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## **Official Report of Debates (Hansard)**

**Wednesday 27 September 2006**

## **Journal des débats (Hansard)**

**Mercredi 27 septembre 2006**

**Standing committee on  
estimates**

Ministry of Energy

**Comité permanent des  
budgets des dépenses**

Ministère de l'Énergie

Chair: Cameron Jackson  
Clerk: Katch Koch

Président : Cameron Jackson  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 27 September 2006

Mercredi 27 septembre 2006

*The committee met at 1530 in room 151.*

## MINISTRY OF ENERGY

**The Vice-Chair (Mr. Garfield Dunlop):** I'd like to call the meeting of the standing committee on estimates to order. Today, we have a continuation with the Ministry of Energy. We have the Honourable Dwight Duncan, the minister, here with us today. Remaining from yesterday, we have the government with 10 minutes left. We have six hours and 30 minutes total remaining in the estimates committee for Energy.

**Hon. Dwight Duncan (Minister of Energy):** Is that all?

**The Vice-Chair:** Again, as I said, the government has 10 minutes, so Mr. Delaney, I'd like to pass it over to you now to continue on for the next 10 minutes.

**Mr. Bob Delaney (Mississauga West):** Thank you very much. Time flies when you're having fun, Minister.

**Hon. Mr. Duncan:** It's like a root canal.

**Mr. Delaney:** I'll have one question for you, and my esteemed colleague from Perth–Middlesex I know has a few things that he'd like to ask you, so I'm sure he'll ask you as well.

I want to talk a little bit about energy conservation. Certainly in my three years of listening to debates in the House, it's one thing to talk about it and it's quite another to actually do something about it, which is certainly one of the changes on your watch that Ontario has seen. If my memory serves me correctly, we're going to try to reduce electricity demand by 6,300 megawatts through conservation alone in the next generation, and that would be roughly equivalent to two major power stations.

I'd like to ask you to describe some of the programs that we've entered into now to reduce energy consumption across Ontario, some of the methods that the ministry has undertaken to shave peak loads. I'm sure you'd like to talk a little bit about such things as the deep lake water cooling, some of the other community outreach, the education programs, and some of the investments that, as minister, you've undertaken in the three years that you've had the portfolio.

Finally, how about those Tigers?

**Hon. Mr. Duncan:** First of all, Bob, let me just talk about sort of high-level conservation, then kind of drill down to where we're at today.

There was no conservation in Ontario when we came to office in 2003. When the old Ontario Hydro was broken up and Hydro One and OPG were established, nobody thought about conservation. There were some LDCs, but frankly, again, the previous pricing policy had frozen the price of electricity, so there was no incentive for either consumers or LDCs to engage in conservation.

We had to essentially decide how we were going to do conservation, and we looked at a number of options. As you know, we wound up, in Bill 100, creating the Ontario Power Authority, and we decided to create the conservation bureau and house it in the power authority. While going through that process, we freed up money for LDCs across the province. I believe it worked out to be about \$160 million in that first round to encourage LDCs, local distribution companies—in your community it's Ener-source, and in my community it's EnWin—to lead the local hydro companies to begin to engage in conservation while we were getting everything up and running here, because, again, everything that had been in existence had been cancelled years earlier.

We got the conservation bureau set up and we hired a fellow named Peter Love to run it. Peter is a well-known conservationist and environmentalist. Frankly, he had given our government bad marks in his previous job on conservation, so we thought it would be a good idea. When he gave us our bad mark, by the way, he said we hadn't had enough time really to deal with things, but we thought it would be a good idea to bring somebody who had been a critic of the government on board to help us along.

It's taken us a bit of time to get the conservation bureau up and running, but we have now provided an additional \$500 million on conservation initiatives throughout the province to LCDs. We have run a number of pilot projects through the Ontario Power Authority, including a beer fridge bounty program in six communities this summer. In other communities, there are about 500 different conservation programs in various stages of development, and we're going to be looking very carefully at the results of those programs to see which ones we can take province-wide. In addition, we've done a number of other things. There have been changes to the Building Code Act with respect to insulation. We've had a number of debates around those items to encourage that sort of thing.

We've had a broad look at conservation. We've also looked at the curriculum in schools and how we teach

about conservation, because we are trying to create a culture of conservation, much like we did with the blue box program back in the early and mid-1980s. We think this kind of holistic view and approach will help people to conserve energy, save money and be able to deal with relatively modest changes in their consumption patterns.

**Mr. Delaney:** Thank you. My colleague from Perth–Middlesex has some questions to ask while I have my picture taken with one of the local schools.

**Mr. John Wilkinson (Perth–Middlesex):** Welcome, Minister. I just want to share with my colleagues that I had the privilege of having the minister come to visit my riding. I probably have a bit of a reputation around here of believing that renewable energy is found in abundance in rural Ontario but it is as yet untapped, and that we in rural Ontario can play a tremendous role in helping us with this societal problem. I know from your report and our thrust that we do want to replace dirty coal fire and we are looking to renewables and we're trying to maximize our hydraulics.

Look at the question of wind and solar, but particularly of anaerobic digestion, where we have the opportunity to take what is a waste today, capture that, reduce our greenhouse gas loading and create a clean, green source of energy, and the fact that farmers across the province and particularly in my riding are stepping up to the plate.

The minister had a great opportunity to visit two farms. One was Lynn Cattle, which is on the verge of commissioning their anaerobic digesters, and as well one down the road, Stanton Bros., which is a dairy farm operation. I know the minister had a chance to come and visit that as well.

I guess the challenge we have, Minister—and I know you've made some comments to the Toronto Star about this—is that if we go to distributed energy, we have a kind of regulatory regime that is based on the old paradigm that was created probably by Sir Adam Beck and his successors over all of these years. It served the province well but does not serve us well into the 21st century. I was just wondering if you could comment on your experience in rural Ontario and where you are in changing and shifting that paradigm in regard to regulation.

**The Vice-Chair:** You've got about three minutes, Minister.

**Hon. Mr. Duncan:** John, you raise a very good point. Our entire history has been oriented to big generation projects with big wires to bring the power from the big generation point to the consumer's point. The whole regulatory regime in Ontario is oriented towards that.

You're absolutely right: We've initiated a number of projects—standard offer is the most prominent—to encourage the development of distributed generation. You're right: Where you really see it is out on the farm, whether you're talking about anaerobic digesters, or down my way we've got the greenhouse growers and what they can do, or wind opportunities. A number of farmers I've met with love the opportunity to have wind-

mills on their property because they get a cash flow from the lease arrangements. Also, if it's a smaller under-10-megawatt project, they can do it themselves.

It became apparent to me—we met, you and I, and you took me to the Stanton farm. This is a major operation. It's a very thriving business. I learned some lessons about how we're going to make sure the program works. That involved changing our thinking about how we hook up to the grid, how we share the cost associated with hooking up to the grid, how you distribute the cost of wires which are oriented against small distributive projects like the Stantons', and even smaller projects. There are some other issues; that is, transmission capacity and distribution capacity within certain areas. For instance, around the Bruce Peninsula right now and close to the area where the Stantons are, there's not a lot of capacity in the wires, so you don't have the capacity to get the electricity out. Then there are issues around queuing, who's power goes first and so on.

**1540**

I've met with the Ontario Energy Board, with Howard Wetston. I've asked him to begin to review the regulatory climate, along with other key players in the sector—Ontario Power Authority. We will be announcing in November the implementation of the first standard offer program. We've learned some lessons from that. We're going to get a lot of projects up and running, but there are a lot of challenges. For instance—and this is an issue for the Stantons as well—the cost of the wire to come to the farm gate is quite high. So the question becomes, should the cost of that be borne by the individual farmer or by the rate base? The whole orientation right now is that it be borne by the farmer. So we've got to look at that and try to find ways, and this is going to take some time. But you know what? Had this stuff started 10, 15 years ago, we'd have these issues resolved.

I ordered officials from the power authority, Hydro One, to attend a major conference in Europe this summer about how other European jurisdictions deal with these issues so that we can begin to learn and gather knowledge. The work they've done is beginning to help us sort through these issues.

We're going to need advice from the farming community. That's why I've been on not just the farms you've referenced. I spent the better part of the last couple of weeks of August at different farms and hearing different issues around standard offer and how we can maximize that clean, distributed generation source. We're bound, bet and determined we're going to do it.

**The Vice-Chair:** Now we'll go to the official opposition, Mr. Yakabuski.

**Mr. John Yakabuski (Renfrew–Nipissing–Pembroke):** Thank you again, Minister, for joining us today. I'm just going to pick up on a couple of things that you touched on yesterday, but maybe I'll talk about these anaerobic digesters first. You just made a comment that 10, 15 years ago we should have been talking about this. Were you promoting them at that time?

**Hon. Mr. Duncan:** Oh, yes. In fact, 15 years ago there were actually programs starting and then, of course, the recession of the early 1990s came along and others just decided it wasn't worth pursuing. It's interesting if you look, John, at the history. For instance, the old Ontario Hydro back in the 1960s said that nuclear power would be so cheap you wouldn't want to meter it. It would be too expensive to meter it. So there have been all kinds of adjustments in thinking and so on. In terms of these kinds of agricultural programs, it's become more acute now in Ontario because of the price of electricity. There's no question about that.

**Mr. Yakabuski:** But there would be reference to you in Hansard 10 years—

**Hon. Mr. Duncan:** I wasn't a member here 10 years ago.

**Mr. Yakabuski:** When were you a member?

**Hon. Mr. Duncan:** Eleven years ago, yes.

**Mr. Yakabuski:** So we could find from 1995—

**Hon. Mr. Duncan:** No, not in Hansard, not me personally, but you may want to see what our critics said at the time.

**Mr. Yakabuski:** Okay. Thank you. Now, on the Stanton farm—I want to bring this into perspective—what is the capacity or what is the expected output of that operation?

**Hon. Mr. Duncan:** The megawatts? I can't remember. It's a large digester. It's a substantial amount of juice.

**Mr. Yakabuski:** We need to know, Minister, the amount of electricity we're talking about.

**Hon. Mr. Duncan:** Well, let me give you an example. At the other farm, the Lynn farm, they are providing all the power for Lucan. Is that correct, the township of Lucan?

**Mr. Wilkinson:** It's actually North Middlesex, the power for North Middlesex.

**Hon. Mr. Duncan:** North Middlesex. I'm sorry. But I can get you that number by the time we're done today.

**Mr. Yakabuski:** That would be appreciated, to have those numbers as soon as possible.

**Hon. Mr. Duncan:** It's under 10 megs because they're applying under the standard offer, but we estimate there are literally hundreds of megs, if not thousands of megs, across farms throughout Ontario.

**Mr. Yakabuski:** There is much. In fact, we have one in my riding operating as well, but I think we also have to be aware of what needs to be done. You just can't have a generation facility there and be able to just say, "Okay. Here we go. Feed it into the grid." What's required, Minister, to ensure that we can actually get that power into the grid?

**Hon. Mr. Duncan:** That was John's question. So I'll take you through the answer again.

First of all, the entire regulatory regime in Ontario has always been oriented towards large generation projects linked with large transmission distribution lines. That's been our history; it still is. So there has to be a number of changes. This is what we call distributed generation,

which is small amounts of power that are being distributed in a fairly close area for consumption purposes.

So I've asked the Ontario Energy Board chair, Mr. Wetston, to begin to examine all the issues and all the impediments to bringing these sources of power on—for instance, the one I cited with John, and that is the cost of the wire from the transmission source to the farm or from the distribution line to the farm or the farm to the transmission line. Should that be borne entirely by the farmer, or should it be shared across the rate base because the power's being brought on the grid?

**Mr. Yakabuski:** So at this time, you're not aware of everything. You're having people look into it; is that it?

**Hon. Mr. Duncan:** No, we're quite aware of all of them, and we have asked, just to make sure. As I said, we spent the summer, because, again, this is something—

**Mr. Yakabuski:** But can you tell us those things?

**Hon. Mr. Duncan:** Pardon me?

**Mr. Yakabuski:** Can you tell us specifically—

**Hon. Mr. Duncan:** Yes, I'll provide you with a whole list of the challenges. I've just cited one. There are others: the cost of the hookups to the wires themselves, and so on. It's a question of how you amortize them, how you build them into the rate base, or if you build them into the rate base. So there are these challenges, and we've begun to address them.

We'll have a number of projects online this fall, and they'll continue to grow. But there have been a number of challenges that, frankly, we didn't anticipate. We're looking at them closely, and our hope is, with the assistance of the Ontario Energy Board, to be able to remove those barriers.

**Mr. Yakabuski:** Failing to anticipate the challenges: I think we've heard that a number of times in these last three years with regard to energy.

I want to go back a little bit to yesterday. You made some comments about emissions from coal plants, and one of your big ones was the fact that they produce CO<sub>2</sub>. We can deal with the NO<sub>x</sub> and the SO<sub>x</sub>, but they produce CO<sub>2</sub>. I'm just wondering, because your touted solution, which doesn't seem to be as big a part of it now, was going to be that—your plan was to have gas generation in place to replace Lambton by 2007 etc. Originally, all of them were going to be shut down by 2007, which, as we know, was simply ridiculous to even think that. We're still waiting for the specific names. We're still waiting for the names of those people who gave you that advice, which you agreed to provide yesterday. I'm just wondering, when did we perfect the process of ensuring that natural-gas-fired generation has no CO<sub>2</sub>s?

**Hon. Mr. Duncan:** Natural gas does, in fact, have CO<sub>2</sub>s. It's 50% of coal, but it's the gold standard right now, absolutely, and we've acknowledged that. The good news for us in terms of additional natural-gas-producing capability is that when we began adding natural gas supply online—the other reason natural gas is important is because you can build a natural gas plant much faster than just about any other source of power, but when we began the process, about 9% of our supply came from

natural gas. When we're done, it'll be about 12% to 13%, somewhere in that range. In any event, that compares to 25% to 30% in other comparable jurisdictions.

