly it wasn't happening with the winning bid. So do you automatically jump to the—is that what's standard procedure?

Mr. Jennings: When the RFP process was designed, there was an identification that there was a requirement for generation in the west greater Toronto area, so that was given a priority weighting, a bonus, in effect, of 5%. As it turned out, based on the bids, I guess that wasn't a sufficient enough bonus, if you were going to require that for liability purposes. It was the first RFP that was done, and maybe there is more evidence from it.

But the need to advance some generation in that area was based also, in part, on the weather this summer. It was very hot this summer. It was clearly demonstrated that there were constraints around that transformer station and that there was a requirement to bring in generation as early as 2007.

Mr. Yakubuski: We know the generation supply is clearly a problem. We were very supportive in dealing with trying to bring new supply on-line. One of our concerns is that because of your ideology with regard to supply and what must be taken out of supply, you're desperate, and that can lead to bad decisions, can lead to a process where you're not getting the best deal, so to speak. It becomes a seller's market if the customer is in trouble. That's one of our big concerns. The people have to be assured that they're getting a fair deal. Ultimately, they're the ones who are going to be paying the price of power, whether it's directly through residential power or the price they pay for commodities produced by manufacturers in the province. The people pay the price.

That is one of our big concerns. That's why we ask some of these questions, because we have some real issues with regard to the details of these contracts. If they're public, we will certainly be looking for the same kind of details that are released with regard to the contract to refurbish units 1 and 2 at Bruce A. As to the jumping of the queue with regard to the RFP process, you've given us an explanation; the people will have to decide if that's the way it should be done, or if there should have been an opportunity for companies 2, 3 and 4 to submit new bids if this was a replacement or second-choice type of thing. That's something we definitely have concerns about.

I also want to ask you about smart meters. You were talking about smart meters in your speech today, Minister. I know the full decisions haven't been made with regard to what smart meters you're buying, is that correct? Just a short answer, yes or no.

Hon. Mrs. Cansfield: That's correct.

Mr. Yakubuski: Thank you. We're getting a lot of feedback from people about smart meters and the system you've set up for May to October—at least, you've put a pricing regime in place for May to October of next year for those people who are on a time metering system. The position we get repeated—I don't think you titled

yourself that, but you certainly became known as the queen of conservation. Congratulations. But the smart meters themselves are not going to conserve energy; they're simply going to shift the time of day that the energy is consumed. That's the best information we have. Do you have other information? Can you tell us that those people are correct or incorrect?

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Hon. Mrs. Cansfield: It's going to be a combination. Certainly with time of use, you have smart meters and smart people making smart choices. Also, we do have information, through pilots that have been happening across this province, that in fact with smart metering, people are making the correct choices around their energy usage and are reducing their energy usage, which is reducing their bill and ultimately helping us in terms of kilowatt hours that are saved. It's a bit of both. We had an estimate done by an independent consultant, and the analysis was that smart metering will be a cost-effective initiative, that given the magnitude of this, it's going to be a total benefit of \$1.57 billion. The important part here is to be able—

Mr. Yakubuski: Over how long, Minister?

Hon. Mrs. Cansfield: Over the total installation of the meters to 2010, when they will all go in.

We have been working very closely with the local utilities, the local distribution companies, a significant number of them. There's a group called the Ontario Utilities Smart Meter working group, OUSM for short, which is all the utilities that hired their own independent consultant to work with and look at the technologies. We have places such as Chatham-Kent, that has been working with Tantalus, and Niagara, actually using the same meter but changing the technology of the meter. I don't know if you know, but in that particular instance, Niagara actually is a Measurement Canada place for meters, because they have to go through this process all the time.

There is certainly a huge range of benefits to smart metering. They measure and collect energy usage information and supportive billing of customers, and they do this at critical peak times. There is no question that the collection of this information helps. We do have substantive information that shows the smart metering pilots are making a difference. We are collecting that data. We are working very closely with the actual local distribution companies in terms of the asset management of those meters. We can look at supporting remote disconnect and connect and load control through those meters. We can support the prepay meters, which, if you've been to Woodstock, are the pay-as-you-go meters. We can improve the power quality. We can improve the system reliability. We can avoid distribution costs. We can reduce the cost of energy procurement. We can lower regional energy costs. We can have avoided transmission investment.

The Chair: Minister, you can complete that in your 30-minute segment.

Hon. Mrs. Cansfield: Those are just some of the benefits of smart metering.

The Chair: I have to move to Mr. Hampton.

Mr. Howard Hampton (Kenora–Rainy River): Thank you. I too have some questions I want to ask. Minister, the other day in the Legislature I asked you a question, and I was really confused when you said, as part of your response, “When I was doing my reading, a little bit of homework, this was the government that ... purchased land in Costa Rica for a rain forest.” I asked you about that. I’m going to ask you again, since you made this statement, can you tell us when this so-called rain forest was purchased in Costa Rica? Was it the old Ontario Hydro? Was it Ontario Power Generation? Was it Hydro One? Was it the Ministry of Energy? Was it some other arm of the Ontario government? Basically, I want to know when was it purchased, where in Costa Rica was it purchased, and through what arm or agency or department of the Ontario government was it purchased? Do you have any answers?

Hon. Mrs. Cansfield: I guess I could go to “Bungle in the Jungle,” an article in the Toronto Star on Sunday, May 29, 1994, in the Analysis, Commentary and World Report section, that actually has the headline, “Why Does Hydro Want to Buy a Costa Rican Jungle?” Certainly, that will give you some of the information. They were contemplating the purchase of 12,509 hectares of jungle in Costa Rica. It was next to the Corcovado Park, and it was worth somewhere between \$10 million and \$12 million. It was actually Energy Minister Bud Wildman who told Mr. Stockwell at the time that he had no idea why Hydro wanted to buy this Costa Rican jungle but that he would find out.

Later, he did tell a reporter that David Hopper, the head of Hydro’s international operations, really knew nothing about it, but it appeared that Mr. Strong did. As you know, Mr. Strong had been given free rein by the government of the day, which I believe was the NDP government. If Hydro was run by the NDP government, while the notion may be absurd, they indicated it certainly was not impossible for this to go forward.

I think what happened is that when Costa Rica’s new president came to Ottawa on an unofficial visit, it made certain sense that he speak to Strong on Hydro, because, as a matter of fact, those arrangements had been made and the deal was to be signed. I guess maybe Mr. Wildman determined that it wasn’t in the best interests of the people of Ontario. But there was no question, according to this article, that it had been just a matter of putting pen to paper before.

Mr. Hampton: So what you’re saying is that in fact no purchase was ever made?

Hon. Mrs. Cansfield: As far as I can tell you from this particular article I read, the contemplation was there, and that’s sufficient for me.

