

Society NewsFLASH 2004:02

Tuesday, June 15, 2004



New bureaucracy by January 1st to buy expensive power

The Ontario Government is setting up a new agency to purchase generation for the Province.

Energy Minister Dwight Duncan introduced Bill 100: *The Electricity Restructuring Act* earlier today. The legislation will set up an Ontario Power Authority (OPA) to plan, and contract, for new electricity generation. The Minister expects the OPA to be in operation by January 1st, 2005.

Society President **Andrew Müller**, Staff Officer **Michelle Duncan**, and Communications Officer **Brian Robinson** attended a media conference, where Minister Duncan outlined the new legislation. They were joined by Executive VP Finance **Bill Jones**, Membership Services Executive VP **Rod Sheppard**, OPGN VP **Olaf Heilandt**, OPGI VP **Lanny Totton**, and Staff Officer **Matthew Kellway** in the public gallery as the Minister introduced his bill, and it passed First Reading.

While supportive of some of the conservation and planning elements of the bill, President Andrew Müller told representatives of the media of the Society's deep concern over the damage the legislation will do to the Province's current public generation assets.

The legislation announced today recognizes the fundamentally cheaper nature of public power, in that cheap public power will be combined with expensive market-based power to create a subsidized price. That subsidized price will hide the higher cost of that power and cost consumers more. We believe public assets should be expanded-not left to wither as so-called "heritage assets."

One of the objects of the OPA will be to procure new generation assets from the private sector. Reporters from the *Globe and Mail* and *Toronto Star* observed in questioning the Minister that contracts for such power will be very similar to the Non-utility Generation contracts forced on Ontario Hydro by the Province in the early 90s, contracts which were recently taken off the Province's books and turned over to consumers at a cost of \$3.9 billion. President Müller observed:

The OPA will be forced to offer expensive "NUG" contracts to coax the private sector to build if the market itself fails to attract investment. OPA contracts will be hugely expensive to consumers.

The legislation passed First Reading overwhelmingly, with only the NDP dissenting. Members of the "PC" caucus complimented the Minister on the privatization aspects of the bill, which some observers fear open the door to inclusion of Ontario's electricity sector in NAFTA and GATS rules. Former Energy Minister John Baird (PC) was heard to shout, "Jim Wilson (another former PC energy minister), stand up and take a bow-they've just re-introduced your bill!"

Other elements of the legislation include:

- ◆ The Independent Electricity Market Operator will become the Independent Electricity System Operator, and will limit its forecasting functions to short-term only
- ◆ The long-term forecasting and market surveillance functions will be removed from the IESO and given to the OPA (though it's possible the OPA will contract the functions back to the IESO)
- ◆ The OPA will establish a Conservation Bureau, to "provide leadership" in planning and coordination of electricity conservation measures
- ◆ The OPA, transmitters, and distributors will be permitted to provide various conservation and demand management services
- ◆ Certain generators will continue to be paid on the basis of the IESO-operated market; others will be regulated, with payments to be determined by the Ontario Energy Board (OEB)
- ◆ Consumers in the regulated system will pay a "blended" price for their electricity, with the "blend" including low-cost heritage power, OPA contract rates, spot market rates, etc., as approved by the OEB.

Society officials and staff procured copies of the legislation this afternoon, and are currently analyzing it for its effect on Society-represented employees. A statement is expected sometime Wednesday.

Part of the difficulty in analyzing the bill is that much of the detail has been left to regulation—decisions that will be made by Cabinet alone, without participation from the Legislature. There is also very little about many issues of great interest to the Society. For example:

- ◆ The legislation gives no detail about how the OPA will be staffed
- ◆ There is nothing in the legislation that reveals what the Government expects to do with OPG or Hydro One
- ◆ The legislation touches only minimally on transmission issues

The Minister stated that the legislation will be subject to debate in legislature committees and consultation with the general public. It would appear, then, that the many matters left to Cabinet may *not* be put

before the legislature or public. OPGN VP Heilandt observed that this means "Members will have to be very vocal about letting these MPPs know where they stand. We can't let these decisions be made behind closed doors."

Society locals are setting up membership meetings in July to help in the process of engaging members in the Society's campaign around Bill 100.

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