

IPPSO FACTO

Political issues in the Ontario power sector

An in-depth discussion on how politics operates



Sean Conway



Rob Silver



Will Stewart

Reiterating parts of what was said by Energy Minister Chris Bentley the night before, Moderator **Sean Conway** from Queens University, opened the session with a question to Rob Silver:

Where are we in the here-and-now, in terms of the politics of the Ontario Energy file?

Rob Silver, Crestview Strategy: “Let me say something somewhat provocative. Every year at APPrO we talk about uncertainty and unpredictability in the Ontario energy sector, and since I have been paying attention to the Ontario energy sector, the period we’re in right now, is bar-none the most uncertain,

the most unclear of any period.”

Silver then posed a set of counter-questions which highlight major issues:

- Are we pro- or anti-nuclear and what’s the future?
- Green Energy Act: Huge mistake or inspired visionary policy?
- Should the risk for new generation be borne by the private sector or by public crown corporations?
- Transmission: Should it be public or private?
- Private sector competition for east-west connection: Good thing or not?
- Should the province sell any major Hydro One assets?
- Distribution: In terms of consoli-

dation and private/public ownership, where are we heading?

- Consolidating central agencies? Would this make sense in 2014, 2018? Ever?
- Natural Gas: Were Oakville and Mississauga unfortunate slip-ups or is there something amiss with the gas facilities that could pose future concerns for province?

It’s unclear what any of the major political figures will say about any of that in the coming months, Silver said. The political uncertainty in the province is casting a large shadow over the future of energy policy and, therefore, it is difficult to forecast where we might be by the time APPrO 2013

comes around.

Will Stewart, Navigator Limited agreed about the uncertainty, adding that after two years into the McGuinty government we don't know where McGuinty's policies actually stand. "This is a time for strong, bold statements for setting policy direction and then letting it go," he said.

Until we shut down the "directive machine" in the Minister's office that continually fires off pieces of paper to the OPA and OEB, we will never get politics out of the Energy Sector, he suggested. Politics will stay in energy until the people in the energy sector can manage the politics of the sector themselves, without the politicians feeling the need to get involved.

Mr. Conway asked Dave Butters where we stand, as of November of 2012, and what kind of advice he would give someone thinking about entering the Ontario energy space.

APPrO's **Dave Butters** responded saying, "I think we are in a transitional period though I'm not quite sure what we're transitioning to. It's not clear what will happen after the Liberal party selects a new premier and a new cabinet." We have a reasonably clear idea of the conservatives' energy policy from Tim Hudak.

He noted however that, behind all the political rhetoric, we have actually accomplished a lot: the lights are on, we can afford to send Hydro One crews down to help our American cousins. We have new gas plants, and new wind farms. We have done what the government has asked us to do, and we've taken a lot of that risk and put it on the private sector. We are kind of plateauing on the system and we won't have a lot of new build in the immediate future. However, at the same time, we have a lot of political turmoil that is clouding decisions - and that is a challenge.

Charlie Macaluso, Electricity Distributors Association agreed that there have been quite a few accomplishments in the last 4 or 5 years. Whether under Liberals, Conservatives, or the NDP, there are always

options on the table. The parties are starting to crystallize their positions on centralization, privatization, or reorganization, approaches which are generally associated with the NDP, the Conservatives and the Liberals, respectively.

To convince government to leave the sector alone to do its job, Macaluso suggested, we have to give them a reason to stay out. That reason is price. All the plans—whether centralization, privatization or reorganization—are focused on getting price to where it is affordable, competitive and reliable. Once we can accomplish that, we can have more freedom and independence from whoever forms government, and we've got probably 20 weeks before we find out who that is.

The distribution sector has proposed a number of plans that would collectively save half a billion dollars a year on the electricity bill, which would leave a lot of room for some of the things we do need to do, he said.

Some of the things that have been accomplished:

- A cultural shift in favour of energy conservation
- Short term supply has been bolstered (though long-term is still uncertain)
- The air is cleaner.

