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Tuesday 8 October 2002

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des débats
(Hansard)**

Mardi 8 octobre 2002

**Standing committee on
estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie

Chair: Gerard Kennedy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 8 October 2002

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The committee met at 1531 in room 228.

MINISTRY OF ENERGY

The Vice-Chair (Mr Alvin Curling): We shall resume the hearing of estimates for the Ministry of Energy. When we adjourned last time, the Liberals had completed their 15 minutes. Mr Hampton, you have 15 minutes.

Mr Howard Hampton (Kenora-Rainy River): Thank you very much, Chair. I look forward to this opportunity to ask some questions of the minister.

I note that the last minister was with us for about five months, so I hope this minister lasts a bit longer.

Hon John R. Baird (Minister of Energy, minister responsible for francophone affairs): I appreciate that.

Mr Hampton: Can you tell me, Minister, has Ontario Power Generation withdrawn its Ontario Energy Board application to reduce the hydro rebate?

Hon Mr Baird: In terms of reducing the hydro rebate, I guess I don't share your choice of words. The market power mitigation agreement was there to act as a protection valve, I suppose, for consumers against OPG's market share. So right in OPG's operating licence, as advertised, it would be based on the market share that OPG has. So with the commitment that they also have in their licence to go down to 35% of market share, obviously depending on how quickly they do that, the mitigation agreement is there for the first four years. So I just don't share your conclusion with respect to the word "reduce." It's going to go ahead exactly as advertised.

Mr Hampton: Just so we can be clear, Ontario Power Generation has leased the Bruce nuclear facility to British Energy, as wise or unwise as that may have been, and they've sold four hydro dams and generating stations to Great Lakes Power, otherwise known as Brascan. The question I'm asking you is, under the mitigation clauses, as we understand it, they would in effect get credit for the privatization of those assets and would be permitted to reduce the rebate according to how much generating capacity they've sold off. Is that still the case?

Hon Mr Baird: I don't determine what is decontrolled; the Ontario Energy Board has that authority. I guess they're seeking guidance from the Ontario Energy Board on that issue.

Mr Hampton: Just so we can be clear, isn't it the case that Ontario Power Generation is going to the Ontario

Energy Board and is saying, "We have leased the Bruce nuclear facility. We have sold off four hydro dams on the Mississagi River. In other words, we are seeking the approval of the Ontario Energy Board that these generating stations have been decontrolled and therefore the amount of the hydro rebate should be reduced accordingly." Isn't that what their application is all about?

Hon Mr Baird: The rebate hasn't yet been established, because it's a rebate that will be done depending on its market share. So this won't come as a surprise: I don't share your use of the word "reduced."

Mr Hampton: Let me go back and ask the question again: has OPG withdrawn their application to the Ontario Energy Board or not? Surely you must know the answer to that. Yes or no?

Hon Mr Baird: My belief is that they have an application before the Ontario Energy Board to make a determination on control so that the rebate, at least this year, as it would next year and in year 3 and year 4, would be established.

Mr Hampton: Would be determined.

Hon Mr Baird: Yes.

Mr Hampton: In other words, they want credit for the privatization of those assets so the overall amount of the rebate can be reduced.

Hon Mr Baird: I'll repeat this a hundred times, if you like: the rebate has not been established, so to say it would be reduced, in my opinion, is not the appropriate word. The rebate amount has not been established. It's established based on the market share that Ontario Power Generation has. Ontario Power Generation will request that the Ontario Energy Board make a determination whether that is decontrol, and the rebate would then proceed exactly as it was intended and advertised.

Mr Hampton: Let me ask you the question another way: are you in favour, yes or no, of Ontario Power Generation getting credit for its privatization, its lease of the Bruce nuclear station to British Energy and its sale of the four hydro generating stations to Brascan? Are you in favour of Ontario Power Generation getting credit for those transactions in terms of the determination of what the rebate will be?

Hon Mr Baird: If there's a matter before the Ontario Energy Board, a quasi-judicial body, I suppose if I answered that affirmatively or negatively you might have some comments on that.

Mr Hampton: All right. We'll return to this at a later date.

Hon Mr Baird: I look forward to it.

Mr Hampton: The Market Surveillance Panel says we will still be short of power even if Pickering A and Bruce A come back in time. What's your government's plan to get us more power by next summer?

Hon Mr Baird: What page of the report, if I could ask? It's 140 pages, and I noticed you had a press conference commenting on it 30 minutes after it was released. It's 140 pages. They've spent a considerable amount of time and expertise. I would assume you came to conclusions before reading the report, unless you possess some powers I'm unaware of. I'd ask which page of the report you are referring to, or did you just read the executive summary?

Mr Hampton: Just for ease, so that others can refer to it, I'll refer you to page 4 of the executive summary, "Pickering and Bruce nuclear units."

Hon Mr Baird: Have you read the report?

Mr Hampton: In fact I've read quite a portion of the report.

Hon Mr Baird: But not all of the report.

Mr Hampton: I'd be happy to go through it in detail with you.

From page 4 of the executive summary: "As noted above, returning Pickering and Bruce units to service will help alleviate the problems experienced this summer. However, there is considerable uncertainty in the market about when these units will return—based, in particular, on a history of unmet expectations regarding Pickering. It would be desirable if OPG and Bruce Power could provide regular updates to the marketplace on progress towards bringing these units back to service."

Hon Mr Baird: That's not what you just said, though.

Mr Hampton: No, this sort of gets us down the road I want to go.

Hon Mr Baird: This is something else, though. It's not what you just said.

Mr Hampton: Are you prepared to demand—

Hon Mr Baird: That's not what you just said. I asked you to quote me the section of the report, and you didn't quote it; you can't find it, I assume.

Mr Hampton: Are you prepared to demand that OPG and Bruce Power provide the people of Ontario with regular monthly updates as to what progress they're making toward bringing Pickering A and Bruce A back on line?

Hon Mr Baird: That's a complicated question, and I'll maybe answer it with respect to Bruce and then Pickering. Bruce has been, at least to the Bruce Power Co, a group made up of not just British Energy and Cameco—Cameco, you will recall, was a big donator to your party in the last election, donating the maximum to your party—and the two unions that work at Bruce Power. Obviously, they have some commercial interests that they may or may not deem publicly advisable. I know the independent market operator does updates every six months, and those are released publicly.

With respect to Ontario Power Generation, I would be dishonest if I said I was not concerned about the entire project. On my first full day on the job I tried to underline the priority I accord to the start-up of the four reactors at Pickering A by visiting myself, seeing some of the work first-hand and talking to the staff and folks there. It's certainly something I continue to try to watch closely.

1540

Mr Hampton: The Market Surveillance Panel points out that while your government boasts about 5,800 megawatts of new construction projected to be on stream in 2005, only 1,000 megawatts of new construction will be on stream. In fact, there's a sizable problem here between what your government talks about and what will be available. They point out: "If steps are not taken to address the situation, Ontario could face even more serious reliability problems next summer, leading to the possibility of supply interruptions and continued upward pressure on prices during periods of peak demand." So I'll ask my question again: you keep talking about 5,800 megawatts of new—

Hon Mr Baird: Are you saying "you" to me personally?

Mr Hampton: Your government. I heard the Premier spout off a few projects today that I know are not proceeding. They're not happening. They're not going to be on stream by next summer; they're not going to be on stream by the summer after that. I'm asking you, as the Market Surveillance Panel pointed out, what are you going to do to bring this power on-line for this summer?

Hon Mr Baird: Which page are you referring to in terms of summarizing the Market Surveillance Panel?

Mr Hampton: Page 2 of the executive summary.

The Vice-Chair: I know both of you are talking about a report. I have no report in front of me. You went back and forth. Is this report tabled here?

Hon Mr Baird: No. This report was released yesterday at 4 o'clock. It's a new report.

Mr Hampton: Maybe you could table it now.

Hon Mr Baird: It's available on the Internet.

The Vice-Chair: You're talking about it at length, and I don't have the report here. Are you prepared to table this report?

Hon Mr Baird: Certainly. I have one copy with me. It was released yesterday at 4 o'clock.

Mr Hampton: Could we ask your staff to make some copies available now?

Interjection.

Hon Mr Baird: I think he's only read the executive summary, so you can save the 140 pages.

The Vice-Chair: It's just that you're going on and on continuously about this—I don't mind entertaining one or two questions.

Hon Mr Baird: My colleague and friend was summarizing the report. I just wanted to help him ensure the accuracy of his summary.

Mr Hampton: It would help if you would answer the questions.

Hon Mr Baird: OK. On page 2 you were referring to?

Mr Hampton: The bullet point: “There is a serious shortage of generating capacity to meet Ontario’s growing demand for electricity.” And then the next paragraph, below the shaded box, refers to the fact that “Additional generating capacity will ... be required and at the moment only about 1,000 megawatts of the additional 5,800 megawatts of new construction projected to be” on-line “in 2005 is in fact under construction.”

I heard the Premier today refer to proposed new generating facilities that aren’t going to be on-line, not next summer, not the summer after. I’m asking you, what is your government going to do to alleviate the problem of supply, the shortage of supply that’s been identified by the Market Surveillance Panel?

Hon Mr Baird: Firstly, to deal with the direct issue of generation capacity and our access to electricity: I take the report seriously, and I think it’s important that we get more generation on-line. I support getting more generation on-line. It’s something I identified in my first week on the job that’s got to be an important priority.

The first bullet you referred to says, “There is a serious shortage of generating capacity to meet Ontario’s growing demand for electricity.” As we go into the future—2005, 2007, 2010—and the economy continues to grow and create jobs, there will be an increased demand for electricity and we’ll need more power. I embrace that statement and wholeheartedly agree with it.

With respect to 2005—that statement did not have a date on it—there are two facilities, Brighton Beach and one in Sarnia, I think it’s the TransAlta facility, which I think are already under construction.

Mr Hampton: That’s your 1,000 megawatts.

Hon Mr Baird: And some wind projects as well, at the Exhibition grounds in Toronto and in Huron county, so there’s some additional capacity there. I just talked to an energy company in recent days that has put forward and spent substantial amounts of funds to date and could have capacity coming on-line in the summer—I don’t know whether they will choose to proceed with that. I do know as well that we’ve got four units at Pickering A and that we hope to be bringing unit 4 on-line in short order.

Mr Hampton: Would you want to name that company, the one you were just referring to?

Hon Mr Baird: I don’t think it’s my place as Minister of Energy to—

Mr Hampton: We actually talked to Sithe. As you know, they were originally talking about two gas-fired plants, one in Brampton and in Mississauga. They indicated just this week that not only have they not begun construction; they haven’t even made a decision about whether to begin construction.

We also talked to TransAlta, who said that after the plant in Sarnia, they will not be building anything more in Ontario until they can figure out exactly what direction your government is headed in.

Hon Mr Baird: The firm to which you referred I think is looking at natural gas turbine generation. Some in that sector have said the price of electricity in the

province of Ontario is too low to make that commercially viable, so I suppose there will be some which will have that view.

The Vice-Chair: Thank you, Mr Minister. Mr Miller, 15 minutes.

Mr Norm Miller (Parry Sound-Muskoka): Minister, welcome today to estimates. You’ve had a busy day. You’re doing a great job as the new energy minister, grappling with these very difficult issues in such a short time.

I have a question from my riding to do with locational marginal pricing. The council of Parry Sound passed a resolution inquiring about locational marginal pricing. I’ll just read part of that so I can get some information on it. This is the actual resolution. It says:

“Whereas the Independent Electricity Market Operator is proposing to implement a system of zoned rates for electricity (known as ‘locational marginal pricing,’ or LMP); and

“Whereas the implementation of LMP for electricity rates will see a new pricing system that will charge consumers according to where they live; and

“Whereas the implementation of LMP could see consumers in northern Ontario and other rural areas of the province paying higher rates than consumers in urban areas of southern Ontario; and

“Whereas the implementation of LMP could be counterproductive to the growth of jobs and economic development in the north and contrary to the goals of the Smart Growth initiative as it applies to northern Ontario;

“Now therefore be it resolved that the council of the town of Parry Sound hereby calls upon the government of the province of Ontario not to approve the implementation of an LMP system for electrical rates; and

“Further, that copies of this resolution be forwarded to” various people, including myself. That’s why I happen to have a copy of it.

I’m wondering about locational marginal pricing, especially as I represent a northern and rural riding and as I am the parliamentary assistant to the Minister of Northern Development and Mines. I’m just wondering what’s happening to do with that question.

