



ISSN 1710-9442

Legislative Assembly
of Ontario
Second Session, 38th Parliament

Assemblée législative
de l'Ontario
Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Friday 3 February 2006

Journal des débats (Hansard)

Vendredi 3 février 2006

**Standing committee on
justice policy**

Energy Conservation
Responsibility
Act, 2006

**Comité permanent
de la justice**

Loi de 2006 sur la responsabilité
en matière de conservation
de l'énergie

Chair: Shafiq Qadri
Clerk: Katch Koch

Président : Shafiq Qadri
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Room 500, West Wing, Legislative Building
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Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON JUSTICE POLICY

COMITÉ PERMANENT DE LA JUSTICE

Friday 3 February 2006

Vendredi 3 février 2006

The committee met at 0903 in room 228.

SUBCOMMITTEE REPORTS

The Chair (Mr. Shafiq Qaadri): Ladies and gentlemen, I would like to call the standing committee on justice policy to order. As you know, we're here to consider Bill 21, An Act to enact the Energy Conservation Leadership Act, 2005 and to amend the Electricity Act, 1998, the Ontario Energy Board Act, 1998 and the Conservation Authorities Act. On behalf of the committee, I'd like to welcome the Honourable Donna Cansfield, Minister of Energy, from whom we will be hearing shortly. Before we do that, I would like to invite a member of the government side to read the reports of the subcommittee, Mr. Bas Balkissoon, who we welcome on his first day of duty in a committee of the Legislature.

Mr. Bas Balkissoon (Scarborough–Rouge River): Thank you, Mr. Chair. For the record:

Your subcommittee met on Wednesday, December 14, 2005, and Thursday, December 15, 2005, to consider the method of proceeding on Bill 21, An Act to enact the Energy Conservation Leadership Act, 2005 and to amend the Electricity Act, 1998, the Ontario Energy Board Act, 1998 and the Conservation Authorities Act, and recommends the following:

(1) That the committee meet for the purpose of holding public hearings in Toronto on Friday, February 3, 2006; in Peterborough on Monday, February 6, 2006; in Simcoe (Norfolk County) on Tuesday, February 7, 2006; in Chatham on Wednesday, February 8, 2006; in Sudbury on Thursday, February 9, 2006; in Thunder Bay on Friday, February 10, 2006. The order of locations may change depending on travel logistics.

(2) That the minister be invited to appear before the committee at the start of public hearings for 30 minutes to make a statement and to answer questions from committee members.

(3) That following the minister's presentation, the opposition parties be allowed up to 30 minutes each to make statements and ask questions.

(4) That the clerk of the committee, as directed by the Chair, advertise information regarding the hearings for one day in all major dailies and weeklies of each of the cities to which the committee intends to travel. Advertisements will be placed in both English and French papers, where required.

(5) That the clerk of the committee, as directed by the Chair, also post information regarding the hearings on the Ontario Parliamentary Channel and on the Internet.

(6) That interested people who wish to be considered to make an oral presentation should contact the committee clerk by Tuesday, January 31, 2006 at 5 p.m.

(7) That the length of presentations for witnesses be 20 minutes for groups and 15 minutes for individuals.

(8) That the clerk distribute to the members of the subcommittee a list of all the potential witnesses who have requested to appear prior to the subcommittee meeting on Wednesday, February 1, 2006.

(9) That the research officer provide to the committee a preliminary summary of presentations prior to clause-by-clause consideration of the bill.

(10) That clause-by-clause consideration of the bill be tentatively scheduled for Wednesday, February 15, 2006, upon completion of public hearings.

(11) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements to facilitate the committee's proceedings.

The Chair: Thank you, Mr. Balkissoon. With regard to adoption of the subcommittee report, all those in favour?

Mr. Bob Delaney (Mississauga West): On a point of order, Chair: There is an addition to the subcommittee report of—

The Chair: There is, and we will proceed to that as soon as I have the first report adopted.

Mr. Delaney: Thank you.

The Chair: Once again, all those in favour? Any opposed? I declare that subcommittee report adopted.

May we now have the second subcommittee report, Mr. Balkissoon?

Mr. Balkissoon: Your subcommittee met on Wednesday, February 1, 2006, to review the list of interested presenters for Bill 21, An Act to enact the Energy Conservation Leadership Act, 2005 and to amend the Electricity Act, 1998, the Ontario Energy Board Act, 1998 and the Conservation Authorities Act, and recommends the following:

(1) That the committee meet for the purpose of holding public hearings for a second day in Toronto on Monday, February 6, 2006 to accommodate all the requests for this location

(2) That the committee meet for the purpose of holding public hearings in Thunder Bay on Thursday, February 9, 2006 instead of Friday, February 10, 2006.

(3) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements to facilitate the committee's proceedings.

The Chair: Thank you, Mr. Balkissoon. Once again, with regard to adoption of the subcommittee report, all those in favour?

Mr. Delaney: On a point of order, Chair: I would like to move an amendment to the subcommittee report, adding to it an amendment deadline of 12 noon, Monday, February 13, for the submission of amendments.

The Chair: To be clear, the amendment is that you move the submission deadline for amendments—and the timing, exactly, was?

Mr. Delaney: It's 12 noon, Monday, February 13.

The Chair: Any debate, questions, comments? Seeing none, all in favour of that amendment? Any opposed? I declare that amendment carried.

I now call for adoption of the subcommittee report, as amended. All those in favour? Any opposed? I declare the subcommittee report carried.

ENERGY CONSERVATION
RESPONSIBILITY
ACT, 2006

LOI DE 2006 SUR LA RESPONSABILITÉ
EN MATIÈRE DE CONSERVATION
DE L'ÉNERGIE

Consideration of Bill 21, An Act to enact the Energy Conservation Leadership Act, 2005 and to amend the Electricity Act, 1998, the Ontario Energy Board Act, 1998 and the Conservation Authorities Act / Projet de loi 21, Loi édictant la Loi de 2005 sur le leadership en matière de conservation de l'énergie et apportant des modifications à la Loi de 1998 sur l'électricité, à la Loi de 1998 sur la Commission de l'énergie de l'Ontario et à la Loi sur les offices de protection de la nature.

STATEMENT BY THE MINISTER
AND RESPONSES

The Chair: We will now turn to more substantive deliberations of Bill 21. I'd like once again to welcome, on behalf of the committee, the Honourable Donna Cansfield, Minister of Energy, who hails from the great region of Etobicoke. I respectfully remind the minister that she has 30 minutes in which to make her presentation. Please begin, Minister Cansfield.

Hon. Donna H. Cansfield (Minister of Energy): Thank you very much, Mr. Chairman. I am very pleased to have this opportunity to address the standing committee and the public on the topic of energy conservation. More specifically, I'm very pleased to have the oppor-

tunity to speak to Bill 21, the Energy Conservation Responsibility Act, 2005, a bill which is another important step in the continued success of our conservation efforts in Ontario.

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Let me begin by saying this: Energy conservation is an imperative for Ontario. It has been imperative since the day we took office, and it will continue to be a driving principle for this government and for our energy strategy going forward. Our energy strategy balances the need for new supply with the recognition that we have vast opportunities to achieve significant reductions in our overall consumption. In addressing our energy supply needs, we are, moreover, creating a greener and more sustainable energy future for this province. We are creating opportunities for stronger communities and a stronger economy, and we are creating opportunities for all Ontarians to be involved in building this future.

We have recognized that the global landscape for energy is changing. How we view energy, how we use energy and how we value it must change as well. My government doesn't see energy conservation as a passing fad. We don't see it as a temporary solution. We see conservation as a real opportunity to help Ontarians prosper by helping them to reduce their costs and their consumption in the near, and over the longer, term.

Through energy conservation we can enhance our competitiveness, and this will assist the province invaluablely as we move forward to meet the future. Over the course of this government, we have begun to see this knowledge take root among our industries and among our citizens. Now, we must continue to move ahead, to conserve energy for the good of our economy, for the health of our global environment and, indeed, for the very health of Ontarians.

Much as conservation has been a priority for Premier McGuinty and our government, conservation has also been my personal priority. As parliamentary assistant to the previous Minister of Energy, Dwight Duncan, I had the privilege of leading our efforts to move forward on conservation. I was honoured to chair the conservation action team and, moreover, to have the opportunity to establish strong relationships with Ontario's active and committed conservation community. As the minister, I can assure you my commitment to conservation remains firm. Conservation will continue to be a key element, a keystone within our energy plan.

Today, I would like to detail some of the many important steps my government has taken towards achieving a healthier, cleaner, stronger and more prosperous Ontario. These provide the foundation for our actions going forward. The steps we have taken demonstrate our commitment to conservation. However, the steps we have taken—and there are many—are merely an indication of our resolve to do even more.

Our first immediate action was to set two ambitious conservation goals: We committed to achieving a reduction in the growth of Ontario's peak electricity demand of 5% by 2007. We also committed to showing

leadership by reducing consumption in our own operations by 10% over the same period.

The initiatives we have undertaken to date have moved us well toward meeting these essential commitments. By undertaking energy-efficient retrofits and upgrades to government buildings and making use of deep lake water cooling technology at Queen's Park, we are well over halfway to meeting our promise to reduce government consumption by 10% by 2007.

With the passage of Bill 100, the Electricity Restructuring Act, 2004, we put into motion the structural reforms needed to make conservation an integral part of our electricity system. Last year, we appointed Peter Love as Ontario's first Chief Energy Conservation Officer. His primary responsibility is to ensure that Ontario fully exploits the potential that exists within this province for achieving conservation. Mr. Love will help ensure that we achieve our goals, both by monitoring our progress and by developing province-wide programs that encourage us to conserve: in our homes, in our businesses and in our communities.

I'm proud to say that we provided a total of \$1.1 million to kick-start over 25 conservation partnerships in association with non-profit industry associations and non-governmental organizations in 2004 and 2005. These initiatives were selected to reach a wide variety of groups across Ontario, including farmers, low-income consumers, small businesses, schools, colleges, hospitals and conservation groups.

It includes initiatives like Cool Shops 2005, an initiative of the Clean Air Foundation which encourages energy conservation in small businesses. Ongoing co-operation helped them to replicate their successful small business energy conservation program in additional communities, including Peterborough, London and Ottawa.

EcoSchools, an innovative conservation outreach program aimed at students, teachers and school facilities staff, is another example of a non-government initiative which is doing great work in furthering Ontario's conservation culture.

Bill 21 will allow us to solidify this kind of partnering and will help create a culture of conservation by fostering an atmosphere of co-operation and partnership.

Among our first steps, too, we made over \$160 million available to Ontario's local distribution companies, the LDCs, and restored their ability to encourage conservation through initiatives, such as community education, through the promotion of energy-efficient products and the piloting of new technologies. We recognize that our local distribution companies are a key channel into Ontario's communities. Through their existing relationships and their key knowledge, we recognize that they can develop programs tailored to meet the specific needs of their own customers and their communities. The programs they are undertaking will provide not only tangible energy reductions but also valuable information on how to build successful programs. Six of the province's largest distribution companies have come together under the powerWise brand name to co-promote energy conservation and demand management.

On other fronts, this government has put into place a net metering regulation that is among the most progressive in North America. Net metering gives credit to customers who generate their own power from renewable sources for any excess electricity they put back into the grid. Through net metering, farmers, homeowners, small businesses and others can seize the opportunity to generate some of their own power. They can reduce their demand from the provincial grid, while continuing to have access to, and the benefit of, our secure, reliable electricity system.

Every one of these actions is aimed at ensuring that we are embracing innovation. These actions are removing the barriers to conservation and energy efficiency and promoting new technologies and new ideas. Yet, they represent just a fraction of what the government has done with respect to energy conservation. More importantly, these actions are only a first step of what we intend to do.

I am also pleased to point out that, in October, my ministry directed the Ontario Power Authority to carry out several fundamental province-wide conservation programs that would reduce electricity use by at least 200 megawatts, or enough power for 125,000 homes. The directives include: a low-income and social housing program building upon the ministry's successful pilots on energy conservation and demand-side management with various organizations; an appliance exchange program that will encourage electricity consumers to replace energy-inefficient appliances, such as refrigerators, dishwashers and freezers; and a conservation outreach and education program targeting residential consumers and small and medium-size enterprises that would promote energy-efficient lighting technologies and efficient lighting design. I also directed the Ontario Power Authority to procure 250 megawatts or more of demand management projects, and I understand that their procurement process will be announced shortly.

These kinds of fundamental conservation programs will help shift the marketplace towards greater efficiency. And let me add that all of these programs are expected to be in place by this summer.

Our government also signalled the importance of energy efficiency and conservation by making low-interest loans available to Ontario's municipalities and universities for energy-efficiency projects through the Ontario Strategic Infrastructure Financing Authority.

We know that the potential savings achievable through conservation are real, and as we move forward, the conservation bureau will continue to spearhead innovative and successful initiatives that will advance the imperative for energy conservation in our province.

In terms of changing the landscape, I should also indicate that the responsibility for, and commitment in, creating a culture of conservation does not reside within the Ministry of Energy exclusively. From new school curricula to innovations within social services, many ministries are incorporating energy efficiency and conservation into their own programs and initiatives. Our new legislation will foster that even further, and here are just a few examples:

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The government is pursuing a full examination of the building code to incorporate stringent energy efficiency and conservation requirements within its provisions. Changing the way we build this province is one of the most fundamental shifts we can make.

This is key to creating a long-term and fundamental shift in the environment. Builders and contractors should be required to consider the long-term implications of the buildings they create. Homeowners, building owners and tenants are paying for them long into the future.

The government is also considering energy conservation in the development of an affordable housing program which will build 15,000 new affordable housing units.

We are encouraging energy conservation during repairs to non-profits and co-operatives before buildings are transferred to service managers and when carrying out repairs under the rural and native housing program.

Moreover, we are currently holding working meetings with key stakeholders to obtain their views on potential Planning Act reforms that would encourage sustainable design and help support energy conservation and efficiency.

In March 2005, the government announced \$2 million in new funding for capital improvements and cost-saving upgrades, including energy-saving projects for women's shelters; for example, window replacements and upgrading to energy-efficient appliances.

All of these examples demonstrate our commitment and our progress. I could list many, many more examples, but I'd like to turn now to the legislation that we are discussing today. Bill 21 is an important step in furthering this objective.

Bill 21, the Energy Conservation Responsibility Act, 2005, represents important next steps in our efforts to create a conservation culture. It contains four schedules: Schedule A contains the Energy Conservation Leadership Act; the next schedule actually amends the Electricity Act, 1998, in order to support the government's smart metering initiative; schedule C makes required technical amendments to the Ontario Energy Board Act, 1998, as a consequence of establishing the smart metering initiative as set out; and the last schedule repeals a section of the Conservation Authorities Act to permit conservation authorities to market hydroelectric power based and created on lands under their authority.

We must work with these organizations and citizens who are prepared to show conservation leadership. We need to give Ontarians the tools and information they need to effectively incorporate conservation into their work, their homes and their everyday lives.

We know it will make a difference. According to the federal Office of Energy Efficiency, for example, Canadian businesses saved as much as \$3.4 billion in purchased energy in 2002, simply by managing their energy use more efficiently and effectively. That was 2002. Even in the narrow distance between then and now, technologies have changed. Every day there are import-

ant advances and new opportunities. Energy prices have also changed in that time. I believe that the public resolve to conserve has changed as well.

With what we now know, and with what we can now do, there is much, much more to be saved, and we can all benefit economically from eliminating energy waste. We benefit of course directly in the prices we pay for energy, but we also benefit in the prices we pay for goods and services. We benefit in the jobs that result from more efficient export.

Our public sector organizations—and I'll speak more of this later—benefit, as taxpayers also do, by having more money to devote to services and by paying less of their budgets to energy costs.

Wasting a commodity as precious as energy is an unnecessary drain on our economy and society. It's a cost we can't afford. As we work to replace over 25,000 megawatts of aging electrical generating capacity in this province, one thing is clear: Despite the prudence and innovation our government has shown, having set in motion over 9,000 megawatts of new generation, all at fair prices, replacement generation will not come cheap.

Energy wastage is more than just about dollars. Energy has environmental costs. Regardless of the source of generation, there is some environmental cost for every option to increase available energy, except conservation. Our government has taken a firm stand that we'll eliminate the worst environmental offender, coal, from our generation mix.

Of course, you can't look at the impact of coal-fired generation without being reminded of the costs energy use have on public health. So we have taken decisive action. We closed Lakeview. Three of the four remaining coal-fired generation plants will close in the near future, in 2007. Seven units at Nanticoke will close through 2008 and the last in 2009.

Many, many studies have been done over the years. Each of these studies has come to the same conclusion: Air pollution has a very negative impact on people's health. These include studies by Health Canada, the United Nations, the World Health Organization, the Ontario Medical Association and other health organizations, Environment Canada, the city of Toronto and our own environment ministry, among many other environmental organizations. The conclusions drawn within these reports have never wavered: The health impacts, the environmental impacts, including air pollution and climate change, are devastating.

Even so, in making our decision to replace coal with cleaner sources of generation, we commissioned an independent study to fully examine the impacts of coal and all of our options going forward. This report clearly demonstrates the relationship between increased air pollution from coal generation and its impact on Ontarians.

Based on this work, here are some of the numbers that we all need to consider when we talk about the true costs of coal generation in our province: 668 premature deaths per year; 928 hospital admissions per year; and 1,100

emergency room visits per year. The report pegged the annual financial, health and environmental costs of coal-fired power at \$4.4 billion annually, significantly higher than all other electricity generation options, such as gas-fired generation, renewable and nuclear.

Recognizing the true costs of coal to our health care system and our environment, there is truly no other responsible choice. That is why we are replacing coal-fired generation with cleaner, greener, affordable energy, and why conservation, the greenest source of energy, plays an important part in our planning for Ontario's future.

The Energy Conservation Responsibility Act aims to give government, the broader public service and consumers the tools needed to foster a culture of conservation in our homes, public buildings and institutions. This bill would remove additional barriers to conservation that exist and would make conservation a key element in public sector planning and operations.

Under Bill 21, ministries, agencies and broader public sector organizations would be required to prepare and publish energy conservation plans on a regular basis, and report on energy consumption, proposed conservation measures and progress on achieving results.

As servants of the public, we collectively need to ensure that we are doing all that we can when it comes to energy conservation. This bill will help by giving us the tools to carry out the job.

I've mentioned already initiatives the government itself is taking, such as energy retrofits of our government buildings, and initiatives like deep lake water cooling being expanded to include buildings at Queen's Park. Public buildings across Ontario are the symbols of our communities, be they courthouses, hospitals or schools. Energy conservation in these facilities can serve as an important example and reminder to others of the importance and methods of conservation.

We've seen real leadership among many public sector organizations—hospitals in Hamilton and Windsor, universities throughout the province, and others. What this legislation does is challenge all public sector organizations to think about how they can save energy, and to share that information and best practices within their communities, with other similar organizations across the province and with all the people of Ontario.

The legislation also recognizes the important role organizations outside the government play in encouraging conservation. Through partnerships with other organizations and communities across Ontario, non-profit organizations, environmental groups and other bodies of concerned citizens are generating ideas, initiatives and community will to spearhead conservation efforts. The legislation being reviewed by this committee builds on the resolve of this government to create a conservation culture by providing the mechanisms for further co-operation between government and these organizations.

Even without this legislation we have made significant headway. The legislation simply makes it possible to do more of a very good thing.

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Bill 21 also includes proposed legislation that would facilitate the installation of 800,000 meters by 2007, and to all Ontario homes and businesses by 2010. Smart metering is an innovative technology that will help Ontario consumers manage their energy use, encourage energy conservation and save money. Combined with a pricing structure that reflects the true cost of power production at certain times of day and year, smart metering would allow consumers to make informed decisions about their electricity use. This will allow Ontario consumers to save money and reduce the strain on the power system at peak periods.

