

PRESIDENT'S BULLETIN

The Minister's speech shows a weak and damaging electricity policy

On May 2nd, Ontario's Minister of Energy Dwight Duncan, made comments in a speech that on closer examination discloses just how weak and damaging the Ontario Liberal government's electricity policy is.

Duncan said "Between 2004 and 2007, Ontario will secure more new generating capacity than any other jurisdiction in North America and will provide enough electricity to power 2.5 million Ontario homes." **To reach this number, Duncan had to include 354 Mw of wind, a generation source which is proven to have infrequent availability to the extent that as much as 80% of the capacity from wind must be backed up by conventional generation. To give some perspective on the amount the Minister brags about, shutting down Lambton will remove enough electricity for 1.3 million homes from Ontario's generation mix.**

Duncan said: "We're creating a brand new industry in Ontario....In fact large wind turbine manufacturers are increasingly looking at Ontario as a hub in their growing North American operations." **So far the government has contracted for 354 Mw of wind and is looking for another 1,000 Mw of renewable generation. Unfortunately for Ontarians, the power from wind is only available about 25% of the time and costs twice as much as coal generation. As to reliability, see above.**

Duncan said "The new projects resulting from the three RFPs we have initiated to date are expected to bring \$3.5 billion dollars in new investment to Ontario and thousands of direct and indirect jobs..." **According to Duncan's earlier press releases, the two gas plants represent \$1.1 billion, \$700 million for the 390+ Mw of renewables, which leaves \$1.7 billion which must be the estimated cost of the additional 1,000 Mw of renewables. This amount - \$3.5 billion - would easily provide the OPG coal station fleet with emissions control technology and life extension rehabilitation. This program would employ thousands of construction workers, retain employment for the full time employees currently working at these stations and deliver twice as much electricity and keep those communities thriving that would otherwise be devastated by the shut-down.**

Duncan said "We have asked OPG to concentrate on maximizing Ontario's large hydroelectric opportunities, by upgrading its existing facilities and exploring new sites, especially in the northern reaches of the province, which hold thousands of megawatts of untapped hydroelectric potential." **OPG is wrapping up its hydroelectric upgrading program. The Electricity Conservation and Supply Task Force report cites Ontario Waterpower Associations estimate of 1,200 to 4,000 Mw potential but, as the report states, "the amount that is actually developed will depend heavily on siting and permitting processes as well as prices", all issues that will have a significant impact on the feasibility of this generation type.**

Duncan said "Making the decision to proceed with Pickering A Unit 1 was the most difficult decision I have made so far as Energy Minister. To be very honest with you, the decision kept me up at night, because it transferred an enormous level of risk onto the backs of Ontario's ratepayers and taxpayers. Risk transfer is one of the most important things our government needs to take into account when it comes to the future of nuclear, and I have asked the Board to consider this very carefully." ***The Liberals incorrectly claim their approach transfers the financial risk to the private sector - the taxpayer is off the hook. In reality, no matter who builds, the risk ultimately falls on the ratepayers and taxpayers. The RFP contracts guarantee no loss; the wind developers are getting a tax incentive and guaranteed contracts. What's needed is an approach with solid oversight that ensures the risk is reasonable including the way it is managed and apportioned among the parties.***

Duncan said "the biggest challenge in replacing coal-fired generation lies not in bringing on new replacement capacity, but in addressing transmission and distribution issues." ***The point he is making - that there are huge costs associated with having to reconfigure the Ontario grid for new entrants when generation stations exist that are sited and connected - is lost in his 'vision' of a national grid.***

Duncan said "Today, I have written to the Ontario Power Authority's (OPA) new Board of Directors asking them to immediately begin work on the Integrated Power System Plan - and specifically to advise the government on what Ontario's long-term supply mix should look like in the future...Coal-fired generation is something that our government has been very clear is not part of OPG's future mandate." ***Duncan says the OPA will advise but then makes it clear that coal is out of the question so the options to be reviewed by the OPA are drastically reduced. The OPA review should be unfettered by government directives and involve all stakeholders in an open and objective analysis of all options, including coal.***

In summary, the government's electricity policy suffers from limited scope, arbitrary decisions that eliminate viable options and heavy dependence on the private sector through long term guaranteed contracts to provide future power needs.

The question that needs to be answered is whether or not this poor planning is enough to create a threat of being unelected in the minds of the Liberal government. Since confusion reigns and the most dramatic price hikes won't come until the new private supply is brought on after the next election, Ontarians may miss the fact that the province's electricity system is being destroyed.

Don MacKinnon
President