Hon Mr Baird: Sure. The independent market operator is currently doing a study to look at the effect of locational marginal pricing and what effect that would have on a particular region of the province. I wouldn’t want to prejudge their examination of that issue. That will involve collecting data on their part, and they’ll be reporting back, I think, in about a year’s time. Decisions will be made once we have the facts.

There are some communities, if they’ve got an excess of power in their region—this would be if there’s an excess of power in some parts of the province that would like to see the benefits of that, particularly in parts of northern Ontario where they don’t use all the power that’s there. Obviously, there’s more power in the Huron-Bruce region than there would be in the Mississauga area, for example. I guess it would be important to get the facts first, and then to let the IMO go forward with that

study. I don't think there's any commitment to move forward with it.

Is that fair?

Dr Purchase: That's right.

Hon Mr Baird: There's no commitment to move forward with it. I don't think there's any particular, at least on my part, decision or conclusion that I've drawn, whether I think it's a good idea or a bad idea. I think it's probably best to get the facts first and then make a determination second.

If you're an auto plant in Durham region, you might think it's a great idea, but if you're in the west end of the GTA or in some parts of the province, you may not like it.

1550

Mr Miller: Thank you for that answer.

I've had numerous calls from constituents. In particular, I was talking with an elderly gentleman in the rural part of my riding who was unhappy with his recent hydro bill, and in particular the service charges on the hydro bill. His hydro bill was smaller than most I've seen. He was saying his bill had gone up 50%; he said it went from \$65 to \$85. I was thinking as he was saying that, "Boy, I haven't seen too many hydro bills that are that low." But there have been constituents concerned, and some articles in the media in the Almaguin area, certainly, to do with service charges charged by the local utilities. Have those service charges increased in recent months? That's part A of the question.

The second part is that this gentleman with whom I was speaking was saying, "Well, if my bill has gone up 50%, from \$65 to \$85, that's because of all the extra charges you're putting on." I was saying, "Well, no, it's not extra charges. The bill is broken out now, showing you things that you previously didn't see." Could you talk about that a bit?

Hon Mr Baird: We have moved to what you might describe as an unbundled bill. That would involve a number of things, not just generation but transmission charges, distribution, both fixed and variable, the IMO uplift charge, and the debt retirement charge. These would all have been services which consumers and customers would have paid for in the past. Obviously, Ontario Hydro was servicing their debt before the market opening and before bills were unbundled.

Obviously, generation prices went down in May and June. They went up in the summer months, when we had the hottest summer in 50 years. Local distribution companies, LDCs, in some cases—in part of your constituency that might be Hydro One itself; in my part of the province it would be Ottawa Hydro; here in the city of Toronto it would be Toronto Hydro—not always but generally publicly owned, have seen increases, have applied to the Ontario Energy Board for increases. So on occasion there have been some, yes.

Mr Miller: My last question—I know Mr O'Toole is chomping at the bit, ready to ask a question—has to do with supply, which seems to me to be the key item in terms of keeping energy prices low for consumers in the

province, making sure we have an adequate supply of electricity. Do you want to talk about that a little bit?

Hon Mr Baird: The Independent Electricity Market Operator does an 18-month outlook. Their latest report, brought out in September of this year, stated, "The energy production capability is generally expected to be well above energy demand levels in each month of the outlook period.... No additional energy is expected to be needed to meet Ontario's forecast energy demand."

There was obviously a problem with one of the reactors at Bruce B this summer. There is some additional capacity under construction right now. I think we did have the hottest summer in 50 years, and that's obviously a huge concern. When the heat goes up to record levels right across the province of Ontario, a substantial number of people put on their air conditioners, and that has a huge effect. This fact, probably together with the huge job increases we saw in May, June, July and August across the province, led to more demand for electricity.

We need more supply; there's no doubt about it. When we are cleaning up the problems that went unchecked with eight of the reactors in our nuclear generation capacity—those problems built up, to be fair, under the governments of all three parties. We're tackling those problems. Obviously, when you have eight nuclear reactors off and we're doing things that should have been done years ago, there's going to be an issue with respect to supply.

Mr Miller: So part of our problem has been that the economy has been booming. We have increased demand because the economy is doing so well.

Hon Mr Baird: That's an issue, yes.

Mr Miller: That's kind of a good problem. But is there other new generation coming back on-stream?

Interjection.

The Vice-Chair: Mr Mazzilli?

Mr Frank Mazzilli (London-Fanshawe): Minister, certainly I want to talk about the debt retirement charge, if we could, for a moment. You said that was on the old bill previously. So was that debt servicing or debt retirement on the old bill?

Hon Mr Baird: Ontario Hydro—the old Ontario Hydro before it was broken up—would have to service its debt. I couldn't go back through the 1960s, 1970s and 1980s. In my time in the Legislature, in some years they've paid down some debt; in other years they've simply had to service it.

Mr Mazzilli: But this debt we're talking about is some \$30 billion?

Hon Mr Baird: It's \$38 billion. The stranded debt is \$20 billion.

Mr Mazzilli: So the debt retirement charge is now amortized over what period of time, this \$38 billion?

Hon Mr Baird: I think we're looking at 10 to 17 years, depending on conditions.

Mr Mazzilli: That's a pretty aggressive plan. That's where I'm going on this. A 12- to 17-year amortization on any mortgage can have a hardship on some people.

What's the formula on who retires what portion of the debt? Does it go by consumption?

Hon Mr Baird: It's consumption-based, yes. It's based on the kilowatt hour.

Mr Mazzilli: If you have a large business that consumes more, that business is going to burden a higher percentage of retiring this debt. Would that be correct?

Hon Mr Baird: Can you repeat that? Sorry.

Mr Mazzilli: If you have a large business that consumes more than a homeowner, the burden to retire this \$38-billion debt is enormous on that business.

Hon Mr Baird: It's certainly based on kilowatt usage so, by extension, if you use more kilowatt hours, obviously you'll pay more.

Mr Mazzilli: I'm concerned about that because we're trying to attract new industry to the province—we've reduced taxes—we've got a \$38-billion debt accumulated over three parties. I don't want to say who did it. But now we're saying—

Mr Hampton: Who built the nuclear plants?

Mr Mazzilli: We're here today. Forget who did it. We happen to be here. We have a \$38-billion debt. We're going to pay this mortgage at a rate which is pretty aggressive, and we're going to put the burden on the consumption side, not the population side. It reminds me of putting new taxes on the Bay Street office buildings. I have some concerns with that. I just want you to know that as Minister of Energy.

Hon Mr Baird: Message received.

Mr John O'Toole (Durham): I appreciate the opportunity, Minister, to put on the record some concerns. Obviously, we've heard Howard relentlessly speaking on this issue over the last number of months, but it is a situation. If I go back and look at the old monopoly structure from 1906, the theory of power cost and how that got us into the dilemma that you've just described—which was really the \$38 billion of debt that we keep talking about. If I look at the summary, as I understand it—I'm just trying to verify these numbers and put them on the record—the debt and financial restructuring is as follows: Ontario's hydro total debt and other liabilities: \$38.1 billion. That's been assigned as a sort of debt equity to OPG, Hydro One and the independent market operator. The net present value of dedicated revenue streams that are going forward are in the amount of \$20 billion. Then there's the actual value of that, which is reduced by \$13 billion.

What I'm trying to get to here is the residual stranded debt. That's the debt that's not supported by assets or assets that can generate revenue, the net present value issue. Is the 0.7 cents per kilowatt debt servicing charge going to address that? Is the \$7.8 billion the residual stranded debt? That's not dealing with all the other debt that's been spread over the actual revenue side. We did have assets. Hydro One had assets, which were wires and towers and all the rest of it. What I'm saying is that the 0.7 cents is actually supporting the stranded debt, which is \$7.8 billion, as I understand it.

Hon Mr Baird: That's correct. There's a revenue stream, there's the stranded debt, and I suppose you could be more focused with residual stranded debt. The stranded debt would be in the neighbourhood of \$20 billion—\$20.9 billion.

Mr O'Toole: It's \$20.9 billion.

Hon Mr Baird: There's a revenue stream from payments in lieu and from taxes for local distribution companies for Hydro One, for OPG; a revenue stream within that present value to service about \$13.1 billion, and then the debt retirement charge on \$7.8 billion.

1600

Mr O'Toole: I think you've answered my question, because we've known for some time that there were continuing ongoing investments required to support those capital money generators or electricity generators. Now we're stuck with the argument, is this a supply problem or a demand problem? We're making the short-term conclusion that it's a supply problem.

I just want to clarify it. You said earlier in your comments that the IMO had recognized there's 18 months of guaranteed supply capability in the system today. I just want to go on the record here as saying that it's my understanding the total generating capacity in megawatts is 28,308 megawatts. That does not include Pickering A or the two portions of the Bruce A reactor that are down and probably never will come back. It's my understanding one of them will never come back.

The Vice-Chair: You're on the record now and your time is up.

Mr O'Toole: The time is up? Perhaps in the next round you might want to respond to that when Michael asks the question.

The Vice-Chair: Mr Bryant, you have 20 minutes.

Mr Michael Bryant (St Paul's): Thank you. Hi, Minister. I've got an energy bill here I just wanted to go through and I've got a copy of it. I wonder if I could just put it in front of you, if you don't mind.

Hon Mr Baird: Sorry?

Mr Bryant: I've got an energy bill here I just wanted to go through. Do you mind if I put it in front of you?

Hon Mr Baird: Sure.

Mr Bryant: I wanted to start right behind the asterisk, halfway down the page. It says, "W/S Mkt Serv Chg." What the heck is that?

Interjection.

Mr Bryant: Minister, average consumers have these bills come in the mail. They don't have deputy ministers, assistants and ministerial cheat sheets. They've got to just look at this and figure out what the heck this is. Can you tell me what that is?

The Vice-Chair: In the meantime, is there an extra copy that could help out the Chairman?

Hon Mr Baird: "Wholesale service market service charge."

Mr Bryant: Let the record show that the excellent ministerial staff—

Hon Mr Baird: They are excellent.

Mr Bryant:—beside the minister had to explain what that is. Let me just say, I find it kind of astounding that the energy minister cannot translate an energy bill. Ontario consumers are expected to do so and I think they expect you to as well.

Hon Mr Baird: I'm going to wholeheartedly agree with you. I think bills right across the province at the distribution level could be made a lot more simple. Whether it's a tax form, whether it's an energy distribution bill, I don't think they're as easy as they could be. I want to agree with you totally.

Mr Bryant: Then just down a little further, "Volumetric Chg," what is that?

Mr Joseph N. Tascona (Barrie-Simcoe-Bradford): Mr Chairman, if the member opposite refers to documents, can we not be party to this conversation in terms of having documents—

Mr Bryant: I'm asking the minister a question, not Mr Tascona. I'm just asking, can you tell me what a "Volumetric Chg" is?

The Vice-Chair: I think the minister has it in front of him.

Mr Bryant: Again, I find it astounding that the energy minister has to turn to his assistant to explain what a volumetric charge is. If Ontario consumers are expected to understand this, why can't the minister understand it?

Mr Mazzilli: On a point of order, Mr Chair: The minister can certainly refer questions to any of his staff. That's a common procedure.

The Vice-Chair: That's not a point of order.

Mr Bryant: Let me just speak to that. Ontario consumers can't refer their bills to ministerial staff or turn to a cheat sheet. They've got to figure this out. If the energy minister can't figure out a bill, how the heck are Ontario consumers supposed to figure out the bill?

Mr Tascona: I'll figure it out for you.

Mr Bryant: Mercifully you're not the energy minister and he is.

I just want to move down over here in one of the boxes—

Hon Mr Baird: Mr Bryant, I totally agree with you that energy bills in the province of Ontario through local distribution companies are a maze of things that are very difficult for the average consumer to understand. I think the move of unbundling bills is a good move so that people can have some sort of idea. To be able to hold the various parts of their energy bill to account is a good thing. I'm not satisfied. I've been here 40 or 50 days and, I'll tell you, I had trouble reading my own bill in the city of Ottawa. It's much like a tax form. It's much like a lot of gobbledegook people get from government, and I agree with you wholeheartedly.

Mr Bryant: Just one more.

Hon Mr Baird: You can go on and on.

Mr Bryant: No, just one more.

Hon Mr Baird: Your point's been made, sir.

Mr Bryant: No, I have a different point. Over here there's a box up near the top that says "% energy loss: 7.98 loss." What is that?