Mr. Hampton: I’m going to ask the question again: Was any purchase made? You’ve asserted that a purchase was made. Was any purchase made, Minister?

Hon. Mrs. Cansfield: As far as this article goes, it indicates that in fact it was pen to paper, and it was just a matter of this taking place.

Mr. Hampton: Chair, I’d like to ask a question of legislative research: You’ve heard the questions I’ve asked. The minister either doesn’t want to answer or doesn’t want to admit that she gave incorrect information in the House. So I’m asking legislative research to research this information, and maybe you could help the minister out and provide her with some factual information.

My next question, Minister, is what has been the average weighted spot price since the McGuinty government announced your so-called hybrid system? The system kicked in last spring. What’s the average weighted spot price for hydroelectricity since the system kicked in last spring? If you don’t have the answer at hand, I’ll take the information later.

Hon. Mrs. Cansfield: No, we have the answer. Mr. Jennings can give it to you. He’s in charge of supply.

Mr. Jennings: I don’t have on hand exactly those months. You’re talking about from spring 2004?

Mr. Hampton: Since the hybrid system kicked in last spring. You know when the system kicked in, or you should know.

Mr. Jennings: Since the beginning of May this year, the average weighted price is 8.1 cents a kilowatt hour. Just to explain, that’s the market price. There is an adjustment monthly that reflects that about 40% of that generation is regulated—

Mr. Hampton: Sorry, I’m asking the average weighted spot price. I’m asking something very specific, and I want a specific answer. What’s the average weighted spot price?

Mr. Jennings: The average weighted spot price was 8.1 cents.

Mr. Hampton: Thank you. Month by month, what have the average prices been: May, June, July, August, September?

Mr. Jennings: The May weighted spot price was 5.47 cents, June 7.12 cents, July 8.2 cents, August 9.5 cents, September 10.2 cents, October 8 cents, and November 6.5 cents.

Mr. Hampton: The September and October spot prices strike me as being exceptionally high for what are supposed to be low-demand months. What factors led to such high prices in what are supposed to be low-demand months and, as far as we understand, were low-demand months?

Mr. Jennings: A factor in September and October is where there’s a lot of maintenance of plants, and the plants had run quite heavily over the summer because of the high demand.

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Mr. Hampton: What plants?

Mr. Jennings: Fossil plants and, to a lesser extent, the nuclear plants. As to the hydroelectric plants, because it was a dry year and they had again been running in the summer, there was less hydroelectric available, which

tends to dampen the price. So it's those two conditions: the supply and the availability. September and October is traditionally when there is maintenance, and because it was a dry summer, you had less hydroelectric available.

Mr. Hampton: It strikes me that of the factors you've mentioned that led to such high prices in low-demand months, I don't see anything unusual here. Sometimes there are going to be low water levels; you've got to expect that.

Mr. Jennings: Yes, and that does vary. The other major factor that happened in September, in the fall, is of course the gas prices after Hurricane Katrina, which had a major impact.

Mr. Hampton: So you're saying natural gas prices were high?

Mr. Jennings: That's another factor, yes.

Mr. Hampton: It seems to me that, from time to time, you will have to shut down thermal stations to restore them. From time to time you will have to shut down nuclear facilities. It looks as if natural gas is fairly hefty. I guess what I'm asking is, since all of these things seem to be general trends, what is going to change in the near future to bring down the spot price of electricity? Anything?

Mr. Jennings: The mechanism that is there is that about 70% of the generation is either at a regulated price, which averages 4.5 cents, or is subject to a revenue cap, which is currently set at 4.7 cents. So for that 8.1 market price, taking account of those adjustments, customers are paying about 5.6 cents.

Mr. Hampton: Again, I am asking you about the spot price. It seems to me that what you've got—to go back to May, it's 5.47; June 7.12; July 8.2; August 9.5; September 10.2; October 8 cents. It seems to me that those spot prices are pretty high, and I don't see anything changing. I don't see, for example, that you're suddenly going to get torrents of water that are going to allow you to reduce the spot price through greater utilization of hydro. You might get some greater utilization of hydro, but not huge amounts. I don't see the maintenance costs of thermal stations suddenly turning around and diminishing. I don't see the maintenance costs of nuclear facilities and the maintenance times required to suddenly diminish. I don't see natural gas taking a substantial reduction in price. What is there, that you can see, that would reduce those very high average weighted spot electricity prices?

Mr. Jennings: What helps to stabilize the price that consumers pay is that there are regulated assets of Ontario Power Generation, the nuclear and baseload hydro, and a revenue cap on the other assets of Ontario Power Generation, which means that, in total, 70% of the generation is on a stable basis, and this helps reduce the volatility that the actual end customer has to pay.

Mr. Hampton: Well, there are lots out there who would have a hard time buying that, but we'll leave that for now.

The first six months of the year, which include both low- and high-demand months, came in at eight cents a kilowatt hour, right? I think that's what you just told me?

Mr. Jennings: Yes.

Mr. Hampton: What is your best estimate for the new regulated price that comes into effect on April 1, 2006? It's now five cents a kilowatt hour for the first 750 kilowatt hours and 5.8 cents per kilowatt hour for everything over that. What do you think it's going to come in at on April 1, 2006, based upon what you see happening to that average weighted spot price? Do you have any estimates?

Mr. Jennings: First of all, that will obviously be a decision made by the Ontario Energy Board, but those two prices take into account the regulated price and the revenue cap. They actually take into account the weighted price. It would be their estimate of the spot price but reduced by these stabilization factors, so it could be substantially below their outlook for the spot price.

Mr. Hampton: There are six months left in this electricity year, if I can refer to it that way, but here's your situation: There are very high spot prices there, and spot prices didn't go down in September and October, as they were supposed to; it doesn't appear that they've even gone down much in November. Based upon what you're seeing this year, you must be able to make some estimate, some thoughtful policy estimate, as to what the regulated price might be come April 2006.

Mr. Jennings: Just the observation that even with that spot price, with these adjustments—the regulated assets and the revenue cap—that would bring that 8.1 cents down to less than 6 cents, 5.6 cents. Those will be factors that the OEB would take into account.

Mr. Hampton: So you're saying that you think the base price for the first 750 kilowatt hours will be 5.6 cents?

Mr. Jennings: The OEB is going to be setting the price. They'll be taking all those factors into account. They will have their own outlook for the spot price and they will have their own outlook for what those adjustments will be worth next year.

Mr. Hampton: But as the policy person that we look to in Ontario to give us some guidance, you don't have any estimate? You don't have any sense of this at this point in time?

Hon. Mrs. Cansfield: If I may, it's the Ontario Energy Board that has been charged with the responsibility to determine the prices; it is not the policy person within the Ministry of Energy.

Mr. Hampton: So you have no advice, no thoughts?