The area in which Mr. Macaluso would like to see more government leadership is in infrastructure renewal. Our sector is aging across all parts, particularly in the distribution sector, he stressed. We need to cultivate an environment that's more conducive to investment in infrastructure renewal and we will see who provides that leadership.

How to better manage siting of generation in the future

Sean Conway asked what went wrong with the siting of the south-west GTA generation plants, and how should a new government deal with that kind of problem?

Will Stewart said you can keep the politics out of it by recognizing warning signs. Press releases about the Oakville plant mentioned new

housing around the proposed site, but there hasn't been a new house built around there in 35 years. It was little more than a "seat-saver program" for Kevin Flynn, Stewart believes.

With the proliferation of social media and campaigns-in-a-box, you can find campaigns ready-made to stop new generation plants. The energy sector needs to do a better job at running its own grassroots campaigns.

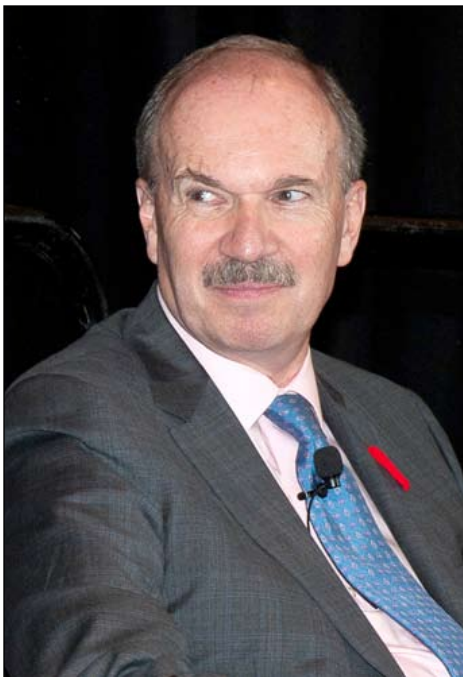
Sean Conway mentioned that his old electoral district had 7 or 8 big hydro dams, none of which could be built today because the public opposition would be too high. Accepting that we don't live in an ideal world, he asked: "How do we do a better job of trying to site this infrastructure in communities when the ability today to stop things seems to be greater than the ability to complete things?"

Will Stewart: The short answer is "I don't know." The government tried to expedite the development of wind turbines by limiting community involvement, and that hasn't worked either. The electoral map of Ontario shows all the blue outside the cities and all the red inside. For one thing, just don't site power plants beside homes and schools.

Rob Silver: You can blame the proponents for what happened in Oakville; they should have done a better job consulting the community and getting people onside. You can blame the design of the OPA's process – there should have been more points awarded for local support. Third are the people of Oakville themselves, who demand the reliability but won't put up with the facility, and had the political clout. And fourth, we can blame crass political decisions. I think the reality is this issue is a combination of all of those things.

Sean Conway: What can you suggest to help produce a better result for next time based on this unhappy experience?

Rob Silver: No two projects are the same. We have communities near Darlington and Bruce who are begging for new nuclear plants. It's a pretty



Dave Butters

unique situation where siting a new nuclear plant is easier than gas. You might have a new transmission line, and no local opposition because it's on an existing corridor. Each project is unique and it is hard to give a single answer that will apply in all situations.

Charlie Macaluso: You can't fool people anymore. You've got to be honest, tell them the truth, give them the pros and cons, and the opportunity for them to understand the facts and to participate.

Sean Conway: The evidence is everywhere that the public is increasingly skeptical of new power system proposals. Governments and proponents have lost legitimacy in the eyes of communities when presenting their case. Who is going to take the case to the jury in the future, to not only be presented, but to win hearts and minds?

Charlie Macaluso: We have extensive hearing processes, and they're complex and hard to fully understand. Is that the process we want? Maybe yes, in some cases, maybe not in other cases.

We need to rebuild trust with the people, you have to give them honesty, you have to get into the communities with information on the ground and let them engage in dialogue. Let them

understand the opportunities that plant or that windmill presents for the community; let them understand what it does not present; and let them know the options.