Hon Mr Baird: As you transmit electricity, the whole nature of physics—electrons are not a commodity you can store, so you do lose a percentage of electricity in transmission anywhere in the world, in any distribution in the world. When you generate it, you lose some. In some generation, you only get 35% to 50%; you're only able to capture 35% to 50% of the electrons that are actually created. So I think that's more a law of physics, and I concede that I'll probably get blamed for that too.

Mr Bryant: So this is electricity that consumers don't actually receive. Is that right?

Hon Mr Baird: When electricity is generated and then transmitted—

Mr Bryant: So they don't get it?

Hon Mr Baird: It's not a commodity like Coca-Cola, where you can put 580 millilitres in a can and distribute it to a customer.

Mr Bryant: I'm just looking for a yes, that they don't get this electricity.

Hon Mr Baird: I think you're trying to make a suggestion that somehow people are being billed for electricity they don't receive.

Mr Bryant: Are they?

Hon Mr Baird: The laws of physics—electrons are not a captured item.

Mr Bryant: I'll take that as a yes, that they're being billed for electricity they don't receive.

Hon Mr Baird: It's a cost of transmission to people. You cannot get 100% of electrons. No physicist anywhere in the world could do that. For as long as electricity has been produced and transmitted anywhere in the world, this has happened. Maybe I'll send you a high school physics textbook that would help explain that. To try to make that a political issue is a bit ridiculous and over-simplistic. From Professor Bryant I had greater expectations.

Mr Bryant: The Ontario Electricity Financial Corp's most recent annual report reports that the stranded debt from the former Ontario Hydro has grown from \$19.4 billion on April 1, 1999, to \$20.1 billion on March 31, 2002. Now, this is not a matter that I expect Ontario consumers to be able to answer off the top of their heads, so I certainly understand if you want to consult with your excellent ministerial staff on this. The stranded debt has, in short, gone up between April 1, 1999, and March 31, 2002, by some \$700 million. Is that right?

Hon Mr Baird: The Ontario Electricity Financial Corp is under the Ministry of Finance. My deputy is happy to respond.

Dr Bryne Purchase: Yes, your numbers are correct. There was an increase in the stranded debt. Total debt, however, has gone down. Remember that the stranded debt is the difference between the value of the assets and the dedicated revenues subtracted from the total debt. Obviously, the problem has been in the operation of Ontario Power Generation. Its income was lower, which caused an increase in the stranded debt.

Mr Bryant: Can the minister or the deputy minister point to where specifically in the estimates this increase in stranded debt has been accounted for?

Hon Mr Baird: I think that would be in the Ministry of Finance's estimates, and I know they'd welcome that question.

Mr Bryant: So you can't do that.

Hon Mr Baird: We're the Ministry of Energy.

Mr Bryant: You can't do that?

Hon Mr Baird: Each party had the opportunity to call three or four different ministries, and we're here to talk about the Ministry of Energy's estimates.

Mr Bryant: Vice-Chair, I'm going to take that as a no. Are you?

Hon Mr Baird: I'm going to take that as you agree with me.

Mr Bryant: No, I don't. I agree that the answer is no.

The events surrounding the financial stability of British Energy came to light after your budget and estimate documents were prepared. Could you tell me whether your ministry has a contingency plan in the event that British Energy is forced to sell off its Canadian assets?

Hon Mr Baird: It's an issue I take very seriously, first and foremost, obviously for the safety considerations when you're dealing with nuclear power; secondly, for the jobs and the economic impact that would have on greater Kincardine in that part of the province; and thirdly, obviously for the supply of electricity, which is pretty important. Bruce B is providing a substantial amount of power in the four reactors there.

I've been very cautious. I don't want to do anything that would help precipitate a negative impact on the future of Bruce Power. What I've been told is that Bruce Power continues to be economically viable. I think it's considered to be one of the best parts of the British Energy assets. It's owned by a joint partnership of British Energy, at 82%, which is substantial, Cameco and the workers at the plant.

I guess I'm cautious with my statements publicly. I don't want to precipitate something negative. It's a bit like the question: if your marriage doesn't work out, do you have a backup plan for a partner in your life? It's not one you'd want to speculate on publicly. I don't think that would be helpful.

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Mr Bryant: Be that as it may, I think Ontario consumers deserve to know there's a contingency plan, and if there isn't, they deserve to know that too.

Hon Mr Baird: We've been actively engaged with the file.

Mr Bryant: So there is a contingency plan?

Hon Mr Baird: We've been actively engaged with the file. I'm not going to publicly speculate on failure in this regard. I know there's a lot of commitment on behalf of a lot of folks to see what has been a successful partnership on this side of the Atlantic continue.

Mr Bryant: Has any money been set aside for such contingencies? Has any money been set aside to deal with a contingency in the event—

Hon Mr Baird: For what purpose?

Mr Bryant: To deal with the loss of the power we would have. Has any money been set aside to deal with that contingency?

Hon Mr Baird: And what would we use the money for?

Mr Bryant: I was hoping you might know the answer.

Hon Mr Baird: You're asking the question. I'm saying, contingency money for what purpose; for the decommissioning, for the six-month shutdown?

Mr Bryant: OK. We can do it this way.

Hon Mr Baird: I'm trying to think of where you're going, because I don't understand.

Mr Bryant: Sorry, I should have referred to my previous question. In the event the British Energy is forced to sell off its assets, has money been set aside for such contingencies?

Hon Mr Baird: I'm not trying to be difficult. What we have with Bruce Power is a commercially successful, commercially viable operation in the province of Ontario. For what purpose would the government set aside funds if one of the partners parent company operations on the other side of the Atlantic—

Mr Bryant: Are there any contractual obligations between Bruce Power and OPG?

Hon Mr Baird: Just one second; I want to make sure I can talk about the contract.

Obviously we have a lease agreement between Bruce Power—not British Energy—and OPG on that, and obviously we have various rights and responsibilities, as they do.

Mr Bryant: In the event that Bruce Power was not able to fulfill its contractual obligations, then OPG would have to step in.

Hon Mr Baird: That would be one option.

Mr Bryant: So there is a contingency plan for that?

Hon Mr Baird: I'm not going to speculate. You can ask the question a hundred different ways; I'm not going to speculate publicly on the affair. I don't want to do anything that would precipitate the loss of jobs there or the loss of the power supply. As I understand, it's commercially viable. There are a number of specific options that are currently being looked at in the commercial side, not entirely within the public sector. It's a file of which I understand the importance. I've tried to keep in close contact, as has the ministry, with folks at Bruce Power, with the British government and on occasion with British Energy.

Mr Bryant: Will Bruce A be refurbished?

Hon Mr Baird: Everything I've heard as late as last night suggests that work continues to progress well on the refurbishing of the two reactors at Bruce A.

Mr Bryant: Do you have a contingency plan in place in the event that Bruce A is not brought back on-line by Bruce Power?

Hon Mr Baird: Bruce Power currently operates Bruce B and is doing the work on Bruce A. I think the report of the independent market operator and the 18-month outlook spoke to both Pickering A and Bruce A and the effect of their not being on-line: that we would

still have sufficient electricity. Obviously I would like to see it brought back on-line as soon as possible. I have heard no information that has suggested there is any problem.

I'm always skeptical on nuclear power issues in the province of Ontario and in the United States, Great Britain and many parts of the world. It would be ridiculous to accept everything you saw at face value in terms of coming on-line. I'd say I hear more positive things about Bruce coming back on-line than I do about Pickering.

Mr Bryant: Fair enough. How much time do I have?

The Vice-Chair: You've got about six minutes.

Mr Bryant: On page 107 of the estimates documents is listed \$5.598 million for legal services. Were some of these services provided by outside counsel?

Hon Mr Baird: Just one sec.

Mr Tascona: What page?

Mr Bryant: Page 107. The big one.

Hon Mr Baird: With the document you have, I think the source of confusion is that obviously, when the estimates were transmitted, it used to be the Ministry of Environment and Energy; now it's just energy.

Mr Bryant: Right. Let me ask you a different way, then. Has your ministry retained outside counsel to provide legal services? I presume the answer is yes.

Hon Mr Baird: On occasion, yes, they do employ outside counsel.

Mr Bryant: Hydro One Inc is obviously a government enterprise corporation that falls under your ministerial purview. Is that right?

Hon Mr Baird: Yes.

Mr Bryant: Hydro One, I understand, has retained outside counsel in order to defend the \$11.6-million claim brought against it by Eleanor Clitheroe, and I understand that counsel is Benjamin Zarnett of Goodmans. I take that from a media report. That hasn't changed, as far as you know?

Hon Mr Baird: I wouldn't comment on that.

Mr Bryant: You don't know?

Hon Mr Baird: I'm here today to talk about estimates. I don't know which specific lawyer and which specific law firm and which specific legal issue—

Mr Bryant: This is very relevant to the use of taxpayer funds. I pointed to a page in the Expenditure Estimates 2002-03, Volume I. It includes legal services. The lawsuit involving the former CEO Clitheroe—

Hon Mr Baird: Hydro One's legal services are not in the estimates.

Mr Bryant: That's exactly why I'm asking. We need to find out where in the estimates or where you are putting money aside to provide money, taxpayer money, for the retaining of counsel like Mr Zarnett.

Hon Mr Baird: The estimates would have been prepared before the lawsuit.

Mr Bryant: Right. Well, you answered a question before about Bruce Power, which obviously took place after estimates were prepared. I'm asking you another question about a matter that falls under taxpayer ex-

penses. If you refuse to answer, just say you refuse to answer.

Quite a kerfuffle here, folks.

Hon Mr Baird: As I understand it, there's a lawsuit between Hydro One and an individual, not with the ministry.

Mr Bryant: That's right, yes. That's absolutely the case.

Hon Mr Baird: Hydro One, as a corporation under the Ontario Business Corporations Act, are not part of our estimates.

Mr Bryant: So you're telling me that in estimates you won't answer questions about how much taxpayer money is being spent to deal with a bill that your ministry brought in in June to fire the Hydro One board? You're telling me you won't give me answers on a matter relating to that bill and expenditures flowing from that act?

Hon Mr Baird: If you have questions where there is no compelling reason, no compelling interest why it shouldn't be provided, I'm happy to go back to Hydro One. The estimates of Hydro One and of OPG or of the former Ontario Hydro don't form part of the estimates of the ministry. That's not uncommon. TVO's estimates aren't part of the Ministry of Training, Colleges and Universities. Neither is the St Lawrence Parks Commission part of the estimates of that particular ministry.

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Mr Bryant: On June 4, 2002, your ministry introduced a bill, the Hydro One Inc. Directors and Officers Act, in the Legislative Assembly. At the time, the Premier said, "This will not cost the taxpayers of Ontario one red cent." The minister said on June 5, "The taxpayers are not paying one red cent for this." I'm asking you how many red cents have been expended on outside counsel in order to defend this action, and your answer is that you won't tell me. Is that right?

Hon Mr Baird: No, that's not my answer. The answer is that the ministry isn't a party, as I understand, to that particular legislation. Obviously—

Mr Bryant: To that legislation?

Hon Mr Baird: No, sorry; it's not a party to that lawsuit.

Mr Bryant: It's a government enterprise corporation, though. How do we get answers on it if you won't tell me?

The Vice-Chair: I think your time is up. I'm sorry.

Hon Mr Baird: I would like to reply. You can be flustered in terms of—this is an estimates process to go through the ministry's estimates. If you have questions, I'd be happy to look into them, and if it's reasonable to expect an answer, I'd be happy to provide it. The process we're going through now is estimates; it's not question period for four hours. You know the process.

Mr Bryant: I get to ask the questions and you get to give the answers or not give the answers.

The Vice-Chair: Mr Hampton, you have 20 minutes.

Mr Hampton: I would like an answer to this question. Weyerhaeuser just announced today that they are closing

down their forest products mill in Sturgeon Falls, Ontario—they are laying off over 147 people—yet they are going to continue to operate the hydro-generating facility, this link to that mill. I understand that the licence they operate under is EB-19990381. I wonder, since you have some excellent staff here, if you could tell me how many megawatts of power Weyerhaeuser's generating facility there normally generates.

Hon Mr Baird: We'd have to check.

Mr Hampton: Could I ask you to do that? Could I ask someone on your staff to check?

Hon Mr Baird: Sure. We'd be happy to look into that and get back to you.

Mr Hampton: Since I've got the energy board licence, and I gather—

Hon Mr Baird: We'd be more than happy to get that for you.

Mr Hampton: Good. OK.