Bill 21 also confirms our commitment to work in partnership with the local distribution companies on this historic initiative. They will continue to own, operate, maintain and install meters and will work with us as partners wherever a centralized approach makes sense.

As many as 20 of our local distribution companies have or are planning smart metering pilot projects, providing us with invaluable technological information. For example, Chatham-Kent has successfully installed as many as 1,000 meters, and meters are now being read in 11 different local communities; 200 meters have been successfully installed by Middlesex Power, a sister company of Chatham-Kent. Toronto Hydro currently has approximately 10,000 smart meters installed and capable of being read. We are supportive of these local pilot projects. Although some local distribution companies have raised concerns that Bill 21's prohibitions on discretionary metering would block these efforts, that is absolutely not the intent.

Smart meters will help consumers understand their electricity usage patterns and encourage them to shift electricity use to off-peak times. Not only will this benefit consumers by allowing consumers to take advantage of lower costs, it will also help us meet our coal phase-out targets by saving critical capacity during peak times.

The smart meters will basically replace the current meters we have in place at a cost of between \$3 and \$4 per month per customer. We do know that in a pilot project in the riding of Chatham-Kent, when the smart meters were deployed, they actually came in at one third of the estimated cost. This was a meter retrofit project. So we do have information now that they may come in under those amounts.

Bill 21 is one of the many key actions this government is undertaking to build a conservation culture in Ontario. It is an important part of our vision for the future. We will continue removing the barriers to conservation and energy efficiency and promoting new technologies and new ideas. And we will continue to provide the vision and the leadership to build a new sustainable energy future for Ontario. Thank you.

The Chair: Thank you, Minister Cansfield, for your opening statement and also for agreeing to be present for questions and comments, to which we now proceed. Mr. Yakabuski, and I remind you that you have 30 minutes.

Mr. John Yakabuski (Renfrew–Nipissing–Pembroke): I also want to thank the minister for appearing here this morning.

We certainly support the government in efforts on conservation. We think it's very important. I don't think there's anybody out there who doesn't recognize that conservation is going to play a significant role in dealing with our energy situation and the challenges that we face here in Ontario. Even those people who make their living producing and selling energy—which means that if they're not selling energy, they're not making a living—agree that conservation is important and paramount to the success of any energy strategy here in the province of Ontario.

Having said that, I guess we have disagreements about how we're going to get there and what we can achieve through one particular form of conservation or another. That speaks to your bill today and the primary portion of that, which deals with smart metering in the province of Ontario. There are a lot of differences of opinion surrounding smart meters, and I'm going to get back to that a little later, but first I want to talk about energy policy in general, as you did as well, Minister.

You talk continuously about creating this “culture of conservation” in the province of Ontario, and it is a catchy phrase. However, I would submit that you've done more to create a culture of confrontation and a crisis of confusion in the province of Ontario as opposed to a culture of conservation with this government's energy policy.

I just wanted to rewind to 2003 and the government's promise to shut down coal-fired generation in the province of Ontario. There was agreement at that time—all parties agreed that the province faced a shortfall of electrical generational capacity. Your party said that; our party said that; the New Democrats, I believe, also said that. So when your first step as a new government says that you're going to address the shortage of electricity in this province by shutting down between 17% and 22%, depending whose numbers you're taking, of the capacity in this province, immediately the public out there has to ask themselves a question: If the problem is capacity, why is the first priority, the number one priority, that we're going to shut down all of this capacity in the province of Ontario? To me, that's tantamount to someone coming up and saying, “We've got a food crisis in this country, and we know exactly what we're going to do. The first thing we're going to do is we're going to ban farming, and that's how we're going to solve this food crisis in this country.”

You're going to shut down up to maybe 22% or 23% of our electricity capacity. So that creates this confusion because, for example, now you've got, in the city of Toronto, which we haven't been hearing a lot about in the two years previous to this, a battle with the city of Toronto about generational capacity within the city. Well, people in Toronto haven't been sleeping; they've been listening to this government saying, “We've got to shut down capacity in the province, or we've got to shut down coal in the province.” So how do you balance a

priority of shutting down one form of generation with, “Now we've got an immediate crisis. You must accept power plants in Toronto and you must do it now. There can be no opposition to it because we've got to have it done, sorry, or you're going to have rolling blackouts,” as the Premier said yesterday?

It was interesting, your conservation ads on television. One of the ads ends with the lights going out in this building. Under your policies, I think you're going to achieve your goal: The lights are going to go out in buildings all across this province because you are not addressing the real problems. You've talked many times, Minister, about removing the politics around the electricity issue when in fact it has become more political than ever. You are bent and fixated on an ideology with regard to coal, and you've said, “We had an independent report to talk about the effects of coal.” Minister, you know and I know that there is no such thing as an independent report. If you commission it, it is not an independent report. They know who's paying them for the report. Whoever commissioned this report, I suspect that of course they had no idea that you were planning to shut down all the coal generation plants in the province of Ontario by 2007, hence revised to 2009. I suppose this independent group had no idea that that was what you'd planned to do; therefore they would not have been influenced in any way, shape or form by your predisposed position with regard to coal-fired generation in the province of Ontario.

You haven't done a single thing, in your two-plus years as government, to mitigate what is happening in coal plants in the province of Ontario, to deal with emissions. They were putting out power at significant rates, hammering themselves into maintenance issues this summer, but for the most part, other than the few units that we have cleaner technology on, they were burning coal in the old way. Your government has done nothing to address that. All the jurisdictions who are in the power business—and you often cite Germany and Denmark as being leaders in the world in environmental ways of addressing their problems, be it garbage or whatever—they're burning coal and they're burning lots of it, but they're burning it cleanly because they've taken the time and made the investment in clean-coal technology.

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Everywhere you go, people are questioning your policy now. Today, the IESO report says that it's not doable. We told you that two years ago. Even the OPA report—again, an independent report, given the parameters, “Don't consider coal in the electricity supply mix. Don't look at coal, but now tell us what we need to do”—said, “Keep that coal infrastructure in place.” Keep it in place because they have no confidence in your ability as a government to actually follow through on your policy with regard to coal generation in the province of Ontario. They have no confidence in that. Even though you had essentially prohibited them from considering coal in their report, they could not responsibly produce a report without somehow addressing that; otherwise they

would not have been doing the people of the province of Ontario any kind of justice whatsoever. Even they, in the report, have indicated that they have a total lack of confidence in your ability to get this job done. Now the IESO is echoing that, people across the province are echoing that, and when we see these kinds of things happening, the result of that is that crisis of confusion and the credibility issue.

Yesterday, Michelin BFGoodrich announced 1,100 jobs closing, I think it is, in July in Kitchener. Those kinds of decisions are not made lightly. They're expanding their plants in Nova Scotia. Sixty-one thousand jobs have been lost in the last three years, most of them in 2005. Many of those jobs, no matter how you spin it, can be traced to the economic policies of this government. An economic policy is completely wrapped in its electricity policy, because you can't have a strong economy without having the ability to supply a reliable, affordable source of electricity to those who want to produce goods in the province of Ontario. The north has been hit absolutely terribly. I'm going to get back to that a little more in a minute.

I see that you've announced that you're going to have consultations on the supply mix. People have been calling for consultations on the supply mix ever since you began talking about it, and when I say "you" I mean your government, not you personally, because you didn't have the responsibility for this from day one. They've been talking about consultations. The OPA report—I didn't see any jaws dropping at that conference. I didn't see any looks of surprise. Nothing came out of the blue to anybody, including the media, including myself and any of the opposition people, and any government people there. There was nothing surprising in it; nothing at all. Given your policy, there was little else they could have come out with.

It would beg the question, why, now that you've got the report, go into consultations regarding the supply mix? You should have been consulting either before or simultaneously so that the public would have had their input at a more opportune time. We're in a crisis, and we just go from crisis to crisis by saying, "Well, let's have a little more consultation because we don't really have the you-know-what to pull the trigger here. Let's have another round of consultations; let's go to the public; let's confuse the issue a little more; let's get everybody so befuddled by it that somehow we might be able to sneak something in there." I'm not suggesting for a minute that you guys would ever do something like that.

Anyway, now we're going into consultation because they're feeling the heat from the public and from many stakeholders in the energy supply field, and people have different views about where we should be going with regard to supply mix.

On at least 12 different occasions, we've had brown-outs in Toronto this year. Somebody made the comment in the press somewhere that it's too bad we didn't actually have a blackout, because maybe people would have seen where we are. I think the average person in the

public does not recognize just exactly how difficult the situation is or how tenuous our ability to supply electricity is. The government has continued to wring its hands and drag its feet. We're only about 18 months away from the next promised provincial election of October 4, 2007, and only two months hence, we would, under your policy, shut down Lambton and Atikokan and have to have Thunder Bay converted to natural gas. But because you people have been so fixated on this coal policy, you have failed to address the other creeping issues and the other creeping crises in the electricity field. You've been so ideologically locked on getting this coal issue dealt with in the way that you believe it has to be dealt with.

This past summer, our imports of electricity from the United States were at—I don't know if they were historic highs, but quite possibly. I don't go back long enough with a personal knowledge of the situation, but they were significant. And most of that electricity was being bought and produced in coal plants in the United States, coal plants that sit directly in our airshed and affect our air even more directly than our own coal plants do.

There are so many inconsistencies in what your government is doing with regard to energy that that has got this credibility issue at play all the time. That's what has led to all the confusion among the energy players, the stakeholders and the public. That's part of the reason that you have people rising up and saying, "Do we need to build these new nuclear plants?"—which you haven't made a decision on—or, "Do we need to do this refurbishment?" or whatever. Part of what they're hearing is that we've got 6,500 megawatts of active generation right now that you guys want to rush to shut down within two years, again, doing nothing—absolutely nothing—to deal with the emissions that are currently being exhausted from these power plants. We have a great opportunity there. The technology is there to make those plants clean.

"Clean? What do you mean 'clean'?" There's no such thing as burning anything and being clean—not natural gas, not anything. If you burn something, there will be emissions. We can mitigate those to practically the levels of natural gas in most components, and we have not done anything to address that. That's something where you've completely failed.

You talked about your conservation policies and what you're planning to do. I do want to point out to you that you did away with the appliance rebate plan that was in place when you people were elected. The program that made energy-efficient appliances sales tax exempt you people did away with, and we've had nothing to replace that. I believe that happened in September 2004 or somewhere around there, or maybe the end of 2004. But we've been without one for some time. Are you encouraging people to buy energy-efficient appliances? Currently, you're not. You might have it in your plan, but you're not. We all know what can happen to plans, particularly plans that are, as they say, written on the back of a napkin under political duress. They can be

changed quite easily. We're certainly looking forward to something with regard to those issues. I certainly think we should be doing something with regard to energy-efficient lighting as well.

I want to get back to the north for a minute. I don't know how much time I've got here, either.

0950

The Chair: You've got about 13 minutes, Mr. Yakabuski.

Mr. Yakabuski: I've been speaking for 13 minutes or I have 13 minutes left?

The Chair: You have 13 minutes left.

Mr. Yakabuski: Oh, okay. Just wondering.

Getting back to the north, we've been telling you for six months or more—more, I would say—and the New Democrats have been telling you for at least that long as well, that your plans, your programs and your initiatives in the north are simply not addressing the problems. Time and time again, your people would rise in the House and say, "We're in close contact with the people in the north. We're doing everything we can to help. They're very pleased with the work we're doing," all of that kind of spin and platitudes for your own cabinet colleagues etc. in the House. Lo and behold, the Premier yesterday or the day before, in front of the media, said, "Well, I guess our plan for the north is not really working. I guess we're going to have to do something different." Somehow, maybe when those lights were going off in that building, one might have gone on in the Premier's office and they recognized that something wasn't working. I'll draw the analogy that it's like an admission: When you've been told over and over again that it's not working, it's sort of like at 11:30 p.m. admitting, "You know what? I've come to the conclusion that it's getting dark." They've had so much time to recognize that what they're doing in the north is not addressing the problems in the north, and they have not done anything.

Just last week, or maybe late the week before, Bowater, 280 jobs; Abitibi in Kenora, 360 jobs. The cracks in solidarity are showing quite clearly in your caucus and perhaps even in your cabinet, although that hasn't become apparent yet. A lot of it surrounds your electricity policy, which drives the economic policies, as you know.

The member from Thunder Bay–Superior North, Michael Gravelle, lashed out at his own government last week for their total lack of action, and misdirected action, with regard to the north. This is a senior member of the caucus who has had it with the lack of action with regard to your government. Quite frankly, I looked this morning, but I didn't see that press release on Mr. Gravelle's own website. Perhaps he's been told by the Premier's office to either not have it on or to get it off or something, because "We don't want that kind of publicity." But it is out there; it's been out there. He's been quoted in the press and he did release the press release. He's very upset.

Bill Mauro from Thunder Bay–Atikokan was quoted in the paper as saying—and I'll paraphrase him, of course, because I may not have it exactly right, "If

somebody down there doesn't start listening, I'm going to start throwing things."

These are not things that you can ignore. I'm just concerned that the whole direction of this policy seems to be driven by the ideology of one man, that being the Premier, Dalton McGuinty. I was reading during the Christmas break that the Premier likes to read a lot of poetry. I think if he's going to be reading his own electricity policy, he's going to have to become less familiar with Keats and Shelley and more familiar with Edgar Allan Poe, because that's what the electricity policy of this government is more akin to: some kind of a horror story than it is a romantic poem. However, I digress.

It seems to me that he's refusing to take any sound advice on energy policy that doesn't support where he wants to get. As I say, the problem is that the lack of credibility the government has with regard to its energy policy is siphoning confidence out of manufacturers in the province of Ontario. Most of the 61,000 jobs that have been lost were in 2005, and most of those were in manufacturing. Manufacturing jobs are good-paying jobs. I don't have to tell you that, Minister; you know that. They're among our better-paying jobs in the province of Ontario.

Now, there have been some jobs created, but the jobs that have been created do not compensate, in any way, shape or form, for the jobs that we're losing in this province. You can't replace 1,100 people at BF Goodrich Michelin with the jobs that might be created because Wal-Mart opens a new superstore—you can't do that. They're different jobs, they have different pay scales, and the contributions to the economy and the security for these people in those jobs are significantly different.

The government continues to go on and on about creating jobs at Toyota. Well, that plant is not up and operational yet, Minister. You need to stop talking about those jobs and start talking about the jobs that have been lost in this province and the jobs that are going to continue to be lost in this province if this government doesn't wake up and smell the coffee with regard to the folly of its energy policy, start seriously addressing the supply needs of this province, get off the ideological train and start addressing what are really the needs of this province with regard to energy supply.

A couple of weeks ago, you guys put out a press release that there would be a voltage reduction test. People had a warning of a couple of days, "Okay, this is what we've got to do. We want you to know what could happen if there's a voltage reduction, so that you're prepared and have a better idea of how to deal with it." You can plan for accidents, and you can think about what you might do in an accident, but until you're actually in an accident, you really don't know. A planned voltage reduction, where people have warnings, is not the same as a voltage reduction because you run into problems with summer generation, which is the reason you had this planned reduction, because you're expecting problems in the summertime.

You guys have been on a holiday this winter, because we've had one of the most mild winters in history. We

haven't had electricity issues, so to speak. Electricity's always an issue, of course, but we haven't had serious electricity shortfalls this winter because we haven't had the weather. Last winter was a different story; this winter has been very temperate. Assuming—and I never like to assume, but the expectations and the forecasts are that we're going to have a summer possibly similar to last year's. You're not going to be able to warn people the day before that there's going to be a voltage reduction. Are they going to have to be sitting and waiting and not putting a line into production because there might be a voltage reduction that day? If you're in the extrusions business—electrical cable, plastic-coated cable—and you have a voltage reduction, that whole production line is lost. It has to be continuous and it has to be consistent. If you have a voltage reduction beyond a certain point, you lose that whole line. That happened many times last summer.

Manufacturers can't live like that, in any jurisdiction. They have to be satisfied that there will be a secure supply of electricity. They have to be content that when they start up that line in the morning and bring their workers in, their hard-working people, they're going to be working for that shift, they're going to be producing for that shift, and at the end of that shift they'll have a product they can be proud of, not, "Oops. Guys, we lost the load again. Dalton McGuinty's coal plan shut down the line." That's not the way you build an economy, Minister; that's not the way you build an economy at all.

How much time do I have left?

1000

The Chair: You have three minutes, Mr. Yakabuski.

Mr. Yakabuski: Oh, boy—so many things, so little time.

Anyway, back to smart metering. As I say, there are various opinions on smart metering and whether or not we're going down the right road at all. There are experts out there who are saying, "Smart meters in homes? It's not where we should be going right now. If we really want to make a difference, get those smart meters in the commercial locations as soon as possible. They will have the biggest benefit; they will make the biggest changes." People who are out working all day, during the same period of day that the demand is highest, are not going to be making many changes in their electricity usage at home while they're away. Presumably, they would have it at a minimum anyway. I don't think they leave for work and then turn the air conditioning to 18 degrees to make sure that house is crispy cold when they come home after work in the summertime or put the heat up to 24 so it's nice and warm when they come home—no, they've already addressed that.

One thing I don't see in your plan, Minister, is apartment buildings in the city of Toronto or anywhere else. So many apartment buildings out there are bulk-metered. Why aren't you addressing that? There are significant savings to be made for people who don't actually see an electricity bill. Minister, I liken it to, if you have 500 guests at a wedding and that wedding has a cash bar, and

those same 500 people are at another wedding the next weekend and it has a free bar, there will be significantly more consumed and wasted at the free bar.

The Chair: Mr. Yakabuski, I'd ask you to bring the wedding to a closure, if you might, please?

Mr. Yakabuski: They're just coming down the aisle. Have we got a minute? So, Minister, there are tremendous savings to be made there by ensuring that people who do use electricity actually recognize what their usage is. There's a real disparity: In a large apartment building, 70% of the electricity is used by maybe 20% of the people or something—I don't have the figures right in front of me. But there are some improvements to be made there. I think those are some of the things we should be attacking as well. I'm sorry I ran out of time, but I had to cover a couple of points.

The Chair: Thank you, Mr. Yakabuski, for your comments.

We now proceed to the leader of the third party, Mr. Hampton. Again, Mr. Hampton, I remind you that you also have 30 minutes. Please begin.

Mr. Howard Hampton (Kenora–Rainy River): I thank the minister for her comments. I have a few questions that I'd like to ask. You'll know, Minister, that a very respected organization, the Canadian Environmental Law Association, together with the Pembina Institute, in May 2004 issued a very lengthy report on energy efficiency and conservation. In fact, in this report they made a number of recommendations in this report for your government to help, because they said they wanted to help create a culture of conservation in Ontario. It was a very detailed report with a number of very practical recommendations.

They have since issued an update on the status of the recommendations. I want to read from their update, because I think it sheds a lot of light on what's happening and what's not happening. For example, one of the basic recommendations they make is, "The government of Ontario should adopt minimum energy efficiency standards under the Energy Efficiency Act equivalent to the energy efficiency levels required for Energy Star labelling for all major electricity-using devices"—in other words, things like refrigerators, electric stoves, freezers—things that we use every day in our homes or apartments. Now, this is their comment as of a few weeks ago: "Unclear if Ministry of Energy currently has adequate resources to undertake a major updating project." I want to repeat, this is not ethereal science; this is fairly practical stuff.

I want to read another recommendation they made in 2004: "The provincial building code should be amended to require R2000, Canadian building improvement program ... or equivalent energy efficiency performance for all new buildings and building renovations by 2010." Their comment as of a couple of weeks ago: "No action to date."

I want to go to another recommendation: "The most ... efficient technologies in all sectors and end uses should be labelled through the Energy Star program or, if not included in Energy Star, through a provincial labelling

system.” Their comment as of a couple of weeks ago: “No action to date on appliances.”