Natural gas price is fairly volatile. For instance, last year, it went through the roof. This year, it's down quite low, and it's helping to bring down the price of electricity. At the end of the day, natural gas is half the CO<sub>2</sub> that coal is, and that is the lowest fossil fuel in terms of CO<sub>2</sub>, the lowest carbon-based fuel in terms of CO<sub>2</sub> content. That is how you get the CO<sub>2</sub>s.

1550

**Mr. Yakabuski:** So you'd be satisfied, then, if coal was half the CO<sub>2</sub>s that are currently produced?

**Hon. Mr. Duncan:** No, I'd be satisfied if I knew we were doing everything we could to get as much of the CO<sub>2</sub> out as we can. Doing that is the equivalent of taking—I forget how many; I think it's the equivalent of taking a million vehicles off the road. It's quite an achievement. It's not emission-free, no question, but it's one half. We're going to be watching carefully, for instance, the emissions standards the federal government is going to establish with respect to, say, the oil and gas industry in Alberta versus the automotive sector in Ontario and what the relative contributions are going to be to emission reduction. We have to make every effort to reduce the CO<sub>2</sub>, and that's actually a fairly quick and efficient way of doing it.

**Mr. Yakabuski:** I guess we could just shut down all the cars, too, but that's not really feasible either. But you never know: You guys could take a position like that. Feasibility is not necessarily the—

**Hon. Mr. Duncan:** If the opposition is advocating no cars—

**Mr. Yakabuski:** No, we're not advocating that—

**Hon. Mr. Duncan:** Okay, as long as we understand one another. I thought I heard you say something different.

**Mr. Yakabuski:** —but you guys actually have a fairly long record of making statements that aren't feasible, so I thought that that one might be coming next.

**The Vice-Chair:** Thank you. Let's get back on topic.

**Mr. Yakabuski:** Anyway, yesterday you were talking about possible, hoped-for power agreements with an east-west tie and a north-south tie from Conawapa. You were talking about maybe 5,000 megawatts from those two possible agreements towards your renewable goal of 15,700 megawatts in your IPSP.

**Hon. Mr. Duncan:** I didn't say 5,000. What did I say yesterday? I can't recall—

**Mr. Rick Jennings:** Including northern—

**Hon. Mr. Duncan:** Including northern Ontario, which is somewhere between 2,000 and 5,000 megawatts. So you're really looking more at somewhere between 3,000 and 3,600.

**Mr. Yakabuski:** Okay, 3,000 and 3,600 for those two agreements. You compared them to getting power from the States, saying that it's preferable. We already have agreements in place with the States to purchase and/or to

sell power, to move power either way. They're already in place.

**Hon. Mr. Duncan:** Yes.

**Mr. Yakabuski:** So I think we shouldn't characterize that as something that's at risk. They're in place.

**Hon. Mr. Duncan:** And we do with Quebec and Manitoba.

**Mr. Yakabuski:** But those power agreements with the States are in place. You don't have agreements in—

**Hon. Mr. Duncan:** There's no formal agreement. They could turn it off tomorrow.

**Mr. Yakabuski:** Are you saying we have agreements in place for Conawapa and—

**Hon. Mr. Duncan:** No. We don't have agreements with the US. It's a market. We buy and sell; they sell to us. We have agreements with respect to transmission and how we move the power across grids to keep it flowing, but at the end of the day, they could shut the power off tomorrow. So we don't have agreements with them.

**Mr. Yakabuski:** So there's not a guarantee that we can have their power?

**Hon. Mr. Duncan:** No.

**Mr. Yakabuski:** I wasn't implying that, but we have agreements to move power back and forth, and there's a free flow of power and it's a traded commodity.

**Hon. Mr. Duncan:** There are complex agreements around how we manage the transmission and distribution systems.

**Mr. Yakabuski:** And they're in place. We don't have to negotiate something; they're in place.

**Hon. Mr. Duncan:** As they are with Quebec and Manitoba.

**Mr. Yakabuski:** But not for Conawapa.

**Hon. Mr. Duncan:** Yeah, we have deals with Manitoba, and we don't have these. We need additional infrastructure—

**Mr. Yakabuski:** Well, you said yesterday you're working on deals—

**Hon. Mr. Duncan:** For generation, and part of that—it will require additional. But we import now from Manitoba, we import now from Quebec.

**Mr. Yakabuski:** Yes, but you have no agreements in place to deal with the amount, the 3,000, 3,200, 3,600 megawatts—

**Hon. Mr. Duncan:** That's part of the negotiations.

**Mr. Yakabuski:** —that are part of the negotiations.

**Hon. Mr. Duncan:** And if Quebec is constructing—the agreement is in place. They're now constructing in the wintertime.

**Mr. Yakabuski:** Part of the negotiations, but there's no guarantee that we're going to sign those agreements.

**Hon. Mr. Duncan:** Absolutely not; no.

**Mr. Yakabuski:** So that's what we're basing our power supply on in 2025.

**Hon. Mr. Duncan:** No. There are options, and that's why we built into the legislation three-year reviews.

**Mr. Yakabuski:** Okay. One of the options we've talked—

**Hon. Mr. Duncan:** Let me finish, because I've been listening patiently. First of all, the Americans could cut off the power tomorrow. We have inter-ties with Manitoba and Quebec right now—

**Mr. Yakabuski:** —which they could cut off tomorrow, too.

**Hon. Mr. Duncan:** Sure they could. Let me finish. That's number one. Number two, yes, we may not get those deals. That's why we built in three-year reviews of the integrated power system plan, so that we can make those adjustments, those recalibrations, from time to time as they become necessary. For instance, the energy minister from Newfoundland is coming here very shortly for another set of discussions. I met with the Manitoba minister, and those discussions continue on. That is one set of options to get to the 6,000 megawatts, and if over time, let's say, one of those projects or both of them fall off, then the government of the day will have to make adjustments accordingly. That's why we've built in that kind of three-year review.

**Mr. Yakabuski:** But you made a commitment—I would characterize it as a commitment based on your question back to me—that regardless of what happens with those agreements, even if you don't sign them, even if you're not going to get a single megawatt from Quebec or Manitoba in addition to what we have today, that you categorically will not build another single nuclear reactor in this province other than what you've committed to in the IPSP, which is 1,000 megawatts.

**Hon. Mr. Duncan:** Let me be clear. What we have said is that we believe today that we need two new reactors and we need to refurb the rest, particularly Pick B, the Bruce reactors, and then Darlington will come up next. Over time—and I've said this and I'll say it again publicly—we may find—for instance, with Pickering A, we found that we were able to economically refurbish two of the four units there. The decision was made not to proceed. Because we couldn't proceed with those two reactors, then we had to look at other potential sources for that power. So we have built into the planning system these three-year reviews, and frankly, they're an ongoing thing. We may find, after we do the assessment of Pick B, that there are challenges there that may make it difficult to refurb any of those reactors. I don't know at this point. That's the process we've begun. We think it's a reasonable process. We think that the numbers we've outlined with respect to—I'd point out to you that even the most conservative estimates with respect to hydro-electric capacity within Ontario we're not tapping are 2,000 megawatts, and we don't build those numbers in their entirety into the numbers in the IPSP.

So there's a process for review. Government will be compelled every three years to reassess where the plan is, where it's been, where it's going, to adjust to changes. God willing, in the life of the next 20 years, somebody will find a source of power that's free, clean and doesn't impact the environment. We don't know what technological changes will come about. One thing I do know for certain is that the composition of our supply will

change over that period of time, hopefully to much more conservation, hopefully to much more green renewable power, and we're moving in that direction.

**Mr. Yakabuski:** So would you say that what you said yesterday was basically not correct, then? You would consider building more new nuclear or you would not?

**Hon. Mr. Duncan:** The plan believes right now that we need two new nuclear plants, two new nuclear reactors.

**Mr. Yakabuski:** So—

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

**Mr. Yakabuski:** No, no, that's a sufficient answer. I don't want you to use my time too much.

**Hon. Mr. Duncan:** I want to get the rest on the record, just so that—

**Mr. Yakabuski:** Chair, I asked a question, he answered. I'm going to ask another one.

**Hon. Mr. Duncan:** I'll put it on the record. Let me finish—

**The Vice-Chair:** Let the minister finish and I'll give you some extra time.

**Mr. Yakabuski:** He takes too long.

**The Vice-Chair:** Let's try to get these questions and answers together, guys, and coordinate them, okay? Minister, you finish.

**Hon. Mr. Duncan:** In the plan we've submitted we believe we need two new reactors. It's very clear in the plan that the first set of contingencies is based on our ability to refurb Pick B and Darlington.

**Mr. Yakabuski:** He's repeating his answer, sir. He's repeating his answer from the last time.

**Hon. Mr. Duncan:** No, I just want to set the record straight as to what I'm saying, lest my words be twisted by knaves to make a trap for fools, to quote Kipling. Read the plan and you'll see what it says. It's very clear. We believe today that two new reactors are what the province will need in order to keep 14,000 megawatts of power from nuclear.

**The Vice-Chair:** Three minutes.

**Mr. Yakabuski:** Yes. I could use the same quote, but I'll not, because that's exactly what you were trying to do yesterday, asking us what our position is.

Minister, I'm going to ask you again directly, are you saying that under a Liberal government you will not build any more nukes if your power supply plan fails, or you will?

**Hon. Mr. Duncan:** The integrated power system plan outlines what we believe to be the province's needs and how we will achieve them.

**Mr. Yakabuski:** So you want other people to take positions but you don't take positions yourself?

**Hon. Mr. Duncan:** I think the integrated power system plan is very clear: 14,000 megawatts of nuclear power in 20 years.

1600

**Mr. Yakabuski:** Every plan has to have a contingency, and I'm asking you, if it fails, will you or will you not?

**Hon. Mr. Duncan:** The plan is very self-explanatory. I'd suggest you read it. It outlines how much power we'll get from nuclear and the options we have in the event that there are changes on that. Who knows? We may find that, in spite of some people not believing in conservation, we achieve more. Our hope is that we will. Our hope is that we will see greater energy efficiency over time. That's why, when we built the planning process, we provided for three-year review.

**The Vice-Chair:** We have about three minutes left in this round, Mr. Yakabuski.

**Mr. Yakabuski:** Okay, let's talk about transmission. Today there was a question asked in the House with regard to the paying of hydro and water bills at the Douglas Creek disputed area in Caledonia. I'm looking at the IESO's reliability report. It says here, "The ... Niagara transmission expansion project will add a new 230 kV double-circuit line between Allanburg TS, in the Niagara Peninsula, and Middleport TS southwest of Hamilton.... [T]he project, originally scheduled for ... 2006," continues to be "delayed due to unforeseen circumstances." What are those unforeseen circumstances? This is something that could mean 800 megawatts, plus an increase in imports of 350 megawatts and up to 800, so it's a potential 1,600-megawatt project. Can you tell us the nature of those unforeseen circumstances?

**Hon. Mr. Duncan:** Yes. It's the situation in Caledonia.

**Mr. Yakabuski:** And how long are you people prepared to allow this to hold up this transmission project?

**Hon. Mr. Duncan:** Until we can get a peaceful resolution.

**Mr. Yakabuski:** So if that doesn't happen, if there is no resolution, this could go on for one year, two years, five years?

**Hon. Mr. Duncan:** For instance, at Ipperwash it's been 11 years. I don't think that will be the case here, because we're handling it with, I would argue—we don't agree on this. I fully disagree with you and your party's position. I do not believe a violent response is in order here. I believe that negotiations—

**Mr. Yakabuski:** Who said anything about that?

**Hon. Mr. Duncan:** You implied in your question that we should cut the power and water off.

**Mr. Yakabuski:** That's a very wrong implication, Minister.

**The Vice-Chair:** I think we'll just end that round; we'll continue on the next round. We've used our time for the 21 minutes, and now I'm going to turn it over to the third party, Mr. Hampton, to proceed.

**Mr. Howard Hampton (Kenora–Rainy River):** I want to follow up on some of the questions I asked yesterday. As I understand it, the IESO is doing an RFP to contract out a central provincial meter data repository to a private sector party. Is that correct?

**Hon. Mr. Duncan:** That is correct.

**Mr. Hampton:** That party might be a company like IBM, and the actual facility might be located in the

United States. In fact, it might be an existing American-based data centre. Is that right?

**Mr. James Gillis:** I think what I said is that the company could be an American company that would provide those services. The location of the actual software and databases is something that remains to be determined. Most likely, that would be located close to where the data would be needed in Canada. In the same way IBM is an American company, similarly, an existing data company could provide those services, that is, linked to a US utility, as IBM is an American company.

**Mr. Hampton:** So you're saying that the data centre would be located here?

**Mr. Gillis:** Yes.

**Mr. Hampton:** And that would be a condition of the RFP?

**Mr. Gillis:** I'm going to let Rosalyn answer that.

**Ms. Rosalyn Lawrence:** It would be a term and condition that they would negotiate in the contract.

**Mr. Hampton:** It's not in the request for proposals right now?

**Ms. Lawrence:** The RFP, I believe, asks about location information, and the terms and conditions in the evaluation framework would be graded accordingly.

**Mr. Hampton:** It wouldn't necessarily be located here? If it's just a grading issue, a company bidding might be graded much higher on some other things—

**Hon. Mr. Duncan:** We'll see what comes out. Listen—

**Mr. Hampton:** What I think I heard is that there's no assurance that this data centre would even be located—

**Hon. Mr. Duncan:** I heard that the process and the contracting takes that into account, so we'll see where it's located.

**Mr. Hampton:** So the company would be graded on this, where they intend to put the data centre?

**Ms. Lawrence:** That's correct. The terms and conditions that would go into the contract would actually require a locational siting as per government policy direction.

**Mr. Hampton:** And the government policy direction is it has to be in Ontario?

**Hon. Mr. Duncan:** Yes, that's where we want it. It's got to be close to the site where the data is used.

**Mr. Gillis:** Yes. It would be unproductive to have something located in Bombay, India, to serve utilities in Toronto, so typically those things would all be located in here as—

**Mr. Hampton:** I'm not asking typically; I'm asking, where is it going to be located?

**Mr. Gillis:** The banks would have their database here, the utilities have their databases here, close by, in case you need to manage and manipulate. Yes, I don't think that there's a reasonable expectation that they would be located anywhere else.