One of the things that really struck me as I read through the Market Surveillance Panel's report is that they are investigating possible gaming. In fact, they say what they're most particularly interested in is what they call "failed import transactions"; they say this is an important part of explaining many of the price spikes we saw this summer with respect to hydroelectricity prices. One of the things they allude to is that as the supply problem or the supply shortage becomes more evident, going into next summer, in other words, as the market becomes tighter, there are more and more possibilities for gaming the market. Does that concern you, Minister?

Hon Mr Baird: I'll want to talk to the ADM. We have a market surveillance panel which is tasked by the independent market operator to look at these and other issues. Obviously it's incredibly important to have some surveillance.

I'd like to read from their report which was issued yesterday. In the preface it says, "The market has performed reasonably over the first four months. In particular, we find no evidence of abusive or potentially abusive behaviour by market participants. The challenges are not new but the first months of operation of a competitive market have made them more apparent."

We're in a new system. I think we've got to be vigilant, as you are with any new system. Some of these challenges might have existed before market opening, in other forms, but it's one of those things we should be doing. That's why we have a surveillance panel to look at these. So, yes, I take it seriously.

Mr Hampton: Has your ministry ordered anything in terms of looking at the potential price spikes that could have resulted from gaming, or have you looked at what can be done to reduce the prospect or the possibility of gaming the market? I mean, gaming the market was pretty serious in California.

Hon Mr Baird: I'll ask Dr Bryne Purchase, the best deputy minister in the Ontario public service, to come forward.

Dr Purchase: First of all, as the minister mentioned, the Market Surveillance Panel—which has the responsi-

bility for examining, incidentally, not supply in the marketplace but really and truthfully whether or not there's gaming in the marketplace—found no instances of abuse of market power.

With respect to the specific issue you mentioned, Mr Hampton, of failed transactions, they found no evidence whatsoever that there was gaming associated with failed transactions. They did, however, because I suppose in a normal cautious approach to these matters, to make sure that nothing in this marketplace happens like that—because we are all interested. I mean, that's why it's there; that's why the Market Surveillance Panel was established in the first place. We're all interested to make sure that the marketplace acts in a truly competitive way and that we have the best and lowest possible prices that competition, and only competition, can provide. So with respect to those failed import transactions, they did say that our "analysis in chapter 2 ... shows that failed [import] transactions were an important part of explaining many of the 'high-price' hours" we examined. "Some of these failed transactions are currently under investigation by the IMO's market assessment and compliance division" to establish whether they were indeed bona fide.

Failed transactions can occur for any number of reasons; that's why they are currently still under investigation by the compliance division. But the panel itself, barring new evidence that might emerge from this continuing examination, could find nothing. There was no allegation of fraudulent behaviour in any way associated with those transactions.

There are a number of reasons. We are five months into this marketplace. There are technical glitches all the time with respect to the software that operates. There are many, many complicated rules, as operators continue to learn how to function in this marketplace, that are applied and can sometimes account for these failed transactions. It does not necessarily, as I say, imply abuse.

But the good news is (a) that nothing has been found so far and (b) that it is currently still under intensive examination.

Mr Hampton: Investigation.

Dr Purchase: Investigation, yes.

Hon Mr Baird: At the same time, I'd add that the report recognizes that the four-month period—and I'll quote: "The report recognizes the four-month period has been a learning experience for all market participants, including the panel. What is important is to build on what has been learned to make competition more effective."

Mr Hampton: Last Wednesday in your remarks, you said that unrealistic prices were part of the problem with Ontario Hydro. Do you mean that prices were too low?

Hon Mr Baird: I think if you look at the whole premise behind the creation of Ontario Hydro, it would be power at cost. I think the fact that we had a \$38-billion debt when Ontario Hydro was broken up suggests that that policy wasn't followed.

Obviously, your government began to take measures to rein in Ontario Hydro, as ours has, by breaking it up,

among other things. There were huge job losses, as I recall, in the early 1990s, and the lights still stayed on. So we didn't have power at cost; we had a debt for future generations. Mr Mazzilli from London-Fanshawe has mentioned he doesn't think some customers should be—I mean, I'm in a situation where I'm going to have to pay a debt that I wasn't even a customer on. I guess that's the legacy for future generations.

Mr Hampton: So you're saying the prices were too low.

Hon Mr Baird: I think it was not power at cost. I don't think the operation was run efficiently, and I don't think that—

Mr Hampton: So are you saying your government was wrong to freeze hydro rates from 1995 until 2000?

Hon Mr Baird: No.

Mr Hampton: You just said that hydro rates were too low; they were unrealistic. But then your government froze them from 1995 to 2000.

Hon Mr Baird: And your party claims credit for that as well, I think, for part of it.

In 1995 I think we took two approaches, one with respect to dealing with—and I think you have probably termed it better than I—the economic situation we found ourselves in, in terms of the jobs, the loss of hope and the loss of opportunity, and sought an economic strategy to deal with that. I think too often under the old Ontario Hydro, the first thing they did, rather than trying to realize efficiencies, rather than trying to do a better job and have some discipline, was to jack up rates. That was the wrong strategy.

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What we did in 1995-96 is we began with the Macdonald commission a process to bring about real change in the electricity sector. I regret we couldn't turn things around. The Ontario economy, the Ontario government and the Ontario public sector was like a gigantic boat, and you can't turn it around as fast as you like. In some areas I wish we had been able to move faster to deal with all the problems that we inherited—some of them from the previous government, others from the successive governments of all three political parties.

Mr Hampton: You said earlier that some of the natural gas generators or the—

Hon Mr Baird: Can I interrupt you for a second?

Mr Hampton: Yes.

Hon Mr Baird: We have the answer for the number of megawatts on that plant. It's seven megawatts.

Mr Hampton: Seven, OK.

Hon Mr Baird: Sorry, I apologize.

Mr Hampton: So seven megawatts. That's all-in for the Sturgeon Falls operation?

Hon Mr Baird: That's the licensed amount, as I understand it.

Mr Hampton: All right.

You said earlier that some companies that were thinking of building natural gas generators are indicating that the price isn't high enough.

Hon Mr Baird: I haven't heard companies. That has been described to me by various market participants.

Mr Hampton: The price of electricity isn't high enough to attract someone into building a natural gas generating station?

Hon Mr Baird: British Energy's going broke, selling it at I think the equivalent of four cents a kilowatt hour.

Mr Hampton: Nuclear power is very expensive. We're getting examples of that from all around the world.

Hon Mr Baird: Some will argue with that and some will argue against that.

Mr Hampton: You're saying that some people have advised you that the price of electricity is not high enough to attract—

Hon Mr Baird: Some have speculated that a price at a higher level would be better.

Mr Hampton: How high do you think they should be? How high do you think they have to go to attract—

Hon Mr Baird: I want to see a competitive market so that we have lower prices than we otherwise would have had without the changes. The status quo pre-competition was unsustainable.

Mr Hampton: You say that prices weren't high enough, yet your government froze prices—

Hon Mr Baird: I never said that, sir.

Mr Hampton: Well, you said prices were unrealistic.

Hon Mr Baird: I think the whole nature of the creation of Ontario Hydro by Sir James Whitney and Sir Adam Beck, hydro at cost, had not been followed for many years, and tinkering was not required. You'd built up a \$38-billion debt and you needed to have beyond just allowing Ontario Hydro to do the same old trick by jacking up rates—unregulated, by the way; they could only get advice from the OEB. The best solution was to seek some more comprehensive change, which we've done. It hasn't been unanimous and I can see people—

Mr Hampton: When people see their hydro bills they see a substantially higher price. Are you saying the price will have to go higher still to attract those private sector participants?

Hon Mr Baird: No.

Mr Hampton: With the existing high prices, we know that the private hydro generation that you talk about isn't coming on stream. So how much higher will prices have to go to get On Site Energy and some of the other companies to build generating capacity?

Hon Mr Baird: There is a fear among some in the market, as I understand it—I'm not saying this is my fear—that as low-cost nuclear power comes on-line it will have an effect downward on prices.

Mr Hampton: I'm trying to understand where you're at here. The private generators, and I'm trying to use your words here—you've been advised that—

Hon Mr Baird: I've been advised that there are some who have that view. I would not characterize it as all private generators, because there are obviously some private generators—

Mr Hampton: So some have told you—

Hon Mr Baird: Some are moving ahead, so obviously they don't accept that. I've heard some have said that.

Mr Hampton: So under your government's strategy, you do not want any public sector generation, but the very people—

Hon Mr Baird: We have public sector generation expansions right now. Ottawa Hydro in my community has increased its capacity on the Ottawa River in generation. So we do have some public sector, yes. At Brighton Beach we're involved in one—OPG.

Mr Hampton: We're talking about, as the Market Surveillance Panel indicates, your government boasting about 5,800 megawatts of new construction but in fact there's only 1,000 coming on stream. So that creates a deficit of 4,800 megawatts, and you're saying to me that prices aren't high enough to attract private investors to build more. So how high do prices have to go?

Hon Mr Baird: For example, I talked to someone who was singing the praises of solar energy. To be commercial, they felt, would be nine or 10 cents. I don't want to see prices go up to nine or 10 cents. But this advocate for solar power certainly felt that. I wouldn't say that I agreed with that or that I embraced it or that I was suggesting we triple electricity prices to make solar power more acceptable. That's one of the flavours of the things I've heard.

Mr Hampton: I want to take you back to two of your predecessors. Jim Wilson and Chris Stockwell both said that Ontario has lots of power. I remember Chris Stockwell giving us a lecture in the Legislature in June of this summer, saying that Ontario has lots of power; there will be no price spikes; there will be no potential power shortages. Will you admit now that Jim Wilson and Chris Stockwell were both wrong?

Hon Mr Baird: I have tremendous respect for your integrity, sir, in your ability in these files, but you would accept that I would not take your conclusions as necessarily fact, or your interpretation of the facts as necessarily facts in this—

Mr Hampton: I brought the Hansards with me, of Jim Wilson saying, "We are not California. We have lots of power."

Hon Mr Baird: The very first statement you made, I asked you to find in the quote, and you couldn't. So if you have a quote where Jim Wilson said that, just on that California thing, I'd love to see it.

Mr Hampton: I'll be providing you with all the quotes.

Hon Mr Baird: And I'll compare what you just said against the Hansard.

Mr Hampton: I'll be providing you with all the quotes.

Hon Mr Baird: OK.

Mr Hampton: My point is—

Hon Mr Baird: But I'll compare the quote you just ascribed to Jim Wilson on California with the Hansard from this committee.

Mr Hampton: Your government—

Hon Mr Baird: Would you live up to the comparisons on that?

Mr Hampton: Oh, yes. Your government, through a number of energy ministers, has said that Ontario has lots of power; there's no problem of supply—

Hon Mr Baird: You're backing up from the California comment, though.

Mr Hampton: —there will be no issue as to gaming—

Hon Mr Baird: You're backing off from the California comment.

Mr Hampton: —and yet we have this report from the Market Surveillance Panel, which says, "There is a serious shortage of generating capacity to meet Ontario's growing demand for electricity," and then points out that there is a problem with gaming and gaming needs to be investigated. I'm just asking you the question: would you admit now that Jim Wilson and Chris Stockwell were wrong, that your government has been wrong?

Hon Mr Baird: I'm not going to accept your interpretations of remarks and their context. I don't profess to be a PhD in physics or in economics—some at this table might be—but the Independent Electricity Market Operator does an 18-month outlook and they released one on September 24. They're independent. They make these determinations, not a politician. In their report, "The energy production capability is generally expected to be well above energy demand levels in each month of the outlook period.... No additional energy is expected to be needed to meet Ontario forecast energy demand." Would I like to see more energy come on-line? Do I take the concerns of the surveillance panel seriously? Yes.

Mr Hampton: I wanted to ask you a bit about the Bruce. We understand, or at least British Energy told financial analysts, and we've been told by others, that if there are problems for British Energy, Ontario Power insists that if Bruce Power cannot meet its obligations, the plant would revert to Ontario Power Generation. Is that true?

Hon Mr Baird: I suppose in any lease agreement, if the lessee doesn't fill up its part of the bargain, whether you're leasing a car or a power generation plant, I suspect there would be consequences.

Mr Hampton: Would you agree with me that this is a fairly serious issue for Ontario industry and Ontario hydro consumers?

Hon Mr Baird: Yes.

Mr Hampton: Ontario Power Generation says that the information regarding how the plant would revert to OPG is part of the lease, that it is secret and cannot be released to the public. Would you agree with me that an issue that is so serious for Ontario industry and so serious for Ontario Hydro consumers—don't you think the public deserves to know a little bit about this, what obligations the public might have and what the terms would be for the generating station reverting to OPG?