Sean Conway: If that community is Rosedale, Oakville, Caledon, Rockcliffe Park, what do we do?

Macaluso: Same answer.

Sean Conway: Government policy seems to be "if it's rural Ontario you take it, and like it or lump it." If Oakville, Mississauga sneeze, the world stops. There's clearly a double standard. So what do we do about equity and fairness?

Dave Butters: Others have been successful siting plants – Halton Hills, York Energy Centre, and Sithe-Goreway. For every wind project that is controversial there are three that are built and in operation. So it's not that we don't know how to do it. We get bogged down when it looks as though a decision isn't really based on rational balancing of factors like siting or location, and appears to have other drivers such as short term political gain.

Ensuring adequate capacity by minimizing second-guessing

Sean Conway: We've been talking for 20 to 25 years about increasing the capacity for both growth and redundancy purposes in the southwest GTA. We seem to be having a real problem doing that. What advice based on experiences at Portland and Goreway can be offered, to avoid another calamity like Oakville and Mississauga?

Dave Butters: Before selecting one particular solution, you have to lay out what the options are.

Here's the problem

Here are a range of solutions

Talk about costs

Talk about consequences, land value, etc.

We need a more robust discussion along those lines with people, and frequently we don't have that.

Sean Conway: If this were a water or wastewater issue, there is a very simple protocol that everyone would



Charlie Macaluso

have understood. If you're a municipality and you have growth, you have 3 choices to manage this growth within your area:

- Expand your own capacity, wastewater plant
- Contract with a neighbor who has excess capacity
- Stop the growth.

In the energy space, we've got this culture of plenty and it is inconceivable that the electrons should be unavailable precisely when and where we need them. Do we need to look at instituting measures like those in the water sector, rules that say in effect: you've got to have a plan to cope with growth; and absent a plan, the growth stops. Are we not creating a real problem for the people in the energy space because there are no consequences for saying no to a power plant while inviting continual growth?

Will Stewart: We have buildings full of planners and buildings full of regulators. We have two agencies, arguably, that work on planning. We have a crown corporation that generates this stuff. We have countless private sector operators who build this stuff. Why does the government need to be involved? I think the problem is in the siting. Just up the street from the Oakville plant is the Halton Hills

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plant. It was in the middle of nowhere on a transmission corridor. I think that the best way to reduce the role played by politicians and bureaucrats is to make better use of the systems that we already have in place to properly site and regulate these things.

Dave Butters: I'm going to have to disagree with Will on part of that. There were only a limited number of places where you could have put that plant, absent Lakeview, to serve the needs of the western part of the GTA. You need transmission access, you need gas, and so forth. There was a competition, we asked private sector developers to find the best spot, TransCanada eventually won out with its Oakville site. The site actually wasn't that close to anything: As a matter of fact, the Ford plant is nearby.

We got the private sector in this business in the first place in order for them to figure out where to put these things and then to take the risk. Companies would then rise and fall based on their ability to assess risk. The model was not based on having the government second-guessing them. I think we have a good process and it's turned out well. Where we've fallen afoul on these things is where external parties start to second guess the process.

Building relationships with customers and other solutions for social license

Charlie Macaluso: We have local utilities, and they have the highest rated relationship with the customer. We have the best opportunity to understand some of the issues customers face and what some of their concerns might be, but we're not involved in that process. We need to be smart about using some of the tools we already have. The planners and regulators don't understand or have a relationship with the customer. LDCs have mechanisms to take advantage of that relationship, and it's an underused opportunity in some of the current processes.

Rob Silver expressed some doubt that the outcome in Mississauga would

have been different if Enersource were building the plant instead of Eastern, but noted that Enbridge is doing a Toronto reinforcement and doing a good job of consulting with the community on it. Portlands was also at risk of being unpopular, but TransCanada managed relations with the community well.