**Mr. Hampton:** I'm going to ask the question again: The data centre for this meter data repository will be located here in Ontario?



**Hon. Mr. Duncan:** We'll see what happens when the final process is finished, but that is our expectation.

**Mr. Hampton:** I'm not asking you about expectation.

**Hon. Mr. Duncan:** Well, that's what I'm answering.

**Mr. Hampton:** So there's no assurance that this will be located here in Ontario?

**Hon. Mr. Duncan:** We'll see what happens when it happens.

**Mr. Hampton:** Frankly, I couldn't give a hoot about expectation. Either it's going to be here or not. Which is it?

**Hon. Mr. Duncan:** Well, you go out and speculate about that, and we'll see where it lands.

**Mr. Hampton:** So you're not prepared to answer definitively on this.

**Hon. Mr. Duncan:** We just did. We said we have every expectation that it will be located here in Ontario. We believe that it will be signed as part of a contract with the successful proponent, and that it will be part of a very proactive strategy on conservation.

**Mr. Hampton:** So when will this data centre be up and running?

**Ms. Lawrence:** The site would be operational in the spring and would go through a testing phase.

**Mr. Hampton:** This coming spring, 2007?

**Ms. Lawrence:** That's right. That's when they're anticipating starting some of the pilot testing and the system testing.

**Mr. Hampton:** So this data centre, which will be located in Ontario, will be up and running this spring.

**Ms. Lawrence:** Testing will commence this spring is what I—

**Mr. Hampton:** This data centre, which will be located in Ontario, will be doing testing, doing test runs, this spring. When this spring? What's the target?

**Ms. Lawrence:** I think the notional target would be to begin testing between April and May.

**Mr. Hampton:** So you're going to begin testing between April and May?

**Hon. Mr. Duncan:** If I could just add to that, one number I have confirmed is that there are now 125,000 smart meters in place in Ontario and, yes, it's a very good start, and the centre is going to give us enormous opportunity for data management, data storage. So the establishment of the centre and the installation of the meters—in terms of maximizing the utility of the meter, the installation—

**Mr. Hampton:** When will the decision be made on the winner of the RFP? I'm asking the question: When will the decision be made on the winner of the RFP?

**Ms. Lawrence:** The target plan is to have the vendor selected by December of this year.

**Mr. Hampton:** By December of this year. I want to ask, are we talking—just broad range—a \$300-million contract, a \$400-million contract? You must have some estimate of how much this is going cost. I mean, I don't think you'd be putting out an RFP if you had no clue how much it's going to cost. Do you have a sense of how much this will cost?

**Mr. Gillis:** We didn't put out the RFP. The RFP was put out by the ISO. They are the data experts and they actually manage an existing large data warehouse right out there in Mississauga, which is exactly where we'd want this one to be.

**Mr. Hampton:** I understand that. They must have reported to the minister's office or to officials in the ministry a ballpark figure of how much this is going to cost. Or are you just flying by the seat of your pants?

**Hon. Mr. Duncan:** It will be a lot less expensive than a nuclear plant, and it will provide a lot of energy savings because we need smart meters to help people conserve. You've got to look at a whole range of issues when you're dealing with cost, so we think this is actually very cost-effective when you do it on a per-kilowatt basis and it gets built into the rate base by the Ontario Energy Board.

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**Mr. Hampton:** Chair, I'll ask the question again. Do ministry officials have even a ballpark figure of what this data centre is going to cost, what the contract's going to be for? Do you even have a ballpark figure?

**Hon. Mr. Duncan:** We have estimates about what the savings associated with cost with smart—

**Mr. Hampton:** Chair, I've asked a specific question.

**Hon. Mr. Duncan:** Let me finish. If you'll let me finish my answer—

**Mr. Hampton:** I've asked this question of ministry officials. Do you have a ballpark figure of what this data centre is going to cost? Yes or no?

**Mr. Gillis:** The actual cost of it will come in two parts. There is an upfront cost that's associated with the development of the software, and then there's an ongoing charge that would have to be charged to each of the rate-payers over a period of time in servicing it. So it doesn't come in an attractive package, and I don't think it would be fair to speculate on how those components might come together, because that's—

**Mr. Hampton:** Tell me what the upfront cost is. Do you have a sense of that?

**Mr. Gillis:** It depends on how the proponents bid into the RFP. We're not in a position to speculate as to what the two components of the cost might look like, because there may be some vendors that would prefer to have a higher charge on the back end and a lower upfront charge, and we'll see what we get in the RFP results.

**Mr. Hampton:** So will it be a billion dollars?

**Mr. Gillis:** I think it's important to recognize that we're in the midst of actually a formal RFP, and for us to speculate on the outcome would be unwise at this time.

**Hon. Mr. Duncan:** It would prejudice the outcome. You can speculate all you want. Those costs and the charges and the savings associated with it will become very clear once the process is complete.

**Mr. Hampton:** So when will this facility be fully operational?

**Mr. Gillis:** I think that since it's a phased roll-in over a number of years and it will have to grow to accommodate the number of meters that are installed at any

point in time, the full implementation would be anticipated probably in 2010.

**Mr. Hampton:** So it wouldn't be fully operational until 2010?

**Mr. Gillis:** The whole program won't roll out until the end of 2010, at which point we've captured all of the—

**Hon. Mr. Duncan:** And that's consistent with our undertaking to meter the whole province.

**Mr. Hampton:** According to—

**Hon. Mr. Duncan:** Let me finish. We've said that we will meter the whole province by 2010. We said 800,000 meters by the end of next year—not the beginning of next year. I've also indicated to you that, as of today, 125,000 smart meters have been installed.

**Mr. Hampton:** It would seem to me—you've said you are going to have 800,000 such meters installed by the end of 2007, but you're not going to have a fully operational data centre?

**Mr. Gillis:** That's what I said. It's going to scale up over time to be fully operational at its maximum size by 2010.

**Mr. Hampton:** No, no. You can have a fully operational facility—all right?—and then you can simply add the number of calculations or the number of homes that you're going to deal with. I'm asking you a quite different question. When is this thing going to be fully operational; in other words, able to handle the data and do the kinds of activities that the government is advertising will be in place by the end of 2007?

**Hon. Mr. Duncan:** The first 800,000 meters will be installed and functional by the end of 2007, and the data can be managed.

**Mr. Hampton:** And the data repository will be—

**Hon. Mr. Duncan:** We already have time-of-use pricing built in.

**Mr. Hampton:** I'm not asking about time-of-use pricing.

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

**Mr. Hampton:** I'm asking about the data centre.

**Hon. Mr. Duncan:** No, but that's part of the issue. Those 125,000 meter owners can access time-of-use pricing now. The data management will be installed and in place to handle the 800,000 meters that will be in place by the end of 2007. The meters that are installed now are functional and can be used. The management of the data and what we gain from that will be consistent with the installation.

**Mr. Hampton:** I was struck that on such a fundamental question as design of the meters, as to whether the meters will be capable of one-way or two-way communications, your response is that each LDC would decide on its own as to which way they want to go. I just want to be clear: Are some areas of Ontario going to have two-way metering systems and others one-way metering systems?

**Mr. Gillis:** It's unlikely. My understanding is that each of the LDCs, certainly the ones that are procuring large numbers of meters at this stage, are proceeding with two-way meters. So in each particular circumstance, it

will be the job of that particular LDC to determine whether or not they need one- or two-way meters. Again, my understanding is that each of them values the incremental benefit of having two-way meters sufficiently so as to warrant the incremental expenditure potentially associated with that.

**Hon. Mr. Duncan:** That was in response to the Electricity Distributors Association and local municipalities asking for that local choice.

**Mr. Hampton:** So of the LDCs that were mentioned yesterday, which ones are going one-way and which ones are going two-way?

**Mr. Gillis:** I'm not sure that all of them have signed contracts with vendors at this stage. I have been led to believe in previous conversations that they are all going to go with two-way, but the actual contracts, as I said, have not been signed, so I can't confirm that at this stage.

**Mr. Hampton:** It's also up to each LDC to decide who they will buy these meters from?

**Mr. Gillis:** What has actually happened is the Big Six, as they're called—and we went through the names yesterday—came together to form a buying pool. They ran a small RFP and listed a number of vendors from whom they would be comfortable buying, and they can choose from that list of vendors. If they would like to expand the functionality that we have set out in our minimum specs, they are able to do that, and they'll have to justify the costs in front of the Ontario Energy Board.

**Mr. Hampton:** So has a standard been established as a result of that RFP? Does that now constitute a standard?

**Mr. Gillis:** We believe so. It's a minimum standard.

**Ms. Lawrence:** The standard is actually set out in one of the government's regulations. It is a minimum standard, and that is designed in the interest of cost, with a focus on the ability of a metering system to accommodate time-of-use pricing. The regulations are structured so that cost recovery for any additional functionality, including two-way communication, would be justified on a case-by-case basis before the board. What the large distributors' coalition has done is, using that minimum specification, run an RFP—or an RFPQ, I think it's technically called. They have come up with a vendor of record that is comprised of five possible vendors that can be purchased from.

**Mr. Hampton:** I'm going to ask my question again: Is it up to each LDC to decide who they will buy these meters from or must the LDCs decide which of these five companies they will buy from?

**Mr. Gillis:** The LDCs themselves came together to do this RFP.

**Mr. Hampton:** The big LDCs.

**Mr. Gillis:** The big LDCs have agreed that they are going to buy from this list of five.

**Mr. Hampton:** What about other LDCs? What are the rules for them?

**Ms. Lawrence:** The regulations allow for other LDCs to piggyback, if they desire, on the CLD's vendor of record as well as Hydro One's vendor of record, and the

rationale behind that is that those vendors have agreed, I understand, to offer the same bulk price benefits to other LDCs.

**Mr. Hampton:** Who are the vendors of record?

**Ms. Lawrence:** Itron—

**Mr. Gillis:** Maybe we can send you the list.

**Mr. Hampton:** Why can't you give it to me right now?

**Mr. Gillis:** I guess if you know it off the top of your head, Rosalyn, it's okay; I don't.

**Ms. Lawrence:** Trilliant, Elster, DCSI and Sensus.

**Mr. Hampton:** Those are the five?

**The Vice-Chair:** You've got about four minutes left.

**Mr. Hampton:** That's fine.

I want to be clear on this. These are the five that everyone—

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**Ms. Lawrence:** No. What we have put in place is a phased deployment. Recognizing that there are a number of LDCs in other parts of the province which are much smaller in scale and probably couldn't wield the resources necessary to do either a full-blown RFP at this stage or negotiate a price benefit for their own service territories, they have been given an opportunity to put in an order on this existing vendor of record. We have had a couple of sessions to date with the Electricity Distributors Association to talk about how to organize the remaining LDCs into another wave of procurement to ensure we have the numbers that will bring what is a proven benefit of bulk purchase power and as well, in a timing sense, recognizing there are a number of new technologies that are in the queue for approval at Measurement Canada that will make it a much more competitive field. So we, I think, are talking to them. They seem to be interested in doing another wave of pilots so they can learn their own business process adjustments as the MPMR gets set up.

**Mr. Hampton:** I just want to ask again, who's going to install the McGuinty meters?

**Ms. Lawrence:** The CLD RFP included a request for bids on installation. That, again, is a local choice of the LDCs. Some are exclusively using their unionized labour force, some have reached agreements with existing unions to carve out installation responsibilities and others who actually don't do their own installations will likely outsource.

**Mr. Hampton:** I guess I am left to ask again that you must have some estimate of the total cost of implementing this.

**Mr. Gillis:** What we did do is we took a look at the business case associated with rolling out smart meters and used a range of benefits that we got from the LDCs. It's a fairly complicated case, and it starts with the benefits that accrue to the local distribution companies. If you can imagine, they are designed so that their infrastructure can support a peak amount of electricity.

**Mr. Hampton:** What's the cost?

**Mr. Gillis:** Of that?

**Mr. Hampton:** Yes. What's the cost of implementing the overall McGuinty meter program? You must have some idea.

**Hon. Mr. Duncan:** There will be savings to consumers over time. It's a negative cost.

**Mr. Hampton:** You're saying it's a negative cost?

**Hon. Mr. Duncan:** Yes.

**Mr. Hampton:** When?

**Hon. Mr. Duncan:** Over the life and over the payback period, depending on the selection of technologies and how consumers use them. But yes, there's a definite payback.

**Mr. Hampton:** What's the cost in the first year?

**The Vice-Chair:** Mr. Hampton, we'll finish you up right there, because you can continue this in another 40 minutes. We'll go over now to the government side.

**Mr. David Zimmer (Willowdale):** In the financial press, and I suppose also here in the assembly, there have been a number of questions about whether we have the right mix of energy agencies. There's a school of thought that says we've got it right and there's a school of thought that says perhaps we haven't got it right, in terms of too many or too few. What's your view on that issue?

**Hon. Mr. Duncan:** First of all, thank you for the question. When the old Ontario Hydro was broken up into five pieces—Hydro One, OPG, the Ontario Energy Financing Company, what was then the IMO and the IESO, and then another very small entity—what was lacking in any of them was a planning body, so when we were constructing Bill 100, we looked at who could do the planning, recognizing that a market had developed in Ontario for energy and that whoever the planner was had to be kind of separate from the government-owned utilities: Hydro One, OPG. There was some thought about whether the IESO and the OPA could be one, but again, there were a number of potential conflicts involved there, so we arrived where we're at in terms of establishing the OPA.

The other question, interestingly enough, was about where the conservation bureau should go. Again, we looked at a number of options. We thought about setting up a separate agency. We thought about putting a conservation bureau inside the Ministry of Energy. Ultimately, we decided on putting it inside the power authority, and the rationale for that was that conservation is an important part of power creation or power savings, and to separate the two could in fact put conservation on a back burner. We felt it was better to put it in the power authority.