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Hon Mr Baird: The Provincial Auditor looked at the lease. As I recall, he had a favourable impression of it.

Mr Hampton: I was here that day. That's not exactly what he said, but we can quibble over that some other time.

This is a substantial potential obligation for the rate-payers and taxpayers of this province and it has substantial risks for Ontario industry and Ontario hydro consumers. My question to you is, don't you think that the public should be able to see those clauses in the lease to determine exactly what our obligations are and what our risks are?

The Vice-Chair: The time is up.

Mr Hampton: I'd like an answer.

The Vice-Chair: The Conservatives might give you that time.

Mr Hampton: I'll take that as no answer.

Hon Mr Baird: You used too much time in your preamble. That's what I would take it as.

Mr Mazzilli: Minister, I just want to go back to the debt retirement charge. Feel free to refer the questions to any of your very capable staff. As I understand it, the \$38 billion has been split up, if you will, between Hydro One and the Ontario Power Generation.

Hon Mr Baird: And a little bit to the IMO as well.

Mr Mazzilli: OK. If you look at Hydro One, what would the assets of that particular company be worth?

Hon Mr Baird: Book value or market value?

Mr Mazzilli: Realistic value.

Hon Mr Baird: With respect to Hydro One, I would be cautious. We have something that would be referred to as the teaser letter out, information out with respect to looking for a partnership. I wouldn't want to necessarily compromise the strategic partnership or the benefits to taxpayers of that strategic partnership, so I'm cautious.

Mr Mazzilli: I certainly wouldn't want to compromise that either. What would the assets of Ontario Power Generation be worth? Truncated, rounded off?

Hon Mr Baird: We did the debt-equity swap back when it was created. It likely would have changed since then. Obviously, as they've moved forward to decontrol, I would be cautious.

Mr Mazzilli: I guess what I'm getting at is, it would be nice to know how much of the \$38 billion is assets.

Hon Mr Baird: Nowhere near \$38 billion.

Mr Mazzilli: I understand that. It brings me back to the debt retirement charge, because it would be fair on the assets portion to amortize that, if you would, over 25 or 30 years. I think that's quite realistic in any business plan. And on real operating debt, obviously you want to be a little bit more aggressive, and at the same time not penalize business and consumers, if you get where I'm going with this. On the hard assets, if that portion of the debt were distributed over 25 years—

Hon Mr Baird: There's a value to what you're saying. It might be somewhat more realistic. Of the \$38 billion of debt, though, some is assigned to Ontario Power Generation, some is assigned to Hydro One, and a very small bit to the IMO. Then there's a revenue stream for a big chunk of it, about \$13 billion or \$14 billion. Of course, \$7.8 billion is the residual stranded debt, which is

to be amortized over 10 to 17 years. But I don't disagree that there's some merit to what you're saying.

Mr Mazzilli: OK. As far as usage, what portion of hydro, just for our own education, would be used for commercial purposes and what portion for residential?

Hon Mr Baird: We use about 150 terawatt hours a year now.

Mr Mazzilli: On a percentage basis, between commercial purpose and—

Hon Mr Baird: Roughly, the estimation I've been given is about a third, a third, a third—residential, commercial, industrial.

Mr Mazzilli: So a third would be for residential and the other two thirds we could say would be for some type of commercial purpose.

Hon Mr Baird: Obviously industry uses a lot more. It's smaller than the commercial sector, but it uses a lot of electricity

Mr Mazzilli: This 0.07 cents per kilowatt, the price per kilowatt is what, 3.2 from Ontario Power?

Hon Mr Baird: Wholesale generation. This morning, at one point it was at 3.4 cents, earlier than that it was at 2.8. At one point it was at 2.9. Since market opening it's averaged about 5.2, I think.

Mr Mazzilli: That's my point here: 0.07 is 25%, 30%, 40% of 0.2. The debt retirement charge is pretty high.

Hon Mr Baird: The 0.07?

Mr Mazzilli: The kilowatt hour on the debt retirement charge. Is that not the debt retirement charge? If you look at the price of the actual cost of the product being 2.4—what did you say it was this morning: 2.4, 2.8?

Hon Mr Baird: The generation is like the Coca-Cola plant, the transmission is sort of like the delivery, and the distribution is sort of like the retail, if I could compare it to another commodity. Obviously the price is a lot higher. That's simply the wholesale price.

Mr Mazzilli: OK. I guess it comes back to the debt retirement charge. If I can simplify this a little bit: you have a provincial debt of \$110 billion and you're going to retire that over 10 or 12 years. I don't know. Maybe Mr Hampton can help me with the numbers. What's that, a principal payment of about \$8 billion or so a year that you'd have to come up with?

Mr Hampton: It's going to take longer than that.

Hon Mr Baird: For many years we'll be paying off your debt, I agree.

Mr Mazzilli: But that's how aggressive a plan that would be, that \$38 billion?

Hon Mr Baird: If you're suggesting that there's merit to looking at it, I'd certainly be prepared to do that. The deputy may have some other comments to add.

Mr Mazzilli: I'd be happy to hear those comments.

Dr Purchase: OK. First of all, you have to remember that the residual stranded debt is a movable number. It depends on the value of the assets and the value of the payments in lieu of taxes. The original estimates, when the companies were set up and the debt was allocated to the companies, the government did a debt-equity swap in order to take ownership of the successor companies—

those estimates were made as to what are the value of these assets. They were made at that point in time. Obviously, such estimates are going to turn out to be, as all estimates are, something of a guess. They're a sophisticated, scientific guess, if you like, at the time, but they nonetheless represent a guess.

What the final number will be in terms of the residual stranded debt is yet to be determined. It may well be lower, at which point the debt retirement charge, at the Minister of Finance's discretion, would be eliminated. It could happen sooner than those estimates. That's simply the current estimate based on views of prices and so forth going forward.

Mr Mazzilli: So once the debt goes down to book value at least, the debt retirement charge will be eliminated at that point?

Dr Purchase: Yes. Once the value of the companies plus the other revenue streams equal the debt that's remaining in the Ontario Electric Financial Corp, there is, by definition, no residual debt left and therefore the charge would be zero.

Mr Mazzilli: What would we estimate that to be? Is it \$8 billion, \$10 billion, \$15 billion? What would have to be made up?

Dr Purchase: Currently, roughly \$8 billion is the original estimate. It remains the original estimate, and the debt retirement charge collects roughly a billion dollars a year.

Mr Mazzilli: I understand. Trying to grow the assets so that the—

Dr Purchase: That's right. The more valuable the companies are the less residual debt there is.

Mr Mazzilli: Sometimes that works and sometimes it doesn't.

Mr Hampton: It's been working well with Hydro One.

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Dr Purchase: Hydro One has been a profitable company, incidentally.

Mr Mazzilli: With two thirds consumption on the commercial-industrial portion, I guess this \$8 billion is an enormous amount of debt to pay in a short period of time. I think I've made my point and I'll pass it over to Mr Tascona.

Mr Tascona: I want to change the topic here for a moment. Your ministry is involved with the Pesticides Act under environmental protection?

Hon Mr Baird: While it is the Ministry of Environment and Energy, we're just here on the energy side.

Mr Tascona: Under the Pesticides Act there's an advisory committee and whatever. I want to ask you a pointed question in terms of where that would be. Do you monitor, under environmental protection, where pesticides can be used? I have had an inquiry in terms of pesticides being used near long-term-care facilities, which to me would be something that—

The Vice-Chair: Mr Tascona, we're dealing with the Ministry of Energy estimates. Am I getting it that you're asking some environmental questions in estimates here?

Hon Mr Baird: It is the estimates for the Ministry of Environment and Energy, but I think the committee chose to split them rather than have the two of us here for 15 hours.

Mr Tascona: OK. I noticed pesticides under that, but I'll bring you back then to—

Hon Mr Baird: The estimates are together, though. You're correct.

Mr Tascona: Yes, they are.

Interjection.

Mr Tascona: I thought I was somewhat near the topic.

The Vice-Chair: We just thought that there's so much in energy that we would split it.

Mr Tascona: Glad for your direction, Mr Chairman. I appreciate that.

I'll point you to page 79 of the estimates briefing. There are a number of goals that are set out under "Activity: Policy and Programs." The goals are "ensuring an efficient supply of energy that is competitive for the people of Ontario; seeking the necessary capital to rebuild and modernize the transmission and distribution of power in Ontario; bringing market discipline to Hydro One—the province's transmission company—and to eliminate the current \$38-billion debt and liabilities and prevent any possibility or recurrence of such a staggering debt; and achieving these goals while protecting consumers." Maybe you can tell me what the plan is to protect consumers while achieving those goals.

Hon Mr Baird: As we move forward with the strategic partnership, there's a desire that a private partner with a minority interest will bring a properly motivated private sector perspective to the firm. I suppose, depending on the partner, we would also see benefits from new perspectives on the company's management. The taxpayer would no longer be responsible for the entire financial risk associated with investment decisions by the board or management. Proceeds from the sale of the minority interest would be devoted to pay down the massive debt accumulated by the former Ontario Hydro.

As well, we hope the sale will support some of the new investment that's required in our transmission system. Some of the transmission system is quite old and needs to be better maintained or replaced. That would obviously be one of the benefits.

Mr Tascona: The Ontario Energy Board has been established as a quasi-judicial tribunal. Its role is set out in the estimates on pages 4 and 81. I understand you're going to be involved in a review of that. With respect to its current powers, how do you envision—perhaps you want to comment on this—the Ontario Energy Board protecting consumers in this current environment?

Hon Mr Baird: We can look at the Ontario Energy Board's two roles. One has certainly been emerging with changes in electricity, to sort of be the cop on the beat with regard to consumers. That's an important responsibility. The other important one is to be the meaningful group that balances the needs of consumer protection with independence with respect to—for example, with

natural gas, there's a regulated rate of return. It's a regulated sector and you want a neutral party to balance those two off. Obviously, the first one is entirely consumer-driven and the second one is balancing the two off. The board has grown a lot in recent years, but the world around it has grown by leaps and bounds.

I think there's just about unanimity, whether it's consumer groups, stakeholders, taxpayers or folks at the board itself, that changes are in order. Certainly there are a number of my colleagues who think the same thing. I think you'll find widespread support for a review of the board. There's no specific end point we're going to. I want to consult with all the affected parties. The model that has been suggested by a good number of folks, which we'll look at in the context of the review, is the whole structure of the Ontario Securities Commission. That's one model we'll look at.

Mr Tascona: Are you answering any questions on water and sewage infrastructure?

Hon Mr Baird: No.

Mr Tascona: In terms of my riding in Simcoe county, we have an interesting group of suppliers and distributors. We have Hydro One in Oro-Medonte, we have Barrie Hydro that services Barrie and also services Bradford West Gwillimbury, and then we have Innisfil Hydro that services Innisfil residents. Looking at the Ontario Energy Board in terms of their powers with respect to these different municipal organizations, even Hydro One, how do you feel in terms of the Ontario Energy Board being able to deal with them under their current powers, in the current environment?

Hon Mr Baird: We're doing a review of the structure of governance, of the mandate of the board and what we can do to improve its operations. Obviously, if I thought everything was hunky-dory, we wouldn't be doing a review.

Mr Tascona: I understand that, because you get conflicting information on that.

I'll turn it over to my colleague, if he has a question or two.

Mr Mazzilli: We heard that this summer we had some problems. We had to import some energy. Is the amount we had to import this year consistent with other years?

Hon Mr Baird: No. This year we had to import a fair bit, probably because it was one of the hottest summers in 54 years. But importing power is not something that's new in Ontario. We're obviously not at year-end, so I can't give you a comparable number for 2002, but in 2001 we imported 8.6 terawatt hours. Back in 1990 we imported 15.7 terawatt hours. So it's gone up and it's gone down. In 1995 it was 3.8 terawatt hours. There would be issues with your domestic supply. Obviously, when you have an economic downturn, as we did in the recession in the early and mid-1990s, when you have fewer jobs, you need less electricity, and when you have more jobs, more industry and more commercial activity—

Mr Mazzilli: Do we export power at all?

Hon Mr Baird: Yes, we do as well.

Mr Mazzilli: What are the numbers on the export side this year compared to previous years?