Hon. Mrs. Cansfield: Again, if the Ontario Energy Board, in its deliberations, wishes to speak to the staff, they're more than welcome to. I'm sure they will hold hearings, as they are obliged to do, and they will get a great deal of success.

The Chair: I might even add further that when I was the energy critic, I actually had the energy board come forward as a request. Unfortunately, we don't have the time to do that, but it is the right of a member to do that.

Mr. Hampton: Yes. I think we'll have an opportunity to do something around that.

My understanding is that large power users pay the market rate and then they receive a rebate on the market rate. Is that correct?

Mr. Jennings: They get a monthly adjustment for the regulated price. The regulation as it is set now is that as of April 30 they will receive a rebate for the previous 13 months.

Mr. Hampton: OK. What have those major power users been telling you about the price they're paying? For example, what have people in the pulp and paper industry been saying to the Ministry of Energy about the price they're paying?

Hon. Mrs. Cansfield: Certainly they have identified that energy costs are a contributing factor. Today there was an announcement put out by the plant in Dryden in which they actually identified a number of factors: the Canadian dollar, the oversupply in the industry, the lack of supply and demand. There are a number of contributing factors to the decisions they make.

Mr. Hampton: I also know that the first thing they cited in the press release was the cost of energy.

My understanding is that the major power users are paying an average of about 6.5 cents per kilowatt hour since April 1, and that's after rebates, some of which they haven't received yet. Many of these companies, whether they be pulp and paper, steel, some of the auto parts sector or some of the chemical industries, are the backbone of the Ontario economy. They provide literally hundreds of thousands of jobs, and in dozens and dozens of communities across this province they are the economic activity. What are they telling you about the price they're now paying? Do they think that price is OK? Do they think it's too high? Do they think it's sustainable to them? Or are they saying it will put them out of business?

1700

Hon. Mrs. Cansfield: We've had a number of discussions, ongoing discussions. I myself was up in Kenora to speak to Abitibi paper. I will also go on to cite what you said earlier about the Weyerhaeuser vice-president, who indicated that in the face of rising costs, the rapidly appreciating Canadian dollar, declining demand for fine papers and industrial oversupply—

Mr. Hampton: What's the first thing at the beginning of the paragraph?

Hon. Mrs. Cansfield: I didn't disagree. I said they were all contributing factors, but the fact of the matter remains that they are closing plants in Newfoundland and in other provinces, in BC, where in fact the energy prices are extremely low.

Mr. Hampton: What plants did they shut down in BC?

Hon. Mrs. Cansfield: I'll have to get that information for you. We'll get it for you in just a second.

What we've made a commitment to do is to work with that sector. As you know, \$680 million have been put forward by the Minister of Natural Resources. We have supply for 1,000 megawatts of cogeneration.

The recent examples for BC are Abitibi-Consolidated Port-Alfred paper mill. It has closed.

Mr. Hampton: When was that shut down?

Hon. Mrs. Cansfield: This is January—sorry, I've got the wrong one here. It's the Norske Canada paper mill in Port Alberni, BC, 2005, permanent shutdown of one of its paper machines. It's looking at shutting down other parts of mills in the province. And this was in 2004: There's another one, the Port Alice Speciality Cellulose, Port Alice pulp mill, in BC. The mill ceased operations in October 2004 due to high—

Mr. Hampton: You're aware that's the mill that's reopening.

Hon. Mrs. Cansfield: I'm just saying that there are others that have shut down. As I've said, there are places even where the electricity prices are low. It's part of the challenge within the industry. So our commitment is to work with them. The Minister of Natural Resources has committed the \$680 million in loans.

One of the other things we're doing is to work the issue around the cogen, which I identified was 1,000 megawatts, and actually having those one-one-one discussions with these firms to see what we can do. Interestingly enough, they also recognize their challenges. When I was up at Abitibi, they had actually built the plant with cogen in mind, and the empty room was there for this to go forward. It wasn't worth their while, they said earlier. It certainly is worth their while now to look at these initiatives.

What's important is how we work together to resolve the challenges that face many industries in this province. At the same time, I also indicated that we've put \$700 million into renewable energies and \$3 billion into other forms of energy that will be coming into this province, through direct and indirect jobs.

Mr. Hampton: I'll repeat my question again: What are the large power users, the kind of folks who belong to the Association of Major Power Consumers of Ontario, telling you about the impact of electricity prices on their operations and their future operations? What are they telling you?

Hon. Mrs. Cansfield: I'll repeat. As I said, when I went up to Abitibi, as an example, they cited the fact that there is a change in the native supply and demand in their paper. There is a challenge with how they do their work. In fact, that particular plant had taken it upon themselves to look at what they could do in terms of energy efficiencies, without even their head office directive around energy efficiencies in the plant, because they recognized that they did not want to end up needing a shutdown.

Mr. Hampton: The question was about electricity prices. What are they telling you about electricity prices and their operations and their potential for shutdowns?

Hon. Mrs. Cansfield: I would suspect what they told the Progressive Conservative government for years and what they told the NDP government for years, certainly what they've been telling us, is that prices are too high. They're always too high. The fact of the matter is that our issue is that we're committed to work with those industries to see what we can do by working together to make a difference for the people of Ontario.

It isn't just an issue of high prices. There are many factors that contribute as to why plants change their direction in terms of their own strategies.

Mr. Hampton: Well, organizations such as the Association of Major Power Consumers of Ontario told your government in the summer of 2004—they looked at your government's electricity policy. They said that between the summer of 2004 and 2008—that's three years; now it's three years—hydro prices would likely go up over 50%, according to your electricity policy. Does that sound right?

Hon. Mrs. Cansfield: From their perspective, but certainly not from ours.

I'd like to go back to 1990-95. There were 14 mills that actually closed in Ontario. From—

Mr. Hampton: Shall we name those mills?

Hon. Mrs. Cansfield: Yes, I can, actually. Give me one second. I'd like to name all the mills that were closed: Field Lumber—

Mr. Hampton: Field Lumber burned down.

Hon. Mrs. Cansfield: Excuse me.

Mr. Hampton: It burned down.

Hon. Mrs. Cansfield: Mr. Chair, may I respond?

The Chair: Mr. Hampton, you've asked her for a list. She's going to give you a list. You seem to be aware of it, so just let her finish.

Mr. Hampton: All right.

Hon. Mrs. Cansfield: This is a summary of mill closures in Ontario from 1990 to 1995:

—Field Lumber (Brun): The location in Field, with 25 employees, was in the saw sector. The year of closure was 1991.

—Odorizzi Lumber: Located in Golden Valley, the number of employees was 30, and the sector was saw as well. It closed in 1991.

—Abitibi-Price: The location was Thunder Bay, the number of employees 140, and the sector was pulp. It closed in 1992.

—Custom Sawmill in Hearst: employed 200 in saw. It closed in 1992.