The final body out there, of course, is the Ontario Energy Board, which regulates everything. Then there are local utilities. The last time I looked, I think there were about 90 local utilities on the electricity side in Ontario. Of course, embedded within Hydro One are some local utilities as well.

So there are all of these agencies which provide certain functions, and the debate is, are there too many, are they too big, what have you.

We believe this is the right mix. We're going to watch very closely, as we are now. The OPA has grown, obviously, in the last two years. It's coming up to speed, and we're going to examine that carefully, as we do all agencies. There are, as you know, certain parameters established by Management Board within which these agencies function. We believe it's the right mix, and we certainly believe there was a need for a planning body. When you look in most jurisdictions, they have separate planning bodies, especially where a market exists.

The question about where we go in the future is something that we'll all debate. Some have said that some of those agencies should be gone, then don't say which ones or which one. Clearly, we need an independent regulator. I believe you need an independent authority that makes decisions, recommendations, if you will, to government about the future composition of supply, conservation, and somebody that's doing the planning function.

So that's where we landed. We think it's the right mix at this point in time. Of course, the OPA is subject to review as well.

**Mr. Zimmer:** I have a question about where Ontario stands in comparison to the other provinces in the country, and indeed all of the 50 states south of the border, because the reality is that Ontario is an economic jurisdiction that competes with Ohio and Tennessee and so forth and also the other provinces. A piece of the package that business looks at when they decide to locate in Ontario or Ohio or Quebec is the whole availability of energy and costing and reliability and a guarantee of supply over the years. Where does Ontario stand in that competitive challenge between the various states and provinces?

**Hon. Mr. Duncan:** We're right about in the middle. For instance, we'll never be as low as Manitoba or Quebec. They have been blessed with an abundance of hydroelectric power which can meet not only their own needs but which they're able to export. In fact, Manitoba quite properly has a policy where it subsidizes its domestic consumption by its exports of hydroelectric power. That's just good public policy, from their perspective. I wish that we had that abundance of hydroelectric. We did; for many years, hydroelectric could meet our needs, but those days passed about 50 years ago. So when you look at a whole range of jurisdictions—and I'll provide you with the precise ones—we're below, for instance, California, New York. The last time I looked, we were below Illinois and Michigan. I think we're slightly above Ohio. So we're right about in the middle of the pack, in terms of the jurisdictions we compete directly against.

The other observation I would add to that—and it's interesting the points of view you get. Clearly, price is important.

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When you go to Kitchener-Waterloo, which I've done—John Milloy is not here now, but I met with some of the high-tech firms from there and they are most

concerned about reliability. They can't have the power go off. In my capacity both as energy minister and as finance minister, I have been to financial centres in the US and talked about investing in Ontario. Again, the principal concern expressed by some of them had less to do with price than it did with reliability. Clearly they're concerned about price; there's no question. We still have an enormous advantage on reliability compared to a number of our competing jurisdictions, and that's one of the reasons why I've ordered Hydro One to give us a long-term view about the kinds of major investments they'll need as opposed to just a one-year or two-year kind of capital project flow.

So it's both issues. We are about the middle of the pack in terms of our competing jurisdictions. Again, New York and California are much higher than us. Quebec and Manitoba, which are two of the lowest-priced jurisdictions in the world, are considerably below us.

**Mr. Zimmer:** And a more technical question that I'm interested in: Where is our stranded debt now on the hydro piece? That's been around the news.

**Hon. Mr. Duncan:** I don't have that. It's about \$20 billion right now—\$19 billion, I think, left. We paid down \$1.1 billion this year in the budget, I think.

Rick, do you have the precise figures there?

**Mr. Jennings:** Yes. As of March 31, it was \$19.3 billion. That's the unfunded liability.

**Hon. Mr. Duncan:** Yes. This year we paid down \$1.1 billion on the stranded debt. It's the first time we've paid down the stranded debt. In fact, the stranded debt grew from 1999 to 2004.

**Mr. Zimmer:** I'd be remiss if I didn't ask a question in my capacity as the chair of the Toronto caucus. I see that last February, I think, the Minister of Energy asked the Ontario Power Authority to work with Toronto Hydro and other groups within Toronto to come up with some savings in megawatts. And I see yesterday or this morning some new agreements were announced. Mayor Miller was highly supportive of that, and other leaders in Toronto are highly supportive. I wonder if you can highlight some of those and how that's going to play out for the Toronto economy.

**Hon. Mr. Duncan:** We announced 330 megawatts of energy conservation initiatives in the greater Toronto area. It cost about \$150 million. We signed agreements with the city of Toronto, with Toronto Hydro and with something called BOMA—they own and operate buildings here in Toronto—with specific programs about reducing energy consumption. Mayor Miller congratulated our government on its focus on conservation, all that we've been able to achieve. I'm very proud to join him in that announcement today. Toronto has been a real leader in Ontario; indeed, they have announced a number of pilot projects that they're working on with us here in Toronto that have been implemented this summer. We'll have full reports on those very shortly and we're going to use the results of those to make some announcements around province-wide initiatives. There are currently about 500 various conservation programs across a range

of LDCs in Ontario. Obviously, programs that might work in Toronto may not work in a small rural area, so we're evaluating all these programs and we'll be doing some province-wide initiatives in addition to the ones we've already undertaken.

**Mr. Zimmer:** My last question is a question that all politicians face, whether they're in the provincial government, the federal government or the municipal government, and that's this challenge when you're trying to make initiatives and new ideas in the energy field and so on, this whole idea of NIMBYism. Everybody recognizes that the problem has to be solved, and it often starts to break down or you get a lot of pushback from well-meaning people who are trying to solve a problem but "not necessarily in my backyard." Often, it's not just "not necessarily in my backyard," but "in my backyard over my dead body." That's a real challenge for all levels of government and a particular challenge, I would think, for energy and environment issues as it plays out in that area. How do you go about tackling those issues where people recognize the need to fix the problem, but "just not here"?

**Hon. Mr. Duncan:** Well, we have a whole range of legislated processes by which projects are evaluated. One of the interesting observations I've had, for instance, is that our environmental assessment legislation has been used to slow us down in closing coal plants. It's a kind of perverse application of the law. It's been used by the people who want to keep coal plants open, to slow us down.

That being said, you have to have these processes. I've been very pleased with the way the port lands project has been received across Toronto. People understand that you need electricity, whether for your large office towers—a lot of people in Toronto work in the banks. Whether you're talking about the teller or the secretary, the computer programmers, whatever, it's one of the fastest-growing parts of our economy, and Toronto is the last major urban centre in North America that didn't have generation within its corporate boundaries. So we're pleased with the general acceptance of that. Mayor Miller and I both spoke today about the need to deal with the Hearn building, and we're going to. We're going to make sure that we turn that into a very useful site for the community.

So a process has to be in place. Sometimes people, out of fear—we're doing things like windmills, large windmills. The one on the Toronto waterfront is really quite tiny compared to the ones that have been installed up in Melancthon, Port Burwell, up in the Bruce. There's a lot of consternation. I think part of our job as government is not only to have proper processes by which these can be evaluated, but also to help people understand and see that these things can be amazing. I had an opportunity to stand on top of one of the windmills in the North Sea and then right below it. They're amazing. The one I was in had an elevator in it. It went halfway up the thing; you had to climb stairs up the rest of the way.

I think part of our job as government, as legislators, is to help people understand the need for these and work

with them to ensure that we minimize whatever potential impact, whether you're talking about a coal plant or a nuclear plant or a windmill. It's interesting to see this unfold. Some people will fight them every step of the way. But as long as we have a good process in place that allows people to have their say and we can evaluate their merits, not only from an environmental perspective and from a broader community perspective but also from a land use planning perspective, that obviously is the purview of municipalities and so on—I think we'll have to continue to work on those things.

**Mr. Zimmer:** Thank you.

**The Vice-Chair:** Go ahead, Mr. McNeely.

**Mr. Phil McNeely (Ottawa–Orléans):** As you know, in Ottawa we have Hydro Ottawa, we have Hydro One. I'm very happy to say that Hydro One has come up with their policy of taking the fridges back, and mine will be going tomorrow. It's the 28th; it's been set up for some time. So that beer fridge will be gone. I'm glad to see that program there, because it was available in the city of Ottawa before.

One of the things I was wondering about: The increase in demand requirements was raised 2,500 to 3,500 kilowatts, and also the maximum supply used to occur in the winter and it has moved to the summer because of the air conditioning. I'd just like a little bit more detail on that, Minister.

**Hon. Mr. Duncan:** Okay. The IESO, the Independent Electricity System Operator that manages our market and demand forecasts, raised their peak—I forget the precise figure—about 2,000 megawatts. So it's quite substantial. Depending on the size of the nuclear reactor, that's somewhere from two to four. There's no one left who does 500, so it's two to three nuclear reactors, to put it into context. But we've had some enormous changes in the last couple of years. We've experienced a demand increase in the summer that we never imagined. I shouldn't say we never imagined it; we didn't think it would happen as soon as it did. So they quite prudently—you know, we have economists and others who make these projections—revised upward what our peak capacity needs were. That was quite a change, and it has reflected what happened last summer and what happened this summer. So you can account for that on that basis.

And the other part of your question, Phil, was—I'm sorry.

**Mr. McNeely:** It's just that it used to be that the peak was winter, with heating, and now it's switched to a summer peak.

**Hon. Mr. Duncan:** Yes, that's right. The historic power peak in Ontario was in the winter. But of course, by the mid-1960s people started putting in air conditioning and additional appliances and so on. We now have a summer peak. I think most of us around the table are old enough to remember when everybody didn't have air conditioning. The last time I looked, air conditioning on a hot summer day accounts for about 4,000 megawatts, so that's part of it. It's just like, for instance, in the old days peak time was always clearly around 4 to 5 in the after-

noon. Now, because of home computers and other things, sometimes we see it peaking towards 10, 11 o'clock at night, depending—not always—on lifestyle changes, new technologies.

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**The Vice-Chair:** You've got about four minutes there, guys, for your caucus.

**Mr. McNeely:** I've one other question. I think you went through it yesterday, but I'd just like it maybe expanded on. We're the first jurisdiction in North America to say "no coal." We're down the road on it somewhat. What are the reductions we've had from the one closing, what are the total reductions, and how did you achieve those other reductions? Because I think we saw the reductions on SO<sub>2</sub> at 28% and NO<sub>x</sub> at 34%? How were those achieved?

**Hon. Mr. Duncan:** The terawatts produced from coal have been reduced by 17%. A small part of that is related to the closure of Lakeview, but it always has to do with the amount of time we are running the stations, how we run them, how we sequence them. The reduction in the other effluents—the SO<sub>2</sub>, the NO<sub>x</sub>, the mercury and particulate—flows from that in varying degrees. It's been achieved by a variety of these measures.

Coal is not baseload power, and the other key component to this—correct me if I'm wrong—is that once we got OPG back on a solid footing and got things running properly, the efficiency of our nuclear reactors has gone up quite dramatically in the last two years. Not only are more reactors performing, they're performing better. They're operating at a much higher percentage level, and that has been a big help in terms of additional baseload power. That helps us reduce the emissions associated with coal.

**Mr. McNeely:** The objectives that have been set for conservation were doubled from what they were initially, I think up to 6,500? What part of that do you see the new time-of-use meters?

**Hon. Mr. Duncan:** They're not just time-of-use meters. The new meters will allow people to manage their consumption. It will be up to people making choices. That's only part of it.

We have something called the Energy Efficiency Act in Ontario, which was proclaimed in 1990, where we set standards for appliances. Appliances are performing much better than they did 20 years ago, and I can give you those numbers. It's really quite dramatic when you see what an impact that one piece of legislation has had.

Meters in and of themselves won't be the answer, but they will give people the tool by which they can manage their power. There have been pilots done in Ontario, then pilots done elsewhere. They are fully installed in other jurisdictions. Italy is the one we've referenced, as well as California. In the Woodstock example that I cited yesterday, about 15% of their rate base—I'm sorry, one quarter of their rate base; I always get these numbers backwards. One quarter of their rate base was on the meters, and they had an average savings of about 15% of consumption. Again, 15% of installed capacity in Ontario

is 4,500 megawatts. That is Nanticoke. If you give people the tools by which they can manage their consumption, they will.

I had to get a new dishwasher for my home. I've got one that's got a timer on it so that I can set that timer to run it later at night or at a different time. Unfortunately, because I don't have a smart meter, it doesn't save me anything by doing that, but once I have a smart meter, not only will I be able to set it, but I can save money by doing it at that time.

**The Vice-Chair:** That's good, Minister. Now we'll go over to the—

**Hon. Mr. Duncan:** Garfield, that's the first time you've said I've done anything good in the 11 years we've been in this place together.

**The Vice-Chair:** The timing. You were good at the timing.

**Hon. Mr. Duncan:** Oh, the time. Okay.

**Mr. Yakabuski:** That actually doesn't go in Hansard, does it, when you say that?

**Hon. Mr. Duncan:** "Strike Hansard." You can't do that, John.

**The Vice-Chair:** Mr. Yakabuski, the next 20 minutes.

**Mr. Yakabuski:** I first want to start out where we left off. I was quite concerned with the comment the minister made with regard to violence and the insinuation that others have advocated that. Were you insinuating that other members of this assembly have advocated violence?

**Hon. Mr. Duncan:** No. What I've said is that we're taking an approach that we believe will peacefully resolve the situation of Caledonia, and we think it's the right approach.

**Mr. Yakabuski:** That's not what you said. You said the other approach was violent. Are you implying that, other than the approach you're taking, the only other way to resolve it is through violence?

**Hon. Mr. Duncan:** What I've said is, we believe we're taking the right approach that will resolve the issue in a manner that reduces the probability of any kind of violence.

**Mr. Yakabuski:** But you made the implication, sir, about violence. You used the word.

**Hon. Mr. Duncan:** You can interpret my comments. I'm telling you, we believe our approach is the right approach to peacefully resolving the situation at Caledonia.