Sean Conway read a question from the audience about satisfying increasing levels of demand. Whose job is it to tell the public, he asked, that "the needs of the many may, in fact, outweigh the concerns of the few?"

Will Stewart: You need politicians to speak honestly. The Green Energy Act is going to create 50,000 jobs? The total cost of moving the Oakville power plant is \$40 million? These were not good examples of communication.

Second, you need proponents to educate the local population on what it means for them. The onus for that is on everyone in the room. The proponent, the sector as a whole, the LDCs, the Ontario Energy Association, APPRO, all have to do more on that front. And it's the people's job to hold politicians accountable and not let them get away with press releases that are intentionally misleading.

Charlie Macaluso: I think in Ontario the politicians carry a lot of duties in terms of what happens in energy policy. They have to take some of the responsibility for making decisions which weigh the needs of the masses. We need to know what the issue is. I think it's about the pros and cons of siting the wind farm, and the broader energy sector needs to come and explain that. Also, to explain why it should or shouldn't happen. I don't know whether there is one particular person but ultimately the sector has to stand behind the initiative it's pursuing and be honest with the people.

Rob Silver: Two answers: 1) We need to decide as a province who is taking the regulatory risk, the political risk, and whose job it is to obtain the social license – the proponent, or the government. Right now it's not clear.

2) Honesty is critical. There may have been some optimism over the timeline for shutting down coal, but the costs and benefits were handled frankly with the public. The promises over the Green Energy Act were less frank. It was a mistake to say it would only cost 1%. It was a mistake throwing out a job number that may have been optimistic. I think you could have sold it better if there was a bit more frankness.

The use of directive powers

Sean Conway asked: Is the use of directive power excessive?

Rob Silver: Under the first IPSP there was supposed to be no more directive power by this stage in the process. There would be only supply-mix directives, and overall policy would have been that expressed by the Minister. It would have been primarily the OPA subject to approval by the OEB that would have made decisions at this point. History happens however - you can't put the genie back in the bottle.

Sean Conway: They put in some separation between the agencies and the political level, they delegated some of the very difficult decision-making to experts on various panels and agencies. Then, they went right back to their political sinning ways which embroiled them in all manner of trouble. How and why does that happen?

Dave Butters: Why do politicians act the way they do? Clearly, it is the responsibility of our elected officials to look out for the public good. And it is incumbent upon them to be honest, forthright and transparent, and to talk about the options and the balance and let others get on with it. But we have a very short-term political horizon here in our country and the projects we're talking about are long lead-time projects so we're out of sync. I think Tim Hudak question, "should the government be in the electricity business?" is a valid question and should be up for public discussion.



What are the top issues?

Conway, presenting a question from the floor, asked: What is the single most significant or serious policy issue in the energy space over the next 12 months that government must confront?

Will Stewart: Regulatory uncertainty. For the people in this room, there's a high degree of uncertainty as to how many approvals and what type of approvals do you actually need to get, above and beyond the legislative and regulatory approvals. There's no guarantee at any point in time in this sector that a "yes" from seven people doesn't also mean that you need a "yes" from three other people.

Charlie Macaluso: Two words: Global Adjustment. I've been in this business a long time and even I don't understand global adjustment. I don't know what it is. I don't know what's in it. I don't know who decides what goes in there, I don't know when it's going to end, and I know it's a big number.

Rob Silver: I'll give a political answer. Political issues are either sword issues or shield issues. Sword issues are the type that you try to drive a campaign with, whereas with shield issues you're never going to win a campaign but you defend yourself

with them. So for the Liberal Party typically, health and education would be sword issues and taxes would be a shield issue. Electricity policy is typically a shield issue for a government. In the best case scenario, nobody is talking about it and you escape without having to address the issue. There was a very conscious decision by the Party, the Campaign, and by the Government to turn electricity into a sword issue. The Green Energy Act and others were attempts to turn it into a positive for the party to run on, which is unusual. The best thing would be to keep the conversation low-key.