“The government of Ontario should establish a partnership with utilities, financial institutions, energy service companies, municipalities and other stakeholders to offer a series of financing mechanisms to assist electricity consumers in all sectors to finance the adoption of energy-efficient products and technologies or other measures that can be financed out of the savings they will achieve through these investments. The upfront costs of purchasing energy-efficient goods or services can be a significant hurdle for many consumers despite the net savings that will be generated over the more efficient product’s lifecycle.”

In other words, the upfront cost of energy-saving devices may be too much for many people; therefore, the need for a financing mechanism. Once the purchase is made, energy use can be successfully decreased and therefore the initial capital cost will be more than paid for by the savings over a five- or 10-year period, thus the need for a financing mechanism. The comment of the Canadian Environmental Law Association a few weeks ago about your government: “No action to date.”

The next recommendation: “Mechanisms to ensure the delivery of programs to low-income consumers should be incorporated into the DSM mandates and incentives provided to energy and electrical distribution utilities. A specific portion of DSM spending should be set aside for this purpose, including revenues from the public benefits charge proposed in recommendation 11. Low-income households are often the most vulnerable to rising energy costs.”

Low-income households often have to make do with the most energy-inefficient appliances. Therefore, a financing strategy specifically directed at them would make sense from the perspective of fairness, but also in the sense of where the greatest gains could be made. Their comment as of a couple of weeks ago: “A low-income mandate was not included in the LCD incentives.”

Number 6, although they refer to it as recommendation 11: “A public benefit charge ... of 0.3 cents per kilowatt hour should be applied on all electricity sales to finance energy efficiency and low-income assistance programs. Such charges are common in other leading jurisdictions such as California and recognize the importance of providing funds for driving innovation and efficiency in the electricity sector.” Their comment as of a few weeks ago: “No action on general public benefits charge.”

Let me go on to the next one: “The government of Ontario should initiate a research and development program on renewable energy technologies funded through” the public benefits charge “proposed in recommendation 11. This should include both technology development and the resolution of grid integration issues. Ontario lags behind many other jurisdictions in the development of new energy technologies and industries, an area poised for huge growth in coming decades.” That was the recommendation made two years ago. Their comment as of a few weeks ago: “No action to date.”

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I want to just contrast what’s not happening in Ontario with what is happening in other provinces. I note, by the way, that you launched another advertising program. It’s remarkable how much your government will hold photo ops talking about the culture of conservation, and how often you launch advertising programs, but as the Canadian Environmental Law Association points out, when you look for the meat in the sandwich, there’s not much meat.

I want to contrast your advertising program with what is actually happening in the provinces of Manitoba and Quebec. In both of those provinces, someone living in an older home that is inefficient in its use of energy—let’s say a home that is badly insulated, that has old windows—could actually apply for a low-interest loan—I’m told it’s up to \$5,000 in Manitoba—to insulate their home, put in energy-efficient appliances and, in effect, reduce their use of electricity and other forms of energy. I look in Ontario to see if there is any such broadly based strategy, and I can’t find one.

A similar strategy exists in Quebec. In fact, Quebec has taken it a level further: Last summer Quebec started retrofitting older apartment buildings in the city of Montreal. Those older apartment buildings would be much like the older apartment buildings you find, say, in Toronto or Hamilton. Many of them were built cheap in the 1950s, 1960s and 1970s. They have virtually no insulation. They had electric heat installed because it was quick, cheap and easy to install, although it’s terribly inefficient as a heating agent and terribly wasteful. Quebec actually started a financing project to retrofit many of those apartment buildings—to install proper insulation, to take out the electric heat, to put in high-efficiency natural gas—so that in the winter when it’s cold there is an efficient heating system and good insulation to keep the cold out and keep the building warm without using a lot of electricity. In the summer, there are insulation and energy-efficient windows to keep the heat out so you don’t guzzle electricity of the purposes of air conditioning.

I searched to see if there was any kind of strategy under your government in Ontario to do a similar thing. I couldn’t find anything.

I just want to read the summary of the updated Power for the Future, because I think the summary is in many ways even more insightful in what it says. The summary is found on page 14 of the updated report. What’s interesting about the summary is that under “Adoption of revised energy efficiency standards under the Energy Efficiency Act” it says there has been no action to date by this government. It says, “The only new standards adopted since October 2003 were actually initiated by the previous government,” actually initiated by the Conservative government.

It also raises the issue of tax incentives for people to purchase energy-efficient appliances. It points out in the summary, and I think this is really remarkable, that a provincial sales tax rebate on Energy Star rated

appliances was actually terminated in July 2004 by your government. This is a very reputable environmental organization that says there's either no action on most of these fronts or there's negative action. Things that were actually put in place by the previous government to enhance the purchase of energy-efficient appliances have been taken away or done away with by your government. Can you explain to us how such a reputable environmental organization that has given your government very concrete, very specific, very practical recommendations would now come along not even two years later and say that on most of these things there's been either no action or in some cases there's been negative action?

The Chair: Thank you, Mr. Hampton. Minister?

Hon. Mrs. Cansfield: Mr. Chair, would you like me to respond to Mr. Yakabuski first?

The Chair: You have 20 minutes between—

Hon. Mrs. Cansfield: I'll try to cover—I think there were some questions that you raised.

Mr. Yakabuski: I didn't ask a question.

Hon. Mrs. Cansfield: There were some issues. Maybe I can help.

Actually, I'm pleased to know that both of the opposition parties embrace conservation as an integral part of looking to the future of energy plants. I know that both of them have the same policy as we do on shutting down the coal-fired plants, because they both had those in their policy platforms. The difference was, obviously, just the dates.

I wanted to speak to a couple of things, though. One is, you've mentioned the IESO report, so I will respond to it. At no time did this government ever say that they would put the electricity supply in jeopardy in this province, that we will not shut down any coal-fired plant until there is sufficient new generation online. I just wanted to repeat that.

Interjection.

Hon. Mrs. Cansfield: No, it's not a change, actually. It's been said all along.

I know it's a real challenge when industries leave. I'd just speak to the one that you identified this morning. Obviously, when I listened to the news as well, they had identified competition as a huge issue for them. But it was interesting that they are moving to Nova Scotia, where, in fact, they just asked for a 12% increase in their energy prices through their regulator. Those things happen, and I guess decisions are made within businesses for a variety of reasons.

You spoke about the OPA consultation. Through Bill 100, we very specifically identified the OPA, the Ontario Power Authority, as a body that would put in place a requirement for looking at the mixed fuel supply for the future. We said that we would do the short term; we indicated we would do that through maximizing our existing generation and our transmission capacity. We would build new generation, with an emphasis on renewables, and we would also create the conservation culture. In looking at the challenges that we have as we move forward in these areas—we're well aware of those

challenges. You have to be prudent and responsible as you look forward to what you're doing.

In the conservation that was undertaken by the Ontario Power Authority, they believed there was very extensive consultation. They advertised in 40 newspapers. They were in a variety of different communities. They had invited stakeholders in—all stakeholders, from those who had a vested interest to those who had no vested interest—and yet the communities thought they hadn't been heard.

Remember, the mixed fuel supply then forms part of the decision-making process for what the supply mix will look like, then the Power Authority is charged with the responsibility of putting together an integrated system plan. That system plan then must go to the Ontario Energy Board, and it comes under public scrutiny. Then, project after project would come under public scrutiny as we move forward, because of whatever is required. So there's a long process of public involvement all the way through.

What we decided to do in addition to this was to go to 12 communities. I have said—and I thank the member here, Mr. Hampton, for his help. A lot of people have come to see me with a variety of different perspectives. We recognize that that's not possible for everyone, so we've made the decision to go out with four teams into 12 communities to not only provide information for people who have questions but also the opportunity for them to express their opinions to us. That is part of why the consultation is taking place.

The appliance rebate program was a fine program, but one of the challenges we had with the program was that people kept their old refrigerators. It was great to get them to go out and buy the new refrigerator, but they put the old one in the basement, in the garage or wherever. We actually didn't get that old unit out, and it was the one that was sucking up the energy. The new program—I did indicate that the conservation bureau has the responsibility for getting this up and going—is actually to give people a portion of money to help purchase a new energy-efficient appliance, but we will take away the old appliance, and then we will break it down environmentally correctly and get rid of it. That's the challenge of setting up that industry, because it doesn't exist, actually, in Canada or Ontario, where we can do that. So that was the difference. It had its effectiveness; we need to get it more effective. That's what we're doing, and that has actually been charged to the responsibility of the Ontario Power Authority.

Lighting is the same—I couldn't agree with you more—and that's why we have put that in place as well, both in design—you know, it's fascinating. Markham, for example, has been doing some work around their design in a new development. But if you listen to the astronomers, they will tell you that we tend to light up the sky, as opposed to lighting down the sidewalk, and it's because of the kind of lighting we've used.

1020

There's some very innovative technology now that produces the light to go down more—it doesn't disperse

it—and so you need fewer light standards. You can put in the LED light standards and they're about 75% more efficient. There are developments that are using these now, and we hope that more will use them.

One of the questions that was raised earlier by Mr. Hampton, and he's dead on, was that we can learn a lot from other jurisdictions. There's no need for us to reinvent the wheel, when we know there are programs and practices and policies that work. Actually, before the election I had contacted Natural Resources Canada through Minister McCallum to say, "How can we bring people together so we can learn from Quebec and Manitoba?"

The wonderful thing about Manitoba is, they were the first government to actually have a sustainability act—far light years beyond us—where they looked at that concept, sustainability, in terms of environment, society and the economy. It was balanced. We certainly can learn a great deal from other jurisdictions. I couldn't agree with you more.

I know that in the north there are huge challenges, and energy is part of that challenge—the rising Canadian dollar, road issues for forestry, fibre costs. There are challenges, without a doubt, and I think it's going to take all of our collective thoughts and wisdom, things that maybe we had done in the past that we could incorporate into today and the future to help these companies.

As much as there is the challenge of losing, there is also the opportunity of creating new jobs. As I said once before, we have our first wind turbine manufacturing plant that has come into Fort Erie, and I'm hoping there will be one soon in the north, because we have such an abundance of wind in the north.

When we look at supply needs, it's interesting that everybody—well, before we get to that, let me talk a little about voltage reduction.

Voltage reduction tests have been done on a regular basis throughout this province for many years, but what happened last year or the year before was that when they did the reduction, they didn't inform the hospitals. So the hospitals said, "Hey, folks, if you're going to do this—and you have to test your system, and we understand it—will you let us know?" For the first time, they actually issued a press release to let people know that this was happening so that they could make up some backup in the event that they needed it. That was the reason for that. But they must test the system on a regular basis. It's part of their design program.

On the supply needs—it's interesting—I know that people tend to focus on a debate from a particular perspective, but I am hoping that the perspective is wider. I'm hoping that people will come with conservation ideas and initiatives that they have. I'm hoping they say, "We need it to be stronger, firmer, when it comes to demand management or shedding loads. These are things we could do."

When it comes to, "Why is there so little wind? Why isn't there more wind? How do we build the transmission lines to capture that run of the river that we know is up in

the north? How do we develop a better way of working with our native community so that we can in fact use the run of the river on native lands, that it's a fair and equitable negotiation that takes place?" I'm hoping that people come forward and don't focus on one particular part, but actually challenge us to go beyond that report, to say that there are things—I mean, 40 megawatts of solar voltaic to 2025 is unconscionable, when you think about it. It's an industry that's in its infancy, no different than the mining industry or oil and gas in Alberta, which had huge subsidies when they first started. Why aren't we thinking, "What can we do to kick-start some of these new initiatives and these new technologies?"

There was a question around what we're doing in technologies, and I'll try and deal with some of those.

A little bit on R&D: Durham has developed a centre of excellence with the University of Ontario Institute of Technology—

Interjection.

Hon. Mrs. Cansfield: That's right, Durham; phenomenal. What they've done is, they've actually brought the industries themselves together with the University of Ontario to say, "What can we do to make a difference in terms of energy technologies, energy efficiency, and dealing with a critical shortage, potentially, of people who need the energy knowledge?" They're one.

The other is the Ontario centres of excellence, which are developing and supporting new technologies. The green wall technology, for example, is now being taken to a smaller level so that it can be put into homes. Two students at the University of Guelph developed that technology, supported, encouraged and promoted through the centre of excellence, as just one. Waterloo University is developing its research and development—it's called the "power place"—and Guelph University as well. So there are things that are happening. Could there be more? Without a doubt, absolutely.

I'd like to speak to the Pembina Institute and the Canadian Environmental Law Association and some of the issues that they've identified. There is, without question, a need to change the building act. So when and if Bill 21 is changed, you're right on, there are things we need to do. The previous government, unfortunately took out the requirement to have your basements insulated. It's time to put that back in because the heat loss is about 28% to 32% on an uninsulated basement, and it's much cheaper to do it before the fact than after the fact.

Mr. Yakabuski: Mind you, they built that place in Durham.

Hon. Mrs. Cansfield: It's a great place; it really is. It's a phenomenal—

Mr. Yakabuski: It's tit for tat.

Hon. Mrs. Cansfield: It's a phenomenal university. There's no question we need to use the most efficient technologies, and we need to find a place where we can challenge those technologies. Universities are one, but certainly our own R&D/innovation ministry should be another, and I agree with that.

Low-income and social housing: Our social housing costs are about \$400 million a year; 40% of that is on

utilities. It's got to change. The reason it's that high is because people built those homes with electric baseboard heating and concrete slabs.

There are innovative practices. Paul Ferguson in Newmarket has a pilot where he's doing three: one where he's putting radiant heating; one where he's actually using what Peterborough is using, and that's collecting and storing electricity; and the other is going to geothermal, to see how we can fuel switch to make a different for those folks. Because you're right on: They pay disproportionately higher.

Low-income: I've given a directive—actually I was at a meeting yesterday with the providers, asking, “How do we work, how do we make a difference with them?” That program should be rolling out.

We started with 5,000 housing units in 20 communities across this province. It has worked so well that we're now going to expand that right across the province, and it will be done with the LIEN group which involves those two areas.

We have so much we can do; it's exciting. But we are doing some things. Mr. Hampton identified what was happening in Manitoba around applying for a low-cost loan. Actually, if you have electricity as your heating, Hydro One in the north is giving you, with EnerCan, \$3,000 to \$4,000 to retrofit your home in terms of changing your windows and doors, looking at fuel switching, because they recognize the huge impact on those folks. Can we do more? Absolutely. Should we have a program? Without a doubt, and it will be part of that program out of the conservation bureau.

I wanted to speak just a tad about the Toronto situation. In fact, Mr. Yakabuski, if your government had not signed a lease with a developer that gave the Hearn plant to him for 20 years with the two five-year renewals that said no power generation on the site, we may not have been in the challenge that we're in. Having said that, you deal with what you've got, and we will move forward because we have a huge and urgent need in the city of Toronto, and we will deal with it.

I guess the last thing that I'd like to say is that I believe—and I say this sincerely—that the issue of energy efficiency belongs to all of us, regardless of our party and our politics. It's incumbent upon all of us to use everything we can to encourage people to look at how they use energy differently. It's incumbent upon all of us to bring forward your really good ideas that we can move forward on to help make a difference in people's lives.

Mr. Yakabuski: We agree on that.

Hon. Mrs. Cansfield: Absolutely, we do agree on it. You can't see them all, but these are only some of the things that are happening with the local distribution companies in Peterborough, Terrace Bay, the far north, Ottawa, Wawa, all across, looking at smart metering, low-income social housing, things that they know that they can do that makes a difference in their communities. That's why we gave them the \$160 million with which to do it. The first three years they had to put a whole year's

profit back into helping their communities become more conservation educated and more conservation efficient, in addition to their own issues.

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I heard an amazing story of a small, local distribution company in the eastern part of the province. Their transformers were so old that when they had a problem and they went on fire, they just threw water on them. Holy mackerel, this is nuts. We need to be able to upgrade those transmission lines. We need to put in the energy that is required. We need to build. We need to maximize. And we will do it, because it is part of our energy plan.

We have put under 10,000 megawatts in place to the year 2010, and now we're asking, what does the future look like and what is the strategy we need to put in place for 2020? I believe that we all will work together to make it happen because the people of Ontario deserve that. Certainly from our perspective as a government, we have laid the foundation.

You mentioned earlier that, “A report can say anything you choose it to say.” I have to tell you that the report that came out and said that we need 25,000 megawatts of new supply by 2020 was a report commissioned by your government.

The Chair: Mr. Hampton, there are a couple of minutes left, should you wish them.

Mr. Hampton: Yes, I would.

I want to refer to one of the other salient points in Power for the Future. It's a graph which is quite helpful, quite instructive, as to the real priorities of your government. The graph is on page 17. This was written before your government indicated that you wanted to push ahead with \$40 billion in new nuclear. The graph shows that your government has, so far, in the third year of your mandate, put about \$10.5 billion into generation and only \$163 million into conservation and energy efficiency. As they make clear in the report, every time your government spends a dollar on conservation, you're spending \$64 on the supply side. They make the point that the contribution towards energy efficiency and conservation is being measured in pennies by your government while the contribution to energy supply is being measured in billions of dollars.

If you add on the \$40 billion of new nuclear that you and the Premier seem to be very much in favour of, it means that \$50.5 billion will be going to new supply and \$163 million to conservation. Can you tell me, why such an unbalanced approach? Why \$50.5 billion for new supply and only \$163 million for energy conservation?

Hon. Mrs. Cansfield: First of all, you've made a huge assumption. The mixed fuel supply report recommendations have not been made, so I won't comment on that. The other is that we have invited people to come in and invest in Ontario, and \$3 billion has been invested in the renewables alone. That's money that belongs to the private sector, which has come in and created jobs, so it's not our dollars.

I couldn't agree with you more that we do need to do more in terms of conservation and to find those initiatives that fit this community, to produce the greatest value in terms of energy reduction. I really look forward to working with you while you help us get those transmission lines in the north so we can get the water from the far north, from Manitoba and Conawapa, so we can do more with renewable energy because, as you know, if you read the report, there are 600,000 megawatts of wind potential, but 570,000 megawatts are above the 50th parallel.

We have some challenges, and I really look forward to working with you to find ways and means to meet that challenge, to get those turbines where they are in terms of the wind regime, but that means transmission lines. I look forward to working with you to make that happen.

The Chair: Thank you, Minister Cansfield, for your presence and comments, as well as to you, Mr. Yakabuski and Mr. Hampton, for yours.

CANADIAN SOLAR INDUSTRIES ASSOCIATION

The Chair: We'll now invite our first industry presenter, Mr. Rob McMonagle, who's the executive director of the Canadian Solar Industries Association. Mr. McMonagle, if you could please have a seat. I remind you, just in terms of protocol here, you'll have 20 minutes in which to make your opening comments, and any time remaining will be distributed evenly amongst the parties, beginning with the Tories, for any questions and comments. If you might identify yourself formally for the purposes of recording for Hansard, your time begins now.

Mr. Rob McMonagle: Thank you very much. My name is Rob McMonagle. I'm the executive director of the Canadian Solar Industries Association. I've got a presentation; I'm hoping all of you have it. The title of the presentation is, Bill 21: Improving Opportunities for Solar National Leadership for Ontario.

I normally begin presentations with a little bit of an introduction of where we stand both in Canada and internationally, and my first slide basically deals with the solar industry in Canada. We are a small industry. We employ approximately 1,200 people across Canada. Compare that to Germany, which now employs 20,000 in the industry. The solar industry is the fastest-growing industry in all of Germany, is generating more jobs than any other industry in Germany, including the steel industry.

In Ontario, we are already some leading firms that are world leaders. We have a company in Cambridge called Spherical Solar Power, which is a division of ATS. It's a world-leading PV manufacturer. It is an innovative technology that will lead the world into the solar future. We have firms that manufacture solar water heaters; Enerworks in London is an example. In Toronto, we have the largest manufacturer in the world of solar air systems. It has 60% of the market around the world. However,

there is no market for our products in Canada at the present time.