**Mr. Yakabuski:** Fair enough. So you're not implying or insinuating anything about other members of this assembly?

**Hon. Mr. Duncan:** Heavens, no.

**Mr. Yakabuski:** You're being cheeky now, Minister.

**Hon. Mr. Duncan:** I'm not. I'm just saying that our position is clear.

**Mr. Yakabuski:** Have you got a record of anything being said by any other member of this assembly advocating that?

**Hon. Mr. Duncan:** We believe that the position we've advocated is the right position with respect to

resolving the situation at Caledonia peacefully in everyone's interest.

**Mr. Yakabuski:** Okay.

The transmission line we spoke about earlier: How much has this delay cost?

**Hon. Mr. Duncan:** In terms of dollars and cents?

**Mr. Yakabuski:** Yes.

**Hon. Mr. Duncan:** I'm going to have to get back to you with that answer. Does anybody have that answer? We can get that from Hydro One. It's been a terrible disappointment. That line was supposed to be in place and functional by, I think, mid-July of this year. You're right. It gave us additional import capacity of about 800 megawatts maximum. That's that difference between 350 and 800. At peak summertime, given demand in other parts of the United States and so on, you're probably looking at 300 to 400 megawatts of additional import capacity. So it was disappointing that it was not online this summer.

**Mr. Yakabuski:** You will get back to us as to the costs on that?

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

**Mr. Yakabuski:** Now, I'm going to ask you again. It amounts to 1,600 megawatts: 800 import and 800 transmission in Ontario.

**Hon. Mr. Duncan:** No, it's 800 additional megawatts of import capability at its maximum. The reason you see the variation—the number between 350 and 800 megawatts—is because at the time we would likely need that import capacity, there would likely only be 300 to 400 megawatts available. So on a moderate spring day where demand isn't high throughout the northeastern United States, yes, we could bring in an additional 800 megawatts if we had to. By the way, that's something that would be nice to have, and that's why we proceeded with it and advocated for it.

**Mr. Yakabuski:** Precisely. We had a summer this year—well, we hit a historic peak on August 1. On a broad base, throughout the summer, it was not as warm as 2005. We had a lot of days which were much lower demand than corresponding days in 2005. We didn't have an extended long heat wave like we did in 2005. For 2007, there are no guarantees as to what the weather is going to be. This was an additional capability to import power for peak times. Where do you expect to be, and do you continue to contend that you will simply sit on that project and do nothing until this situation just sort of takes care of itself? I understand you making things very comfortable for them for the winter.

**Hon. Mr. Duncan:** The IESO has said we're in good shape for the next 18 months without that line—that's an additional safety valve—and they've been very clear about that in their report. It would be nice to have. As you know, we did hit a peak this summer of 27,000 megawatts. The average temperature was, I think, the second-highest year in history; it wasn't the highest. I don't think we've seen the final numbers.

One thing you should be aware of, John—you may be—is that the bigger challenge in 2005 wasn't the temperature, it was drought in northeastern Ontario. You

would know this in your riding. From June until August 2005, we lost 2,000 megawatts of capacity of hydro-electric power. Obviously the temperature had a number of impacts. This summer it was less the fact it wasn't quite as hot as it was the summer before—it was still very hot and we still hit a record peak of 27,000—but the big difference was we didn't run into drought, particularly as we did, as you know, in the northeast the year before.

**1650**

The short answer is, the IESO is satisfied that for the next 18 months we're in very good shape. Again, we could have a summer that's worse than 2005; I don't know. The reason we moved as quickly as we did after we came to office—this had been on the table for almost 10 years and hadn't proceeded—is that we would very much like to have that additional import capability, particularly for those bad days.

Again, this year, even when we went over 27,000, it turned out we didn't need it. The additional supply we brought on was more than enough to compensate. As I said, the IESO has indicated that even without that line, we're in good shape for the next 18 months.

**Mr. Yakabuski:** Thank you. As we go down the road here—see, I don't have all these staff here to keep track of my notes; nothing against you guys—it's not just about generation, it's about transmission. If you look at your hydro bill today, there's a portion on it that's electrons, there's a portion on it that's transmission, there's a portion on it that's debt retirement charge and then there's the line loss factor, which is 9%, I think, on my bill, something like that. One of the concerns I have, and I was just going to try to percentage-wise it, is transmission costs relative to electrons. I think we can expect big changes in that regard with the amount of upgrading we need to do. You've got the line transmission from Bruce that has not been done. It hasn't even been started. We've got the upgrades happening at Bruce, but it doesn't do you any good to be able to produce power if you can't move the power. Relative to generation, what can consumers and businesses in this province expect to see from the relationship between generation costs and transmission costs?

**Hon. Mr. Duncan:** You're absolutely right: There has not been nearly enough done historically to keep pace. As we bring on more generation, we will need enhanced and improved as well as new transmission. Part of the answer to that and part of the cost-benefit of standard offer is the notion of distributed generation.

I can't give you a precise figure, John. Those things will all be subject to rate applications in terms of transmission by Hydro One, over time, and scrutiny and regulatory oversight by the Ontario Energy Board, at which time people will have an opportunity to comment on those changes.

Suffice to say, transmission is not cheap. The bigger problem, in my view, the bigger mistake we would make is if we delay it, because one of our great advantages today, as I indicated earlier, is that we have a very

reliable system. It's incumbent on all of us, in my view, to ensure that that system remains reliable relative to other jurisdictions. You'll no doubt be aware that the United States has now moved to mandatory reliability standards, which they did not have prior to the blackout, and which we've always had.

Transmission costs and so on will continue to have to be paid. I guess we all have to guard against the temptation to pretend they don't get paid for. My view is, the greater cost would be not dealing with it.

**Mr. Yakabuski:** So the transmission from Bruce necessitated by the refurbishment there, where are we on that?

**Hon. Mr. Duncan:** Hydro One has done some preliminary analysis of what needs to be done. We've got problems not just there. As you know, that's referenced in the integrated power system plan. We've also got a problem right here in downtown Toronto. We've got problems in the north. Power in the northwest is stranded in the northwest. We can't get it out because of transmission restraints. Suffice to say that we will have to address that situation. Hydro One is doing a number of assessments on precisely what's needed. The kinds of things that would go into that decision are location and so on.

**Mr. Yakabuski:** So nothing has been done as far as—

**Hon. Mr. Duncan:** There has been quite a bit in terms of—there have been no final decisions taken, but analysis has gone on, both in terms of what we need, where it should go.

**Mr. Yakabuski:** But as far as actual work on the line, nothing has been done.

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

**Mr. Yakabuski:** You made—I don't want to sound too strong—an accusation yesterday with regard to the shutdown of Lakeview that the other government didn't do anything to facilitate that. Yet before the mandated shutdown date—and you finally agreed it was the previous government that ordered the shutdown of Lakeview. But between the election of 2003 and the shutdown date, there were 18 months or more, more—in fact. So now we've got a situation in Bruce where this is going to be needed in 2009. So why isn't more being done?

**Hon. Mr. Duncan:** We are still well within the time limits we need to accommodate what needs to be done. Hydro One and the government will have to take decisions.

**Mr. Yakabuski:** So what's left to do? Is it just Hydro One's decisions, or is there some regulatory stuff?

**Hon. Mr. Duncan:** Ultimately this will require a whole range of things: environmental assessment, municipal permitting and so on. Pardon me?

*Interjection.*

**Ms. Lawrence:** OEB.

**Hon. Mr. Duncan:** Yes, OEB, absolutely, the Ontario Energy Board. So yes, there remains ample time to get it done in time, but I would suggest that yes, indeed, we will have to have clear answers about that.

**Mr. Yakabuski:** We're almost into 2007.

**Hon. Mr. Duncan:** Yes, and according to our engineers, there's time. Now, we are all going to have to take very clear positions on that in the next few months.

**Mr. Yakabuski:** So we have ample time with two years and a few months—well, it might be a little more than that.

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

**Mr. Yakabuski:** But in the Lakeview situation—

**Hon. Mr. Duncan:** If I could just correct one thing: The target date is 2012, not 2009—I missed that—because of the way the timing and sequencing works. So it's not in two and a half years, in fact, that it has to be up and completed; it's 2012. That being said—

**Mr. Yakabuski:** So there's going to be some other stuff coming down.

**Hon. Mr. Duncan:** That being said, let me concur, let me agree with you that you're right. We're all going to have to say how we're going to provide additional transmission, where it's going to go. We'll all have to probably debate that in the next few months.

**Mr. Yakabuski:** Wherever else we build generation, transmission will be necessary.

**Hon. Mr. Duncan:** Not necessarily. For instance—

**Mr. Yakabuski:** If you're not building on current locations—

**Hon. Mr. Duncan:** Yes, fair enough.

**Mr. Yakabuski:** If you're building in new locations—

**Hon. Mr. Duncan:** Fair enough. New locations again, depending on where it is—but you've identified the Bruce. Not only is Bruce important for transmission because of the nuclear plants, it's also because of the wind opportunities and the biomass. There are a lot of dairy farms up that way as well. So in order to get that power out of there, we're going to need additional transmission capability in the area.

**Mr. Yakabuski:** I want to ask a couple of questions for now on smart meters, and I think I'll talk a little bit more about them maybe next week. Some of the questions asked by the leader of the third party have given me cause to ask some questions as well. You say there are 125,000 meters currently in use?

**Hon. Mr. Duncan:** Installed.

**Mr. Yakabuski:** Installed. So they're not operating? You said "operational." You used the word "operational."

**Hon. Mr. Duncan:** I said "installed," I think.

**Mr. Yakabuski:** No, you said "operational."

**Hon. Mr. Duncan:** We'll check Hansard. I don't recall. I said they'd be operational next year. Some of them are operational, I believe.

**Ms. Lawrence:** Yes, there are some utilities that are currently engaged in pilot testing of time-of-use rates.

**Mr. Yakabuski:** But those have nothing to do with the smart meter initiative. Some of those were in place prior to that.

**Ms. Lawrence:** I would say Milton has been in place for some time.

**Hon. Mr. Duncan:** The industrial sector as well; that's where a lot of them are.



**Mr. Yakabuski:** So when you're talking 125,000 meters, that's really—when you're talking about your 800,000, were you counting all of the meters that were already in place in the province of Ontario?

**Hon. Mr. Duncan:** We said we'd have 800,000 meters installed in Ontario and functioning by the end of 2007.

1700

**Mr. Yakabuski:** But was that 800,000 new meters, or were you calculating—

**Hon. Mr. Duncan:** It was 800,000 meters.

**Mr. Yakabuski:** So how many meters were installed in the province of Ontario prior to the initiative?

**Mr. Gillis:** It's not a big number.

**Mr. Yakabuski:** It's not a big number.

**Mr. Gillis:** It really isn't. We can get that for you.

**Hon. Mr. Duncan:** I'll get it for you, but it's a small number. It's a lot smaller than—

**Ms. Lawrence:** It would have been quite limited to residential and commercial users. I think Milton was the only LDC that was involved in interval metering and smart metering for that customer base. I think the kick-start of installations and interest in smart metering was actually part of the conservation and demand management initiatives that LDCs undertook with their third tranche, and that was designed to give us some pilot tests and research results to kick-start a larger deployment.

**The Vice-Chair:** About another three minutes, Mr. Yakabuski.

**Mr. Yakabuski:** Are these two-way meters? I won't ask you which one they belong to; I won't ask you to spell it, either. Are the meters that are currently installed two-way meters, or would that be too general?

**Ms. Lawrence:** There is such a wide variety of technology being tested in different LDCs. Many of them would be two-way; others are not.

**Mr. Yakabuski:** You made the comment, Minister, about a net negative cost to smart metering. Are you suggesting that across the board, the energy saved by the smart meter initiative will amount to more than the entire cost—purchase, installation, data capture, compilation of information etc—of the initiative and the program?

**Hon. Mr. Duncan:** Yes, I am.

**Mr. Gillis:** There are a number of different categories in which you accumulate savings across the energy system.

The first one is, I guess, and most importantly, the value that you attribute to having fewer emissions spewed into the atmosphere. You have to remember that the plants that go into service to serve the peak load are, generally speaking, the least clean, so there are health benefits.

The second thing is, you actually need fewer of those generating plants to meet peak, because you're obviously hoping to manage the top off of the spiky peak that we would otherwise have. So you need fewer generating plants.

It also includes the benefits of forgone imports. You need less transmission if you have fewer power plants, and you need a little bit less investment in distribution.

The accumulation of all of those benefits outweighs the costs of smart meters.

**Mr. Yakabuski:** You can add just about anything you want into it. My question was regarding the actual value of energy saved. I don't want the other numbers that are very hard to actually pinpoint. Will the actual value of energy saved exceed the cost of the smart meter initiative in its total, or do you believe it will? I'm not expecting you to be 100% accurate on it. Is that what your expectation is?

**Mr. Gillis:** I think it's fair to say that the investment that you would make in smart meters will yield investments across the energy system that will be greater than the cost of implementing smart meters.

**Mr. Yakabuski:** On a—

**The Vice-Chair:** Your time is up, Mr. Yakabuski.

**Mr. Yakabuski:** I gotta check that clock.

**Hon. Mr. Duncan:** I just have one quick response for John. He asked a question about transmission rate increases. The proposed increases for 2007 by Hydro One are three tenths of 1% on your total energy bill, and for 2008, they're one tenth of 1% on the total energy bill.

**The Vice-Chair:** Thanks, Minister. Now we'll go over to the leader of the third party.

**Mr. Hampton:** You must know how much money the LDCs have spent on the new metering technology, the new metering project, so far, or you must have access to that information.

**Ms. Lawrence:** I think we undertook to look that up for you, so we have a call around to the LDCs. It's quite a swath of territory we're trying to cover, because many of them have spent on pilots. The LDC has procurement costs that they have incurred.

**Mr. Hampton:** I would think they would know how much they spent, though. Don't they have to take that to the OEB when they ask for rates?