—Giroux and Vezina in Field: employed 15 people in saw. It closed in 1992.

—Stone Consolidated Inc. in Braeside: The number of employees was 100; it was saw. It closed in 1992.

—724583 Ontario Ltd. (H. Shaw Egan) in Eganville: 30 people, in saw. It closed in 1992.

—Faragher Lumber in Fort Frances: employed 10, was saw—1993.

—Felix Goretski, in Sioux Lookout: five folks, saw. It closed in 1993.

—Jamot Lumber Co. Ltd. in Paksley: employed 20 people, was saw—1993.

—Eddy Match Co. Ltd. in Pembroke: employed 100, veneer—1993.

—J. H. Poulin, in Wawa: It was saw. It closed in 1994.

—Hampel-Gibson, in North Bay: 15 people, was saw. It closed in 1995.

—Cooney Brothers, in the Bancroft area: The number of employees was 10; the sector was saw. It closed in 1995.

Those are the total of the summary. Would you like the source—

The Chair: Thank you. Mr. Hampton?

Mr. Hampton: That's interesting, and I hope you'll repeat that everywhere you go.

AMPCO has said that, from their projections, the electricity rates their members pay are going to go up 50%. They also estimated that price increases of this magnitude would reduce the Ontario GDP by 1.4%, and they believe it would mean the loss of 140,000 jobs, particularly concentrated in forest products, steel, auto-related—some auto parts and castings—and smelting. Are you hearing anything like that from these industry groups?

Hon. Mrs. Cansfield: We meet on a regular basis with a number of stakeholders. Within the conservation action team, I think we met with over 300. When I was the parliamentary assistant, I participated in my own meetings with all of these folks, along with those briefings that were there with the Minister of Energy. We would listen to their concerns and identify their challenges. Some had more challenges than others.

If you go back to when these mills were closed—and I can quote here from Mr. Bisson that yes, there are other issues out there. In fact, I'm not going to stand here and say it's only electricity, because we know it's partly the American dollar being low and it's partly the regulations.

As I said earlier, the challenge is how we work together. We have made a decision around cogeneration, which is the first. As a matter of fact, we're actually looking at trigeneration. There is the forestry prosperity fund in the forest sector, and also with conservation, and we have worked with the Ontario Power Authority procurement to help industry develop the cogen, as I indicated, and conservation. So we're working very closely and have met with these people, and continue to meet. The door is open. As I say, whenever they wish to have an opportunity to come in and talk to us, we encourage that, because our issue is that we want to work with them to try and solve the challenges they face.

1710

Mr. Hampton: Over the next few years, a lot more of Ontario's electricity is going to be produced by gas-fired plants. Is that correct, Minister?

Hon. Mrs. Cansfield: There will be a percentage that will be produced, because through the Ontario Power Authority and its procurement process, the RFP, we're putting in—

Mr. Hampton: Do you know what the percentage is likely to be?

Hon. Mrs. Cansfield: I was going to say that part of our challenge is that we've also asked the Ontario Power Authority to bring forth what's called an integrated plan in terms of how we move forward on it, and on a mixed fuel supply as well.

Mr. Hampton: Do you know what the percentage of natural gas is likely to be?

Hon. Mrs. Cansfield: No, because it will depend on a number of factors. It will depend, first of all, on what they see as the mixed fuel supply for the province coming forward, and that report is due sometime in December. Also, as an independent power authority with responsibility for supply and procurement, they've been asked to put forward a 20-year supply integrated plan for this province. I'll be able to let you know that when all of that comes together.

In the interim, some plants have been put in place. I can actually read all of them, if you like. They tell you what's—

Mr. Hampton: I'm just interested in what the percentage looks like.

Hon. Mrs. Cansfield: As I said, I can't give you that percentage at this time.

Mr. Hampton: That's fine.

Natural gas prices have increased by 135% over the past three years, and they are expected to continue to rise over the next few years. Tom Adams at Energy Probe, someone I don't always agree with, estimates that coal-fired power can currently be produced at about 3.5 cents a kilowatt hour, that even coal-fired generators brought up to the highest emissions standards that now exist in North America could generate at five cents a kilowatt hour. Adams also estimates that gas-fired plants, which you're signing with, for example, Calpine and Sithe Energy and Eastern, will produce at about 11 cents a kilowatt hour. Does that sound correct? Does that sound like a ballpark figure?

Mr. Jennings: Currently, in the aftermath of Katrina, you can get prices that high. In terms of the long-term outlook, it is expected that they will come down.

Mr. Hampton: I've heard that before. But I'm asking you, are his figures essentially correct? He says 3.5 cents a kilowatt hour for coal-fired generators as they exist now; he says about five cents a kilowatt hour for the highest emission standards that you now have in North America for coal; then he says about 11 cents a kilowatt hour for gas-fired plants.

Mr. Jennings: The coal-fired plants: I've seen estimates that are somewhat higher than that but within that ballpark. I've seen estimates of a cent higher for both. In terms of the gas-fired, it will depend very much on what the actual gas price is. The power plants that were contracted under the 2,500-megawatt RFP: We did modelling in terms of assessing those based on if they had been operating in the two years prior to then. The estimated average cost would have been 7.8 cents, all-in costs for the plant.

Mr. Hampton: So you think his 11 cents is too high?

Mr. Jennings: I think that reflects the very high run-up in prices that was the immediate aftermath of Hurricane Katrina. The expectation everywhere, if you look at forward contract prices, is for that to come down.

Mr. Hampton: How far would you say it's going to come down?

Mr. Jennings: Not in the cents per kilowatt hour, but the current US price, I think the price today in the Henry Hub, Louisiana, is US\$9 per million BTU. The expectation is that that would come down to \$7 or lower as that effect works off, what happened with the hurricane.

Mr. Hampton: What do you think that means for natural-gas-generated electricity in Ontario?

Mr. Jennings: If it's a US\$7 price, that would probably be in the range of the eight cents per kilowatt hour. That's including the capital costs and fixed operating costs, administration.

The Chair: One final question, Mr. Hampton.

Mr. Hampton: The reason I ask that is because I've spoken with a couple of paper mills that are operating natural gas cogens right now. They would get higher efficiency out of a natural gas cogen than out of a plant that simply burns cogen for electricity. They're saying to me, "We can't afford to run a natural gas cogen any more."

Mr. Jennings: Those plants aren't necessarily combined cycle, which is both the gas turbines and the steam turbines.

Mr. Hampton: These are fairly modern and combined cycle. They also use the waste heat to generate steam; they use the steam to dry the paper. So they'd be fairly efficient in terms of the conversion of natural gas energy into a usable product. They're saying, "We can't afford to do this any more."