We do, though, have the solar resource. This is one of the myths we deal with in Canada. We are a northern nation, but "northern" doesn't relate to lack of sunshine; it relates to the temperature. In the summertime, when we're starting to peak in our energy requirements because of air conditioning, we actually have a better solar resource than Miami. That's briefly where we stand around the world.

In PV, we're 13th out of 20 reporting nations, according to the IEA, with only 26% of the international average per capita. Solar thermal: We're 16th out of 26 reporting nations, with only 23% of the international average.

Now we get into the heart of my presentation: energy efficiency and solar energy. Solar energy is the only energy source that's in the hands of the energy consumer. You can't go out and buy a nuclear power plant. You can, however, go out and do something about generating your own electricity by the use of solar.

Anyone in the solar industry will tell you that you can only go so far with energy efficiency. You can use all sorts of energy conservation methods to reduce your hot water needs, but you still need hot water at the end of the day. Solar can be that provider of energy. It's also the next step when an individual looks at, once they've done all the energy conservation, what can they do? They have to turn to solar. Anyone in the industry will also tell you that as energy efficiency improves, the cost of going solar goes down.

Solar energy companies are the greatest supporters of energy efficiency because it brings our costs to the consumer down significantly. Conservation just isn't about turning out the lights; it's about integrating a whole new concept about how we use and consider energy.

One of the things we also deal with is, are we a conservation method or are we an energy generation method? You have to remember that solar is usually on the customer side of the meter. So from the utility viewpoint, they don't see energy generation. They're seeing it as a negative load. It's reducing the consumption of that person.

We tend, however, unfortunately, to get passed around between who looks after the solar issues. Some view us as a generating source; others view us as conservation. This runs into problems because then we don't deal with one individual or branch of the government. For example, in the Ontario Power Authority, solar PV is in the generation division while solar hot water is in the conservation office; however, both technologies are dealing with the same issues.

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The biggest challenge for solar is the way we account for the cost of solar technologies, because we're selling it to the homeowner in most cases, or the small business owner. They look at energy conservation as payback, at how long it is going to take to save that investment. However, an energy generator looks on it as a return on investment or life cycle cost.

To illustrate this issue, solar hot water has a seven- to 10-year payback. For the average consumer, it's too long; they expect a payback of under three years. But if you were an investor investing in a power generation plant, that's a 10% to 15% return on investment, which is not a bad investment considering how secure solar technologies are. If you look at it from the cost of the energy it produces, it's five cents per kilowatt hour. And you've got to remember, that's compared to the customer's cost of electricity, which in Ontario right now is about 11 cents per kilowatt hour.

So we've got a disadvantage when we're competing with other technologies. In other countries, that has been acknowledged by accounting of costs through either long-term, low-interest loans, leasing programs offered by utilities or, in the case of photovoltaics, what are called standard offer contracts. We believe that Ontario may be leading the way in Canada on all these issues.

The opportunity we have with Bill 21 is that it removes barriers, and it can remove the barriers for solar. For example—and I'll give some details a little bit later—Ontario homeowners don't have the right to the sunlight that's falling on their space, on their roofs. There are also covenants in place and bylaws that prevent items from being put on roofs and in the yard. For example, one of the basic solar collectors is the outdoor clothes-dryer line. It is known that there are bylaws that prevent that most basic of solar collectors. Further, there are interpretations of bylaws and building codes that prevent the use of solar. For example, Ottawa, until recently, prevented the use of solar water heaters in that city. Bill 21, if done properly with some of the measures, can increase the value of solar-produced energy to the purchaser. It also stimulates the conservation culture, which increases the likelihood that people will go for solar.

As an example, some of the barriers that Bill 21 could help us resolve—solar access is a typical situation. Right now we don't have the ability to guarantee the individual's right to the sunlight that's falling on their roof that's powering their solar collectors. We are one of only a few countries in the world that don't have that right.

I want to deal briefly with smart metering, which Bill 21 addresses. We believe that has a significant opportunity if it's done correctly. We do have questions at the present time, though, about whether smart metering will benefit solar technologies. What is needed is the integration of solar metering functions into the specifications of the smart meters. I've been told by various manufacturers that this is a simple change of the chip. It can significantly reduce the cost to the homeowner for going solar. It can stimulate greater energy consumption.

The way we would suggest that smart metering be integrated is with the concept of net metering, which Ontario now has in place. Net metering basically allows individuals to produce their own electricity. Any excess is then fed into the grid and banked. You don't get paid for that, but you can use that at a later date; it effectively reduces your bill. However, what we need is integration of time-of-day billing with net metering. This will allow

people to get paid the premium value for their solar when the grid requires it. It's going to increase the value for the solar electricity, and not only that, it stimulates the turning off of appliances during peak periods of time because people want that extra value of feeding that power in.

Let me give you an example: Last July 18, the cost of producing electricity in Ontario reached almost 40 cents per kilowatt hour. With time-of-day billing, there's going to be a higher premium associated with power purchased during the middle of the day. We feel that then there should be higher value associated to the solar that's fed in during that period of time. You can see that the solar radiation falls exactly when you're peaking during the daytime. Solar's peak power capacity actually increases as the demand for power increases.

I'll deal with smart metering and standard offer contracts. Standard offer contracts basically pay homeowners, farmers and small businesses to generate electricity over a contracted period. We like the concept and thoroughly support it. It can be improved by looking at what is being done around the world: integrating standard offer contracts with smart meters into a concept which is called "net billing." What happens is that in your electrical bill you have one line that charges you for how much you use in your house and you have another line which pays you for how much you've produced and put into the grid. Just think how many people would be stimulated, knowing that they can get a cheque at the end of each month, if they could only get that electricity consumption down below what they're generating. It has a tremendous impact on energy conservation if it's integrated this way.

There has been a bit of confusion recently about what is net metering and what are standard offer contracts. Ontario is fortunate because we're going to have both in place and the two mechanisms complement each other. It's an issue that has not yet been addressed in other nations that are more forward of us and have offered standard offer contracts for over 20 years now. Net metering is a connection process. It ensures the right to connect your home generator to the grid. Standard offer contracts are only for a relatively short period of time, typically 20 years. But you've got to remember that solar technologies will last you 40 years at least. So what happens after the standard offer contract finishes? If there's not a renewal clause, technically speaking, you would have to take your system off-line. Because Ontario has net metering in place, net metering gives assurances to those customers that they will always have the right to connect their solar panels to the grid.

So where do we go in the future? With solar technologies, the potential is in homes. There's a concept right now called "net zero energy," which is basically an initiative being led by the federal government to reduce the energy consumption in new houses down to virtually zero. The federal government recently announced a program which will see 1,500 homes at net zero energy in Canada within the next four or five years. The long-term target announced by the federal government is that

all new homes by 2030 will be built to this new standard. We feel that by then there will be over half a million homes in Ontario with over 1,200 megawatts of PV generating power. Integrating standard offer contracts and integrating net metering into smart metering helps that process.

One of the issues we're talking about now in the papers is Toronto. We've got a serious energy issue coming. How do we get the energy into Toronto? Do we build more large power plants inside Toronto? Do we build more transmission lines? Think about it. Part of the issue when it comes to Toronto is the air conditioning loads. We're peaking now during the summertime, during hot, sunny days. Sunny days and solar? There's a relationship there. Solar PV has a potential of over 1,300 megawatts on Toronto houses. That can significantly reduce the need for other generation. Solar hot water heaters can replace 65% of all the electric hot water heaters in Toronto, providing 100% of the load requirements.

Just to show you that we're not talking a lot of hot air—or hot water—look at what's happening with solar hot water sales in Austria. Austria has less of a population than Ontario—only eight million people—but already Austria has almost a quarter of a million solar domestic hot water systems. One out of every seven homes in Austria already has a solar hot water heater. It has a poorer solar resource than Toronto. It can be done.

Recently, OPA has announced their power supply mix. They project 40 megawatts of PV by 2025. That's a significant improvement from the 0.1 megawatts we currently have in Ontario, but we can do a lot better. The 40 megawatts projection by 2025 equates to only six weeks of installation in Germany. Think of that: a 20-year projection for Ontario to do what Germany is now doing in six weeks. If a program of standard offer contracts is designed properly for Ontario citizens, then we will not have 40 megawatts by 2025; we will have over 1,000 megawatts.

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Bill 21 is opening the door for the potential for solar technologies and other renewable energy technologies. Of all the technologies, there's a very strong link between conservation and solar energy. In fact, it's often viewed the same way. Bill 21 is promoting conservation by removing barriers and restrictions. By removing those barriers, solar's potential is improved significantly.

We also find that solar is the sizzle that sells conservation efforts. Not very many people get excited about putting low-flow shower heads on their showers, but I'll tell you that they're excited when they're producing their own hot water. Net metering, standard offer contracts and net zero energy can help develop that culture of conservation in Ontario. Thank you.

The Chair: Thank you very much, Mr. McMonagle. We'll have about five minutes or so, distributed evenly, so reasonably efficient Mr. Yakabuski.

Mr. Yakabuski: Thank you very much for joining us today. It was an interesting submission; very informative. I met this past Monday with—you may know them—the

Ottawa River Institute. I met with Lynn Jones, Ole Hendrickson and Ken Birkett.

Mr. McMonagle: Yes.

Mr. Yakabuski: Their pitch to me was not unlike your own. They're very positive about the potentials of solar power. I certainly agree that unless we change the way of thinking, we're not going to make any advancements in solar power. We have to move away from looking at all the potential negatives to looking at some of the potential positives that are there.

One of my questions was going to be the numbers, and you've got a number there of 1,200 megawatts by 2030.

Mr. McMonagle: And that's just one initiative. We feel that overall we're actually at about 3,000 megawatts potential.

Mr. Yakabuski: One thing that I do have to ask, because it was something that I discussed with the aforementioned threesome, is, have you people an estimate of the cost of subsidy and/or public involvement with regard to low-interest loans or whatever that it would take to make that happen?

Mr. McMonagle: Different solar technologies have different costs associated with them. If we're dealing with solar domestic hot water, for example, it requires virtually no subsidy over the life of the system. What it needs is the financing mechanism. We don't need, for example, a 25% or 50% subsidy because a subsidy up front is not going to help solar hot water; it's too expensive. For a \$4,000 system, \$2,000 off still isn't going to stimulate the homeowner. But by providing the tools, which are financing or leasing, it also makes it economical. We just don't have that resource to get low-interest loans.

The Chair: We'll now move to the government side, Mr. Leal and then Mr. Delaney, two and a half minutes.

Mr. Jeff Leal (Peterborough): I've just got a quick observation; Mr. Delaney wants to ask some questions. I had an opportunity six weeks ago to tour Spherical Solar Power in Waterloo, an interesting company interested in standard offer contracts. They see a great future under this bill to increase their employment base significantly and develop even further new technology in this field.

Mr. Delaney wants to ask some questions.

Mr. Delaney: I have a few technical questions for you. Let's see if we can get through them.

Mr. McMonagle: I love techie questions.

Mr. Delaney: Which do you see to be the predominant use of solar energy in the next, say, 10 to 20 years? Would that be low-temperature heat applications or photovoltaics?

Mr. McMonagle: Both.

Mr. Delaney: No, the predominant one.

Mr. McMonagle: You can't choose a winner.

Mr. Delaney: How would you see the split, then?

Mr. McMonagle: Okay, 50-50.

Mr. Delaney: What would you estimate to be the collector area in, say, square meters that the incident flux of solar radiation can be recovered from in the GTA?

Mr. McMonagle: That's a real techie question. To give you an example, solar domestic hot water accounts for approximately 25% of the energy load of a house. You would need two solar reflectors, each being—I'm going to put it in imperial units because I'm fairly old—about three feet by eight feet. So you're looking at about 50 square feet to provide 25% of hot water requirements. If you're dealing with photovoltaics, it's higher, but we figure that approximately 67% of houses in Toronto have the solar resource to provide close to 75% of their electrical energy needs using photovoltaics.

Mr. Delaney: Perhaps you could aggregate some of this data and supply it to the clerk to distribute to the committee.

Mr. McMonagle: We do actually have a full report on that.

Mr. Delaney: What is the flux in watts per square meter of solar radiation at noon at this latitude?

Mr. McMonagle: It actually doesn't vary anywhere in the world. It's about 1,000 watts per square meter if the solar panels are perpendicular to the sun.

Mr. Delaney: What is the average capacity factor, referring to photovoltaics, of today's generation of photovoltaic energy collectors?

Mr. McMonagle: If you're looking at 24 hours a day, 365 days a year, it works out to be about 14% or 15%. If you look, however, at when the energy demand is needed—

Mr. Delaney: Fourteen per cent to 15% is the number I was looking for.

The Chair: Thank you, Mr. McMonagle, on behalf of the Canadian Solar Industries Association.

DCS DAYLIGHT CLEANING SYSTEMS INC.

The Chair: I'd now like to invite our next presenter, Mr. Randy Burke, president and CEO of DCS Daylight Cleaning Systems. Mr. Burke, as you've heard, we have 20 minutes in which to hear your presentation and any time remaining will be distributed evenly among the parties afterward. Please begin.

Mr. Randy Burke: Thank you. Good morning, Chairman Qadri and standing committee members. Thank you for allowing me to address you this morning. My name is Randy Burke. I'm president of DCS Daylight Cleaning Systems. We're custodial consultants. I'm going to try and speak around 10 minutes, because I'm very interested in any comments or questions you may have.

I'm an active board member of BOMA, Building Owners' and Managers' Association, in the cities of Toronto and Calgary respectively. I'm really looking forward to offering our perspective and support for Bill 21, specifically schedule A, sections 3, 4 and 7, and to support the amendments to schedule D of the energy conservation act of 2005.

Under the leadership of Premier McGuinty and the progressive initiatives currently being researched and employed under the strong management of Minister

Cansfield and the conservation action team, we're all too aware that a top priority of this government is to foster programs and measures that allow for Ontarians to participate with government in this commitment for Ontario to build a culture of conserving energy. Furthermore, I'd like to see Ontario be truly a leader in Canada, and in fact North America, in this energy conservation.

This government has declared a commitment to Ontarians to reduce its own demand for electrical usage in government-owned buildings by 10% no later than the year 2007. We salute this action and fully endorse best means and practices working to achieve this goal of enhancing operations and performance of government-owned buildings in the province of Ontario. The process I'm here to speak on today will achieve approximately 68% of the government's overall 10% electricity reduction goal.

We also recognize that this is only part of the solution. Citizens and government as a collective force must work in co-operation in fostering sustainable solutions to the ever-growing international crisis of conserving energy.

Schedule A, section 3, addresses "the removal of barriers to and to promote opportunities for energy conservation to, by regulation, designate goods, services and technologies."

Schedule A, section 4, "authorizes the Lieutenant Governor in Council ... to require public agencies to establish energy conservation plans."

Schedule A, section 7, "authorizes the Minister of Energy to enter into agreements to promote energy conservation."

The energy minister, the Honourable Donna Cansfield, has repeatedly committed to promoting a conservation culture across this province. In support of her commitment, the ministry has set targets for the province to reduce the peak electricity demand in Ontario by 5% by the year 2007, and the Ontario government's own electrical reduction consumption by 10% over the same period.

Presently under consideration and in trial within the auspices of the Ontario Realty Corp. and SNC-Lavalin ProFac, there is in place a progressive and innovative building operations system which, very simply put, has successfully converted traditional night-time cleaning to a daytime cleaning model. This system was explicitly formulated to address building security operations, cleaning concerns, our environment by reducing greenhouse gas emissions and savings in energy by reducing electrical consumption in each building that the system goes in by a conservative estimate of 5% during a high-demand load time.

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This DCS system has been in process for the past 14 months in two buildings owned by the province of Ontario and has proven to be highly successful; there are many others in Canada. In support, I'd like to walk you through a couple of the appendices that I have. If I could start with the one titled, "Monthly electrical consumption (2004)," this is an electrical consultant's data—I didn't

even know they existed until I saw this report—by Solution 105. There are three lines of data: There's the actual load data, which is the red line; the budget data, which is the yellow line; and the weather-adjusted data, which is the blue line.

You can see during the first two months of reporting, January and February, they're quite close. What happened on March 1 is that the building was converted to a daylight cleaning system. The following three months of data show a reduction of 5.8% in the actual load. This building is quite new. It was built in 2000, it has T8 lighting, electronic ballasts and hourly light sweeps—so it's a fairly efficient building.

There is more data coming. We have three buildings converting for GWL Realty Advisors in Vancouver. BC Hydro has jumped on board; they're doing some energy monitoring for us.

The next sheet I'd like to draw your attention to is, "Small things add up." We had an electrical engineer design a program for us so that we can estimate energy savings. This is a summation of savings that the Ontario Realty Commission's buildings could save. If you look at an overall inventory of approximately 30 million square feet and you take off a third of that as unsuitable—too small, essentially; smaller buildings—and then you say you're going to darken 80%—again, our system shows that this does in fact work—now you're coming out with 16 million square feet affected. Times two watts per square foot, we go down 32 million watts. Divide by the kilowatt hours and you end up with five hours per day darkened, because that's what happens in cleaning: People go home and the cleaners show up at a building, and they need the lights on. So our system takes the cleaners and puts them in the daytime and we darken buildings at approximately 6 o'clock, 5 o'clock. Five hours per day darkened quickly adds up, at 22 service days per month, to 3.52 megawatts per month, which in fact, on an annual basis, is 42 megawatts.

Straight dollar savings: We used 6.6 cents per kilowatt hour. That's when this chart was done. I did some more research. Right now, the Ontario Realty Commission is paying 8.3 cents per kilowatt hour. Needless to say, energy costs are rising. So this figure of \$2.8 million is in fact closer to \$3.4 million a year in plain savings.

The next slide is the same thing, "Small things add up," but we looked at the Toronto office tower market. At 150 million square feet of office space, using the same formulas, saying we're darkening 80%, you're up to 317 megawatts a year just in the GTA. That \$20-million figure is now about \$24 million. We feel all of these estimates are very conservative.

The last slide that I have was done through some survey data. This is actually one of the government buildings, 880 Bay Street, where we have one of our models running. "How do people like it?" is essentially what we said. "Would you recommend this system elsewhere?" Eighty-four per cent said yes. It was interesting, we had 6% that said no. We identified a training building, actually, with the cleaners. One of the older cleaners was

asking people to get out of the way. That's not our system. So we went and corrected that. We have similar data from other buildings. Morguard, in town, is doing a lot of them. They're very happy, and they're expanding the program.

Pursuant to section 3 and section 7 of the act—"the removal of barriers and to promote opportunities for energy conservation to ... by regulation, designate goods, services and technologies"—I submit to the standing committee on justice policy today that a daylight cleaning process be put forward as an opportunity for the Ministry of Energy to engage in the promotion of the transformation of an essential service, that of cleaning, to a daytime model in Ontario government-owned buildings.

Pursuant to schedule A, "Section 7 of the act authorizes the Minister of Energy to enter into agreements to promote energy conservation," I submit that the Minister of Energy investigate ways and means of entering into supportive measures, including incentives and/or agreements with privately held commercial real estate companies in the province of Ontario, to engage in a daylight cleaning model.

We as a society are faced with great challenges specific to energy conservation. We've become actively engaged in seeking out actions and solutions to support sustainable ventures in addressing how we use electricity and how we can participate in meaningful ways to conserve it.

I firmly believe that once a daylight cleaning system is in place, it will aid in facilitating the government of Ontario in delivering on its promise by reducing its own electrical consumption in government-owned buildings, thereby positioning it as not only an early adopter of an inventive system, but also as a leader in energy conservation, not only in the province of Ontario, but in North America. Canada is light years ahead of a lot of other places with this particular process.

