

The Future of Ontario Power Generation

presented by

Don MacKinnon, President

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Presentation Overview

- ✍ History
- ✍ Current situation
- ✍ Responses to questions
- ✍ Summary
- ✍ Questions

History

PWU support for industry restructuring

- ✍ Decontrol of OPG facilities seen largely as positive from perspectives of employment continuity and investment
- ✍ Focused on making Ontario Hydro split and subsequent spin-offs workable
- ✍ Participated in Electricity Transition Committee, Electricity Conservation and Supply Task Force

Current situation

PWU views on government actions

- ✍ Previous government backed off Hydro One IPO, closed market, froze rates, created significant uncertainty
- ✍ Liberal Bill 4 – rate increase required
- ✍ OPG's significant contributions to government finances not mentioned (\$600 million+ in 2003, \$1.5 billion in Market Power Mitigation Agreement rebates)

Current situation

PWU views on government actions

- ✍ Current government's position on coal untenable – Request For Proposals for power to displace coal signifies continued focus on closing coal rather than reducing emissions
- ✍ Electricity Conservation and Supply Task Force – decision to not sign based on disagreement with approach to take government's coal shut down policy as a given

Current situation

PWU views on government actions

- ✍ Concern that position on coal specifically and OPG performance generally will lead to reduction in generation from OPG assets to be replaced by private sector power – no new megawatts
- ✍ Price, reliability and safety require continued operations of OPG assets
- ✍ This includes adequate maintenance, rehabilitation and environmental upgrading of OPG assets and new build

Responses to questions

1. Vision for OPG in the future

- ✍ Future of Ontario marketplace provides context
- ✍ Government intends to keep OPG and its assets publicly owned
- ✍ At minimum OPG substantial supplier for reliable, secure electricity supply at lowest possible, stable and predictable prices
- ✍ In two part market (heritage/new supply) OPG should own/operate existing assets as Crown Corporation and participate in/facilitate new supply

Responses to questions

2. Supplier of energy/enabling government policy objectives

- ✍ “Market solution” failed electricity customers – government must be involved
- ✍ OPG “heritage” assets as public resource is part of solution to government objective by operating these assets in best interests of people, not with profit maximizing motivations
- ✍ OPG also facilitator/watchdog of new supply

Responses to questions

3. Role in Ontario and North American energy markets

- ✍ OPG has a vital role to play as the entity that provides supply self-sufficiency for the Province
- ✍ Mandate must be understood in context of interconnected market where reliability issues require attention

Responses to questions

4. OPG role in development of new electricity generation

- ✍ Maintain/refurbish existing facilities
- ✍ Promote private investment by providing access to facilities/sites along with development and operation skills
- ✍ Continue as generator/investor to keep competitive market “honest”

Responses to questions

5. Conditions for refurbishing Pickering A Units 1, 2 and 3

- ✍ Pickering Review – no criticism of technology mentioned and appropriate processes in place to control future rehabilitation efforts
- ✍ Proceed with the refurbishment of Pickering A Units 1, 2 and 3 unless specific evidence exists to show it is not the most economically cost effective supply alternative
- ✍ Proceed on an incremental, unit ~~by~~ unit basis

Responses to questions

6. Investor role when new generation projects needed

- ✍ OPG should retain the capability to continue as the generator/investor
- ✍ Ensures the energy security of the Province
- ✍ Acts as a check on any future market participant's attempts to exploit market conditions to the detriment of the Ontario electricity consumer

Responses to questions

7. Company structure

- ✍ OPG's operations with respect to its management of its heritage assets kept separate from its activities in the market for new generation capacity
- ✍ Achieved through separate corporations, or through separate divisions within a single corporation
- ✍ There should be a functional and accounting separation between the two businesses

Responses to questions

8/9. Government control over OPG/Ownership

- ✍ Heritage assets – directly through a Crown Corporation
- ✍ New generation market – either a Crown Corporation, or a business corporation owned by the Province
- ✍ OPG's operations in the new generation market would be subject to the requirements of the procurement process for new supply, as supervised by whatever authority is assigned that task

Summary

The PWU recommends

- ✍ A significant and lasting role for OPG and its assets under public ownership
- ✍ Full utilization of these assets to provide stable, predictable, reliable electricity under a cost of service regime
- ✍ Appropriate OPG activities to ensure its value as investor/generator and to provide balance against pressures from new entrants

The PWU will continue to ensure effective membership representation through all means available