Mr. Jennings: Without knowing the specifics, a lot of those had very low-price, long-term natural gas contracts, which are coming up. They are ones that were signed in the 1990s when prices were very low and when you could get long-term gas contracts. It is the dislocation of those contracts ending that will obviously change their economics.

The Chair: Thank you very much, Deputy Minister, if you'd like, you can do a more fulsome response to the questions that have been raised by Mr. Yakabuski and Mr. Hampton at this time.

Hon. Mrs. Cansfield: Actually, I guess it's an opportunity to agree with folks. I'd like to agree with Mr. Hampton, who—actually, I guess I could quote. He indicated that "the proliferation of new natural gas-fired plants, which are not only much cleaner and quicker to construct, but also much more efficient than older coal plants, is the single largest reason for almost all of the decline in the UK power prices since privatization." He goes on to say that "In fact, the entire utility world, including the publicly owned sector, has been installing combined gas-cycle turbine generation for the last 20 years or more. It simply makes economic and environmental sense to replace coal with natural gas."

I'll leave my comments at that, sir.

The Chair: Thank you very much, Minister. Very well. We have a bit of time here, so I'm going to give Mr. Yakabuski 15 minutes.

Mr. Yakabuski: Fifteen minutes? Boy, if I'd known that, I'd have prepared something.

Mr. Hampton: You can pass it over to me.

Mr. Yakabuski: That's OK.

Mr. Jennings indicated, when we were speaking earlier, when I was asking you about the contracts and the RFPs and that—I think this is what you said—that basically what's on the Web site is a copy of what they fill out, with no figures of any kind on the site. But what you did say—I'll paraphrase it—is that those gas plants will run when we need them and they won't run when we don't need them, these new Calpine and other sites. Given that you're shutting down between 17% and 22% of our capacity in coal generation, there's little prospect that in peak times you're not going to need those gas plants, assuming they're on-line at the time you shut down coal generation. I'm just wondering what kind of statement that was. I'd like a clarification. There's nothing that would give us any comfort with regard to supply being there by the end of 2007 that would indicate that you're not going to have to run these gas plants on every peaking day type of thing, because Bruce 1 and 2 are not going to be up and running yet. We all know about things that might be in the mix. You will have some renewables, and we support you on that. But there's little chance that you're not going to be operating those gas plants pretty much steady on the peaking days. Can you clarify that statement you made? We're trying to determine the price of power here.

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Mr. Jennings: There are various contract structures that could be designed to contract for new power. The non-utility generation contracts that were signed in the early 1990s were based on paying a price for them to run whenever they were available, so you would be paying basically gas costs for them to run. Some of these projects are still operating; in fact, most of them are. They are paid to run even at night, when you don't necessarily need gas-fired power.

The way these contracts were designed, under the clean energy source, is that they only run when market conditions would drive them to run. So during peak days in the summer, you will need that capacity; they will be running then and they will get paid to run then. There isn't a requirement to pay them when they want to run but they're not economic to run. There is a more cost-effective approach to contracting than just paying them a flat price 24/7.

Mr. Yakabuski: What you're saying is that we will have to ensure that we have enough dependable baseload capacity to ensure that at the times of day or the times of year when the demand—Mr. Hampton talked about low-demand months, but it's more specifically times of day; even in peak times, we're not running at peak all the time. We will have to ensure that we have sufficient baseload capacity to ensure that we'll have that supply. If you're going to be able to shut down—

Mr. Jennings: Yes, and there is nuclear and baseload hydro that's available for that. But there is a significant requirement for plant that comes on during the peak days in the summer—actually, most of the weekdays in the summer, you need to meet that demand. That's a specific

requirement that the nuclear plants, for instance, aren't as good at doing.

Mr. Yakabuski: Minister, one thing you also talked about in your—I know I won't find it. You talked about the OPA report. We're expecting an OPA report on December 1. There's a supply mix report coming out on December 1, correct? I understand that the OPA is somewhat arm's-length, but they do know who created them and they do know who can un-create them. Everything that has been said by your predecessor—if somebody asked him, "What if the OPA were to come out with a report that indicated that we should operate our thermal generating stations until such time as we could be assured of the replacement supply?" and "Should we be investigating the ability to operate them cleanly?" he basically said, to paraphrase, "Anybody who doesn't agree with me, Dwight Duncan, is a neanderthal, if they think that we can do this any differently." Also, I read a quote where he basically said, "If they came out with a report that didn't fit into our way of thinking, we wouldn't pay attention to it anyway. We're going to go ahead with what we've decided." Whether it's in a tacit way or not, it would seem to me that the OPA has been given a directive to come up with a supply mix report that matches our political model for our power future here in Ontario, which really brings into question its objectivity. Have they actually been given a directive to consider the power future of Ontario but not to consider the possibility of new technology for coal?

Hon. Mrs. Cansfield: No. What the power authority has been asked to do is to look at the mixed fuel supply and to come back to us with that report. It's obvious that we have a commitment to closing down the coal-fired plants, and we have put in place a process for procurement up to—the total is 10,165 megawatts of new supply expected to come on before the end of 2009. At this point, undoubtedly the Ontario Power Authority will look at more procurement as required, but there is nothing that would preclude them from having—one of the challenges is to be able to look in the long term. Our vision is to find a reliable, affordable, safe, clean supply of power for this province. We have three ways to do it: to maximize our existing assets and transmission lines; to build new generation, which, as you know, can come in a variety of forms; and ultimately, to create a culture of conservation. With that in mind, they are looking at whatever that might be to come to us. I mean, it would be very presumptive of us to determine what they're going to say. Dr. Carr is a well-respected, well-known individual, very involved in this industry for a long period of time.

Mr. Yakabuski: I have another question. In telling us you're totally removing the politics from power, you made some comments about how bad the previous government was and that their policy with regard to price, market opening, price freezes, caps etc. cost the citizens in Ontario \$1 billion. Can you tell us what the cost of writing off these coal-fired plants is to the people of Ontario, when they still have half their usable life left but they will now be stranded assets?

Hon. Mrs. Cansfield: As I indicated earlier, we did an analysis that was done by an independent consultant. They looked at the health, the environmental and societal costs, as well as the shutting down, and their estimate was \$4.4 billion.

Mr. Yakabuski: No, I'm looking at the writedown cost to the taxpayer of the shutdown, the writedown of these assets, making them stranded assets, when they still have half their useful life left. What is the cost to the taxpayer of that decision, the increase in the stranded debt?

Hon. Mrs. Cansfield: We're possibly looking at a difference, then, in philosophy, because I certainly don't think I can put a dollar value on someone's life. The issue here is that we are looking—

The Chair: Minister, if I might be helpful, this is a finance question. This is strictly the book value of a capital asset and its writedown, because you're removing it in half the time of its normal writedown. This is a finance question. To be fair, if someone can respond to it to give us a sense of it; if not, then you'll receive that as a formal question and you can get back to us in writing.