Dave Butters agreed with Rob Silver, saying that the key is to calm the topic down; continue on with what needs to be done. However, there are complications: a minority government, and the Liberals need to choose a new leader. As long as it's on the front page and is controversial, it is difficult for governments and anyone else to be truly rational about what needs to be done. Electricity shouldn't be a front page issue.

Sean Conway: The leader of the national opposition flew to Calgary in recent weeks and said he supports the flow of Western Canadian bitumen to Eastern Canada. Will that not be an

issue that will attract front-page attention, however meritorious the policy might be?

Rob Silver: I think it will attract some attention, but it will be a miniscule fraction as compared to some of the Ontario electricity issues. The mere notion of transferring what may be a natural gas pipeline into an oil pipeline, or reversing a pipeline, I think it will not become a major national or provincial debate.

Dave Butters agreed. The TransCanada mainline is on the ground and has been operating for around 50 years. There will probably be some local concerns that I'm pretty certain that TC Energy knows how to address. The controversial part will be this: Where are the refineries located and who gets the money? TC says it's practical and feasible.

Will Stewart: The NDP's argument is inconsistent. If you want more refineries, how are you going to get the stuff from where it is in the ground to the refinery if not by pipeline?

Government intervention

Sean Conway: Alright let's get to Tim Hudak's question. What is the appropriate role for Her Majesty's provincial government in Ontario in

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the electricity sector?

Charlie Macaluso: The province has a longstanding history of significant public involvement in the energy sector. To go 180 degrees on that would be foolish for any party. However, that is not to say there isn't room for more private sector involvement. We have indicated that the timing is right in our sector to introduce private participation in the distribution sector. Up to 49% would be a good start. The timing is right for a number of reasons. We need reinvestment in the infrastructure; we need the option of private participation. Whether through public pension plans, pure investment bankers, whatever it is, we need to be open with the public.

Will Stewart: The proper role for the government is to propose the rules, consult on the rules, implement the rules and stick to the rules — then get out of it.

With respect to limiting private ownership in LDCs to 49%, I don't know why you wouldn't go to 100% interest. Our focus group research would suggest that if you don't have the name of the city that you serve in the name of your utility, people already think you're private.

Sean Conway: Tim [Hudak] has suggested in his White Paper monetizing some of the assets of OPG and Hydro One. This is obviously intended to bring more private money into a realm that is normally publicly owned. How do you feel about that?

Will Stewart: We've tried full blown privatization and that has failed. We seem now to be in a contract market with edicts written by Queen's Park and we could say that has failed. I think we need bold steps, I think we need a new way of looking at things and I want to talk to people about that.

Rob Silver: I think it is bold for Mr. Hudak to put divestment back on the table given the experience a government he served with had. I think if we're going to sell we should maximize the return on the assets. I'm not

sure, other than some kind of political shield, why Mr. Hudak has taken all other options off the table.

Dave Butters: I think if the government is going to be involved in the electricity sector and own assets, we need to let those companies operate as commercial entities. Don't put them in strait jackets and expect them to implement partial reforms.

Managing costs

Sean Conway: What specific advice would you give policy makers to manage the cost curve in the coming years?

Dave Butters: You've got to look at other parts of the sector for efficiencies and savings. There are none to be had on the generation side. Those assets are what they are; the fuel costs are what they are. The only thing you can do is stop building new stuff, because that's going to go to the global adjustment. If you want to bend the cost curve you also have to start looking at better load-side participation in the market place — demand response programs etc.

Sean Conway: Where and how do I book these incremental costs of trying to site generation? Is that a generation cost, a transmission cost, a distribution cost, or just the price to get into heaven?

Dave Butters: Ultimately those costs will probably wind up with the OPA somewhere in the global adjustment. They should probably be on the provincial books; those are costs that have been caused by political considerations outside of the electricity sector. But, in some ways it's a sterile argument because those costs are going to be paid one way or another, and be picked up by the taxpayer anyway.