Hon Mr Baird: We would probably export power in two ways. Sometimes you export it just to keep the system moving. We'd export in area A and import it back in area B. Obviously, in physics, electrons go where electrons go. In other areas, you'd export it when you had a surplus. The total exports, for example, in 2001 were 7.9 terawatt hours, in 1998 it was 6.8, in 1999 it was 5.9 and in 2000 it was eight.

Mr Mazzilli: So on that exporting side, we're obviously up from where we have been in the past. Is the revenue side reflecting what we're exporting?

Hon Mr Baird: Obviously, when you export, you would be remunerated for that.

Mr Mazzilli: When we're importing, we're paying somewhat of a premium to somebody, I suppose. When we export, do we charge a premium like they charge us?

Hon Mr Baird: It would be somebody involved in the particular market in some areas. I can give you the net imports, for example. The import number I used, for example, for 2001 was 8.6. In 2001 the total exports were 7.9, so there was a net import of just 0.7 terawatts. We've imported 6.9 so far this year. It obviously depends on the market, if we're dealing with Michigan, New York, Manitoba or Quebec. I can't imagine we do much to Quebec, though.

1700

Mr Mazzilli: I understand that. So what you're saying is that this year so far we've exported as much as we've imported—

Hon Mr Baird: In recent years. Obviously, we try to get the very best price we can, depending on the jurisdiction and how the market operates there. If I say "we," I mean OPG, not me.

Mr Mazzilli: How does OPG do—

The Vice-Chair: I think you're going to have to catch him on the next round. Your time is up.

Mr Bryant: What is the latest on the Pickering A restart in terms of the scheduled date of refurbishment?

Hon Mr Baird: They have to go out from time to time with respect to financial disclosures, and there's a bond market and whatnot. I'll be very blunt: I'm not happy with Pickering A. I take the issue seriously. Before I make a commitment, I want to have better information.

I was out to Pickering my first day on the job. I've had a good number of meetings with senior officials at OPG on that. I'm not satisfied with what I've been hearing. It's a work in progress. I'm not happy. I'm not going to defend it.

Mr Bryant: Are you unhappy about the cost overruns? Are you unhappy about the delays in refurbishment? Both?

Hon Mr Baird: I'd obviously like to see it brought on-line as soon as possible. I want to see it done safely. You're dealing with nuclear technology. The reality is that there are a number of factors that have influenced it. A 20-month environmental assessment was a substantial amount of time, and you can't go ahead with a good

chunk of that work pending the decision on the EA. They've had some challenges, I think, relating to the Candu technology. It's not really a Candu reactor; it's more Candu technology that was built in the late 60s and early 70s. The old former Ontario Hydro back in those days, rather than sort of buying a car off the lot, took the technology used to build the car and built their own. That may have worked then, but when you go to do modifications for it—

Mr Hampton: I wonder what Minister of Energy that was, which one of your Conservative predecessors.

Hon Mr Baird: I'd have to check the records.

So when you go to repair, refurbish or do changes to it, you'll often—when you pull up the hood, to use another analogy with a car, it's not exactly how it was according to specs.

In the time, the afternoon I spent, we went right into the face of a nuclear reactor and with the work that's being done, the productivity is so low. It's like doing brain surgery in a space suit. Just the continual checks for titanium are incredible—vacuum-locked sealed doors as you move from place to place. In the course of the afternoon I was in there, I think it must have been 25 individual times you had to be checked for radiation. It obviously makes it a very inefficient process. The fact that it's a cost-plus contract rather than a fixed-price contract is another issue. I don't think there's a project management that would take it on that basis because of the nature of nuclear technology.

Mr Bryant: You said you're unsatisfied and your predecessor said it was unsatisfactory for there to be the cost overruns. You're the minister, and I guess—

Hon Mr Baird: When you say cost overruns, though, this was not like a car repair bill that they said would be \$1,000, and when you showed up to pick up the car it was \$2,500. They made estimates. It's costing more than they estimated, but it's not like someone had a contract for \$1,000 and they're delivering it at \$2,000 and expecting \$1,000 in their pocket. I think it is important to underline that.

Mr Bryant: Yes. It was estimated originally to cost \$1.2 billion. Now it's estimated at \$2.1 billion. That's all I mean by cost overrun.

I guess technically you're the sole shareholder—is that right?—of OPG?

Hon Mr Baird: You act as the shareholder, yes.

Mr Bryant: Right. I know that the Deputy Minister of Energy used to sit in on the board meetings of the old Ontario Hydro. Is that still the practice? It was just a practice. It's no longer a practice?

Interjection: Oh, no.

Mr Bryant: The deputy minister is saying, "No, it's not a practice." How do you direct OPG? You say you're unsatisfied, and fair enough; I appreciate your candour. How do you direct matters in such a fashion as to get them on a satisfactory track?

Hon Mr Baird: I think with respect to Pickering A, I tried to underline the importance that I placed on it by visiting it on my first full day on the job. We've set out a

regular meeting track where we meet every two to three weeks. We've scheduled those, not just the one we had today. I've made a point of underlining the focus that I'm going to place on accountability. We've already scheduled meetings right through Christmas, because I think that it's important to send a message. We have a pretty good team at the ministry and those meetings are not just political; there are ministry officials as well.

I think that it's a unique type of role, where you have one individual as the shareholder of a company of that size. Obviously, it's not John Baird. I'm there trying to represent not just the government, the Premier of the government and the cabinet, but the taxpayers and those people whose shares you hold, who of course are the people of Ontario.

Mr Bryant: If it's unsatisfactory and the cost estimates have been off and we've had delays—I appreciate that you're not going to give us a date right now, right? You don't want to give us a date right now as to the estimate. How then do we justify the salary of the CEO? Do you think that's satisfactory, that salary for CEO Ron Osborne?

Hon Mr Baird: When I was first appointed minister, in my first month on the job, the Premier requested that I conduct a review of the salaries of senior management at OPG. I did that. What we got back from a private sector outside adviser was, when they looked at the compensation arrangements and the individuals who were appointed—it was Towers Perrin who conducted it for us—it said that they were reasonable. There are base salaries and then there's the second part of that.

Obviously I was concerned, as I think were a number of members. You may on occasion have talked about this whole issue of rolling three-year averages in terms of a bonus structure. They do look at everything from the overall financial performance of the company. One of the things they do, which I strongly support, is health and safety. I think that's a primary concern for management. Obviously, when you have issues with respect to the environment, that's part of it. When you look at nuclear, you have the nuclear division at Darlington operationally versus the nuclear division at Pickering. Obviously, at Darlington there are fewer problems than there are at Pickering. So it's complex.

Mr Bryant: So the ministry did its homework, looked at their compensation packages and agreed it was reasonable.

Hon Mr Baird: I looked at the compensation packages and the verdict from an outside person said they were reasonable.

Mr Bryant: And you accepted that verdict? Yes?

Hon Mr Baird: Yes.

Mr Bryant: On to the subject of the rebate. The Premier made reference today, in fact, in question period, to the rebate and I just want to make sure I get this right. Ontario Power Generation—we talked about the fact that you're the sole shareholder of it—had applied to the Ontario Energy Board to reduce the rebate by 20%. The Premier said last week on a radio show, and later in the

Legislature, that Ontarians should get their full rebate. Do I take it then that you, as the minister, have directed Ontario Power Generation to withdraw that application?

Hon Mr Baird: This is similar to the discussion I had in the first go-round with Mr Hampton. I don't share your choice of words. I think the terms of discourse in this are important. I think that the market design committee—

Mr Bryant: Sorry, which words?

Hon Mr Baird: Reduce.

Mr Bryant: Reduce.

Hon Mr Baird: The market design committee recommended to the government and the government accepted the recommendation saying that Ontario Power Generation controlled so much of the market, the ability to set the price, that there has to be some mitigation of that power.

In 1998, we were using about 140 terawatt hours. By 2002, we were using 150 terawatt hours in the province. OPG was controlling 105 terawatt hours. So obviously, between 1998 and 2002, they have to set what the rebate would be. We have more terawatt hours. Obviously that's going to have an effect on it.

1710

Mr Bryant: If OPG didn't seek to reduce the rebate—

Hon Mr Baird: I think it should move forward exactly as advertised.

Mr Bryant: I just want to make sure I understand. They didn't seek to reduce the rebate. I'll tell you, I just took my information from the Electricity Distributors Association e-mail that went around to its membership saying that OPG had sought to reduce the rebate by 20%. If they weren't seeking to reduce it—I don't think they were seeking to increase it—what were they doing, then? What was OPG doing that resulted in the Premier saying, "They're going to get the full rebate"?

Hon Mr Baird: The rebate hasn't been established yet. It should move forward exactly as has been advertised, in my judgment; part of OPG's operating licence with respect to decontrol, with both Bruce Power, with the lease and with the four dams in Mississagi.

Mr Bryant: You said it should move forward as advertised. How has it been advertised? I know it's a term.

Hon Mr Baird: It's in OPG's licence. I think people are trying to create the impression that there's a change, and there's not. The Ontario Energy Board, with an application, would make a determination whether it was decontrol or not.

Mr Bryant: What was OPG doing before the Ontario Energy Board on the subject of decontrol?

Hon Mr Baird: As I understand it, OPG doesn't have the ability, nor do the political masters in the government, to set what is control and what is not control. So the Ontario Energy Board will make a determination in terms of how many terawatt hours are counted in the equation of the rebate. Obviously, I want to see OPG's market power decline. I think I'd like to see a number of companies of equal size or different sizes competing. They'll have to look at how many terawatt hours—this

year, in 2002, we may use more than 150 terawatt hours. The Ontario Energy Board, not just some executive at OPG, will have to determine how many terawatt hours we use and how much control OPG had in the marketplace. So there's no change in how it was presented at all.

Mr Bryant: When do people get the rebate under the licence that you referred to? When do Ontarians get this rebate?

Hon Mr Baird: In terms of a particular date? I don't have a particular date. It's based on the annual price. I think it was done at 3.8. The market opened at 4.3. I'm not sure. I don't know the billing systems or—

Mr Bryant: A representative of the Ontario Energy Board suggested that it would be in August of next year. Does that sound right?

Hon Mr Baird: It could be in August; it could be in April.

Mr Bryant: Could it be in November of this year?

Hon Mr Baird: Well, it's an annual rebate. It's calculated on an annual—

Mr Bryant: So how could it be provided in April if it's annual?

Hon Mr Baird: OPG has a fiscal year that's different from the government's. For example, it's a calendar year fiscal year. OPG has a fiscal year that matches the calendar year, whereas government has April 1 to March 31.

Mr Bryant: I guess if it's annual, OPG could provide it in January.

Hon Mr Baird: I just don't know how long it would take to compute the determination of what it's amassed at.

Mr Bryant: You don't know.

Hon Mr Baird: You'd have to look at how many terawatt hours we used and compare that with how much of the market they equated. I don't know if that's a process that could be done in a few hours or whether it requires an opportunity for the Ontario Energy Board to adjudicate it. You could argue that it should be done over the first 12 months of the market opening. Many would argue that that's the way to do it.

Mr Bryant: So you're saying OPG never went to the Ontario Energy Board to seek a reduction of its rebate? It never happened?

Hon Mr Baird: When you say "reduced"—the rebate is established based on its power in the marketplace.

Mr Bryant: Reduced in any fashion.

Hon Mr Baird: But when you say "reduced," I don't accept that word.

Mr Bryant: Increased? Did they seek to increase it?

Hon Mr Baird: I think you're playing games.

Mr Bryant: No, I'm not. I'm trying to get an answer. If they didn't reduce it, what the heck did they do?

Hon Mr Baird: It's based on how many terawatt hours are used in the province and how much of the market OPG controls. The Ontario Energy Board will make the determination on how much it controls. Obviously they have to make filings with respect to how much of the market they control. Some would argue that

despite the fact they've leased Bruce and sold the four dams in northern Ontario, they still control that. Others would argue that they don't. But I think the rebate should go forward exactly as advertised.

Mr Bryant: Was there a time in which it wasn't going forward as advertised?

Hon Mr Baird: No.

Mr Bryant: So in other words, OPG wasn't doing anything to affect the rebate in any fashion?

Hon Mr Baird: It has to do things to affect the rebate.

Mr Bryant: So it was doing something to affect the rebate.