Hon. Mrs. Cansfield: If you want just that asset charge, I can ask Mr. Jennings to reply, because there was a charge that OPG took on that.

Mr. Jennings: Ontario Power Generation took a charge against 2003 income. I can give you the exact number—I can get back to you—but it was around \$400 million.

Mr. Yakabuski: You'll get us that information? I appreciate that.

I had one other question. In your plans, you also said you've advanced projects. I don't know if dreaming is advancing projects, but there certainly aren't 9,000 megawatts of advanced projects. I guess you could define that. Most people would assume that 9,000 megawatts means you've actually signed contracts. They don't have to be operating but they have to be at least signed, and I don't think we're anywhere near that.

This talk of possibly, maybe, if everything goes well, having agreements with Quebec and Manitoba to import more electricity from their jurisdictions—they have different transmission systems than we have. Can you tell us what the cost of the upgrades to the transmission system will be for us to be able to access the power? If those plans actually become contracts, what will the cost of upgrading the transmission system be?

Hon. Mrs. Cansfield: I can answer two questions. You asked the first question about whether or not there were actual contracts.

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Mr. Yakabuski: No, I didn't. I made a statement about that.

Hon. Mrs. Cansfield: Oh, you just made a statement. Because there are actual contracts—I'd be delighted to supply that to you—that actually do total those amounts.

Mr. Yakabuski: You can even send them to me. But I'd rather have an answer on the second question.

Hon. Mrs. Cansfield: I'd like Deputy Gillis to, since he's been working on this file.

Mr. James Gillis: The cost of the intertie expansion between Manitoba and Ontario is—

The Chair: Could you move closer to the microphone, please? Thank you very much.

Mr. Gillis: The cost of the intertie expansion between Manitoba and Ontario from 200 megawatts to 400 megawatts is approximately \$150 million or so, and that will be split roughly half and half between Ontario and Manitoba. That's the first step in upgrading our interconnection with Manitoba.

The second phase of that would involve building a transmission line, and there are a few options for building the transmission line, one of which actually goes right through Manitoba and doesn't enter into Ontario until around Thunder Bay. The cost of each of those options depends on the routing and can come to Ontario ratepayers somewhere between \$500 million and \$2 billion, depending on the route. The all-in cost to ratepayers in Toronto, though, will be driven by a combination of the transmission cost as well as the generation cost in Manitoba—so the price at which they sell us power—and then added to that, the cost of the transmission over a period of 40 years, which is approximately how long the transmission will last.

Mr. Yakabuski: Will we be paying for upgrades being done in the province of Manitoba? It's not just where it crosses at Thunder Bay or whatever; it's that any upgrades that will facilitate the movement of the 3,000 megawatts, which is the eventual plan, will be our cost.

Mr. Gillis: Well, we haven't reached final agreements. The expectation is that we would sign final agreements. We have preliminary agreements around—

Mr. Yakabuski: And is this part of the 9,000 megawatts that you were talking about?

Mr. Gillis: So we've reached—

Mr. Yakabuski: So you don't have a contract for the 9,000 megawatts.

Mr. Gillis:—preliminary agreements, but we haven't selected the transmission routing, and that actually is what remains to be seen. So it's preliminary agreements for the increase in the intertie from 200 to 400 megawatts, and then, like I said, the transmission, and we'll finalize the transmission routing. We have negotiations underway with First Nations, and there'll have to be a beginning of an environmental assessment process. But we'd like to have all of the agreement parts of the transmission system expansion in place by the end of 2006.

Mr. Yakabuski: Am I still good?

The Chair: One minute.

Mr. Yakabuski: The environmental assessment that the city of Thunder Bay is asking for with regard to the pipeline: Is the government going to challenge that in the strongest possible way, or are they going to be willing to wait and let the process unfold, or are they going to be challenging the city's rights to do that?

Hon. Mrs. Cansfield: That would be a decision of the Ministry of the Environment.

Mr. Yakabuski: Thank you.

The Chair: Mr. Hampton?

Mr. Hampton: I understand that the government has a \$2-million program to provide assistance to low-income Ontarians who have to deal with increased energy costs. Is that correct?

Hon. Mrs. Cansfield: That's correct.

Mr. Hampton: Is that \$2 million a year?

Hon. Mrs. Cansfield: That's correct.

Mr. Hampton: So \$2 million a year. The figures I have say that Ontario households in the lowest-income quintile spent 6% of their pretax income on electricity in 2002, nearly five times more than households in the top quintile, which spent about 1.04% of their pretax income. Moreover, the typical low-income family has only about a \$300 cushion to buffer income interruptions or deal with unexpected expenditures like a very high electricity bill. Also, as I understand it, a far greater proportion of low-income households have electric heating as their principal heating source. I believe the figure is 24.5% compared to a number so low that it's not worth reporting for the highest-income quintile. Can you tell me, Minister, do you think \$2 million a year is adequate to protect all of those low- and modest-income folks, with the kinds of electricity rate increases that we've seen?

Hon. Mrs. Cansfield: The \$2 million is only one part of the strategy that is currently there. This is a high priority for the Ministry of Energy. As a matter of fact, when I was the parliamentary assistant, I was asked to deal with low-income in particular, and as such I sent a directive to the Ontario Power Authority to develop a program on low income because it is a significant issue. But we've been working very closely with the Low-Income Energy Network, called LIEN. That's one, along with the environmental law association. There is the emergency fund that has been put in place, but we're also working—

Mr. Hampton: That's the \$2-million fund?

Hon. Mrs. Cansfield: That's right. But we're also working with the low-income and housing sector, and there is the development of a design of a low-income energy assistance program from the LDCs; in fact, we put in \$30,000 just to design on the social housing. We took that program right across the province, into over 30 communities, and it was such a successful program that it is now designed to roll out right across the province. We've asked the Ontario Conservation Bureau to deal with that particular program. I can give you a little bit more information. It was a social housing pilot program with the Social Housing Services Corp., with 20 social housing complexes and co-operatives across the province, that will lead to a centralized energy management service for 1,500 social housing providers, representing over 250,000 units of non-profit, municipally owned or co-operative housing.

We've also looked at the issue for low income and demand-side management strategies with the local dis-

tribution companies, working very closely with the Canadian Environmental Law Association. Through this, we've developed a set of proposed demand-side management initiatives that could be undertaken by the LDCs to assist low-income households in reducing their electricity consumption and costs and the development of low-income energy conservation plans. We're using Brantford Power as an example for their Share the Warmth infrastructure. We're working very closely with Union Gas, which has put forward a similar program. Enbridge is doing exactly the same thing. We have a program that is going to be put out by Woodstock very shortly. One of the most exciting projects we've done is that we've worked with the federal government, which gave approximately \$3,000 per household and just upped it, I believe, to \$4,200. That money was leveraged with Hydro One in the north in particular, where they actually go in to look not only at the heating systems where required but also at windows, doors and weatherstripping as well as education. We recognize that this is a very significant issue. If you look at, for example, the Energy Conservation Leadership Act, we've identified even within that the changing need for bylaws. We know we have to build differently, especially in social housing. To build social housing with electric baseboard heating is unconscionable today. The only way we can make some of those changes is in working through the MUSH sector. We've made that commitment, so if and when that legislation is passed, we will be able to do it.