Rob Silver: My advice to the next minister would be to be absolutely ruthless within the confines of the legal. Contracts are contracts. The tough choices will come when FIT contract holders with un-built projects come up against their deadlines. It would be within the authority of the OPA not to renew because of cost. That will be the

next big decision by the next government.

Will Stewart: Infrastructure renewal is always going to cost money. We've had some social engineering programs that are going to drive up the price of electricity. Stop treating the electricity sector as an instrument of social policy and move it back to an instrument of economic policy.

Rob Silver: [to Will Stewart] Would you reopen the coal plants?

Will Stewart: No, I don't think it is effective means to go back and try and build new coal plants. There are better ways to get new generation.

Sean Conway (question from the floor): Has the time come for Ontario to stop using its energy resources, especially electricity resources, as a tool for economic and industrial strategy/development?

Dave Butters: No, I don't think so. Electricity has always been part of the economic strategy of Ontario. There is nothing wrong with using electricity to create jobs. We need a serious public discussion about that, and the people of Ontario have accepted that for a long time.

Charlie Macaluso: The time, whether it has come or not, does not matter. It will always be this way.

Will Stewart: I think the government and/or the general public has to make a decision on what is wanted from the electricity sector. Is it to be an instrument of social policy that improves health benefits, promotes industrial growth, etc. or do you want it to be an instrument of economic policy? I think that is a fundamental question people need to ask politicians who are running for office. The problem is that we're unsure. I think the energy sector should be treated as an economic portfolio. We shouldn't be monkeying around in social issues.

Sean Conway: But we have a rate structure, correct me if I'm wrong, that does give preferential treatment to Northern Ontario, for example. We have other rate structures that incent certain elements of the industrial economic world; we've had those for

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a long time. Some of those are clearly efforts to stimulate regional economic or sectoral economic activity.

Will Stewart: I think you make the stuff; you regulate the people who are making the stuff; you figure out what a fair rate of return is for those people; and then you sell the stuff. You don't generate it for 60 cents and sell it for 5.

Sean Conway: The questioner wants to know: Is it time to stop using electricity as an instrument of economic or industrial strategy?

Rob Silver: Take a specific example, the Ring of Fire. It's a huge opportunity for the Ontario economy with lots of different options. We need to build infrastructure if this is going to be developed. I certainly think we should build the infrastructure if it's going to create jobs.

Sean Conway: So that would be a subsidy paid for by the transmission system?

Rob Silver: It would be rate-based, all ratepayers will pay it. The question is: Are we going to be purist and say we will attract investment by having the lowest electricity rates possible?

Changing the supply mix

Sean Conway: The next question is: Where should we be going with an appropriate supply mix over the next 10-12 years?

Rob Silver: We have flat demand and surplus supply. We also need to look at both medium and long term. I think the government has gotten it relatively right with nuclear remaining a key part of our supply mix. Ontario's gas supply position is fantastic and we need to continue to take advantage. Resource development in northern Ontario means new roads and new transmission. We need to start playing a long game in new hydro development.

Sean Conway: How would you do that comparison shopping between Northern hydro versus increasingly

available natural gas?

Rob Silver: Rely on the professionals at the Ontario Power Authority to make that kind of analysis.

Charlie Macaluso: The supply mix is a very complicated question; there are short term and long term issues. Nuclear has to be a cornerstone of baseload for a long time to come. But there is a potential game changer in the market place, the electric vehicle: Any supply mix will need the flexibility to deal with that. We need to find ways to make sure that generation can be sited much more sporadically in planning for some technologies like the EV.

Sean Conway: Given all the problems with big infrastructure, what about doing more locally, for example, district energy?

Charlie Macaluso: Under the current rules LDCs are not allowed to do generation, other than some small scale renewable stuff. So there is opportunity to deal with that at the local level. It would address potential transmission bottleneck issues, distribution challenges, and provide opportunities for operational efficiency. Also, we could site these plants where they would have the most benefit for the customer. So, absolutely LDCs can get involved in those activities, we only need someone to be elected this spring who won't prevent it from happening.