**Mr. Gillis:** I think that's an important point. I'm not sure they're under any obligation to give us that information. They're not subject to freedom of information. We're also not the shareholder of a lot of the LDCs. The province will try to get it for you. I'm not sure of the relationship that we have that would enable us to get that information.

**Ms. Lawrence:** They certainly don't report to us, so that actually entails about 40 calls around. We are endeavouring to get that—

**Mr. Hampton:** So you don't know how much money the LDCs have already spent on this.

**Mr. Gillis:** To date? No, we don't have that information.

**Mr. Hampton:** How is that being paid for so far? They've made expenditures. How is that being paid for?

**Mr. Gillis:** It will be paid for over the life of the asset in rates.

**Mr. Hampton:** No. I'm asking, how has it been paid for already?

**Ms. Lawrence:** I think it's important to distinguish that the expenditures to date on actual procurement of meters have largely been under the umbrella of the conservation and demand management initiatives, which were paid for out of the third tranche of return that would otherwise have gone to municipal shareholders. Actual spending on the larger-scale deployment has, I think been restricted at this stage to consultants and experts to launch the RFP.

**Mr. Hampton:** Then the conservation and demand management initiative: How much money are we talking about so far?

**Hon. Mr. Duncan:** The total project was \$160 million, and that's available. In total, \$30 million of that had been spent by June or July the last time I looked, but we were expecting that to ramp up quite quickly in the next six to eight months. I should say they had three years in which to spend that money.

**Mr. Hampton:** Are all the costs being paid for out of that conservation and demand management initiative, or are there other ways that costs are being paid?

**Hon. Mr. Duncan:** Ultimately, all the costs are paid out of the rate base. It would be built into electricity rates.

**Mr. Hampton:** So do you know from the rate base how much this has cost?

**Mr. Gillis:** It isn't as though they put an asset into your home and then you get a charge for \$500 for that piece of equipment. As we've said, it gets blended into the rates, and the ratepayers pay for it as a block over time. There isn't a step function change in your rates as a result of getting a new smart meter that would cost \$20, and you get a bill for \$20.

**Mr. Hampton:** So when Toronto Hydro goes before the Ontario Energy Board to have their rates approved, they don't have an itemized section that says, "This is the cost of new metering technology: the installation of new metering technology, the implementation, the piloting." Nothing like that?

**Mr. Gillis:** That's right. I believe they would, yes.

**Hon. Mr. Duncan:** They would.

**Mr. Hampton:** They would have something like that?

**Hon. Mr. Duncan:** Yes, but it would be amortized over the life of the asset.

**Mr. Hampton:** Do you know what it is so far?

**Mr. Gillis:** That Toronto Hydro has in their rate case for the upcoming year?

**Mr. Hampton:** Yes, and the last year.

**Mr. Gillis:** I don't have that information in front of me, no, but I'm sure that's something that we can get.

**Ms. Lawrence:** I think that we would have to follow up, but last year's activity by Toronto Hydro was a pilot project under CDM. I think there were 19 or 20 local utilities that came to the board as part of their 2006 rate submissions with implementation plans, so we can get back to you on that.

**Mr. Hampton:** Okay. I'd like to know the cost last year, for 2005, and what's going forward this year for

2006. I would assume they'd have to put forward their 2007 rate case?

**Mr. Gillis:** It's all public information. It would be submissions to the Ontario Energy Board.

**Mr. Hampton:** I think even going back to 2000—would there be anything in 2003, or would you be able to start it in 2004?

**Ms. Lawrence:** No, rates were frozen, as you know.

**Mr. Hampton:** So it was started in 2004. Okay. So 2004, 2005, 2006, and then the rate case for 2007. You'll get that for us?

**Mr. Gillis:** Sure. And the benefits over the life of the smart metering enterprise would be \$1.6 billion.

**Mr. Hampton:** I'm asking you about cost. I listened to your explanation. You can throw the kitchen sink in and call that a benefit.

1710

**Hon. Mr. Duncan:** We think cleaner air is a benefit, Mr. Hampton. Maybe you don't, but we do. We think conservation is a benefit. You cancelled all the conservation programs in Ontario.

**Mr. Hampton:** Look, I read your preaching about coal-fired plants, and then I saw you in the House.

**Hon. Mr. Duncan:** Yes, and you say one thing in northern Ontario and another thing in the south.

**Mr. Hampton:** When are you going to repeat your coal-fired promise? So don't lecture us on that.

**Hon. Mr. Duncan:** Well, don't lecture us. We believe in cleaner air, and we're going to move in that direction.

**Mr. Hampton:** You must be able to tell us how much—

**The Vice-Chair:** Okay, guys, let's calm down here.

**Hon. Mr. Duncan:** I just want to confirm that he said that clean air is not a benefit.

**Mr. Hampton:** How much has Hydro One spent on the new metering technology and initiative so far? How much has Hydro One spent on the new metering technology, the new metering initiative, the conservation and demand management initiative—however you want to describe this; I think we know what we're talking about. How much has Hydro One spent on it? You must know that.

**Hon. Mr. Duncan:** We'll provide that; we'll get back to you on that.

**Mr. Hampton:** You don't know that either? Hydro One reports directly to the ministry, do they not?

**Hon. Mr. Duncan:** They report to their board of directors. But we'll get you that information.

**Mr. Hampton:** How much has the IESO spent on this conservation and demand management metering technology, new metering initiative?

**Hon. Mr. Duncan:** We'll get you that information.

**Mr. Hampton:** How much has the Ministry of the Environment spent? You must have it as part of your estimates. How much has the Ministry of Energy spent? You must have it as part of your estimates, how much you spent in 2004, how much you spent in 2005.

**Hon. Mr. Duncan:** I want to make sure we give you the accurate answer, so we're going to make sure we

gather the information properly and respond back to you. We committed to that yesterday.

**Mr. Hampton:** I want to be specific: your 2004 fiscal year, or operating year—however you want to describe it—2005 operating year, 2006 operating year and 2007 operating year.

**Hon. Mr. Duncan:** Yes, we'll get you that information.

**Mr. Hampton:** Has any other entity, such as the Ontario Power Authority or Ontario Power Generation, in any way also shared in the costs?

**Ms. Lawrence:** The OEB will have incurred some costs as part of its consultation with the industry when it was developing its advice to the minister.

**Mr. Hampton:** Do you know what the OEB expenditure has been?

**Ms. Lawrence:** We'll get back to you, but it was largely about developing advice to the minister. So it would be consultants and running consultations.

**Mr. Hampton:** I just want to ask you a question about installing. You must have a sense, since an RFP went out and you identified five companies—Itron, Trilliant, Elster, DCSI and Sensus—of the cost of the actual meters.

**Mr. Gillis:** It's a similar scenario to the one that we described with respect to the MDMR, the meter data repository. The contract negotiations are going on right now between the LDCs and the vendors, so we're probably not at liberty to discuss prices until the contract negotiations have concluded.

**Mr. Hampton:** Since you have to install several hundred thousand of these fairly quickly, when do you anticipate those contract negotiations will be up?

**Mr. Gillis:** Some of the meters were purchased using that other pool of money that we discussed earlier, so those are being installed right now.

**Mr. Hampton:** So how much do they cost?

**Mr. Gillis:** Again, that's information at the LDC level, and we'll endeavour to get that to you.

**Ms. Lawrence:** Actually, we're currently under a non-disclosure agreement as part of that, and particularly while the LDCs try to negotiate with the vendors on the vendor of record. So to disclose it at this point in time would be with a certain amount of prejudice to those negotiations.

**Mr. Hampton:** So when will you be able to disclose that information to the public?

**Ms. Lawrence:** Ultimately, the LDCs will have to file all that information at the energy board as part of a public hearing.

**Hon. Mr. Duncan:** It'll be part of a public hearing, and those hearings will be commencing.

**Mr. Hampton:** I understand that Hydro One has installed some of these meters. You must have a sense of how much—you must have a ballpark figure on how much these meters will cost. I find it incredible that you're talking about six million meters, and you're here today and you can't even tell us a ballpark figure for how much, first of all, the meter will cost, a ballpark figure for

how much it will cost to install them, and a ballpark figure for how much it's going to cost to operate the system. I find this incredible. I'm sure the taxpayers and the ratepayers of the province would find it incredible. You're supposed to have the metering agency up and running, doing tests this spring, and you don't have a sense of how much it's going to cost? The minister guarantees that you're going to have 800,000 of these meters installed within 15 months, and you can't even tell us what the cost is? You're supposed to have them installed, and you don't even have a ballpark figure for what it's going to cost to install them?

**Hon. Mr. Duncan:** When you don't know what the cost of the input is, it's hard to give an accurate number, so we're erring on the side of caution. When we know what the input costs are, we'll provide that publicly, and then it will be defended before the Ontario Energy Board and subject to public hearings. I'm not going to take the bait and give you a number now that may not prove to be accurate, and then you can—

**Mr. Hampton:** There's no bait here.

**Hon. Mr. Duncan:** Well, there is bait here, because I can't tell you. We've got 90-some-odd LDCs going out for meters. We don't know what the cost is going to be, because they're in the process of purchasing them, at the end of the day. Once those processes are done, rate applications will go before the OEB, intervenors will participate in those discussions, the public will participate in those discussions, and the cost will be known.

What we can say is this: The savings associated with those meters to the entire system, to individual consumers, will be substantial, and they will pay for themselves. Depending, again, on the selection of the precise technology, there will be net savings associated with them. There will be a positive cost-benefit, not just to the broader system but to individual ratepayers.

**Mr. Hampton:** All of which is as clear as mud. I think people across Ontario would find it incredible. The government is talking about six million meters. You're talking about a highly sophisticated data management process. I've been told by some it would have to manage something like 85 million operations a week. If that's the size and the sophistication of this thing, it would make the federal gun registry look like a piggy bank.

I'm asking you questions—just ballpark figures. How much will the meters cost? Don't know. How much will they cost to install? Don't know. What will the data processing system cost? Don't know. Where will it be located? Best efforts to have it in Ontario? Don't know.

**Hon. Mr. Duncan:** People will know those costs before their meter is installed.

**Mr. Hampton:** You don't think that the ratepayers and the taxpayers of Ontario have a right to know the approximate cost of this before you take them down the road?

**Hon. Mr. Duncan:** They do, and they will have that once the process is done and once—

**Mr. Hampton:** After the fact?

**Hon. Mr. Duncan:** No, once the selections are done, Mr. Hampton. I'm quite confident that they'll find it a good investment. We disagree.

**Mr. Hampton:** Yes, we do.

**Hon. Mr. Duncan:** We're going ahead on it, and we'll debate these things, and the costs will become clear. We think clean air is a noble goal, we think these meters will help us manage electricity costs, we think there will be a net savings to consumers and we believe there will be a net savings to the system overall. We've got pilot projects under way to help us make those determinations. We have full public processes at the OEB that will require every utility across the province to identify all of the costs associated with this and how they're going to build it into their rate base.

**Mr. Hampton:** I'm trying to figure out if, in the 19 years that I've been here, I've ever seen a ministry come forward with a project that potentially will cost into the billions of dollars, and that's 15 months away from apparently being up and running—

**Hon. Mr. Duncan:** It's 15 months away from less than 10% of it being installed

**Mr. Hampton:** —you ask for ballpark costs, and ministry officials can't tell you anything.

**Mr. Gillis:** I think it's important to remember that we are in RFP mode for both of the items that you're asking us to cost out. Once these RFPs are concluded, then we'll be in a position where we can provide better cost information.

**Mr. Hampton:** So you're telling me you can't even—I mean, how are you going to evaluate an RFP? How are you going to have a ballpark figure about whether you're getting even a reasonable deal—

**Hon. Mr. Duncan:** That's why you do an RFP.

**Mr. Hampton:** —if you haven't done cost estimates already? If I put out an RFP for fridges, I'd at least know what the fridge at Sears costs, and I'd be able to evaluate it against something. What's the rubric that you're evaluating this against?

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**Mr. Gillis:** The range in the cost of meters would run from \$40 for a very unsophisticated type of meter up to \$500-plus for an industrial-type meter. Again, we're waiting to see which of the meter types the LDCs pick. It will be nowhere near \$500; it will be much less. Those are industrial meters, and we're waiting to see which meters the LDCs select before we provide cost estimates. It is, again, up to them, not up to us, which meters are purchased.

**Mr. Hampton:** So you must know the cost, for example, of the two-way meters that have been installed in—I understand some two-way meters have been installed here in Toronto.

**Mr. Gillis:** There is additional functionality that could be purchased that can make them more or less expensive; that's simply one feature.

**Hon. Mr. Duncan:** We can't give a precise number until the actual meters are chosen by 90-some-odd LDCs.

**Mr. Hampton:** I understand Hydro One has installed some two-way meters. Do you know the cost of those?

**Hon. Mr. Duncan:** The deputy minister just indicated to you, I think quite accurately, that the range in prices is huge. So I'm not going to speculate on a number at this point, until I have more accurate numbers to give the ratepayers.

**Mr. Hampton:** I'll ask the deputy again, since he apparently does know something about this: Do you know the approximate cost of the so-called two-way meter? Do you know the range of those costs? Apparently, Toronto has installed some. I'm told Hydro One has installed some. Do you know the range of those costs?

**Mr. Gillis:** For Toronto Hydro, it would be in their rate submission; for Hydro One it will be in their rate submission. We'll take a look at the rate submissions and we'll give you the information that's in those rate submissions. I just don't happen to have those rate submissions here.

**Hon. Mr. Duncan:** But remember, those costs may not reflect the fact that we're looking at a bulk purchase, which could substantially reduce the cost. They were smaller purchases.

**Mr. Hampton:** It could. You don't know.

**Hon. Mr. Duncan:** I could—

**Mr. Hampton:** I just heard you don't know. It might increase the cost; it might reduce the cost.

**The Vice-Chair:** We're down to three minutes.

**Ms. Lawrence:** The CLD's RFP actually asked bidders to come in at different volume points. So in addition to there being a wide variation in costs across technologies, there is an equally wide variation in costs across volume points. That is in part the rationale for trying to organize buying groups among the other LDCs, because we do have a clear result that bulk buying drives down the price. Similarly, by centralizing the data management function and running a competitive procurement on that, we would expect to achieve economies there as well.