As I said, this has been a particular interest for the Ministry of Energy, from my side both as parliamentary assistant and the Minister of Energy. We continue to meet with the local distribution companies. Through the \$160 million they were given for demand-side management, a significant number of them have put in low-income support services particularly for over the winter months. As you know, there is also the price differential, which has been flipped so the 1,000 kilowatt hours is at the lower amount through the winter months. With places like Hamilton Hydro, for example, Union Gas and Enbridge, there will be no cut-off of supply. In Hamilton—I'll give you a good example, and it's an example of what LDCs are doing across this province—there is no shut-off of supply for any income level. In fact, they're actually helping those people manage their load. Woodstock is probably one of the best examples of load management for low- or modest-income folks, in particular for seniors.

This is one of the areas where we know a lot of people are vulnerable, and we want to work and are committed to working to develop those strategies.

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As a matter of fact, Minister Duncan took to the Canadian energy ministers' meeting down in the Maritime provinces the first requirement of an initiative to be developed on a national strategy, because certainly this isn't a problem that is restricted to Ontario at all. That initiative has actually ended up with deputy ministers from across Canada coming together. We spoke, as

a matter of fact, with Minister McCallum not long ago to look at how we could share different practices, because we know this is something we need to do.

Mr. Hampton: Thank you for that. I want to ask you some questions about the Bruce Power deal. As I understand it, the contract you've signed with Bruce Power requires Bruce Power to restart Bruce A unit 1 and unit 2 nuclear reactors. The reactors are targeted to restart in 2009 or 2010. Is that correct?

Hon. Mrs. Cansfield: Yes.

Mr. Hampton: The deal also calls for the refurbishment of Bruce A unit 3. The refurbishment is targeted to occur in 2010-11. Is that correct?

Hon. Mrs. Cansfield: That's correct.

Mr. Hampton: Bruce A unit 4's steam generation equipment will be replaced. This is targeted to occur in 2007. Is that correct?

Hon. Mrs. Cansfield: No.

Mr. Hampton: No? When is that targeted to occur?

Mr. Gillis: That's targeted to occur after 1 and 2 are complete.

Mr. Hampton: So sometime in 2011-12?

Mr. Gillis: The timing is 2010-11.

Mr. Hampton: But after the others are completed.

Mr. Gillis: That's right.

Mr. Hampton: OK. Just a couple of questions on cost overruns. If Bruce Power has capital cost overruns, it can pass anywhere between 25% to 75% of these extra costs on to the Ontario Power Authority, and the Ontario Power Authority in turn will pass those cost overruns on to electricity consumers. Is that correct?

Mr. Gillis: I don't know if you're talking about cost overruns or force majeure items. They're different. In a normal budgetary exercise, you would estimate the capital cost of the project, and any cost overruns that would occur in the normal course would be defined in the contract as cost overruns. But apart from that, there are the issues of tornadoes etc. that might cause cost overruns, and they are dealt with differently, in two buckets. On the cost overruns relating to just overrunning your budget, that would be from 50% up to 110% of the original budget. Over and above a 10% cost overrun, it would be 25% to the account of ratepayers in the province and 75% to the account of Bruce Power.

Mr. Hampton: With respect to unit 3, Bruce Power can pass on 100% of its capital cost increases, up to \$200 million, if these increases are identified by Bruce Power before the refurbishment commences. Is that correct?

Mr. Gillis: You're talking about unit 3 in particular?

Mr. Hampton: Yes. Not units 1 and 2 any more; unit 3.

Mr. Gillis: Yes, it's possible; \$300 million approximately.

Mr. Hampton: Can you tell me if there are similar provisions in any of the contracts that you've signed for natural gas generation and wind generation? In other words, you've got the RFPs for new natural gas generation and new wind generation: Are there similar provisions in those contracts?

Mr. Gillis: I think the appropriate comparator is nuclear assets. Relative to other jurisdictions in refurbishing and rebuilding nuclear plants, there would be similar cost overruns. In the normal course, what would happen is that a regulated utility would just include those capital cost overruns in its rate base and recover them from ratepayers at a 100% rate. Typically, that's the way nuclear plants are built.

Mr. Hampton: I'm asking, though, about the other contracts that were put out for the new natural gas construction and the new wind turbine construction. Do you have similar kinds of provisions in those contracts for cost overruns?

Mr. Gillis: On the force majeure side, where there are elements that could produce cost overruns, such as a tornado or hurricane and the like, there are similar provisions, yes. For a straight cost overrun—because I talked about the two categories—there are not.

Mr. Hampton: Just something I want to check on, because I want to make sure this is still the case. It's my understanding that Bruce Power is not responsible for the decommissioning of its reactors or the long-term storage of their radioactive waste. It's my understanding that these costs are to be borne 100% by Ontario Power Generation and the government of Ontario. Is that correct?

Mr. Gillis: No. Actually, in the contract they signed, under the original lease agreement, they make payments to OPG that are intended to cover that.

Mr. Hampton: Yes, but they make those payments; that's the limit of their liability. When the plant is decommissioned and it becomes an issue of storing the long-term radioactive waste, they're then out of the picture.

Mr. Gillis: Actuarial estimates contemplate what that liability would be in today's terms. According to that liability, Bruce Power makes payments to OPG that fully fund that liability.

Mr. Hampton: I don't have any argument with you there, all right? Somebody will argue about whether those things were actuarially correct or not some time from now, but as I interpreted it, when the plant is shut down, Bruce Power will no longer be part of the picture. They may be operating a nuclear facility somewhere else; they may be operating a new nuclear facility. They will no longer be part of the picture there. Ontario Power Generation and the government of Ontario will be solely responsible—100% responsible—for the costs of decommissioning the reactors at that time and for the long-range storage of the radioactive waste. Is that correct?

Mr. Gillis: Well, if we're talking about it from a liability perspective, what you would have on your balance sheet is a liability for a certain number. Then on the asset side, you would have, in this case, cash. The cash in the bank would equal the liability. If you're asking if there is a net liability left with Ontario Power Generation, then the answer is no.

Mr. Hampton: That will be determined at some later date. When Bruce Power is no longer in the picture, because I can't imagine them hanging around when the

nuclear facility has been shut down, Ontario Power Generation and the government of Ontario at that time will be responsible for 100% of the cost of decommissioning the units and 100% of the cost of storing the waste, yes or no?

