

# Society NewsFLASH 2004:01

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## Society questions new electricity vision

**OPG: Some assets regulated, some on the market; IMO: Some functions assumed by new agency; Coal: No closings before adequate replacement supply**

In a speech to the Empire Club today, Minister of Energy Dwight Duncan briefly outlined his plans for "sweeping institutional reform."

Most of the vision had already been leaked to the media, and had already been reported on.

"It's way too complex," said Society President **Andrew Müller**. "There's a little something in it for just about every corporate 'stakeholder' that's been lining up for a piece."

Claiming to have considered going back to the old Ontario Hydro model, the government rejected it, Duncan said, because it "put us \$38 billion in debt," and "I want to move forward." He considered a fully competitive market, but couldn't find an example that had worked. He has opted, he said, for a "balanced approach." The new approach, he said, will balance "conservation and adequate supply" and "public leadership with private investment."

The "sweeping institutional reform" the Minister announced includes:

- ◆ Wholesale electricity prices will be a "blend" of market prices and OEB-regulated prices for "OPG nuclear and baseload hydro-electric" generation; the market would operate as it does currently
- ◆ OPG assets other than nuclear and hydroelectric will apparently operate in the market, though how they will do so is unspecified



*Hon. Dwight Duncan, Minister of Energy*

- ◆ Residential and small business consumers will be offered a standard-rate plan, set by the OEB, which would include time-of-use differences; they will also be able to purchase their electricity from retailers, if they so wish
- ◆ "Medium" and "large" businesses would purchase their electricity on the market
- ◆ By next spring, an Ontario Power Authority (OPA) will be set up, which will forecast and ensure long-term supply and transmission adequacy; if more supply is needed, the OPA will "call on the private sector" to build it
- ◆ The OPA will include a "conservation secretariat" which will provide incentives for consumers to conserve, and the "current disincentives" for the provision of conservation initiatives by local distribution companies will be removed
- ◆ Mr. Jake Epp has been appointed the permanent Chair of the Board for OPG; the government will soon begin an "open and accountable" process for selecting nine more Board members and a CEO

"We don't see the need for a separate power authority to forecast and contract for new supply and transmission. Why increase the bureaucracy?" said Müller. "Much of the talent the OPA needs already exists at the IMO, OPG, and Hydro One, and will presumably come from there. Clearly we'll want to be closely involved in anything that affects their rights and careers."

Müller also questioned limiting new building to the private sector. He pointed out that the government will be taking advantage of Ontario's "heritage assets"—OPG assets—to keep "blended" prices stable and low. "Why don't we build more low-priced, stable OPG assets?" he asked. "Basically, the "blended" price will be the OPG shareholder/taxpayer subsidizing private profit."

In what may be some good news for those working in fossil-fired stations, the Minister—perhaps—admitted that he might not be able to shut down the coal stations as soon as he'd like:

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

Many of the most important decisions which must be made, including whether to continue the Pickering A restart project, how OPG will be structured, issues around transmission and distribution, and where the "electricity supply" will come from have yet to be made.

The Minister is willing to wait over a year to get started on thinking about the private sector doing some new building, Müller said. "Meanwhile, OPG has 3,000MW of easy, relatively quick hydroelec-

tric projects they could start on right away, if the will was there. We think that would be a better way to go."

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