Hon Mr Baird: There's not an established amount for the rebate. It'll be established on two things. It's established on how many terawatt hours are used in the province. For example, in four years it went up from 140 to 150. Back in 1998 we couldn't have determined how many terawatt hours of power would be used in the first year of 2002 or 2002-03 of the market. So it'll be based on how much we use and then also based on how much OPG controls. Back in 1998—since then OPG may have had a few more megawatts come on-line here and there with this or that project, depending on a particular dam or the particular strength of a turbine or with respect to how much they owned. Obviously they've got a few investments. They've got one in wind, for example, up in Huron county which is co-run with another private sector partner. They've done the lease at Bruce and they've done the sale of the four dams. The board will make the determination of how much of the market share will go forward and it'll go forward as it was intended to do, as advertised.

Mr Bryant: Another issue in terms of, not rebate, but in this case uplift charges: right now, as I understand it, LDCs do not charge customers for the cost of imports through uplift charges. In fact, they are carrying that cost right now. Of course, they're now absorbing the cost of imports, and you've talked about how much we've been importing in the last while.

LDCs are making an application to the Ontario Energy Board to flow that cost of the imports through the uplift charge. Is the government going to support that application to the Ontario Energy Board?

Hon Mr Baird: We might as well just get rid of an independent adjudicative body to make these determinations. The IMO system charges reflect the cost of operating the system and the recovery costs of ensuring that we have a reliable system.

Mr Bryant: Is that a yes, Mr Chair? It sounds like he's—

Hon Mr Baird: Am I going to publicly tell the judge how to rule?

Mr Bryant: Will you support it or not?

Hon Mr Baird: If it's going to the Ontario Energy Board, I'll let the Ontario Energy Board make that determination.

Mr Bryant: So you'll take no position on it?

Hon Mr Baird: The energy board made the ruling about what the IMO charge would be: 0.62 cents per

kilowatt hour for Ontario customers. Various market players—you mentioned local distribution companies—may want to seek a change or amendment to that. They're entitled to do that. We wouldn't need the Ontario Energy Board; I could just ask me and I'd say, "Sure," and with a stroke of a pen do it.

Mr Bryant: Here's the thing, though. Your government is intervening and asking the Ontario Energy Board in fact to review the retroactive charge provided by Union Gas. So why would you intervene on that but you refuse to intervene on this application?

Hon Mr Baird: Cabinet can't order a review until an order is received. With respect to Union Gas, no order has been received. There's been a decision but no order.

Mr Bryant: So you're not doing anything on Union Gas?

Hon Mr Baird: Cabinet has the authority to ask the Ontario Energy Board to review a decision. We legally, under the legislation, don't have the power to do that until an order is received. An order has not been received; it's expected in late October.

Mr Bryant: So you will do it? You'll review it at that time?

Hon Mr Baird: We announced a review of the entire energy board. I'm a consumer like everyone else. I don't like retroactive charges.

Mr Bryant: If you're going to review that, I'm asking, are you also going to deal with another future order, and that's dealing with import charges being passed along to consumers?

Hon Mr Baird: In terms of a change, if they haven't ruled on it, I can hardly order them to review—

Mr Bryant: But you're doing that with Union Gas. Why won't you do it with this one?

Hon Mr Baird: They haven't made a decision or an order yet.

1720

Mr Bryant: You just told me they didn't make one for Union Gas either, but you're happy to make a commitment to review that one.

Hon Mr Baird: You asked me if I'd made a commitment. I didn't give you an answer to that because I haven't seen the order yet. You connect the dots before you even get to—you go to point C when you haven't even taken the person from point A to B.

Mr Bryant: If anybody is being misled, I say it's the people of Ontario, because the people of Ontario think you're intervening to try and redress retroactive charges that you say you're happy with.

Hon Mr Baird: I'm going to look at the—

Mr Bryant: It sounds like a waffle, Minister. It sounds like you're retreating from your position on retroactivity. Are you going to intervene or are you not?

Hon Mr Baird: I'm going to get the order first, when it comes in late October. We're reviewing the entire Ontario Energy Board. I'm not satisfied we're doing the best job we can for consumers, and to go back that far I think is wise. I don't think three months is enough of a

payback period. I think six months is better. I'd like to see it more than that. Sure.

The Vice-Chair: Mr Hampton, 20 minutes.

Mr Hampton: I believe you owe me an answer to the last question I asked.

Hon Mr Baird: Do you want to repeat it?

Mr Hampton: I asked you if you thought that the clauses of the Bruce Power and OPG lease dealing with Ontario Power Generation's obligations to take over Bruce Power, should British Energy go bankrupt, should be open to the public, since the people of Ontario would be subjected to significant financial responsibilities as well as significant risks. Don't you think the people of Ontario deserve to know what their obligations would be and what risks they have assumed?

Hon Mr Baird: I'm happy to see what commercial interests may or may not be involved with such a disclosure. It is hardly a secret, though. The federal regulator, the Canadian Nuclear Safety Commission, has reviewed it, as has the Provincial Auditor. To be constructive, let me look and see what sort of commercial—

Mr Hampton: When the Provincial Auditor reviewed it, he wasn't aware that British Energy was staring at bankruptcy. He wasn't aware that the Labour government in Britain was going to have to come in and save your bacon with a \$1.5-billion loan to British Energy.

Hon Mr Baird: It's like doing the rain dance on fear. You can be the merchant of fear and uncertainty. I don't think the people are going to buy that, though.

Mr Hampton: That's on the record. The only reason that Bruce Power is able to operate and British Energy is able to operate is because the Labour government has provided them with a \$1.5-billion loan for the next three months.

Hon Mr Baird: One of the partners' parent company is having some financial problems. That's a matter of public record.

What I want to do, as the Minister of Energy, is work, firstly, on safety, and to make sure the supply is available to the province, and as well for the workers at that plant, who are also owners, to continue to have employment. I don't want to do anything in public comments that's going to jeopardize that. There are a lot of discussions going on, a lot of exciting, positive things in terms of what the future may or may not be.

Mr Hampton: I would agree with you on one front. I find it interesting that a socialist Labour government is having to save your bacon on British Energy right now.

But the point I want to make is, if you care about the workers and you care about the hydro consumers and you care about the taxpayers—

Hon Mr Baird: Many people in Britain wouldn't call that government socialist.

Mr Hampton: Whatever.

Hon Mr Baird: They'd call it centre.

Mr Hampton: I think I'm paraphrasing you in using that topology. The point is, if you care about the workers and if you care about the hydro consumers—OPG has said that if British Energy goes down and Bruce Power

goes down as a result of that, OPG would have to take over.

Hon Mr Baird: I haven't heard any single suggestion that Bruce Power would go down in terms of British Energy's problem. It's a commercially viable organization. I think there's a lot of interest out there. If British Energy didn't want to be involved, there would be people lining up to—

Mr Hampton: The federal nuclear safety authority has required this company to show that on a week-by-week basis they have enough money to conduct a safe shutdown. That's unusual, don't you think?

Hon Mr Baird: They're required, under their licence, to do that regularly. It's more regular now because of the concern, and they're being vigilant, which I don't think is a bad idea. Their regular filings require that to take place.

Mr Hampton: I'm asking you, from the perspective of hydro consumers and hydro ratepayers, don't you think that people across Ontario, both as consumers and as the citizens of Ontario, deserve to know what risks they are open to and what responsibilities they'll have to take on, or is that just something that should remain a corporate secret?

Hon Mr Baird: Well, it's not a corporate secret, because we've had the Provincial Auditor look at it and we've had the federal regulator look at it. So it's not a secret.

Mr Hampton: I'm asking you about the public of Ontario. Don't you think they deserve to know that?

Hon Mr Baird: If there's no reason why it shouldn't be released, I'm happy to look at the issue. I'd want to look at that first.

Mr Hampton: I want to give you a Hansard. And I'd be happy to provide you with one as well, Chair. You can have a look at it.

It was my question to Jim Wilson on May 16, 2001, about California. I just want to read Mr Wilson's reply: "I've said time and time again that we are not California, nor are we Alberta. We have the opposite problem of California and Alberta. We have plenty of supply."

In view of the market surveillance panel's finding, would you agree that Mr Wilson was wrong?

Hon Mr Baird: Firstly, this wouldn't compare to the statement which you ascribed to him earlier. I'd like to get the Hansard of the committee and compare it directly against that.

Mr Hampton: No, his statements are more over the top than I ascribe to him.

Hon Mr Baird: I don't agree.

The independent market operator, and I read the quote in their most recent 18-month outlook, said: "The energy production capability is generally expected to be well above energy demand levels in each month of the outlook period.... No additional energy is expected to be needed to meet the Ontario forecast energy demand."

I do, however, take the issue seriously, take both their 18-month outlook and the report released yesterday seriously. I think we do need more energy generation on-line. That's why we talked about the need to get Bruce A

on-line. We talked about the need to get Pickering A on-line. We talked about the need to see the successful completion of a number of projects that are under construction at present. We also need to see some of the projects which have advanced several stages move forward.

Mr Hampton: One of the other problems with the deregulated privatized market that you're setting up was identified this summer. Local distributors, ie, municipal distributors, of electricity are having major financial problems because they collect from their customers up to two months after they are required to pay the generators through the IMO. In fact, many electrical distributors had to go out and organize multi-million dollar lines of credit in order to get themselves through the summer.

Is that a satisfactory system for you, that under the system your government has designed, municipal distributors of electricity have to go out and arrange for multi-million dollar lines of credit to hold this system together?

Hon Mr Baird: On that issue, I think it's a reasonable concern. I've certainly indicated to the Electricity Distributors Association that I'm prepared to work with them on it.

This evening I'll be meeting with, among other people, Hazel McCallion, on it. I know with the hottest summer on record in more than half a century, that had some significant problems for customers. I suppose the difference is that in the past, it would have been all behind closed doors and Ontario Hydro would have had to borrow the money.

The Independent Electricity Market Operator has established a deferred payment plan for local distribution companies who want to participate in a program that they've established. This program provides bridge financing to distributors enrolled in the program to accommodate a local distribution company that encounters cash flow problems attributable to a sustainable spike in electricity prices.

I think it is a particular challenge, and I acknowledge that. It's one on which I'm certainly prepared to work with our municipal partners. I know Chris Hodgson has talked to some of the municipalities about this, and I will as well with the members of the EDA.

Mr Hampton: So I want to be clear: you're not satisfied with the current situation?

Hon Mr Baird: I think it's a concern, sure.

Mr Hampton: What are you going to do about it?

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Hon Mr Baird: I'm meeting with, among other people, the EDA in the coming weeks, and even as late as 45 minutes from now with, among other people, Hazel McCallion. That's one of the issues I'll be raising with them.

Mr Hampton: One of the other issues out there: distributors are charging customers, especially tenants, people who have to move from one apartment to another and small businesses, incredibly large deposits. This is because they in turn are required to put up \$1 billion in security to guarantee generators, through the IMO, that

the generators will get paid. This is causing financial hardship for customers, including many low-income people and small businesses.

But what is really galling is that the local electricity distributors are responsible if one of the electricity retailers that you've created goes bankrupt. Will you remove distributor responsibility for paying off retailer contracts if retailers default? Why should a distributor be responsible for one of these retailers that you've created?

Hon Mr Baird: The OEB has a working group on this issue and I think that will be one of the major things they look at. I want to hear their advice and their counsel.

Mr Hampton: Will you reduce the amount of security that retailers have to put up?

Hon Mr Baird: The OEB has a working group on this issue. Too often we get criticized for not consulting enough. They have a working group. I look forward to receiving the results of that effort.

I certainly appreciate that for some it is a concern, not just with respect to residential consumers but, as well, small businesses or a medium-sized enterprise. The CFIB has identified this as a concern. So we'll look at the results of the working group.

Mr Hampton: From what I can see, you're talking about \$1 billion in security deposits, and you're talking about I don't know how many billions of dollars municipal utilities have had to go out and borrow in terms of bridge financing and what the cost of that is going to be. But under your system, all of that now falls on the consumer. Why should the consumer essentially be picking up a whole bunch of charges that in the past they weren't responsible for?

Hon Mr Baird: If Mr and Mrs Smith didn't pay their hydro bill, who would have paid it?

Mr Hampton: All I'm saying is—

Hon Mr Baird: If Mr and Mrs Smith, who live in Kenora or Nepean, didn't pay their hydro bill, who is going to pay for it? Tinkerbell?

Mr Hampton: What's happening is that we're seeing a whole bunch of these new charges. Municipal utilities went out and had to organize multi-million dollar lines of credit, which don't come cheap. There are incredible interest charges there. As well, small businesses and people living on fixed incomes have to pay these huge deposits to cover off a liability that's not theirs; it's the liability of these electricity retailers you've set up. Why should consumers have to cover all of these charges? I'm asking you, what are you going to do about it?