Mr. Gillis: I think the decommissioning process will be borne by OPG, but the resources that would provide for the undertaking will be provided by Bruce Power on an ongoing basis. So from a cost perspective, it's Bruce Power. From a process perspective, it's Ontario Power Generation.

The Chair: One minute, Mr. Hampton.

Mr. Hampton: Your conservation officer, Mr. Love, has recommended changes to the Energy Efficiency Act to completely eliminate energy-wasteful T12 fluorescent lamps. Do you have any plans in the fall session to implement this recommendation? If so, when?

Hon. Mrs. Cansfield: Thank you for the question. We've received the report and undertaken to give it a thorough review. I can tell you of a particular instance, with Rabba, which did take their T12s out and put T8s in and saved themselves \$7,000 a year. It will certainly be given serious consideration, but we still have to have some time. The officials are looking at all the recommendations, and when we have an opportunity, we will respond.

Mr. Hampton: Is it going to happen this fall?

Hon. Mrs. Cansfield: We just received the report. We're going to go through the report, and as soon as we do, we will get it to you.

The Chair: Thank you, Mr. Hampton. Thank you, Minister. I have some questions from Ms Di Cocco.

Ms. Caroline Di Cocco (Sarnia-Lambton): First of all, I haven't had a chance to actually publicly congratulate the minister on her new portfolio, so congratulations on your position.

A couple of questions came to mind as I was listening to other questions being posed. To me, the clarification I would like is about clean coal, because there is a consistent argument about this clean coal. I have spoken to a number of individuals who have told me that this has been going on for about 20 years, trying to develop clean coal technology. Minister, could you clarify for me what the science really says, to the best of our information, about this clean coal technology and where it's at, or is it at all feasible?

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Hon. Mrs. Cansfield: Thank you very much for the question and thank you for your earlier comments. There are currently no technologies in commercial use to reduce greenhouse gas emissions or to eliminate mercury and other toxic emissions. For us, this is important, because we're not into half measures. We want to clean up Ontario's air and we want to do it right.

As I said earlier, if there were clean coal technologies in that format out there, then the US government wouldn't be spending up to \$10 billion looking for it. They have been doing that, so far, for 15 years. As I said earlier, there is a particular plant, for example, in Alaska where they spent \$297 million and then shut it down.

There are two small plants that are working. They are highly expensive, and they're at very experimental stages. So at this point, there's nothing dealing with CO₂ emissions.

Ms. Di Cocco: Thank you. Just one other question that has to do with conservation. I had an unfortunate discussion with some people in my community who really were suggesting that the smart meter and conservation are really a frivolous attempt at not having a plan.

Just a last comment. This changing of culture: I guess I see that it's so difficult to change the culture. We are so used to using electricity without any regard to, first of all, the true cost of electricity, and to just leave lights on is no big deal, which is different in Europe. Could you explain the smart meter and what tools that is going to provide, as well as what steps the government is taking in its own facilities to lead by example when it comes to conservation? So a little bit about the smart meter and also what we're doing with regard to government buildings to conserve energy.

Hon. Mrs. Cansfield: I'll start with the last question first, if I may. We made a commitment to ourselves to reduce by 10%. As I indicated earlier, the Ontario Realty Corp. is at 7.8% of that. We've taken additional measures—you know, the deepwater cooling system that will come from the Great Lakes up to the building across the street and ultimately to here that will enable hospitals and other organizations to participate in the deepwater cooling, which will deal with the air conditioning issues over the summer months.

It's a challenge within buildings. I look at my own. The Chair, as the former minister, will know that that particular building is what they call gang-wired, so it doesn't have a light switch in an office or two, and it's a real challenge to turn the lights out on a bright day. It's really important for us to lead by example, so we've been working very closely with the Ontario Realty Corp., with Management Board, to look at what things we can do.

One of the things we did is engage the 62,000 people who work in these buildings to help us design programs and policies and practices that will actually help them do their job more efficiently around energy conservation. They've come up a myriad of ideas, many of which have been put into practice. We save energy in a variety of ways. In our office, we've now started to photocopy on both sides of the paper. That saves energy. Not only does it save trees, it saves energy. You can actually do that with your e-mail. If you print your e-mail, and a lot of people do, you can print it on both sides. It's a small point, but if everybody does it, we can do it.

As to the smart metering process, not only is it smart metering, but smart people make smart choices. But there are a number of things that can be done. They measure and collect the energy uses information to support. I'll give you an example. There was a fellow I met, who lived in my area, who had these wires installed on his roof for the winter months to melt snow and ice. He had been given a pilot smart meter some years ago, only to discover that they'd never been turned off. So he'd been paying electricity through these wires for three years. He

didn't know, but once he was able to identify that even when the lights were out, something was on, he went looking to find out what it was.

Certainly in speaking to the seniors, particularly in Woodbridge who have the pay as you go, which is a kind of smart metering function, they are so enamoured of this process because they pay for their commodity as they use it and they make choices around how they use it. They talk about finding appliances that haven't worked efficiently. One fellow said to me that he's a little hard of hearing, so he didn't hear the little click; he had baseboard heating, and he discovered it was on. They use fans instead of air conditioning. So it really is an enabling tool to help people manage their electricity consumption.

It also enables people to go on the Web site, if they want, to look at their energy consumption and do some comparisons. Why is it higher than you thought it might be? Does changing those light bulbs make a difference? Of course it makes a difference, but when you actually see the difference, then you're more inclined to move forward and do others.

You can eliminate or reduce the need for estimated bills, because it's going to be actual. How many times have you paid and said to yourself, "I didn't use all of that," only to know you've paid that utility a lot of money you didn't have to, because the next time around, which is three months later or two months later, it has been reduced.

There's a litany of opportunities with smart metering. As I say, it makes smart people make smart choices.

The Chair: This completes our time allocated for the Ministry of Energy. By agreement, we will proceed with the votes.

Shall vote 2901 carry? All those in favour? Opposed, if any? That is carried.

Shall vote 2902 carry? All those in favour? Opposed, if any? That is carried.

Shall the estimates of the Ministry of Energy carry? Those in favour? Opposed, if any? That is carried.

Shall I report the estimates of the Ministry of Energy to the House? Those in favour? Opposed, if any? That is carried.

This completes the work of the estimates committee for this fiscal year. I want to thank the committee for the manner in which we've worked to get through as many ministries as we were able to in a short time. As Chair, I want to thank you.

To the minister, I want to both welcome you and thank you for your first estimates and to thank your staff for their brief and fulsome answers. They were all appreciated as well.

On that note, I will report, on behalf of the committee, all of the estimates tomorrow in the House.

The committee adjourned at 1757.

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