It is going to happen. There's a shortage of part-time labour at night. There is a requirement for socially responsible contracting. These cleaners now get full-time hours, working Monday to Friday, rather than part-time at night, where they have to have daycare for their kids. They get higher wage rates. I'm 20 years in the cleaning business, and I've had a lot of friends, of course, who were cleaners—wonderful people, new Canadians. We've actually started a foundation; 10% of our daylight cleaning revenues go into a foundation to educate cleaners' children. We're starting to get donations from cleaning suppliers and equipment suppliers and such.

There's a great section of—some people call them the "great unwashed" or whatever, but there's a group of people—it's a very huge industry; in Canada, we're talking about \$8 billion in contract cleaning—that go out at night and do this work. A lot of people call them the "ghosts at night" and "thieves" and whatever. It's because they don't see the people they serve. So this brings this whole service into contact with the people they serve. It just is a much better model socially. In fact,

they provide better service because now they can interact, and that's proven.

I'm very interested in questions if you have any. I really did appreciate the opportunity to meet you today.

The Chair: Thank you very much, Mr. Burke. We have about eight minutes to distribute evenly. We'll begin with Mr. Hampton.

Mr. Hampton: What I think I hear you saying is that the model you've put forward, if it were adopted in a more widespread fashion, could lead to significant savings in terms of electricity usage.

Mr. Burke: Correct.

Mr. Hampton: Are you aware of this model being used outside of Canada to a great degree?

Mr. Burke: Yes, it is. There's very little of it. There's a saying in business, "Culture eats strategy for breakfast." The culture of night-time cleaning has been going on for 30 years. So part of our challenge is to get this culture accepted. For instance, the EPA building—it's a million-square-foot building in Sacramento, California—has been day-cleaned since 2000. The property manager has said that he would not be able to go back to night-cleaning if he tried, his tenants like it so much. And he's saving over \$100,000 a year in electricity.

It's very early. Again, we're custodial consultants. We seized on this and started developing a model. Our first building converted January 2, 2003. We now have 15 buildings; none of them has gone backwards. We have another 11 in transition, which should go through transition in the next, I'd say, four to five months. So it's picking up speed; it's just slow.

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Mr. Hampton: What about in Europe, some of the European countries?

Mr. Burke: They're ahead of us there. In Scandinavian countries, most of them are day-cleaned. That's been happening. I haven't done as much research as I need to, but I do know that in Sweden, for instance, most office buildings are day-cleaned.

Mr. Hampton: I would think that the more northerly your latitude, and the more hours of darkness that you have, particularly in the fall and winter months, the greater the opportunity for significant savings.

Mr. Burke: Absolutely.

Mr. Hampton: This is just fairly practical stuff. You don't have to engage in any ethereal science to get this done.

Mr. Burke: No. The actual cost of cleaning is almost the same because you get more efficient. You vacuum on Saturday, not when people are right there. There's a whole system around it so that you don't disturb the tenants. It's well accepted.

The Chair: Thank you, Mr. Hampton. I'll cut it there and now move to the government side. Mr. Leal, you have about two and a half minutes.

Mr. Leal: I have a quick question for you, Mr. Burke, and then I'll turn it over to Mr. Delaney. Have you done any analysis on municipalities in Ontario?

Mr. Burke: Not as yet. We've worked with SNC-Lavalin ProFac, mostly here in Ontario. We also work with the BOMA members. Oxford Properties is starting to roll it out; again, slowly, but they are.

Mr. Leal: I also like your concern for personal safety. Traditionally, many females work at night. They're hard-working people. I'm in the Hearst Block. They're there at 8 and 9 o'clock at night. Personal protection: I salute you for that. I think you're going in the right direction.

Mr. Burke: Thank you, sir.

Mr. Delaney: I have a few clarification questions. Do your staff use vacuum cleaners or any other cleaning device that runs on electricity during the day?

Mr. Burke: Yes, they do. Instead of five days a week using those vacuums, they use them one day a week, which is on Saturday. They use non-motorized carpet sweepers to pick up spills Monday to Friday.

Mr. Delaney: What equipment that is in use during the day by your staff makes noise?

Mr. Burke: I should clarify: These aren't our staff. We're not contractors. We actually don't do the cleaning. We are transition managers for contractors, just to clarify that. Sorry, your question?

Mr. Delaney: What equipment in use by day cleaners makes noise?

Mr. Burke: Almost none. If you can imagine, in a theatre, the little whirring sound of the brush against the carpet, as it's non-motorized. That's about it. They use battery-operated walk-behind vacuums. You can hardly hear them.

Mr. Delaney: To what extent do people who work in the offices during the time when they're being day-cleaned need to leave their workspaces, even briefly, for cleaning to take place?

Mr. Burke: Never, because there is a basic and a thorough housekeeping process. Basic cleaning happens while the individual is there. There is a bubble around the individual and you don't go there, but twice a month you do a thorough cleaning when the individual is not there. They can either request that at a certain time or it happens very naturally. As they show up, the tenant is not there, and they think, "It's been a week and a half, two weeks, I'm going to do a thorough cleaning."

Mr. Delaney: How much more per hour are day cleaners paid compared to night cleaners?

Mr. Burke: About 10% to 15%. That's in a non-union market. In a unionized market, they're pretty well paid the same because they've got nice benefit packages and such. Sometimes there's a slight premium called a "daylight cleaner," depending on the union agreement. In a non-union environment, you do have to pay slightly more, but it's more than made up for—

The Chair: Thank you, Mr. Burke. We'll now move to the Tory side. Mr. Yakabuski, you have about two and a half minutes.

Mr. Yakabuski: Thank you for your submission, Mr. Burke. I apologize. I missed some of it. I had to leave for a moment.

Mr. Burke: That's okay.

Mr. Yakabuski: You have some figures on the energy savings that we could have, for example, in the Ontario Realty Corp., which of course is the government. I would make the observation that apparently the library in Ottawa does not have a daylight cleaning service. I don't know if you know what was going on there last week.

Mr. Burke: Actually, I missed that.

Mr. Yakabuski: There was a little mishap in the washroom and a councillor is in trouble with the union because of it.

It seems to me, again, that we just have to alter our way of thinking a little bit, similar to the gentleman Rob, who was here before, with regard to thinking about solar. We get locked into a position that "this is when we do things." "Why do we do it?" "Well, that's the way we always do it." If there are some energy savings to be made, I think we should certainly be taking a hard look at that, providing we maintain the same service and we don't actually put a bigger burden on our electricity usage during the peak hours. I don't know if you've dealt with that in your submission—

Mr. Burke: Yes, we have.

Mr. Yakabuski: I apologize; I missed a portion of it. Those are some items of concern, but other than that, it seems like pretty elementary stuff here. Why wouldn't we take a look at that? From the point of view of life enhancement, people would prefer to be working during the day rather than late at night. I think it's better for them, better for their families and everything else. Thank you.

The Chair: Thank you, Mr. Burke, for your presentation on behalf of DCS Daylight Cleaning Systems.

BELL CANADA
CAPGEMINI CANADA INC.
HEWLETT-PACKARD (CANADA) CO.

The Chair: I now invite our next presenter, Mr. Renato Discenza, representing Bell Canada, Capgemini and Hewlett-Packard. Gentlemen, as you speak, if you might introduce yourselves to Hansard for the purposes of recording. As you've seen in terms of protocol here, 20 minutes for the initial presentation, and the time remaining distributed evenly among the parties. Please begin.

Mr. Renato Discenza: Thank you, Mr. Chairman, and thank you, members. I'm Renato Discenza. On my right is Mr. Perry Stoneman from Capgemini, and on my left is Mr. Francois Labrie from HP. All of us are executives in the technology industry.

First, let me say that we recognize and appreciate the energy challenge before the government of Ontario; indeed, the people of Ontario. We believe that Bill 21 will provide the guidance on how to assist our province in finding solutions to deliver cleaner energy, more reliable and reasonably competitively priced energy. But I'm really particularly delighted by the name of the act: the

Energy Conservation Leadership Act. I think that leadership is a very important part of this bill.

I would like to comment on the technological aspects of this bill. Bell Canada has teamed with Capgemini and HP to collectively support the ministry in their smart meter initiative in Bill 21. The Bell, Cap and HP perspective is unique. It's based on a mix of the international and domestic experience of our three companies. I will speak on behalf of Cap and HP; however, as the SVP responsible for selling to some of the largest corporations in Ontario and, indeed, Canada, I feel I have also a business perspective. Representing a company with a large consumer base, I think I have a sense of the consumer experience as well.

At the end of the day, Bill 21 is about the introduction of smart meters, the demand-side management, but it's really about one thing: changing societal behaviours. It's developing a culture of conservation. It's about changing the way we go about our daily lives and changing the way we think about energy and electricity.

Now, what I am about to say may sound very strange coming from a technology executive, but I'll say it anyway: The success of smart metering and conservation will not come from the selection of a particular technology. In fact, substantially all the technology that will enable smart metering is generally available today. It is about changing consumer behaviour, and that is where we know we can speak from experience. Each of our companies has deep experience in helping consumers and business change the way they work and live through the use of technology. This is very important. It's how people process timely and relevant information to make decisions.

HP is at the forefront of changing the way people interact with technologies on a daily basis, whether it's with hand-held technology or e-services at financial institutions. Capgemini helps large enterprises globally develop different ways to interact and interface with their clients and customers and shift them to electronic channels. Bell Canada, through 126 years of tumultuous changes and shifts in technologies, has helped people and systems link and communicate with a plethora of technology. Whether it's as simple as just teaching people about 10-digit dialling, showing them how to use new digital media, or indeed, introducing a whole generation to the Internet, we've helped business, and we understand the importance of education, feedback and support in helping people adapt to technology.

So the challenge here, while important technically, is about social marketing. The device that will deliver change in behaviour in Ontario won't be TV ads, sophisticated campaigns or even, respectfully, political speeches, though all of those things will help. It's about the information on a day-to-day basis on how people use their resources.

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Smart meters lead to smart consumers. When consumers have intelligence on their energy consumption, they actually become an active part of that solution.

When you put intelligent new consumers in the middle of a real-time, closed-loop system driven by the dynamics of an energy market, you have the potential for an automated, self-regulating ecosystem that achieves the four major key objectives of the province, and that leads me to the technology and the team we assembled. We're not just excited about the opportunity in front of us. We're excited about the opportunity that lies beyond and what could be done to leverage investment in this technology.

To be successful, smart metering will require innovation and technology, but more importantly, innovation on how to create awareness, education, drive change and change social behaviour. When implemented, smart meters will create a new value for Ontario through reduced fixed-plant investments, create new commercial models and make Ontario a world leader in products and services.

We believe that innovative choices are available to the government for governance, ownership and regulatory choices that will directly impact consumers. So let me give you a few thoughts on what we would like to see presented in the bill and the program: a clear and consistent vision, objective and focus—a focus on education and awareness for average Ontarians to ensure they support the initiative and are willing to change their behaviour to create a conservation culture.

In fact, we have started working on the concept of a “conservation collaboratory” that would not only allow the technical standards for devices in the systems to be tested and to ensure interoperability, but also would study and learn how information is being used to change the behaviour, what modes of information work best for whom, how we change our approach in real time, and involve companies like ourselves, but also government policy specialists, marketing experts, academics in marketing, behavioural science, advertising, education and other areas that can contribute on how to accelerate a shift in culture and values and views on energy.

We cannot allow only time to work. We need to accelerate the shift towards a conservation culture. We see a world-class conservation collaboratory founded on solid principles of research and development and rapid commercialization of technology as an actual engine to make sure Ontarians' end goals are achieved. We need a sufficiently robust set of passive incentives and active actions to reduce the overall energy demand and change the demand curve. We need to encourage collaboration and partnering among all stakeholders, private and public. We need an economic policy that incents private sectors to participate.

We are familiar with the government regulatory environments both at the provincial and federal levels dealing with the OEB, and we believe that any initiative must remain within the government's control, but it must balance the requirements of the private sector. Creating an economic and policy environment encourages the private sector to participate in—indeed, inject capital into—the solution. The government must ensure that the risks and rewards of this project are in the public's

interests, but similarly it has to balance the risks and rewards for the private sector participants. They must be in balance. Unreasonable liabilities that will produce too much risk for publicly traded firms may not yield the participation that is required for the solution.

The government has an opportunity to innovate around governance and ownership models to drive maximum attention and participation from interested and committed private sector participants. As a service provider that deals daily with private consumer information and communications traffic, we would look to the government to provide clear policies and guidance on how the government wants this information managed and controlled and as to the liabilities associated with this information management. Clear direction early in the process and any outstanding issues related to privacy and access to confidential information must be there. The project cannot be stalled somewhere down the road because appropriate regulatory and technology security features are not built into the solutions and the program.

We have to leverage investments that already exist, both now and those that will come in the future. We have to take advantage of the infrastructure to speed time to market and reduce the cost. Bell Canada and indeed other service providers in my industry have investments in telecom networks. We need to leverage the existing network technologies like the PSTN, DSL network, the wireless 1X network, WIMAX, Inukshuk and EVDO, and a plethora of other technologies and networks that exist today. We need to force key market participants to co-operate on standards and infrastructure sharing, and we need—this is important—to avoid specific technology commitments.

We have to be what we call “agnostic” to technology, and avoid reliance on proprietary or vendor-specific technologies. We need to ensure that we have the ability to get the latest and greatest technology at the lowest available cost. In thinking globally, we need to make sure this technology is deployed beyond our jurisdiction. That will deliver the cost, the research and the effectiveness that we need. So we have to avoid being stuck with one solution.

In conclusion, I want to leave this committee with two points. This is important legislation, but it's really only the first step in what will be a long process of changing behaviour in Ontario and creating a conservation culture. Involving your partners in that process early and often will enable the government to benefit from our expertise and our experience, and we, as a private sector industry—all of us—are willing to take advantage of it.

Secondly, the challenge here is complex, but it is important that we don't make it complicated. Complex technologies and systems are elegant and interact smoothly. They definitely require a deep and expert understanding of individual components: how these components interact and how users become proficient at using them for their end results. Complex systems have architectures and design that have unifying principles and are adaptable.

Complicated systems emphasize the superiority of individual components, not the elegance of the inter-

action. They are based on the principle that if you select the best of individual components and link them together, everybody should have a wonderful outcome. They do not focus on making the experience intuitive but believe that the end-user should become an expert at using this complicated system. We can tell you from our experience in dealing with consumers that that simply does not work.

Thus, the goal is to make the tools and processes for consumers simple without being simplistic. This is how we think about them: Simplistic has a level of naïveté to it. It underestimates the challenge. In this case, viewing the ability to bring technology forward as the only enabler without having an acute understanding of how thousands—and millions of people, indeed—adapt processes of technologies and act upon information, without that clear, consumer-centric, deep understanding of these behaviours and the ability to change them real-time—that's simplistic. Making it simple is ensuring that the outcome is driven by the purpose: the need to change the way we think, use and feel—yes, feel—about consuming energy and natural resources.

So by ensuring that both public and private resources are clearly focused on the outcome, not just the tools, Ontarians will make it happen. Bill 21 will be the impetus and the call to action. Ontario, both the private and public sector, along with all our citizens, will show that leadership, and our companies are prepared to engage in this extended scope of process.

Thank you for your time and attention. We're happy to answer questions.

The Chair: Thank you, gentlemen, for the testimony. We'll begin with the government side.

Mr. Leal: Mr. Discenza and your colleagues, we want to thank you for a very articulate and informed presentation this morning. Just a couple of questions: You think that changing consumer attitude is key. It took about a decade for us to change attitude in terms of recycling and environmental stewardship. I think we have to move that kind of attitude, only at a much quicker pace. I'll leave that with you. George Bush, in his State of the Union address, said that we're addicted to oil and we have to make a switch on that.

Secondly, on Bill 21, you believe we're going in the right direction and providing a positive framework?

Mr. Discenza: Absolutely. The leadership aspect of the bill is absolutely paramount. I believe that what we have to do is start taking advantage of Ontario's leadership role today. We know how to change how people use it. Canadians were amongst the first in the world to start adapting to electronic channels. Indeed, today we can file our income tax electronically, and we do it in droves. We go to ABMs. We use more debit than anybody else in the world. We're comfortable with technology.

It is our firm belief that using the private sector's experience—we've introduced a lot of technology. Think about the days when you used to get a paper cheque and you had to explain how you had to get to the bank before 4 o'clock. Today we don't even think about it. The key is

that our people have studied how people learn about technology. The conservation collaboratory we think is an important enabler. Again, we have the technology; we all do. It's about how we can actually put the cultural aspects and the academic aspects together. So we think time will fix it if you have the technology, but we don't have a generation to get on recycling. We don't have a generation like with seat belts. Now my kids won't get in a car without a seat belt, but how long has it taken? We think we have to use this technological, research-based approach to accelerate the cultural change. We'll provide the technology and the understanding of how consumers use it. Together I think we can design an acceleration of what could be a natural process.

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Mr. Delaney: Two very short questions, following up on a statement you made earlier on business risk: Could you describe to me just how much risk and in what areas would Bell Canada be willing to undertake in the implementation of smart metering as described in Bill 21?

Mr. Discenza: Not just Bell Canada but our consortium of—we're business people and we understand that, to take advantage of some new technology, you have to inject capital. We are prepared to leverage our existing networks. Indeed, every day we take risks. We put capital out there. We have to be sure of how the marketplace will adapt, or else that capital is stranded. We're prepared to leverage our networks, our expertise and our ability to change consumer behaviour and do that not on a spec basis—"build it and they will come"—but on an informed, proactive basis. So we're prepared to do that, and we indeed have been thinking through it and working it together. We understand that this is a significant opportunity to accelerate how Ontario and indeed the world—because what we firmly believe is that Ontario can be the model for the world but we absolutely know you have to win at home first to be successful globally.

Mr. Delaney: Are you suggesting any amendments to Bill 21?

Mr. Discenza: I'm suggesting that on some of the privacy issues specifically it should address some of the scope of that and on some of the partnerships there should be some consideration of private sector participation a little more explicitly.

The Chair: We'll now move to Mr. Yakabuski. Again, about two and a half minutes.

Mr. Yakabuski: A lot of technological talk there, some of which I have to admit I have no idea what you're talking about. But we know the general purpose of what we're doing.

In the technology of the meters, it would seem to me that your presentation is suggesting that these meters have to have the technology that gives the proper kind of information to make real decisions with regard to energy usage, be you a commercial customer or a residential customer. So am I correct in reading you in saying that you want to ensure that these meters are the right kind of meters, that we're not talking about something that just tells you that you've used X number of kilowatts between

this time of day and that time of day, but really being able to access that to determine what it's using, how it's using, so that you can really make some behavioural changes as a consumer?

Mr. Discenza: Absolutely, sir, and your comment emphasizes the point about there being a lot of technology. The point is, you shouldn't have to worry yourself about it. So these meters—and let me talk about the meters. While we call them smart meters, they probably will not require more intelligence than is in your wristwatch today. The smartness comes from the systems, the data, the presentation to the consumer and the real-time interaction. So they saw their bill; they saw a piece of information. The real smartness comes from, what did they do with it? How did they act upon it? Is there a different way to present it? I think that's the real smartness. So with all due respect to the meters, they're smart, but like I say, technologically a calculator will do it in terms of the—it's the systems around it. That's what we're emphasizing.

On the meter side, we're emphasizing also that they should not be something only for Ontario, made only for this. They should be using what we call standards so that people are encouraged to lock into the system and in fact think about a world where the systems—like we do today, where people can come up with new applications and lock into that. I think that's what we're suggesting.

Mr. Yakubuski: One other quick question: When we're talking about a real meter that does real work, the government has put forth numbers of \$1 a month for these meters. If these are really doing the job, the right kind of meters—people have told me that just the administration of proper meters in some jurisdictions where they have them now is \$2 a month. With the right kind of metering, is the government right or wrong when they start talking about \$1 a month?