Dave Butters: I do agree with Rob Silver on the supply mix. I want to add another dimension to that: We need to be getting as much existing value from existing assets that we can, rather than building new ones. We have the non-utility generator fleet; those contracts are nearing expiration. It does not make sense not to keep those going on; make them dispatchable for sure. Expecting maximum value for what we have paid for is really important.

Back to Charlie's point, I'm not opposed to LDCs being involved in local generation, but as regulated entities they should not be doing the work themselves. The LDCs do know where the sites are, they know where the

needs are, but they should contract the work out to companies like Northland Power or any one of our members out here. Let other parties worry about those risks.

Sean Conway: The December 2011 annual report of the Ontario Auditor General deals in part with the regulator, and most people would be stunned to find out how little the regulator actually regulates. What do we need to do, in the interest of accountability and transparency, to deal a regulator regulating less and less?

Will Stewart: That's a natural outcome of having a contract market instead of an open market with people bidding their electricity into the sector. These 20-year contracts are not able to be interpreted by others or even seen by others because of confidentiality agreements. Why can't something like that go through the OEB to ensure that the customer is protected?

We've seen the number of ministerial directives increasing, to a ridiculous number today. Directives used to take weeks of internal debate and meetings – it seems to have been getting easier.

Rob Silver: There are two questions: First, the legal question that the Auditor General raised. The argument goes, if everything that is being done by an agency or regulator is the result of a directive, then is it truly an arms-length independent regulator?

Sean Conway: Surely one of the problems here is: how does a government appoint a regulator to regulate a game in which many of the big aggressive players are in fact owned by the same shareholder that controls the regulator?

Rob Silver: It is an untenable position in many ways. Chris Bentley may want the Ontario Energy Board to be tough as nails with Hydro One and OPG to bring their costs down and Dwight Duncan says "shut up, board. I want the money." I'm overstating it, that's not how it works, obviously. But that is one of the tensions with public ownership in the sector.

Charlie Macaluso: The regulator-

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ry machine has nothing to regulate except LDCs. We never said we (LDCs) shouldn't be regulated; monopolies need to be regulated. However, there is a difference between being regulated and micromanaged. I think 80% of the bill isn't regulated and it's full of costs and ministerial directives. If we want to make costs more balanced, we need to look at how to regulate those other parts or remove the shackles, one or the other.

Dave Butters: First of all, I reject the Auditor General's premise. There is a tremendous amount of regulation in the sector. There is more effective regulation today than there was before we opened the market. All the LDCs are regulated, OPG is mostly regulated, Hydro One is regulated. The purpose of regulation is to step in during times where there's a market failure. I reject the premise that somewhere in the competition between public and private sectors that that

market has failed. The Auditor General's premise seems to be that there should be scrutiny for everything. That's fine on a go-forward basis, if people accept that going into it, but for what we've done so far that wasn't the premise.

Sean Conway: McCarter said that Global Adjustment will grow from an annual cost, in 2006 of 700 million, to 2014 at 8.1 billion dollars, and more and more of that is unregulated. If I'm a consumer, I'd be shocked that nobody is looking to protect my interests as a consumer in that area, or have I got that wrong?

Dave Butters: Global Adjustment largely represents the long-run costs of capital to build generation facilities. You can't recover those costs from the electricity market — the rents are

just too low. You could not build one single generation plant today, based on the hourly Ontario electricity price. You have to have another mechanism, and that is the GA. I cannot see how a regulator could step into that and say to a company with investments in the ground that were predicated on market returns, "we're going to give you a regulated rate of return on your investment of 8%". That's not how the market works in the commercial market place. So, I think there is a lot of misunderstanding about what's in the Global Adjustment, why it's there, how it works. That part of the market is competitive, in the sense that we have RFPs etc. I read McCarter's report and felt that it was misinformed. Those are the kind of problems we have in that even people like the provincial auditor, who ought to know better, don't get it right. Why? Because the issue is complex and they don't take the time to talk to people and truly get down to the bottom of the issues.

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