**Hon. Mr. Duncan:** You have to also build in the savings that LDCs will have as a result of the improved data management. You haven't gone into those details yet. We will be—

**Mr. Hampton:** I'd just like some simple figures. What's the cost of a simple two-way meter? With all the high-priced help in this room—deputy ministers, assistant deputy ministers—I can't get a simple answer. This is incredible.

**Hon. Mr. Duncan:** The ratepayers—you're not going to get that answer today, because there is no simple answer.

**Mr. Hampton:** This is bizarre.

**Hon. Mr. Duncan:** It's not bizarre, it's prudent, and the ratepayers of Ontario—let me answer.

**Mr. Hampton:** Six million meters and you can't tell us the cost of one meter.

**Hon. Mr. Duncan:** I can give you—we just did, and there's a range of costs.

**Mr. Hampton:** No. I'm asking, what's the range of cost for a two-way meter?

**Hon. Mr. Duncan:** Forty dollars to \$500.

**Mr. Hampton:** What's the range of cost for a two-way meter?

**Hon. Mr. Duncan:** Forty to \$500, I think the deputy just said.

**Mr. Hampton:** No, no—

**Hon. Mr. Duncan:** You know what?

**Mr. Hampton:** What's the range of cost for a simple two-way meter?

**Hon. Mr. Duncan:** The costs will be fully transparent to the people of Ontario—

**Mr. Hampton:** After the fact.

**Hon. Mr. Duncan:** —and they will more than pay for themselves in a very short period of time. The savings associated—they'll also see the savings that their local distribution companies will have. They'll be able to manage their consumption. These things will pay for themselves in a very short period of time.

**Mr. Hampton:** So I'll ask the question again. We know that Hydro One has some two-way meters; we know that Toronto Hydro has some two-way meters. Surely somebody there can tell me the cost or the cost range for a two-way meter. Surely you can tell me. If you've got an RFP out there, you have to be able to judge it, evaluate it against something. Surely there's somebody here, somebody, who can tell me the cost of that two-way meter.

**Mr. Gillis:** As I've said, there are contract negotiations ongoing right now as we speak with respect to exactly the information that you're asking for, and I'd prefer to wait until those contract negotiations are concluded before I provide that kind of information, which will subsequently be forthcoming.

On the other point, which is the MDMR, it is exactly the same scenario except at an earlier stage.

So what we can consult is the rate application from Toronto Hydro and from other CLD members, which will specify number of meters, estimated costs, and we can give you that information.

**Mr. Hampton:** I'm flabbergasted.

**Mr. Gillis:** That will give you the information I think you're looking for.

**Mr. Hampton:** I'm flabbergasted, Chair.

**The Vice-Chair:** With that, we will move over to the government caucus, and you've got 20 minutes.

**Mr. Delaney:** It was an interesting discussion that we were having with Mr. Hampton. Just a little bit of perspective on it: Minister, you spent some months as a very effective Minister of Finance. To place in perspective some of the discussions we've been having on the behaviour of a market, let me ask you a question: Considering the high-priced talent that you had and that Mr. Sorbara still has in the Ministry of Finance, plus all of the assistance and the advice that you get from the banks, the brokerage firms, from academia and from all of the experts in the financial field, how many of them, two years ago, predicted a 90-cent Canadian dollar?

**Hon. Mr. Duncan:** Very few. I know where you're going with this. What we're attempting to do and are going to do is make sure that we get the accurate range of prices so that we're not speculating loosely without any base in fact. I don't have that luxury, nor do my officials have that luxury, because if we give the wrong number now or we give a number that's off, either way, whether it's too high or too low—so we choose to err on the side of caution, and we believe that the prudent approach is to work through this process.

Again, every nickel that will be spent on these meters will have to go to the OEB, will have to be part of a submission that has to be justified. It will be subject to scrutiny and will be subject to interveners. It's really a bit of a mug's game to try and suggest that we don't have a sense.

What we do know is this: that there will be net savings to individual consumers and to the system as a whole. This will allow consumers to manage their consumption. We think it's crazy that your electricity meter should be outside of your house on the back wall, and I don't know about you, but I can't read mine. People should be able to read their meter. They should be able to use that meter to assist them in managing their costs. It's kind of like using one of those old push cash registers that you used to see in stores versus the new computer technology that we have today. Some people have their head stuck in the sand; we don't.

Do we need to have accurate estimates of cost? Absolutely. Will we have those accurate cost estimates? Absolutely. One of the reasons it's difficult is because very few jurisdictions have done this on the electricity file. We're not the first, but we're certainly at the front of the line in terms of who's doing this. Is there an element of risk to that? There sure is an element of risk to that. But I'll tell you something: The cost of these things is a whole heck of a lot cheaper than a nuclear reactor, at least according to the figures Mr. Hampton puts out with respect to nuclear reactors. Mr. Hampton plays fast and loose with the numbers. That's a luxury he can afford, but when we come back to this committee with more accurate information, then we can give you a better estimate of precisely what the costs are, and that will be very clearly defined for every ratepayer in the province.

**Mr. Delaney:** Thank you. I was listening to it with some real interest. Prior to being elected, I'd had some exposure in the software development and high technology field, and I found it incredible that the member for Kenora-Rainy River would make the assumption that costs for either the meters themselves or their subcomponents will either be flat or behave in a linear fashion. High-tech markets just don't do that. They have never behaved in that fashion. What's normal in that particular market is that the first few units, the first several batches and those that are provided to the early adopters are often actually fairly expensive.

For example, I remember being one of the first in my neighbourhood to actually have a computer in my house back in the late 1980s. For an old 386 computer with four

megs of RAM and an 80-meg hard disk, I think I paid about \$8,000. Of course, now I have one that's perhaps 10,000 times more powerful, and it cost me just about a 10th as much.

In terms of the smart meters, I know mine was the first in my neighbourhood of Churchill Meadows. They installed it about 11 months ago on a fairly cold day, and now I can actually read my meter.

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Enersource Hydro Mississauga has been working on the software development. They know that I know a little bit about it. In fact, I'm still a bit of a weekend code jockey. So I sit there and I log into it. I can actually see my usage patterns. What difference has it made at our house? We know, for example, what lights are worth replacing with compact fluorescents because those are the ones that stay on the longest, so those are the ones that you're going to replace. We've learned, for example, when it makes a difference when we turn on the dishwasher, the washing machine or the dryer.

Providers know how to meter the time-of-day use. In fact, most of us are very familiar with time-of-day use. Anyone who carries a cellphone is quite familiar with time-of-day use, because that's a smart meter. Every cellphone user knows all about smart meters, because that's exactly how they pay for it now and how they've been paying for it for about 10 years.

As to specifically what is the downstream cost of a smart meter, that's like asking somebody, "What will high-tech gear cost in 10 years?" That's like asking somebody, "What is the cost of a house in Toronto going to be three years from now?" There have been times where housing prices have fallen, and there have been times when housing prices have risen. It's just like LCD TVs. We can probably expect the actual cost to fall with efficiencies and mass production, with subcomponent supplier competition and with advances in technology.

The other half that the member for Kenora-Rainy River was going on had to do with support, to ask at the outset, what will the platform be that juggles the data? I sit there and I wonder about it, and I think, well, where are you coming from? That's why you go to a request for proposal. That's why you ask for a quotation.

Let me just ask you, what type of work have you been doing with the LDCs to work on consumer behaviour patterns? What have they been telling you about what some of their early adopter users have been saying—in very broad general terms, the type of partnership you've had with LDCs as we proceed down not what is the bleeding edge but certainly what is the leading edge in terms of our adoption of smart meters.

**Hon. Mr. Duncan:** First of all, early on, when we first discussed this initiative, LDCs had a lot of nervousness about it. They view the meter as their cash register—this is their terminology—and they didn't want to lose control of their cash register. Fair enough. So before we did the legislation, we worked out a full understanding with the EDA and its large members, as well as small members, so we had buy-in. Part of the challenge they have is it's

hard for them to do anything because their meters don't tell them a whole lot. That's one of the advantages to moving to this system.

I thought, Bob, you raised a very valid point about cellphones. I was thinking of new cash registers in stores, bank machines, credit card companies. This data can be easily and well managed and very cost-effectively managed. When we have accurate numbers to get out there, we will, but where we've had pilots—the best one I can give you an example of is Woodstock. It's been ongoing since 1989. It's a one-way meter. You get a little card and, like I say, 25% of their customers are on the system and they save an average of 15% per year.

In Mississauga, through Enersource, there have been some interesting program pilots done. I know you're part of one. I know in Toronto there have been systems where you can go on your computer at work and go home and turn down your power.

We're seeing in Toronto the peak-saver program in which by installing a simple little device on your air conditioner, the utility can go in and it can change the cycle on your air conditioning and save peak. Interestingly enough, Dave O'Brien at Toronto Hydro was saying today that even though Ontario hit new peak demand this year, Toronto didn't. So their conservation initiatives are actually starting to take hold.

One of the reasons we're doing these pilot projects is not only to get a sense of cost but also the power of them and what we can learn from them. We've looked at other jurisdictions. It's interesting. In Italy, for instance, when they began installing them there was resistance, but once people saw them in the neighbourhood, everybody wanted one. The price of electricity is about two and a half times what it is here, and they saw what an amazing tool these things were to help their neighbours manage their costs.

We don't drive Edsels any more. The technology of the meters we have today was largely developed by the beginning of the 20th century. We need to take advantage of the new technologies that have developed.

Rosalyn is giving me a note here. Consensus conclusion with LDCs is that we all need to work together on customer education and how people can use these.

The final point I would make is about software, where it's developed and who own this technology. I think most of us have Microsoft software on our desktops. We think that we're going in the right direction. We think this is not only going to be cost-effective but it will save people money and save the system. We think we should use 21st-century tools to measure our electricity consumption, the same way we use new cash registers, cellphones and other things.

**Mr. Delaney:** Yet the scale of the problem, the scope of the problem, in focusing on one thing—software development—is not materially different than deploying the software backend support for a new cellphone network. It hasn't stopped new providers from offering cell service.

**Hon. Mr. Duncan:** It's likely smaller. We short-listed these five. Members may remember we brought in some

of these companies to demonstrate their technologies. We had a little reception where you saw all kinds of different meters. It was a challenge, frankly, Bob, and this is one that worries me more than—because they're going to save money at the end of the day; they're not going to cost money. What worries me is, how fast will the technology develop? I guess the more relevant question in my mind—you were talking about what you bought in 1989 versus what we have today. That, to me, is a more meaningful question. How fast is the technology going to develop? How much better will the technology be in seven years? How much cheaper will it be? So part of the overall exercise is, as we choose the technology, as we move forward, that that technology be flexible, that we can adapt it in the future and so on to make the measurement of the electricity we use in our homes a more precise function. We still have people who do estimates of what they use. It's kind of crazy when you think about it, especially given the value of the commodity.

**Mr. Delaney:** As you point out, the meters are substantially the same as they were a century ago. I watched the procedure as my new meter came in. They put a cone around the meter just in the event that there's a spark, they popped the old meter out—it's got exactly four prongs—and they put in the new meter. From start to finish, the process is over with in under two minutes. A single crew could replace an entire neighbourhood in a day, just a single truck and a single crew.

**Hon. Mr. Duncan:** In Italy, the last time we checked they were doing I think 40,000 meters a week. It's not a big job. That's the easy part. The difficult part is the data management, the systems behind it. The installation is quite quick and convenient. It will be a challenge, but we think our crews are up to it.

**The Vice-Chair:** You've got six minutes.

**Mr. Delaney:** Just before I give this to Mr. Zimmer, who has a question for you, my colleague from Kenora—Rainy River kept pushing you on exactly what the thing is going to cost. He used the analogy of supposing you were doing an RFP for fridges. I was sitting here listening to it and I was doing a few notes. I thought, okay, if you were asking me for an RFP for fridges, I'd be saying, "Do you want running water or not? Do you need computer connectivity? Is this thing going to be stainless steel or is it just going to be galvanized steel? Are you going to have an ice dispenser? Are you going to have a large model or a small model?"

This comes back to a point that you made where you were talking about spending time with the distributors and with the marketing channel to get an idea of what this mix is, what people need, as you're on the cutting edge of a technology in which it's good to be best, but it's best to be first. In order to be first, which is a direction that Ontario has taken, some of this means working with the distributors to learn a little bit about that demand as it unfolds.

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**Hon. Mr. Duncan:** I'm sure Mr. Hampton will give cost estimates to this—

**Mr. Delaney:** And they'll be wrong.

**Hon. Mr. Duncan:** —and I'm anxious to see them. Once I have more precise information, then I'll be in a better position to give you more accurate information. I remember Mr. Hampton saying that the Pickering A, unit 1, redevelopment we did was going to come in over \$2 billion; it was \$1 billion. Once I have more precise numbers, I can look you in the eye and say, "This is where we believe it's going to wind up, and this is how much we believe individuals are going to save and what the payback is." For instance, payback: One LDC chooses a meter that costs \$42 and one chooses one at \$50. Well, the payback will be a little bit longer, and then again it'll vary depending on the local distribution company's rate base and so on. We'll be able to get you a good range of costs.

It's not like we're going at this blind. We've had expert advice from a number of individuals. I'd be curious to see what cost estimates our friends have with respect to this, so that when the real numbers are in and we can give you accurate projections, then we can have a full discussion at that time.

**The Vice-Chair:** Mr. Zimmer, you've got about three minutes.

**Mr. Zimmer:** Thank you. I hope I get two questions in.

The government's introduced this concept of the true cost of electricity. When I get out talking to constituents and folks and so on and explain the true cost of electricity, and then I get into our pricing model, which is a hybrid of regulated and unregulated rates tailored for residential, commercial and industrial sectors—given that, what some people on the face of it might say is a complex model, how do folks out there, whether they're private sector or citizens, assure themselves that they are paying the true cost of electricity when they're trying to figure out the model?