Mr. Discenza: Do any of my colleagues—

Mr. Perry Stoneman: Sure, I'll take it. We've had studies around the world. Some jurisdictions have done this before. If you look at the total cost of services, there are savings in a broad range from implementing the smart meters. So the cost of the meter itself is not what should be focused on. You have to consider work management, the intelligent grid, knowledge of outage before consumers call etc. The studies—

The Chair: I'll have to intervene there; sorry, gentlemen.

Mr. Hampton, you have the final couple of minutes.

Mr. Hampton: I found your presentation intriguing. You mentioned that you will have to leverage a fair amount of capital. Do you have a sense of how much capital you're going to have to leverage?

Mr. Discenza: In the word "leverage" is capital that we are investing in some of the infrastructure. There will be some adaptation, depending on what eventually comes out in the actual meters. But to do it on a scale and with the speed that you require, if it was done individually we would be talking in the tens and hundreds of millions, if you had to build a purpose-built network. The beauty

here is that what we're talking about is leveraging technology that's there today. We're suggesting that it will not be one purpose-built network that will solve this problem; it will be the ability to take advantage of the private and even public investments that are there today, or else it will be hundreds of millions.

Mr. Hampton: If you're going to talk about that amount of capital, it would seem to me, based upon my experience, that you need some long-term commitments. In other words, you need some long-term commitments that this capital is going to be paid back. So what kind of time span would you think you would be talking about here?

Mr. Discenza: Depending on how open the system was, there's an opportunity for private sector companies to use this system to deliver not just electricity, for example, but other types of consumables, to present other information to the consumers. So it would depend on how open and accessible for commercial applications it would be. Obviously, the more commercial leverage it can get, the quicker the return. If it was a closed system for metering only, I don't even know if there's a reasonable business case that would actually return that kind of capital.

Mr. Hampton: Just to be clear, what we're really talking about in terms of smart metering here would have to be something much broader than just measuring time-of-day electricity use etc.

Mr. Discenza: Absolutely, or being able to put the smart metering on those networks that do many more things today. There are networks that do all kinds of things today.

Mr. Hampton: You mentioned, I think in your earlier responses, that you've looked at smart metering in other jurisdictions. Can you tell us which jurisdictions?

Mr. Stoneman: Absolutely. Enel in Italy is one where we're working and have participated from the onset. EDF in France is running pilots right now. Vattenfall, Sweden; FP and L, Florida, USA; and TXU, Texas, USA, are jurisdictions that we're actively engaged in. The approach and scale of what they are doing is not quite as large as what will be embarked on in Ontario. The conservation messages that are coming out here, we believe, are world-class, and in a leadership position.

The Chair: Thank you, gentlemen—Messieurs Discenza and Monsieur Stoneman and M. Labrie—for your testimony on behalf of Bell Canada, Capgemini and Hewlett-Packard.

GREEN COMMUNITIES CANADA

The Chair: I now invite our next presenter, Mr. Clifford Maynes, executive director of Green Communities Canada, and entourage. I'd invite you, gentlemen, to please have a seat. As you've seen, 20 minutes' presentation time. Any time remaining will be distributed among the parties afterward. Please begin.

Mr. Clifford Maynes: Thank you, Mr. Chair and members of the committee. I am Clifford Maynes. I'm

the executive director of Green Communities Canada. I'm joined by Keir Brownstone, manager of a Green Communities member organization in Toronto called Greensaver, on my left; and by Brent Kopperson, manager of Windfall Ecology Centre in York region, on my right. Both Brent and Keir are also members of our national board of directors.

Green Communities Canada would like to pledge our broad support for Bill 21, its intent and purpose and so on, although I would say that we're focusing pretty much entirely on one aspect of the bill—and we're not speaking at all to the issue of smart metering. The aspect of the bill that we want to focus on has to do with the section that would enable universal energy efficiency labelling of buildings. It's very much an area that we have an interest in and involvement with. We heartily endorse this step and we're going to be providing a number of recommendations that we believe will enhance that provision in the bill. In addition, we would like to briefly address the opportunity under section 7 for community-based public education and outreach to promote energy efficiency and conservation.

A bit about Green Communities Canada: We're a national association of community-based non-profit organizations that deliver innovative, practical environmental solutions to Canadian households and communities.

The association was founded over 10 years ago now, in 1995. It has grown to include about 40 member organizations in all regions of the country, but we are particularly strong in Ontario, where we have our original roots. About half of our members are there, and we serve most of the province's population.

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We embody a movement of results-oriented environmentalists, delivering programs and services that are designed to achieve immediate, measurable environmental gains. We do that by establishing a wide range of cross-sectoral partnerships at all levels—community, provincial and national—with all sectors of the community—business, media, community groups. Certainly municipalities are key partners; also utilities of all types. Our members determine what the local priorities are and deliver a range of services and programs that deal with really all aspects of the environment: green space, pesticide reduction, sustainable transportation, water conservation—you name it.

We're quite an involved organization after 10 years or so of Green Communities Canada, and some of our members have been around longer than that. Our involvement with the provincial government includes a \$1-million-plus program that we deliver on private well stewardship called Well Aware that is currently being reactivated with the Ministry of the Environment, and another program that we're working on with your Ministry of Health Promotion. It's called Active and Safe Routes to School. It's about getting kids out of the cars and back on the streets.

Energy efficiency is a real focus for us. For well over a decade we've helped people to save energy in their

homes by providing quite sophisticated advice on how they can reduce their energy consumption through measures such as air leakage control, insulation, heating system upgrades and so on. Today, we're leading service providers of a service called EnerGuide for Houses. I'd like to speak about that for a minute because it's very relevant to our presentation.

EnerGuide for Houses is a national tool, a benchmark for energy performance of houses in Canada. It's internationally recognized. Again, it's a sophisticated system that utilizes quality-assured test procedures, software and highly trained advisors who do the work. It includes an air leakage test and, for those who have ever had one on their house or witnessed it, it involves reducing the air pressure in your house to determine in fact how much infiltration there is, which is generally the greatest source of heat loss in your home. The recommendations have a wide range of benefits, including energy bill savings, but also increasing the value of your home, increasing comfort, making certain rooms usable that weren't otherwise usable and so on, as well as the environmental benefits, which is a key reason why we're in this game. The service is subsidized by the federal government, which also provides a performance-based incentive in the form of a post-retrofit grant.

Our involvement in this service goes back to 1997 when we actually were the pilots for the federal government in delivering this. Since then, we've done about 50,000 of them: a fifth of all the EnerGuides done Canada-wide and three out of five in Ontario. We have established the highest standards of technical excellence, quality control and delivery. We often work with Natural Resources Canada to help to modify the program and improve it.

We also originated the idea of the retrofit incentive program, which is an outgrowth of EnerGuide for Houses. Essentially, you get a cheque based on the demonstrated improvement in home performance as measured by EnerGuide for Houses. The federal government initially committed \$75 million, and last year upped that by another \$275 million for delivering that retrofit incentive Canada-wide. It's a commitment over the next four years.

That's had an enormous impact on participation in the program, and also the results. We just looked at our last-year results. Our customers in Ontario in 2005 invested in about \$10 million in retrofits, received \$2.8 million in incentives and their annual savings are \$2.5 million. We're looking at generally more than a third in savings of space heating costs. So we're talking about some serious, deep energy bill savings here and some serious environmental benefits.

We've also been champions in establishing a national low-income energy efficiency program, and recently we were successful. As you may know, the federal government has committed \$500 million over the next five years for a national low-income energy efficiency program, because EnerGuide for Houses serves the able-to-pay market, but the people who are hardest hit by high

and rising energy costs usually have very limited means to protect themselves through energy efficiency, so we're pleased that's happening.

The broad intent of Bill 21 is quite clear, but our first recommendation would be to strengthen the mission through a stronger preamble, that Bill 21 include a clear statement of purpose to: conserve energy; reduce energy bills; improve air quality and protect the health of Ontarians; reduce greenhouse gases; protect the environment; improve the energy productivity and competitiveness of the Ontario economy.

We say this partly to guide the development of implementing regulations to inspire the implementation of the bill and also to acknowledge the broad range of benefits that arise from energy efficiency that are sometimes underestimated. In particular, I draw your attention to the last one. We're talking about energy productivity and competitiveness. In an era of rapidly and continually escalating energy costs, an economy like Ontario can't afford to be wasting energy on leaky, poorly insulated buildings. It's an economic development and competitive issue, as well as being a personal bill issue, an energy planning issue and an environmental one.

(2) We would like to see subsection 2(1) of the bill strengthened to require, rather than simply enable, mandatory universal labelling of building energy performance at point of sale, lease or transfer. We believe this will provide the basic consumer information that we all need about the buildings that we, as homeowners or owners of commercial and other institutional buildings, require. Universal energy efficiency labelling has been adopted for many energy-consuming products, but we don't have it for buildings, which consume a lot more than many of the products that are currently labelled.

Our experience with voluntary labelling in the residential sector has been wonderful; it has shown the benefits and value of the system. But the penetration of the housing stock now is still only less than 1% of the houses in Ontario. It shows that if you want the benefits to be extended, as I believe we do, to all residential building owners and also all owners of other buildings, then we should go to a universal system. I draw your attention to the fact that the European community adopted directive 91/EC in December 2002, which actually requires member states to ensure that when buildings are constructed, sold or rented out, an energy performance certificate is made available to the owner by the owner or the prospective buyer or tenant, as the case may be. They say the validity of the certificate shall not exceed 10 years. So this idea of universal labelling is already the law of the land in Europe. Industrial countries similar to Canada are already going down that road and are in the process of implementing that approach.

(3) EnerGuide for Houses should be adopted as the standard for labelling residential buildings. There are a number of reasons for that: EnerGuide is a trusted brand, it's recognized across Canada, it has already been proven and developed in use, a number of utilities in provinces have built programs that are based on EnerGuide for

Houses, and there would certainly be an easy fit with existing funding, including the federal retrofit incentive program. It would allow comparability of Ontario statistics across the country.

Also, EnerGuide provides the necessary depth for a meaningful building performance rating system. It includes air leakage control, as I described—air leakage measurement, which is again one of the primary concerns—and a thorough basement-to-attic energy audit. Next, it provides recommendations for priority retrofit, so it's not just a measure of where you are today, but it tells you how to get to the point where your home performance will be brought up to what's economically achievable. We think this is critical. Bill 21 isn't just about where you are today; it's about improving energy efficiency, so those recommendations, very targeted and very specific, are an essential part of what I think you want to do, and we'd like to see that incorporated.

Finally, there is already a delivery in place for EnerGuide for Houses and it would simply be a matter of ramping that up. It includes quality assurance, which is really critical to us. We don't want to see the service degraded by becoming universal. We think that at the same time as it's applied universally, we have to maintain very high standards.

1150

(4) Where EnerGuide for Houses is not applicable for certain types of buildings, we believe the province should join with the federal government, the Office of Energy Efficiency and EnerCan in establishing standard measurement protocol for other kinds of buildings. EnerGuide for Houses is really just for single-family houses, low-rise townhouses, semi-detached and so on. For high-rises, for many commercial buildings and so on, you need other kinds of measurement tools. We believe those should be established.

(5) We'd like to see Bill 21 amended to enable the province and local governments as well to establish minimum energy efficiency standards for existing buildings. We'd like enabling legislation that would allow the province but also individual municipal governments to say, "These are the standards that we would like to require for buildings." The reason we would like to see this happening is because it would enable us to get at the existing building stock, which is the major part of what's out there. Building codes can affect what happens up front, and we obviously believe those need to be strengthened, but we're largely in the business of how to retrofit existing buildings, and this is part of the job that needs to be done if Ontario's going to achieve its conservation goals. You can do it with products like fridges, freezers and even automobiles by setting very high new standards because there's a turnover in the stock, but many of the buildings we have today are going to be in use 20, 50 and maybe even 100 years from now, so we have to get at those buildings if we're going to achieve our overall goals.

I'd like to emphasize that it would not impose an undue financial burden to have these kinds of require-

ments exercised because the amount that needs to be spent on upgrading energy efficiency is actually pretty tiny compared to what we know people already spend on an annual basis in remodelling their bathrooms and kitchens and putting in additions and so on. Furthermore, it pays. It pays in reduced energy bills, in increased value of property, in increased usability of the property and so on. So we don't think that would be undue.

(6) I'd just summarize that there needs to be a whole infrastructure in place to help make this happen, a contracting infrastructure, which is underdeveloped in Ontario. We believe the province has a role to help that happen. I won't go into the details. We give some more details here. That's something we would follow up on.

(7) In developing and implementing the regulations for this legislation, we believe that you should work with those of us who've got experience in this field. We'd be more than happy to consult with you on a much more detailed basis about how to achieve these objectives.

Finally, I said I was going to mention our potential role relative to section 7 of the bill, which enables the minister to enter into agreements to promote energy conservation and energy efficiency. The strength of Green Communities is community-based social marketing. We reach people where they live, where they work. We address the real-world obstacles and barriers to changed behaviour, what inspires them and what makes them take initiative. This is the way that you're going to achieve change. I think most people recognize that, as nice as it might be to have mass-marketing techniques used, they're not going to get the job done. You have to reach out to people. This is what our member organizations do, and we would be very pleased to work with the provincial government, as we have in the areas that I've cited, to help make this happen at the community level.

That's my presentation. Thank you.

The Chair: Thank you, Mr. Maynes, to you and your colleagues. We have less than a minute or so each.

Mr. John O'Toole (Durham): Thank you very much for your presentation. I would say at the beginning that I've had a home energy audit done on a property by Peterborough Green-Up and I'm looking forward to using their advice to make the proper modifications. I think you're right in your last remarks: It's grassroots, it's consumer relationship, it's about education and about advice. I think that needs to be empowered, and I'd probably encourage similar retrofit grant mechanisms based on the efficiencies gained that address the next point I'd make, which is this whole idea of the conservation culture. The only thing I've seen published from Mr. Love, the commissioner, is his salary. That is a bit critical, I suppose.

Conservation is an important part of the solution to this problem. The big part of Bill 21 technically is this introduction of these so-called smart meters, because they're really not smart; they're time-of-use. You could send them a memo and say, "Talk to your freezer. Talk to your heater. Talk to using efficiency in your home," whether it's the fridges, the bar fridges, whatever, and

not have to install any technology. In fact, if they wanted smart technology, you could really start to use wireless technology to control remote properties and do a lot of things that aren't envisioned in this first wave of so-called smart meters.

I'm wondering what the first signal from the government could be, besides the \$8 or \$10 a month on your bill for this meter that doesn't actually do anything—no, it really doesn't. You can send them a memo and tell them how to shift some loads. What kind of—

The Chair: Mr. O'Toole, I have to cut it there. Gentlemen, feel free to address that in the next point.

Mr. Hampton, please, about 90 seconds or so.

Mr. Hampton: I want to ask you this question. As I understand it, Manitoba has a retrofit program for homeowners' homes called—I think it's Power Smart. I believe Quebec has one called Energy Wise. As I understand it, some of the programs are implemented by energy ministries in those provinces, some by Manitoba Hydro, Hydro-Québec. Have you worked with those? How effective are they? Why don't we have one yet in Ontario?

Mr. Maynes: The most effective thing that's happened to date to encourage retrofits has been the addition of the federal government's retrofit incentive to the EnerGuide for Houses. The average incentive is about \$700 now, I think, but people spend about four times that amount.

Some of the provinces—and this is all fairly new and I don't have all the data on it—are doing things like saying, "We'll match the federal incentive," or "We'll match it for electrically heated houses," or "We'll create a program that specifically targets low income" and so on. So there are various ways in which provinces are doing these things, and we'd be happy to follow up, if you'd like, with details about what some of them are.

The Chair: Thank you, Mr. Maynes. Please feel free for that follow-up.

We'll now move to the government side; again for 90 seconds.

Mr. Leal: I want to thank Clifford Maynes from Peterborough for coming here today and sharing his expertise in this area. I had the energy audit in my home in Peterborough and saved money.

I just want to make a comment that Mr. Love's salary is a piker compared to what our previous administration paid to Eleanor Clitheroe. I'll get my colleague Jennifer Mossop to ask some questions.

Ms. Jennifer F. Mossop (Stoney Creek): I was just going to quickly make the comparison on the smart meters. We were discussing in rural caucus recently about changes made many decades ago when they finally decided to bring water meters in in many communities, and everybody thought that was a terrible expense to put these things on people's buildings. But lo and behold, the consumption of water dropped 75% as a result. Maybe the smart meters are a bit of a refinement of that.

But my question to you is, in your experience, which is quite vast, are your clients driven bottom-line or is

there any real culture of conservation in terms of the responsibility to conserve?

Mr. Maynes: I'll ask Keir to make a comment here.

Mr. Keir Brownstone: There has been a shift over the years. When the EnerGuide programs first started, the largest driver for participation was comfort by far and away. The second was energy cost. That has shifted significantly in the last few years, where energy is becoming much more important and maybe equal, if it hasn't overtaken comfort. Unfortunately, the driver of the environment and responsibility towards the environment is still pretty far down that list.

The majority of our clients are concerned with issues of the environment and they do appreciate the fact that they're doing some good in terms of CO₂ reductions that are significant. In each house, in fact, the reduction is over three tonnes per household on average. But the difference, where the rubber hits the road, is where they're going to take money out of their pocket, and they're taking money out of their pocket to reduce costs and to improve comfort.

The Chair: Thank you, gentlemen, Messieurs Maynes, Brownstone and Kopperson, for your testimony on behalf of Green Communities Canada.

I'd like to advise members of the committee that we are in recess till 1 p.m.

The committee recessed from 1200 to 1303.

ADVOCACY CENTRE
FOR TENANTS ONTARIO

LOW-INCOME ENERGY NETWORK

The Chair: Ladies and gentlemen, I will call the committee back into session, and we'll proceed immediately to our first presenters. I would invite Ms. Mary Todorow and company from the Advocacy Centre for Tenants Ontario. Ms. Todorow, just to let you know the protocol here, you'll have approximately 20 minutes in which to make your remarks. If you use, for example, 15 minutes or so, any time remaining will be distributed among the parties evenly. I invite you to please begin.

Ms. Mary Todorow: Thank you. My name is Mary Todorow. I am a policy analyst with the Advocacy Centre for Tenants Ontario, a provincial legal aid clinic funded by Legal Aid Ontario. I'm here with Mary Truemner, who's a staff lawyer at our clinic, and with Zeenat Bhanji, who is the coordinator of the Low-Income Energy Network.

ACTO is one of the founding members of the Low-Income Energy Network. We're a group of environmental and affordable housing advocates. We joined together in early 2004 to raise awareness of the impact of rising energy prices on low-income households and to suggest solutions to aid these vulnerable consumers. Our approach places the greatest emphasis on reducing energy consumption and costs for those least able to afford higher energy prices and who face barriers to full participation in energy conservation initiatives. LIEN has

highlighted the need for the Ontario government to take the lead in safeguarding low-income consumers as it moves forward with its plan to address the energy supply and demand crisis in this province.

We recommended a strategy consisting of a targeted low-income energy efficiency program at no cost to recipients; low-income rate assistance; extensive consumer education about energy conservation; and adequate emergency energy assistance to help households in short-term crisis.

We're here today at these public hearings on Bill 21 to share our concerns about a proposed government initiative that would extend smart metering to include multi-residential buildings that are currently bulk-metered and would allow landlords to unilaterally install electricity sub-meters in order to bill tenants directly for their in-suite electricity use and separately from their rent. We understand the government is preparing amendments to Bill 21, or regulatory provisions, to allow sub-metering in multi-residential rental buildings without tenant consent. The provincial government's rationale is to involve the multi-residential sector in the culture of conservation being promoted as part of the plan to reduce peak electricity demand. The goal is to give multi-residential households direct control over their electricity use and to allow these consumers to get credit for changing the amount or the timing of their electricity consumption.

