



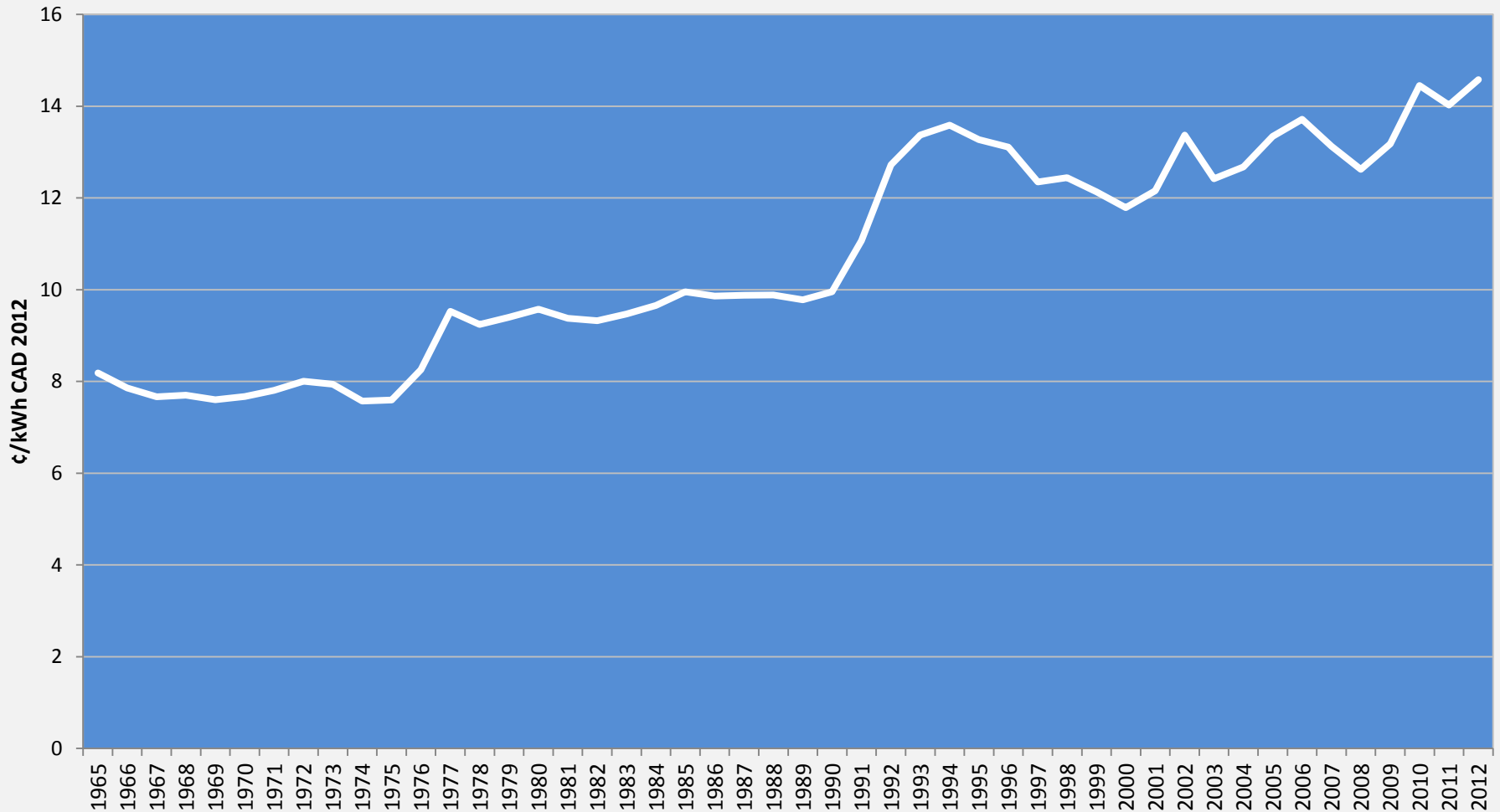
***Ontario's Electricity Sector is a Train Wreck
in Slow Motion: Why and What to do?***

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A Train Wreck in Slow Motion



Ontario Real Electricity Prices 1965-2012



A Train Wreck in Slow Motion



- **A litany of bad and/or poorly executed decisions:**
 - Nuclear build out (Darlington);
 - Rate freeze;
 - NUG contracts;
 - NAOP and Pickering refurbishment;
 - Electricity restructuring & market opening/closing;
 - Coal exit;
 - Sole source gas contracts;
 - Bruce refurbishment contracts;
 - Smart meters;
 - Green Energy Act;
 - Clean Energy Benefit;
 - Management of excess base-load supply;
 - Gas plant relocations;
 - Bruce and Darlington refurbishments?

The Problem is Embedded in Our Institutional Structure



- **What is common to all the bad decisions?**
 - Not the technology or fuel source but
- **The decision processes**
 - Political - administrative decision-making with a short-term electoral focus mixed with the disproportionate power of special interests;
- **We MUST fundamentally change the decision processes if we are to change the outcomes**



- **But, we can't abolish politics.**
- **And we must begin from where we are.**
 - We are not going to create a competitive electricity market any time soon.
 - Key supply decisions are locked in – including nuclear refurbishment
- **The real question is whether we can constrain politicians to “efficient and transparent” interventions.**
 - The Government and Legislature should only set standards re environment, health and safety.
 - Eg a carbon price rather than coal phase-out or GEA.
 - Electricity sector should not be used for job creation, regional development or income redistribution.



- **All nuclear plants should be rate regulated on a performance basis.**
- **OPG should be broken into a nuclear company and a non-nuclear company.**
- **OPG hydro assets should be deregulated.**
- **A carbon pricing scheme should be implemented (and extended to the transportation sector).**

Possible Next Steps



- **A new Power Authority funded from the existing budgets of OPA, IESO and the Ministry of Energy with the following functions and powers:**
 - Choose generation and transmission mix that minimizes costs, meets reliability standards *and* all environmental, health and safety standards (set by government);
 - Have complete authority to enter into *competitively* determined contracts with any entity and not required by law to enter any specific contracts;
 - Nuclear is ring-fenced as a rate regulated asset until decommissioning dates or refurbishment off-ramps are activated.

Insulation From Politics and Special Interests



- **Board of Governors (5 or 7 people) selected by:**
 - a supermajority of an all-party committee of the legislature;
 - required skills would be engineering, business, economics, law and environmental sciences;
 - appointments would be for 10 years with two 15 year extensions possible;
 - salaries would be geared to that paid the top Deputy Minister;
 - very demanding post public service employment restrictions.



- **Is the train wreck over? I'm not optimistic.**
 - Institutions are resistant to change from within;
 - Still no consensus on the problems or solutions;
 - Fundamental change awaits a crisis (a “clear and present danger”, or an “apprehended insurrection”) obvious to almost everyone;
- or
- A serendipitous technology change that makes all this irrelevant.