**Hon. Mr. Duncan:** You're absolutely right: We have a hybrid model, and it is complicated. But one of the things we discovered is that everybody has complicated energy pricing. Some call it full regulation. It doesn't matter where you go, even in the so-called deregulated places like Alberta. It comes back to the fundamental nature of the commodity: Electricity cannot be stored—period, full stop. It goes right down to that. That's the first premise. Since it can't be stored, it can be manipulated. Some of the best capitalists in this province—Peter Godsoe, the past chair of Scotiabank, a Harvard MBA, laughed at the notion that you can have a pure market, because 12 kids with computers at Berkeley can game the entire North American market. We learned some lessons from Enron.

That being said, one of the things that I observed as part of all this, and one of the criticisms of the old Hydro monopoly, was that it was inefficient and so on. So we have a system where people pay the true cost of electricity. We have capped OPG's revenue; that is, they're going to get a 5% rate of return instead of 10%, which is the nature of this while we transition, while we bring more supply on.

We're seeing a whole private market of electricity developing on the renewable side. All our wind farms are privately owned; biomass and all the opportunities on farms, that's all privately owned power. We've also said that our big, massive installations, that power—the hydroelectric, the baseload, the stuff that makes the system run—should be in public hands. I think that's a fair thing. We're talking the major hydroelectric projects—Niagara, Saunders—and then of course nuclear. There's nowhere in the world where ultimately the public authority does not—if not own the nuclear, it certainly is liable for the nuclear. For instance, the experiment with Bruce Power, in my view, has worked out. It was one thing I thought the previous government did right, and it worked out. I've said that in the Legislature—

*Interjection.*

**Hon. Mr. Duncan:** Yes, make a note. It's in Hansard. You can quibble about the terms, but you know what? They've done a good job, and that's why we've negotiated to have them refurbish a couple more reactors.

People pay the true cost, but the true cost right now doesn't reflect a full rate of return for OPG. They're producing about 70% of our capacity right now, so in that sense, we're shielding them somewhat as we transition. But I like to say—I was a young guy studying economics—that there are only two ways to lower price: increase supply or decrease demand, and we're doing both of them. That's what's allowing a market to develop. You have to remember too, a market would not develop here after the price freeze of 2003. Everybody just went, "Whoa." For three years we talked about a market opening, then we do it, and within weeks we clamp it down.

Our view is that we should transition people. It's not about the energy companies alone. It's about our constituents, people on Bay Street and Main Street. If people in our ridings don't see savings resulting from a market transformation, of course they're going to put pressure on the politicians to recap the market. As we develop a market, as we bring new providers online, we're transitioning. That's why we settled on the hybrid market. It's a regulated market, but again, everywhere in the world is like that. People like to pretend it's not, but when you scratch below the surface, and Alberta is a particularly good example, you'll find that it's very highly regulated.

The other challenge we have is that for the first 70 or 80 years of Confederation, we could meet all of our energy needs with our own hydroelectric power. It's once our demand exceeded the amount of hydroelectric capacity we had available that it started to become a challenge.

**The Vice-Chair:** Thank you very much, Minister. Mr. Yakabuski takes us up to 6:00. You've got about 12 minutes, and then you'll have another eight minutes at the beginning of the next session.

**Mr. Yakabuski:** First of all, I wanted to thank the member from Mississauga West for his interesting commentary on refrigerators. If I'm ever in the market again,

I'm certainly going to see if he wouldn't mind coming out and shopping with me. He's certainly liable to make a better deal than me, particularly on that shiny, stainless steel model.

You made the comment, "\$40 to \$500." If we're to take—

**Hon. Mr. Duncan:** The deputy did, and I concurred.

**Mr. Yakabuski:** Okay, you concurred. Well, I was actually looking at the deputy when I said that.

**Hon. Mr. Duncan:** Okay.

**Mr. Yakabuski:** Given Mr. Delaney's synopsis of how technology is going to reduce prices, we should expect that, my God, we should be buying these meters for \$3, if you use that computer analogy about a 386 for \$8,000 to the 100-gig drives that you can get today for less than \$1,000. If we're going to use that analogy, then I guess we'll be buying these meters for nothing, but we know that's not the case. I don't think there are going to be too many \$40 meters out there. I think that's a pretty broad range, and I would expect we should be able to narrow that down a little bit.

Maybe I could ask you, of the 125,000 meters that are out there—Mr. Delaney has one of them, and he's very proud of it; he probably went out and watched the guys install it—how much are they costing?

**Hon. Mr. Duncan:** We've undertaken to come back with those numbers. Again, it's going to vary. These are all over the place—different LDCs and so on.

**Mr. Yakabuski:** These people who have those installed, are they currently being billed any differently?

**Ms. Lawrence:** No, because the smart meter pilots are coming out of a different revenue stream, and that revenue stream would otherwise have been directed to the shareholders of the local LDCs. Across the board, that was a pool of \$160-million-odd available to LDCs. Not all of them came forward with smart meters as part of their plans or proposed plans, but that's how they are funded.

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**Mr. Yakabuski:** So those places where they're installed are not subject to time-of-use pricing at this point?

**Ms. Lawrence:** There's some piloting going on and I think less than a handful of LDCs who are actually testing out shadow billing, which is slightly different than time-of-use rates.

**Mr. Yakabuski:** So we've got these meters out there, but they're really not doing anything at this point other than being installed. They're in the meter base.

**Ms. Lawrence:** They're on the houses.

**Mr. Yakabuski:** Yes, and the meter base is on the house. So they've got the meters, but they're really not doing anything at this point.

**Hon. Mr. Duncan:** No. Consumers who have them, like Bob was pointing out, can see how their consumption is happening. If the LDC is not tied in to time of use, they can't benefit from that yet. That's correct. But I'll tell you, one of the important functions—John, I'd urge you to talk to the folks in Woodstock and others if you



haven't had the chance. One of the things they will tell you is that one of the great benefits of the smart meter is its educational function. That is, we learn to value the commodity. Right now, you can't see how much it costs when you put your dryer on, for instance. That's been the message I've had from everyone who's done these, the value in terms of consumer education and how to use them.

**Mr. Yakabuski:** We had meters—you might have called them smart meters—75 years ago. You went into a boarding house or a hotel or some of these rooms, you put a quarter in the meter, and your lights came on in the room. Once the value of that quarter expired—

**Hon. Mr. Duncan:** I don't know what kinds of rooms you were staying in.

**Mr. Yakabuski:** Not in my lifetime, sir.

**Hon. Mr. Duncan:** John, you make a valid point, though. You talk to people who grew up in post-war Britain and Europe—and I've talked to many people who grew up in post-war Britain who talked about having to put a shilling in the furnace at night. That's very much what it's about. One of the functions these meters perform is that they educate consumers about, "When I turn on the dryer, how much more quickly does the money come off"—

**Mr. Yakabuski:** I'm going to ask you a couple of questions related to that. First of all, you made the statement that this would be a negative cost across the board. I'm not even in a position to dispute that, because we don't know what the costs are, but you've said it. You also said that on an individual basis, the savings will more than justify the cost of the smart metering program.

**Hon. Mr. Duncan:** Over a period of time.

**Mr. Yakabuski:** Well, there's going to be a monthly fee to the consumer. There's going to be something on their hydro bill, which is—

**Hon. Mr. Duncan:** Yes, but the amount they'll be able to save as a result of having the meter will exceed that.

**Mr. Yakabuski:** I'm going to give you an example. I guess I'd ask you, if they weren't saving money, would you as minister say, "Okay, folks. I'm sorry, but you don't have to use that smart meter. We're going to take you off the program"? You're putting smart meters in every home in the province of Ontario, correct?

**Hon. Mr. Duncan:** Yes, and every consumer will have a net savings.

**Mr. Yakabuski:** Right, every consumer. I'm going to tell you about a fellow who came to our hearings down in Simcoe, I think it was. He's got a \$13 hydro bill. This is the human smart meter. He contends, and I would have a hard time disputing him, considering what I know my hydro bills are, and I've reduced mine substantially over—

**Hon. Mr. Duncan:** Thirteen dollars a month?

**Mr. Yakabuski:** Thirteen dollars a month. He brought the bill to the hearing.

**Mr. Gillis:** That sounds light.

**Hon. Mr. Duncan:** Yes, it sounds really light.

**Mr. Yakabuski:** Well, he brought the bill to the hearing. This guy's not going to experience a savings. But that's an extreme case. I don't have the guy's name, so I can't tell you, but he did bring the bill to the hearing; he testified at the hearing and he produced his bill.

Without exception, you would say people are going to save money on these. I have all kinds of seniors in my riding, for example, who say categorically—they deem themselves to be the smart meter—that they've been practising conservation programs for years. First of all, the vast majority of the seniors in my riding live on a senior's pension. They don't have pensions from work accumulated through the years. Sure, we have some people in the riding, if they were professionals working for Hydro One or teachers or stuff like that, who might have pensions, but most of the people in my riding don't have them. They say, "You know, John, I've been practising conservation for years. This smart meter is going to cost me money." Would you say to those people that if it does, we'll take it out?

**Hon. Mr. Duncan:** Here's where I would differ—because I've run into people who say the same thing. I ran into a woman who said, "You know, Mr. Duncan, I have all my life been very frugal about my power use"; she listed it off, and it was very clear to me that she was very cautious. Do you know what? Thank God for people like that, because they care about the environment. But right now, they don't get any rewards. Right now, they effectively subsidize folks like me and others who aren't as prudent with their power. And so, in fact, they will probably be able to use more power at less cost. That's how they can learn to not only save more but actually be able to use more power.

**Mr. Yakabuski:** They don't want to use more power.

**Hon. Mr. Duncan:** Well, they may not, and that'll be their choice.

**Mr. Yakabuski:** But they don't want to stay up all night to wash the clothes either.

**Hon. Mr. Duncan:** And they don't have to. Ultimately, they will be able to save more money, and they will be rewarded for it, as opposed to the way the system works right now, where we don't reward people who are conscious consumers like that. They do a wonderful thing for the environment, they do a wonderful thing for our energy system, but they're not rewarded for it. They're not given a break because—well, actually, we did that. As you know, we put tiered pricing in, so if you get it below 750 kilowatt hours a month, you get a lower rate.

**Mr. Yakabuski:** It's 600 in the summer.

**Hon. Mr. Duncan:** In any event, those people should in fact be rewarded, and that's what'll happen with these. I think that's the right way to go.

**Mr. Yakabuski:** So you would contend that there's not a home, with the exception of my human smart meter—other than him, there's nobody in the province who's not going to save money.

**Hon. Mr. Duncan:** I would contend that there are advantages to every consumer being able to measure their consumption in a more precise way.

**Mr. Yakabuski:** My God, how wonderful. Why are we waiting till 2010, then?

**Hon. Mr. Duncan:** That's right. It's a good question.

**Mr. Yakabuski:** That would be my question. If it's so good, why is it taking so long? Why did you guys wait for months and months and months after first tabling the legislation to get to committee hearings and then move slower yet in its implementation? Here we are going into 2007. If it's that good, holy moly, let's get going. Maybe it's not that good.

**Hon. Mr. Duncan:** It's a big project, it's a big undertaking, it involves 90-some-odd local distribution companies—all the issues that you've raised in expressing opposition to what we're doing.

**The Vice-Chair:** You've got a couple of minutes.

**Mr. Yakabuski:** A couple of minutes? Okay. I want to move into another area at this point.

**The Vice-Chair:** I'm adjourning at 6.

**Mr. Yakabuski:** Thank you. I appreciate that.

I don't think I want to get into this area, because it's going to take longer since I've got a couple of detailed questions. Yesterday I raised it, and you were going to get me the time and date when—maybe yourself or maybe it was when Minister Cansfield was still minister—you actually met with the board of Hydro One to discuss their methods of dealing with salary and compensation. You were going to give me that date.

**Hon. Mr. Duncan:** I have not met with the board on that issue; perhaps Minister Cansfield did. I can tell you that I have monthly meetings with the chair and CEO of the board and I also have a separate meeting with the chair of Hydro One on a monthly basis.

**Mr. Yakabuski:** So that meeting maybe didn't happen under your watch. It's quite likely it didn't, because it's going back—

**Hon. Mr. Duncan:** I have met with the full board of Hydro One—

**Mr. Yakabuski:** But not to discuss that specific question that was asked.

**Hon. Mr. Duncan:** No, but I do meet on a monthly basis with the chair of Hydro One.

**Mr. Yakabuski:** Thank you.

You chastised the previous government for not having a so-called nuclear person on the board of directors of OPG. Are you implying that the management of our nuclear facilities and the operators were incapable of making the proper decisions without having a nuclear person on the board? Is the board running these plants, or do the people who operate the plants run them based on sound principles?

**Hon. Mr. Duncan:** The board has a fiduciary responsibility to oversee the operation of the plants. Efficiencies were down. There was at the time, as you know, a very real concern about our ability to continue to operate the nuclear facilities, as expressed by the regulator.

**Mr. Yakabuski:** So are you saying that the people who were operating the plants simply weren't doing their job?

**Hon. Mr. Duncan:** No. I'm saying there was no leadership coming from the government of the day with respect to the management of the electricity system. We have good people. The same people are there now, but do you know what? You've got a board in place that knows their challenges, and it responds to their challenges. It's more concerned about dealing with those issues than it is with, say, going to hockey games in private boxes or 18 months of hidden expense receipts not being reported. That's one of the reasons I think—

**Mr. Yakabuski:** So you have complete faith in the operators?

**Hon. Mr. Duncan:** I do want to respond to your question. The men and women at our nuclear facilities do an outstanding job for us. They need leadership from a government and from the governance of the corporation in order to fulfill their mandate. That was absent until we took office.

**The Vice-Chair:** With that, everyone, we will adjourn until Tuesday, October 3, at 3:30. Thank you very much for your indulgence this afternoon. We'll see you next Tuesday.

*The committee adjourned at 1800.*



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