We believe that proceeding with smart metering and electricity sub-metering in the multi-residential rental sector is a flawed conservation strategy that will significantly decrease, not increase, incentives to save energy in the multi-residential rental sector. In addition, by moving to time-of-use pricing for in-suite electricity use, the government will increase the financial burden on low-income tenant households and threaten their ability to keep the lights on, maintain their housing and pay for food, medicine and other basic necessities.

This is our key message to you today: By shifting the burden from landlords to tenants, smart sub-metering in multi-residential buildings will reduce conservation incentives overall in this sector and will hurt low-income consumers. It's a lose-lose situation.

In May 2005, LIEN released a critical analysis of sub-metering in the multi-residential sector. I haven't given you the full report, but I've given you the executive summary. It's in your package and it's available online. We'd like you to read it in full. In it, we explained why sub-metering is not cost-effective, not an effective method to achieve the government's conservation goals, and not fair to tenants. I'm going to highlight for you why we came to these conclusions.

There are no comparative studies or analysis on the costs and benefits of sub-metering versus other conservation strategies, such as energy efficiency retrofits and education. We've asked for these reports. We did a cost analysis in our own report where we found that the cost of installing and operating these meters was more than you could potentially save in most of the scenarios that we examined. We've looked and we've asked, and we haven't been able to get any other studies.

Before the government moves forward on such an enormous undertaking, there is a need for a proper analysis of the potential of smart metering and sub-metering as conservation tools and for a cost-benefit comparison with other conservation approaches, including energy efficiency retrofits and education.

The bulk-metered, multi-residential sector is responsible for a relatively small portion of the electricity use in Ontario, about 7% of annual electricity consumption across the province. In contrast, Ontario's almost four million residential single-metered customers account for 24% of the electricity used in the province, and large commercial and industrial users account for 50% of annual electricity use.

Less than 30% of apartments in Ontario are electrically heated. Non-electrically heated buildings are bad candidates for electrical sub-metering because there is minimal conservation potential and the tenant's ability to reduce electricity consumption is limited. This is because uses for electricity in a non-electrically heated building are largely non-discretionary; for example, the fridge has to run, you have to turn lights on to illuminate the rooms and you have to cook your meals. This is for non-electrically heated buildings.

If an apartment is electrically heated, a tenant can turn down the heat, but only if there is an in-suite thermostat in place. The factors that determine how much they can turn down the heat to a safe and comfortable level are largely determined by how energy-tight the unit is, and that's mostly in the control of the landlord.

Tenant households generally use less energy than homeowners do because, on average, it's a smaller household size—it's 2.09 compared to 2.69, on average—and they live in smaller spaces. The average apartment is about 990 square feet.

Households in the lowest-income quintile in Ontario—and the majority of those are tenants; over 70% in the lowest-income quintile—have fewer appliances, on average, and fewer opportunities to conserve. This is especially relevant with respect to smart metering, since tenant households are the least likely to have washing machines, dryers or dishwashers in their homes, and they have no control over the energy efficiency of landlord-purchased refrigerators. Tenants have the least capacity to shift their energy use to lower-cost, off-peak time.

The installation of time-of-use or sub-meters behind bulk meters does not, in and of itself, save energy. Time-of-use meters or sub-metering works no magic on heating or cooling equipment, appliances, lighting or plumbing systems.

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The theory behind the energy conservation potential of smart meters or sub-metering is based on the effectiveness of price signals that would be sent to tenants. The premise is, if the tenants do not pay directly for utility service, they're wasting energy, and the transfer of utility costs directly to tenants will foster more frugal use of energy. However, tenants are not well equipped to respond to price signals for two reasons: Tenants don't

have the authority to undertake in-suite energy efficiency retrofits; and low-income tenants can't afford to invest in those types of retrofits to do the energy conservation.

The incentive structure for energy conservation in the residential rental sector is significantly different from homes, condominiums and social housing. In the case of condominiums and single-family dwellings, the owner and resident are one and the same. In the social housing sector, there's a community of interest between social housing landlords, who fund tenant subsidies, and the tenants. In contrast, in the rental housing sector, the owner and resident are separate, with markedly different interests. The landlord's purpose is to make a profit and minimize costs, while the tenant seeks a safe, comfortable and affordable home. This split incentive creates a barrier to energy efficiency. The concern at its most basic level is that if the landlord does not pay for the electricity, the landlord will have no incentive to conserve; conversely, if the tenant does not pay, the tenant will have no incentive to conserve.

It is our position that sub-metering puts the financial incentive to conserve in the wrong place. With bulk metering, the landlord pays for electricity, and the financial incentive for conserving lies primarily with the landlord. Sub-metering shifts the incentive to conserve from the landlord to the tenant. This shift shields the landlord from the responsibility to provide and maintain on an ongoing basis an energy-efficient building and appliances for the use of tenants. This represents a significant lost conservation opportunity. It's flying in the face of everything you want to achieve.

The most conservation bang for the buck comes from leaving the incentive with the landlord. It is landlords, not tenants, who have control over most of the high-impact and persistent sources of energy conservation. We've demonstrated this; we put it in your information package. We took the federal government's One-Tonne Challenge, a challenge to all of us to reduce our energy use. We basically just did the scoring—what's within the landlord's realm and what's within the tenant's—and most of the measures that have a high impact on energy conservation rest with the landlord.

I want to let everybody take a moment and think about who are going to be the real winners and losers with smart metering or electricity sub-metering. That's really what we want you to do; just think about it. We think the real winners are landlords and suppliers. The meter and billing services companies win because they realize a significant business opportunity with the installation and operation of thousands of new meters in rental units across Ontario. Landlords win because they get an increasing-cost item out of their operating budget.

Tenants stand to lose in many ways. The median income of Ontario's renter households is less than half of homeowner households: \$32,000 versus \$66,000. That's from the last census. The median means that half of renter households earn that and below. According to Statistics Canada data, more than a third of all tenant households in Ontario are living at or below the low-

income cut-offs. Stats Canada doesn't formally recognize those as poverty lines, but most people who are anti-poverty advocates have adopted those as good measures of people living in fairly strained circumstances.

Persons on social assistance, single-parent families, elderly women, visible minorities, immigrants and persons with disabilities are all over-represented in the population of low-income tenants. These vulnerable households in particular will be disproportionately hurt by sub-metering and rising energy costs.

One additional consideration: If the government allows landlords to sub-meter without tenant consent, it will be breaking the tenancy contracts between landlords and tenants and imposing a steadily increasing charge on tenants that will have a severe impact on those who are low-income. This is a radical departure from the last 30 years of landlord-tenant and rent regulation legislation in Ontario. Having utilities included in the rent is a fundamental and valuable term of many residential rental contracts between landlords and tenants. If the government allows landlords to unilaterally remove utilities from the rent without tenants' consent, it will be removing statutory protection that many tenants have contracted to expect.

While everyone must do his or her part for energy conservation—we don't dispute that—we believe, for the reasons we have highlighted today and set out in detail in our report, that the government should not proceed with smart metering and electricity sub-metering in the multi-residential sector. We think the focus should instead be on:

- conservation and demand management programs for landlords and tenants;

- education and social marketing targeted at landlords and tenants to change attitudes about conservation, giving them the information they need to reduce usage;

- further studies on achieving energy conservation without increasing the financial burden on tenants—that would include pilot projects;

- a detailed and neutral analysis of the impact of smart metering and sub-metering on energy usage in the rental sector.

If the government does decide to go ahead with the smart meter initiative and go ahead with electricity sub-metering, we've made a number of recommendations—we had them in our report and I've attached them here—on ways that you could mitigate the damage. We hope you will read through them.

We also strongly recommend that tenants and tenant advocacy groups be included in any stakeholder consultations regarding implementation of smart metering and electricity sub-metering.

Thank you for letting us share our concerns with you today.

The Chair: Thank you, Ms. Todorow. We'll now move to the NDP side. I remind us that we have about three minutes or so each.

Mr. Hampton: Can I ask you this: Has there been any consultation so far between the government and tenants'

organizations such as your own on what the government's intentions are, what the potential negative impacts would be not only on low-income tenants but on low-income families in general? Has the government come to talk to you at all on these issues?

Ms. Todorow: They have, and they recognize that it will have an impact on low-income tenant households in particular. But my understanding is that they feel that they will be gaining kilowatts saved through this venture. Looking through the OEB's own implementation plan, it shows that in non-electrically heated residential units there's very little actual overall conservation that you can achieve. You could time-shift the use but you're not actually reducing. They said in the appendix to their smart meter implementation plan that it's 0.0% to 5%.

When we went through our cost analysis—the cost of installing these, the admin cost to produce the bills etc., all of that, particularly in non-electrically heated buildings, which is the majority of these bulk-metered apartment buildings—we found that you're spending more than you can possibly save in energy, all the costs involved.

We particularly think that we really need a real, impartial study because most of the stats are coming directly from sub-metering companies, who have a financial interest in this. There's been no neutral, impartial analysis of what will happen before and after and how it affects housing affordability and comfort. People may be turning down the heat so low that they get sick. They found this in the UK. When they wanted to reduce health costs, they went out and did a home energy efficiency program for low-income people to reduce the draw on the health system.

We think there just hasn't been enough study done of it. We think that for such an enormous undertaking that has such a huge, negative impact on people, and to not really achieve the conservation goals that you really want, don't go ahead unless you've really done your homework.

Mr. Hampton: One of the recommendations of the Canadian Environmental Law Association, in *Power for the Future*, was that the government should establish mechanisms to ensure the delivery of programs to low-income consumers. These “should be incorporated into the DSM mandates and incentives provided to energy and electrical distribution utilities. A specific portion of DSM spending should be set aside for this purpose, including revenues from the public benefits charge....” In other words, government needs to establish a very targeted, low-income energy efficiency strategy.

The environmental law association made this recommendation two years ago. In their report of just a few weeks ago, they say that nothing has been done on this front, from their perspective.

The Chair: Mr. Hampton, I'll have to intervene there. I apologize. We'll now move to the government side. I remind you that you have less than three minutes, please.

Mr. Leal: I want to thank you for your very detailed presentation. I want to ask a question about LDCs. I

know particularly in my hometown of Peterborough, with low-income housing, our LDC, the Peterborough Utilities Services, has had great success with electric thermal storage heaters. Is it a good idea to advance that kind of concept on a wider basis?

Ms. Todorow: Absolutely. I know about that project because the Low-Income Energy Network has been trying to target the low-income and social housing programs that are currently included in LDCs, in what Mr. Hampton was saying. LIEN has been advocating for a province-wide, comprehensive, mandatory program. We actually made presentations at the OEB. What happened was that the OEB told LDCs they could do it at their discretion. It was encouraged but not mandated. But this is excellent. There are about 33 utilities across the province that have included targeted programs, but that's out of 95.

It means that people don't have uniform access to those programs. It's not across the province, it's not coordinated and it's not comprehensive.

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Mr. Leal: A follow-up: Do you have any specific amendments? I haven't had a chance to read your recommendations yet, targeted to provide assistance to your group. If you have any specific amendments to the legislation, I wonder if you could forward them to us, so we have the opportunity to look at them as we move forward with our deliberations on this bill.

Ms. Todorow: We will, and we have lots of them attached to our full report, which is available online. You have the executive summary, and you can read it. We've attached it to our comments.

Mr. Leal: I truly appreciate your good work in this field and I think there are some helpful suggestions we can seriously look at.

The Chair: Thank you, Mr. Leal.

Mr. Yakabuski: Thank you very much for your presentation. I have a couple of questions. You were talking about sub-metering, in your opinion, being harmful to the low-income tenants in a building.

Ms. Todorow: As well as not achieving the full energy conservation policy.

Mr. Yakabuski: Exactly. Would I be wrong in making the leap that in any given building it's not likely you're going to see CEOs from Bay street and low-income tenants living in the same building? In general, people in similar income categories live in the same buildings. If I'm wrong, you can tell me, but if that is in fact a generally accepted norm, then how would the individual metering of that particular building be anything but fair to all the tenants in that building, who are all paying for the electricity they themselves use? If someone is actually paying for something, out of their pocket, and recording it and knowing it and calculating and accounting for it, would you not feel that is an incentive for them to watch their dollars and cents?

Ms. Todorow: Our point is that in non-electrically heated buildings there is so little discretion in terms of watching your pennies and doing that. We all have to

conserve. I think that basically everyone in the building should be doing their best to turn off the lights and reduce their usage, but the main things you can do in non-electrically heated buildings—it really doesn't matter about your income level. What you're saying is that some people may be using more, and why would the other person be subsidizing the other person's usage?

Mr. Yakabuski: But if income doesn't matter, then how is it hurting low income as opposed to others? You're flipping now to the efficiency of doing the building, period—

Ms. Todorow: That's right.

Mr. Yakabuski: —away from the income. Low income is a very common condition in my riding. We are one of the lowest three in the province as far as average income in my riding is concerned. I recognize that and the difficulties low-income people have with energy costs, as well as all other housing costs. I don't want to not have that connection, because you're slipping away from that connection and going now to the general premise of there are no savings. Which is the priority here?

Ms. Todorow: I think the priority is to do two things: It's to get the best conservation bang for your buck, and to also make sure that people's housing is not threatened.

The Chair: Thank you, Mr. Yakabuski, and thank you, Ms. Todorow, and your colleagues from the Advocacy Centre for Tenants Ontario.

ELECTRICITY DISTRIBUTORS ASSOCIATION

The Chair: I now invite our next presenters, Michael Angemeer and Charlie Macaluso, from the Energy Distributors Association. Gentlemen, please be seated. As you've seen, you have 20 minutes to make your presentation, the time remaining being distributed evenly among the parties for questions and comments. Please begin.

Mr. Charlie Macaluso: My name is Charlie Macaluso. Good afternoon. I'm the president and CEO of the Electricity Distributors Association of Ontario. I'm joined here today by my colleague, Michael Angemeer, who is the vice-chair of our association, and Michael is also with Veridian Corp.

The EDA is the voice of Ontario's local electricity distributors, the approximately 90 public and privately held companies that deliver electricity to over four million Ontario homes, businesses and public institutions. LDCs are an essential piece of Ontario's electricity system, as their business is focused on the reliable and safe delivery of electricity. LDCs also deliver significant economic benefits to Ontario each year: They provide almost 10,000 jobs to Ontarians; they stimulate Ontario's economy through a payroll of well over half a billion dollars; they invest almost \$1 billion in Ontario's infrastructure; they contribute over \$150 million through proxy taxes to the provincial government against the stranded debt of the former Ontario Hydro.

LDCs are closely linked to their communities, not just because they facilitate and promote economic development; they also maintain their community's system of electricity wires, they are the primary electricity billing agents dealing directly with residents and small businesses, and they are mostly municipally owned.

LDCs are very committed to electricity conservation. They create and implement conservation programs across the province, saving consumers money, protecting our environment and helping to solve Ontario's energy supply challenge.

In the spring of 2005, the Ontario Energy Board approved over \$160 million in conservation and demand management applications submitted by almost 90 of Ontario's electricity distributors. I won't get into detail today, but the initiatives included, among others, programs to promote efficient lighting, heating and appliance activities and conservation education for consumers; pilot programs for smart meters; increased research, development and improvements to distribution networks; most recently, the development and launch of the powerWise conservation brand, which will be an important flagship for the continuation of the conservation culture that many of our LDCs have partnered with the government to promote.

The EDA and the LDCs believe that Bill 21, the Energy Conservation Responsibility Act, is a next step in the movement towards a conservation culture in our province.

I will now turn over the presentation to my colleague, who will speak to the specific elements of Bill 21.

Mr. Michael Angemeer: Thank you, Charlie. Good afternoon to the members of the committee. My name is Michael Angemeer. I'm vice-chair of the EDA and president and CEO of Veridian Corp. First of all, I would like to thank you for your invitation to participate in this process and to be given the opportunity to provide you with an LDC perspective on Bill 21.

For local distributors, this enabling legislation provides the framework that will facilitate the smart meter initiative in going forward.

I would also like to applaud the government's conservation efforts. Local distribution companies play an important role in Ontario's conservation culture as leaders in conservation and demand management activities, known as CDM, since LDCs are on the front lines of delivery for the CDM programs.

LDCs are also on the front lines when it comes to the delivery of smart meters. The smart meter pilot projects carried out by LDCs provide invaluable data and information, lessons learned that can be leveraged by the province as a detailed implementation plan is formulated. The pilot projects allow LDCs to test technologies best suited to their customers in local communities and will also enable LDCs to provide meter services that are innovative, reliable and have been vigorously tested. The EDA and LDCs look forward to continuing to work with the government on the implementation details of the smart meter process and the entire conservation file.

Comments today are meant to provide constructive feedback to the government on the proposed legislation. I'd like to begin by focusing on the positive elements of Bill 21.

The bill begins the process of scoping out activities for the various parties necessarily involved in the delivery of this initiative. Bill 21 allows the ministry to issue directives to the OEB to allow distributors to recover costs associated with smart meter deployment, and provides the minister with the authority to make regulations relating to the establishment of variance accounts by the SME and the LDCs. The bill also puts in place a framework for the recovery of costs related to smart meters, including the recovery of stranded meter costs, which are legacy assets.

However, the EDA and the LDCs do have some concerns with Bill 21. As the ministry is aware, many of the design details of the smart meter system still need to be determined. Accordingly, the legislation has been drafted to maximize the flexibility of the decision-makers as design decisions are made down the road. The result, therefore, is that the SME is currently provided with an unfettered ability to carry out the very broadly defined smart meter initiative.

The EDA is concerned that overly expansive definitions are used to define the roles and activities of the SME. The EDA and the LDCs believe that key discussions and decisions need to occur in advance of the passage of the legislation in order to effectively capture the intended activities and corresponding boundaries of the SME.

Examples of discussions that need to take place include governance issues, design issues, including functionality. It's difficult to comment on draft specifications for the AMI, and proposed legislation when the role/structure/boundaries of the smart meter entity are not known, especially when such broad language is used. The EDA would be pleased to participate in these discussions.

Although recognized in the media release and backgrounder for Bill 21 and the initial draft AMI specifications, though not the subsequent draft, the historical role of local distribution companies to own, install, operate and maintain the new meters is not entrenched in the legislation. The EDA believes that the historical role of the LDCs should be captured in the legislation in order to ensure that the business functions of LDCs continue to be protected into the future.

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There is significant concern that the current language of the legislation is far too broad and may lead to potential problems in the future; for instance, the bleeding of activities of other system participants such as the SME into the historical business area of the LDCs.

Further, a new section 28.3 in the Ontario Energy Board Act, 1998, would allow the Minister of Energy to issue directives to the OEB to amend licences of the SME, distributors, retailers, transmitters or the OPA. It would then be possible, under the current legislation, for

the minister to grant exclusive rights to the SME to carry out its activities and store smart meter data which would not recognize the participation of distributors.

Section 53.17 has provided much concern to various LDCs participating in smart meter pilot projects across the province, but I understand that was clarified this morning by the minister. The section requires distributors to not conduct any discretionary metering activities after November 3, 2005, unless the distributor has been authorized by a regulation, an order of the OEB or a code issued by the OEB or by the Electricity and Gas Inspection Act. Although the ministry has indicated that this section was meant to reduce the possibility of creating additional stranded meter assets, some distributors with smart meter pilot projects that have not been explicitly approved by the OEB or are above the approved cost levels are indicating that they may suspend their pilot projects. We understand that the ministry has tried to provide direct feedback to inquiries from individual utilities; however, a more general clarification would be greatly appreciated so we can relieve this concern.