Hon Mr Baird: Consumers have always had to be responsible—

Mr Hampton: No, they haven't.

Hon Mr Baird: If Mrs Smith in Kenora or Mr Smith in Nepean didn't pay their hydro bill, who the heck do you think paid for it? That sort of loss was spread out among all customers, or they just got out the good old Ontario Hydro credit card and ran another bill through it. There is a working group on it. I await to hear the advice of that working group.

I guess, like everything, it's important to have a reasonable balance. Some 75% of consumers aren't with retailers; they're with their LDC. In Nepean, if my next-door neighbour doesn't pay his hydro bill, I'm not crazy and it doesn't take me long to figure out who is going to pay for it. All the other people on the street are going to have to pay for it. Is that fair? No. That's why in some instances they're asking for a security deposit so that consumers don't end up having to pay for it.

When they do that so that others don't have to pay for it, you don't like that, and of course you don't like consumers having to pay for it. You have to make a decision and go one way or the other. Some 75% of people aren't with retailers. They haven't made any change. So whether it's Hydro One or whether it's their LDC and they don't pay, someone has to take it up. Do you think the government should pay? Do you think Tinkerbell should pay? Do you think the other customers should pay? Someone's got to pay.

Mr O'Toole: Floyd Laughren.

Mr Hampton: I want to go back to your reference to the electricity rebate. As I understand it, Ontario Power Generation has applied to the Ontario Energy Board and they want, in effect, credit. They want to cut whatever rebate is established by 20% because the company leased the Bruce nuclear facility to a subsidiary of British Energy. So whatever rebate is finally established, they want credit for that 20%. Do you support OPG in that, or are you opposed?

Hon Mr Baird: In that question, you've said both that they've established a rebate and whatever rebate is established—

Mr Hampton: No, I said whatever rebate is—

Hon Mr Baird: But you also that the rebate had been established. You can't cut a rebate that hasn't been established. You used both—

Mr Hampton: I'm using your words.

Hon Mr Baird: You used both.

Mr Hampton: Well, I'll use your words. You say the rebate hasn't been established. What they're saying is, using your terms—

Hon Mr Baird: And they'll give information—

Mr Hampton:—whatever rebate is established, they want a 20% reduction.

Hon Mr Baird: I don't accept the word "reduction." I think what I've said is that a rebate, a number, will be established based on how many terawatt hours we use in the province and based on OPG's market share. I believe that it should go forward as advertised.

Mr Hampton: Do you think Ontario Power Generation should get credit for the Bruce nuclear lease or not?

Hon Mr Baird: Why would they bother applying to the Ontario Energy Board if the Minister of Energy can just take out his magic wand and decide for them?

Mr Hampton: I'm simply asking you, what's your government's position?

Hon Mr Baird: I think it should go forward as advertised, and I think the Ontario Energy Board will

make the determination of what Ontario Power Generation's market share is.

Mr Hampton: I can't understand the problem you're having. Your Premier says that they shouldn't get credit, so are you with the Premier or not?

Hon Mr Baird: I'm with the Premier. He says it should go forward as advertised.

Mr Hampton: He's saying that they shouldn't get credit.

Hon Mr Baird: That it should go forward as advertised.

Mr Hampton: So I'm going to go back to my original question: has OPG withdrawn their application for that credit at the Ontario Energy Board or not? Is OPG following government policy or are they defying government policy? The consumers deserve to know. Which is it?

Hon Mr Baird: OPG is going to follow the rebate scheme as it was advertised.

Mr Hampton: So what the Premier said is baloney.

Hon Mr Baird: It's exactly correct, that it's going to go forward as advertised.

Mr Hampton: Look, as advertised, as it was set out, whatever they lease out or whatever they sell, they are supposed to have the rebate reduced.

Hon Mr Baird: I don't accept your terminology of "reduced." You know that. If you want me to say it a 10th or 20th time, I will.

Mr Hampton: Well, do you agree with the Premier or not? He says OPG should not get a 20% credit for the Bruce nuclear lease. Do you agree with him or not? Why are you having such trouble either agreeing or disagreeing with the Premier?

Hon Mr Baird: I agree with the Premier when he said in the House, on page 1834 of the Legislative Assembly of Ontario, October 3, 2002, "I indicated this morning that I expect the rebate program to be as advertised by OPG and I expect the people of Ontario to be entitled to their rebates." I agree with him.

Mr Hampton: Do you also agree where he says it's time for the energy ministry and the minister to review whether the existing rules are, quite frankly, appropriate? Do you also agree with him on that?

Hon Mr Baird: We're reviewing the entire energy board. We announced that yesterday.

Mr Hampton: One of the other issues I wanted to ask you about was Hydro One. Why is the government offering potential buyers of up to 49% of Hydro One secret information about the company that is not available to the public?

Hon Mr Baird: I think it probably just involves, more than anything, confidential commercial information in the marketplace. I'm going to go out on a limb and suggest you're not going to accept that.

1740

Mr Hampton: There is only one electricity transmitter in the province; that's Hydro One. Why would somebody be offered information that has to be kept secret from the public?

Hon Mr Baird: There's more than one transmitter. There is Great Lakes Power, for example, in one part of the province, which you have spoken about. There is Great Lakes Power, you have spoken about that in the House yourself; Canadian Niagara Power, Five Nations Energy, Cedar Rapids Transmission. Those are just a few. Plus there are a whole bunch of distribution assets in there in terms of Hydro One's role as an LDC, as a distributor not just a transmitter.

Mr Hampton: So it's your position that the public of Ontario can't know about what its obligations are in terms of the Bruce nuclear station should British Energy go belly-up. The public of Ontario is not going to get to see the information that a private corporation would see with respect to Hydro One. Yet it's the public of Ontario that pays all the bills and assumes all the obligations. Can you tell me what the rhyme or reason is to this?

Hon Mr Baird: I think the record will show that on two occasions I said to you that there wasn't a reason why it shouldn't be made public, that it would be with respect to Bruce. I think the record will show I said that twice. I'll look into it. I am going to suggest that it probably won't be, but I'm happy to review the issue and I think the record would show that.

I suppose for your ability to pound your fist on your chest, that makes it a bit more colourful.

The Vice-Chair: Time is up. Mr O'Toole or Mr Mazzilli.

Mr O'Toole: We'll probably share it. I'll just start off here. I just wanted to spend a bit of time—my riding is Durham, and in Durham there are two nuclear stations, and the one I am asking questions on is OPG Pickering and the Pickering A unit. You would know that basically it has been out of service since 1996, 1995, somewhere in there. There's an extremely complicated decision to re-engineer that particular reactor, which is four reactors, really, in Pickering A. It's been complicated. It's my understanding the federal environmental assessment has added a number of new licensing conditions and a lot of other reasons.

I remember sitting here with the nuclear select committee listening to NAOP, the nuclear asset optimization plan, and in that I think there was a certain amount of money allocated to execute that task. I think it was about \$3 billion in that plan that was permitted to be spent on the re-engineering of that particular site. You could maybe confirm that for me in your response.

I'd like an update, if I could. It is my understanding that the \$2 billion that it's estimated the cost would be to bring that plant into compliance and production—I guess there are two parts to it. One is that we are expecting, some time in early 2003, that we would have the first reactor of four up and running, and I guess that cost is \$2 billion or something. Subsequent to that there would be the second reactor and then the third reactor and the fourth reactor, eventually creating some 2,000 megawatts of energy, which is very important in this whole supply equation that we've been discussing.

Could you give us some sort of estimate or crystal-ball picture on what the prognosis for Pickering is. It's an

important issue to the economy and certainly to the economy of Ontario, not just in terms of the Durham region, to find a reasonable and safe, sustainable nuclear solution. I guess my question is, could you give us some kind of sketch there on what you see as the plan for this coming on-line? If I spend \$2 billion, I get one reactor. What's going to be the cost to get number 2, number 3 and number 4, and what's the timeline? This is a huge part of building up the supply.

When I compare that to the successful implementation of the rejigging of the Bruce situation, how come they come in on time, under budget? Is there something we should be doing there to get this thing moving along? I know they had to move out Mr Preston; he had to go back to the United States with his pension. Is there something we should be doing there? I think you've got the gist of my question.

Hon Mr Baird: You're obviously tremendously concerned about this because a good number of your constituents are directly affected. But all of our constituents are affected with respect to the power supply at Pickering.

To put it in context, the return of Pickering A is the largest project of its kind in Canadian history and certainly one of the largest rehabilitation projects in North America. I don't think you can compare it directly to Bruce; certainly Bruce has done to date, from what's been reported to me, a good job on that. I'm skeptical. It sounds good but I want to see more to be able to make a determination as to where it stands. But to put it in context, there are about 35,000 tasks taking place, including replacing or updating many of the major components. There are about 1,300 building trades, 700 engineers and project support and about 1,000 OPG employees working on the project at this time. Unit 4 in Pickering A is the first one they're working on; then unit 1 would follow that.

A substantial amount of effort, obviously, goes into it. I don't know whether it would be fair to call it unit 0, but obviously in terms of some of the engineering work and the base work that would apply to 1, 2, 3, 4 reactors has to be done at the outset.

You're right; it has been a difficult process. Some of the work has been done to deal with earthquake issues, earthquake-proofing issues. Other work has been done for environmental issues. Whenever you're dealing with nuclear technology, obviously it's safety to the 100th percentile. They have a huge requirement, understandably so, with the federal regulator, which I would support, on everything: go well above and beyond the call of duty with respect to safety. I used the example before that it's almost like doing brain surgery in a space suit. If someone were to go in, for example, for 10 hours' work, they may only get three hours' worth of work done in that 10 hours, just for safety reasons because it's such incredibly specialized work, particularly when you're in the reactor core.

This is an issue on which I'm working closely with executives and the board at OPG. I met with them on

Monday for three or four hours on this issue and we'll be getting together again next week. They have regular public filings they've got to make to the IMO; one, I understand, is coming up.

Mr O'Toole: So you're looking at units 1 and 4.

Hon Mr Baird: At 4 and 1.

Mr O'Toole: And then 1. What's the prognosis for 2 and 3?

Hon Mr Baird: They'll follow 4 and 1.

Mr O'Toole: What are we looking at in terms of timeline? Is this about a year each?

Hon Mr Baird: I wouldn't see any more than that.

Mr O'Toole: I look at the overall expenditure. Is this in their operating budget now, all this money, or is this part of their ability to build more debt? How are they actually paying for it?

Hon Mr Baird: There's an accounting treatment of this that I'm looking at. The one area you try to keep your eye on, not just the internal rate of return, but what is the production cost going to be for electricity; that would make it, obviously, whether it's commercially viable or not. Everything I've seen to date suggests that it is. There are a bunch of areas where I've asked for more information. I've been on the job for 40 or 50 days and better people than I over the past 40 years have been told stories from the former Ontario Hydro. So you ask a lot of questions. That's some guidance that I've got from my caucus colleagues.

Mr O'Toole: It's an important question, I guess, from a cost point of view. When they say here that it's going to operate at about four cents a kilowatt hour, is that the actual cost of maintaining the asset? Going forward, those plants have a life expectancy. It's my understanding that at one time it was 25 years, and in the 1995

financial statement they changed the calculation for the life expectancy to 40 years, which diminished the debt. To me the situation is—

Hon Mr Baird: That's a good question. There are three issues there, I suppose. One is what their likely licence period would be. They have to go for two years, so I would say it would be fixed, but they're normally, I think, 40 years. Obviously, in 40 years of operation there is the issue of whether you could count the time that they've been down for repairs—like if your car is off the road and in a garage—as far as the regulator. That won't be determined by me or by OPG but rather by the federal regulator. I do know in some other examples around the world they have been able to extend the life beyond the initial period, and that will be another issue for the federal regulator. Obviously, it only would get better and better still.

Mr O'Toole: I get monthly reports from OPG generally. They show all of the stations, their up-times, scheduled outages, unscheduled outages—which is a neat term for “down”—“unplanned outage,” they called it, I think. My question there is, what is the operating efficiency of those plants? They always put the best business plan forward showing it running at 80% or 85%. What are they running at? What are the B units running at? Are they running at 60%, 70% or 80% of capacity?

Hon Mr Baird: Normally the—

The Vice-Chair: There's a bell for the House now. I just wonder if we could ask for adjournment of the estimates committee today until we resume the next time. I know there are no estimates on Wednesday. Have I got unanimous consent to that? Yes. We stand adjourned until then.

The committee adjourned at 1751.

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