Section 53.20 of Bill 21 gives the Lieutenant Governor in Council broad powers to make regulations on the smart meter initiative, including requiring actions by distributors with respect to the installation of prescribed meters for prescribed classes. This section allows the government, as opposed to the OEB, to determine how smart meters will be phased in. With respect, the EDA feels that the OEB may be in a better position to facilitate the phase-in process for smart meters since the OEB is seized with all financing aspects of the smart meter program and deals with the LDCs' rate applications and CDM activities.

Schedule B of Bill 21 proposes amendments to the Electricity Act to establish a smart metering entity. Among the objects of the smart metering entity set out in the proposed section 53.8 of the Electricity Act are the following:

"2. To collect, and to facilitate the collection of, information and data and to store the information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect and store the data.

"3. To establish, to own or lease and to operate one or more databases to facilitate collecting, storing and retrieving smart metering data.

"4. To provide and promote non-discriminatory access, on appropriate commercial terms, by distributors, retailers, the OPA and other persons,

"i. to the information and data referred to in paragraph 2, and

"ii. to the communication system that permits the smart metering entity to transfer data about the consumption or use of electricity to and from its databases, including telecommunication equipment and technology and associated technology and systems."

Section 53.14 specifically authorizes the smart metering entity to "collect information and data relating to the

consumption or use of electricity from consumers, distributors or any other person" directly or indirectly. The smart metering entity is also authorized to "manage and aggregate the data related to consumers' electricity consumption or use."

Section 53.15 specifically obligates that "distributors, retailers and other persons shall provide the smart metering entity with such information as it requires to fulfill its objects or conduct its business activities."

As well, schedule C of Bill 21 proposes amendments to the Ontario Energy Board Act. The smart metering entity will require a licence from the Ontario Energy Board. In proposed section 28.3, the Minister of Energy is authorized to issue directives to the board with respect to conditions to be included in licenses issued by the board. Through such a directive, the minister can require the board to include conditions in licences that provide for the "circumstances in which the smart metering entity shall provide a person with access to information and data relating to consumers' consumption or use of electricity" that it has collected.

As a result of these proposed legislation changes, there is a tension between the object of the smart metering entity to provide non-discriminatory access to distributors, retailers, the OPA and other persons, on the one hand, and the minister's directive power to require the board to include conditions in licences relating to access to information.

As a starting point, information on a consumer's consumption and use of electricity is generated by the consumer but measured by a smart meter owned and operated by a distributor. Under the current regulatory regime, it is recognized by the board that the information belongs to the consumer. This recognition has not been carried through into Bill 21.

Furthermore, Bill 21 obligates a distributor to provide that information to the smart metering entity and imposes on the smart metering entity, as an object, a requirement to provide and promote a non-discriminatory access to that information by distributors, retailers, the OPA and other persons without any recognition of the fact that different classes of persons do not necessarily require that same kind of access to this information.

For example, a distributor requires specific meter information in order to bill its customers. A retailer, on the other hand, does not require customer-specific information but presumably would be interested in access to customers' specific information in order to be able to market products or services to individual customers.

Current rules under existing licences and codes issued by the board have recognized the existence of different requirements and interests as between the distributors and retailers. As a result of the requirement for non-discriminatory access in Bill 21, such a distinction no longer appears possible.

The problem can be solved by amending paragraph 4 of the proposed objects for the smart metering entity to make the non-discriminatory access subject to any conditions in the smart metering entity's licence relating to

protection of privacy; or amending paragraph 4 of the proposed objects of the smart metering entity to clarify that non-discriminatory access relates to access among members of a class of persons rather than access among classes of persons, as follows, “To provide and promote access on appropriate commercial terms by the OPA and other persons and by distributors, retailers and other classes of persons on a non-discriminatory basis to members of those classes”; and amending paragraph 5 of the proposed minister’s directive power to include a reference to protection of privacy.

Non-discriminatory access on appropriate commercial terms: As mentioned earlier, section 53.8 requires the SME to provide non-discriminatory access to the data collected “on appropriate commercial terms” to distributors, retailers, the OPA and others. The notion of “commercial terms” suggests that fees may be charged to distributors to access data that they have provided. This may impede or discourage distributors from accessing data for other optional uses such as CDM research.

Conclusion: The smart meter initiative’s success or failure will ultimately depend on a clear and common understanding of the responsibilities to be carried out by all players involved, including LDCs, the government, the ministry, the Ontario Power Authority and the Ontario Energy Board.

Overall, Bill 21 is a step forward for smart meter implementation and conservation overall. The province’s electricity distributors are encouraged by the number of issues that are being addressed in the proposed legislation. Although a number of details in this legislation still need to be developed, the EDA and Ontario’s distribution companies welcome the opportunity to work with the government and to participate in hearings such as today’s committee hearing on Bill 21.

We have always advocated that by working in partnership with electricity distributors, government and regulators, we can all achieve the best conservation results in the shortest time possible. We already have a lot of utilities working on these programs, and we have results in excess of 100 megawatts that we can report from all of the utilities together. We need to increase that and get beyond the 5% and 10% targets that the government has put out.

I’d like to thank the members of the committee for your attention and consideration of some of the concerns and outstanding issues that the electricity distribution sector has as it relates to Bill 21.

The Chair: Thank you, gentlemen. We’ll move to the government side, about two minutes each.

Mr. Leal: It’s okay.

The Chair: The government passes. We’ll now move to Mr. Yakabuski, then.

Mr. Yakabuski: Thank you for your presentation. First, I want to thank you for the time that your organization and yourselves have given myself and members of our caucus in trying to wade through the complexities of this issue—not just the smart metering, but the distribution of electricity in general. We appreciate that. We also appreciate your input on the bill.

It seems that, in general, you’re accepting or possibly even supporting the smart meter initiative, with some reservations about some of the clauses themselves, particularly with regard to the role of the LDCs, and protection of that role and privacy of the metered party. Is that basically it?

Mr. Macaluso: We appreciate the government’s intent through smart metering to introduce a conservation culture, and it’s our intent to assist the government in implementing that culture. As we outlined in our presentation, for this to be successful, there are a number of issues that we feel can be worked out, but we do need to get them worked out before the legislation is finalized.

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Mr. Yakabuski: These are the suggested amendments?

Mr. Macaluso: That’s correct, yes.

The Chair: No further questions, Mr. Yakabuski?

Mr. Yakabuski: That’s good, thank you.

The Chair: Mr. Hampton, you have about four minutes.

Mr. Hampton: As I look at your brief, you make the point that “many of the design details of the smart meter system ... need to be determined”; you make the point that some of the definitions are “overly expansive”; and you make the point—if I can summarize—that much of this is still vague.

The government started talking about smart meters three years ago. Don’t you find it a bit disturbing that, now entering the third year, any of the concepts of how this might work and who might control it are still very vague?

Mr. Angemeer: A number of things have advanced. I think there has been a lot of work done by electricity distributors to prepare the framework for things like a provincial RFP for meters. There has been a lot of co-operative work between the different distributors and the government to get that going, and that’s very close to happening. There is probably a little less certainty so far about the smart meter entity and the data handling, but we are also working in groups with the government to try and get that put together as quickly as possible. So we’re very hopeful that this will all be coming out very shortly, because to meet the government’s targets we need to get on with putting meters in, making sure that the data’s correct and making sure that the system works.

Mr. Hampton: I want to raise one of the privacy issues. This is mentioned in your brief where you point out that, with the smart metering entity, part of the issue here would be “to establish, to own or lease and to operate one or more databases to facilitate collecting, storing and retrieving smart metering data.” Would I be right in surmising that whoever has control over this data would actually have control over something that could be financially quite lucrative, and that whoever has control over these systems would also have control over something that could turn out to be financially quite lucrative? You’d have detailed information about consumption habits; you’d also have the information system to literally

get into people's homes, not just for the purposes of electricity, but for all kinds of other marketing activities.

Mr. Angemeer: I believe the intention is to basically have that information available on an open-access basis so that distributors, retailers and other parties that need this information to carry out their business activities have that information that they need. One example is for distributors: We're hoping to have information that will allow us to run our distribution system better in terms of outage management, outage notification, load profiles on feeders and so on that will help us to run our business better. I'm certainly hoping that we won't have to pay extra for that information.

The Chair: Thank you, Mr. Hampton. If there's no disagreement, we'll give it to the government for one quick question.

Mr. Mario G. Racco (Thornhill): First of all, I want to say thank you to both the presenters, and particularly to Mr. Macaluso, who resides in the same city I do. Thanks for your presentation. But am I correct that you said that what we are doing in fact will assist the culture of conservation, that it will assist us in learning how to conserve, assist us in deciding when it's cheaper to use electricity or whatever, and therefore in the long term it's going to be a benefit to everyone in Ontario no matter their income or status or whatever?

Mr. Macaluso: The smart meter clearly has the potential to be the first real tool for the consumer to start to understand their electricity bill. So to the extent that that creates a culture of conservation, that's the intended objective of the policy. Certainly, we support putting that policy in place as quickly as we can, but we need a few things sorted out first.

The Chair: Thank you, gentlemen. We'll have to leave it at that. Thank you, Mr. Racco, as well to you, Mr. Macaluso and Mr. Angemeer, on behalf of the Electricity Distributions Association.

DIRECT ENERGY

The Chair: I would invite our next presenters, from Direct Energy. Sara Anghel and Marty Laskaris, please come forward. As you've seen, 20 minutes in which to make your remarks and any time remaining distributed amongst the parties evenly. I would invite you to please begin.

Mr. Marty Laskaris: Thank you to the members of this committee for the opportunity to attend today and present the view and perspective of Direct Energy.

Briefly, to give you an overview of Direct Energy's perspective, we are the largest non-regulated energy retailer and provider of related services in North America. We have over five million customers in North America. We provide energy, natural gas and electricity to a number of customers in several provinces in Canada and many states in the United States. In addition, in the state of Texas we also play the role of a regulated utility.

We are a competitive energy retailer in all the markets that we participate in. In Ontario, we have relationships

with approximately 1.2 million households that we service throughout the province, providing natural gas and electricity, as well as a portfolio of heating and cooling equipment, maintenance and repair services to those pieces of equipment, and support the installation of 1.3 million water heater installations across the provinces. In addition to the equipment that we provide, we provide an extensive portfolio of servicing warranty and plumbing protection plans.

To provide all of that service in the province of Ontario, we have the largest service workforce in Canada that is focused on energy use, high-efficiency equipment installation, maintenance and repair. As a consequence, we invest significantly and heavily in training, certification and accreditation of our workforce.

In addition to the retail side of our operation, we provide electricity generation and natural gas production, owning and operating approximately 3,000 producing and non-producing gas wells in Alberta and three natural gas-fired combined-cycle electricity generation plants in Texas. In addition, we've made an investment in a significant wind farm in Buffalo Gap in Texas.

With the opportunity to comment generally on the Energy Conservation Responsibility Act, we strongly support the initiative that the government has taken in this regard. We certainly support the area of conservation and energy efficiency as it relates to the opportunity to begin to improve energy efficiency levels in real property and believe that it is insightful that it has taken the opportunity to engage itself in an area of the transfer of real property from hand to hand, as most appropriate. We recognize that the challenge of moving efficiency and equipment and the performance of facilities in Ontario is significant and believe that this is a significant and material step in the process which makes significant logical sense.

We also support the setting of targets and objectives that require public sector organizations to prepare energy conservation strategies on a regular basis and are confident that it will ensure positive results. In addition, we support the advent and utilization of measurement and verification and validation criteria and plans in those plants.

Direct Energy is a strong proponent that it is best to allow the private sector to be fully participant and creative in developing creative solutions to energy conservation and energy efficiency programs. Establishing a performance-based and objective-setting environment versus a prescriptive one will ensure innovative programs which will deliver optimum results.

With respect to the involvement of the private sector in conservation in the province, we believe that competitive entities acting under ordinary commercial incentives are best positioned to deliver the benefits of technological innovation while assuming and managing risk. A primary commercial incentive for an organization such as ourselves is the opportunity to develop and continue a direct relationship with our customers. We further call for the examination and consideration of

harmonization of all efforts to encourage and stimulate energy conservation in Ontario by all consumers. By “all efforts,” we mean the consideration of tax policies and programs, incentive policies and programs, and energy efficiency equipment.

In soliciting the involvement of the private sector, we believe that setting objectives and targets is a strong incentive to bring strong consideration and ingenuity into the problem and the challenge that many facility owners and homeowners face as they wrestle with the increasing and variable costs of energy in this province.

With respect to smart meters, Direct Energy is an active market participant in the Ontario market and supports the move to implement advanced meter systems. In conjunction with appropriate pricing, consumers will have the information and tools to conserve. Direct Energy is an investor, a participant and a stakeholder in the deployment of smart meter systems in this province.

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Smart meter implementation, we believe, should be designed and deployed to leverage ratepayer investment by facilitating entry and ongoing active participation by competitive providers of value-added products and services. In particular, we believe that a straightforward smart meter should allow for the addition of peripheral devices and functionality. We believe that a smart meter of this type would be cost-effective, would limit technological and financial risk and would allow additional investment or risk assumption by smart meter users and their energy service providers.

We believe the ratepayer-funded part of the smart meter system should include the meter and one-way communication to deliver the data from the meter to the utility’s billing engine. Any additional functionality should be developed and deployed on a competitive basis.

With respect to demand-response initiatives, Direct Energy, as represented here today, has been designing and implementing demand-response products and systems for businesses and institutions for a number of years. We believe it is a quick step and a short step to develop demand-response products and services to implement in the home and deploy on a mass scale. Many of the projects and pilots are well under way, and Direct Energy is participating with several LDCs on SMS pilots.

Direct Energy applauds the clarity of the legislation in defining the role of the LDCs in relation to the smart meter system, and we support the translation of this clarity in the upcoming regulations.

We believe and support the concept that smart meter data belongs to the customer. We also believe that all recognized market participants require unfettered, near-real-time access to data in order to optimize the investment the province and all ratepayers are making in smart meter systems in Ontario.

In conclusion, we are in strong support of the Energy Conservation Responsibility Act. We support the direction that it is taking and the task it is clearly laying out.

We encourage government to continue to establish and support an environment in Ontario that fully engages competitive energy service providers to leverage smart meter systems and other conservation initiatives and investments. As a consequence of setting that environment, we believe that consumers and competitive entities will collaborate and co-operate to deliver innovative, efficient and cooperative conservation initiatives, ultimately stepping towards the achievement of the objectives of the province.

We also strongly believe there should be serious consideration for review and harmonization of all efforts to encourage and stimulate energy conservation in Ontario by all consumers. We also believe that energy prices must reflect true costs in order to motivate consumers towards conservation.

Thank you, Mr. Chair and members of this committee, for the opportunity to comment. We will continue to welcome the opportunity to participate in the ongoing process as this process moves forward.

The Chair: Thank you for your presentation. We have about four minutes each. We’ll start with the Conservative side.

Mr. Yakabuski: Thank you very much for your presentation today. We don’t have a written submission for you, so it’s a little harder to make notes sometimes and follow along, because we tend to listen all day. We sometimes lose our train of thought here.

You used the comment a couple of times about the direct relationship between consumers and entities, hence, I suppose, the name Direct Energy. But in general, it would appear that you’re in support of the legislation. Certainly, we all support the principle of conservation because it’s going to be an integral part of solving the energy situation that we find ourselves in here in Ontario. I don’t have any direct questions because you didn’t propose any amendments to the legislation in your submission, but I do certainly thank you for joining us today.

The Chair: Thank you, Mr. Yakabuski. We’ll have five minutes each, then, beginning with the NDP.

Mr. Hampton: Have you seen any cost estimates for the installation of a smart metering system province-wide?

Mr. Laskaris: I have seen some very high-level cost estimates, yes.

Mr. Hampton: What are those cost estimates?

Mr. Laskaris: I don’t recall the cost estimates. I saw them in general and not in the context of possibly the way you’re asking the question.

Mr. Hampton: As I understand it, the energy board has said capital costs of over \$1 billion and annual operating costs of \$50 million. Does that sound right to you?

Mr. Laskaris: I can’t comment on that.

Mr. Hampton: There are other folks who have looked at this and said that the cost will likely be \$1.5 billion to \$2 billion in range; that when we are dealing with something as large and as complex as this, you could be

looking at \$1.5 billion to \$2 billion. Do you think that's out of order?

Mr. Laskaris: I cannot comment on the cost. Our position, Mr. Hampton, is that by making sure that the most simple and straightforward system, beginning at the meter, is what is installed, much of the cost or effort required to optimize the effectiveness of the SMS system in Ontario can be borne by the private sector as an investment.

Mr. Hampton: Have you seen any cost-benefit analysis of smart meters?

Mr. Laskaris: I have seen information that draws a direct relationship; that providing information to a consumer in a real-time context can alter behaviour and ultimately have consequence on demand or consumption patterns.

Mr. Hampton: But have you seen any cost-benefit analysis?

Mr. Laskaris: I have seen no direct cost-benefit analysis.

Mr. Hampton: In your line of business, would you make a \$1.5-billion to \$2-billion investment without ever seeing a cost-benefit analysis?

Mr. Laskaris: No, we would not.

Mr. Hampton: This is what I find troubling. I looked at the experience in California. When they did their pilot projects, they estimated they would save about 500 megawatts. When they looked at it in retrospect, they managed to reduce electricity consumption by about 31 megawatts. So their conclusion was that, as a technology, the returns didn't measure up to the cost. I hear the government's been talking about this for three years now. I recognize it's going to be a substantial amount of money and yet I haven't seen a cost-benefit analysis. Don't you find that troubling?

Mr. Laskaris: We are supportive of actions to provide information in a real-time basis and in the investment to do that, in concert with other programs that will elicit and support investment in higher-efficiency equipment, as well as providing real-time—

Mr. Hampton: You know what? I've heard from other companies here today that are very supportive because, as I read this legislation, companies stand to make a fair amount of money out of this. Whoever controls the information system will make a fair amount of money. Whoever ultimately gets the smart meter contract stands to make a fair amount of money. Whoever can then take this data, this information, and use it and sell it for other marketing purposes stands to make a fair amount of money. I'm not surprised that companies that are in it for a profit would support this. But don't you find it troubling that this could be an investment of \$1.5 billion to \$2 billion and yet no one has come up with a cost-benefit analysis?

Mr. Laskaris: I can't provide comment on why the government has not provided a cost-benefit analysis.

Mr. Hampton: And neither can the government.

The Chair: Thank you, Mr. Hampton. We have about six minutes left for the government side.

Mr. Leal: I want to thank Direct Energy for your presentation today. I was interested; sometimes pilots can provide great data and predict future behaviour. You indicate in your presentation that Direct Energy has had a number of pilots with municipalities through their LDCs, through municipally owned operations. If you could go through a few of those, I'd like to hear some of the details of those pilots, and locations where they've been held.

Mr. Laskaris: We're participating in a small pilot in the area of Veridian, where smart meters are being installed. We're taking on the role, as we are in the marketplace, of the retailer to see the impacts and determine the impacts of providing, in a smart meter context, response and behaviour etc. We plan on participating with a number of other pilots, which are not finalized yet, so I really can't comment on them.

1400

With respect to the implementation of smart meter pilots and the advent of in-home or in-business display, with response to certain pricing signals to determine behaviour and what displays may be appropriate in order to communicate that to homeowners, and then from that perspective also as a retailer, we're looking at possible impacts and implications for us as a provider of electricity and natural gas in the province.

Mr. Leal: Have you been following the activities at all in Chatham-Kent, which is probably one of the major pilot projects for smart meters?

Mr. Laskaris: Yes. I'm only lightly familiar with them, but our company is following the progress in that particular area.

Mr. Leal: I have seen some information that certainly indicates that for every \$100 that you invest in smart meters, your return is \$150. Have you seen some of that same information?

Mr. Laskaris: I have not seen that information.

The Chair: Any further questions on the government side?

Ms. Mossop: We were mentioning earlier that in a recent discussion we were having with regard to water supply, there was great pushback on the idea of putting meters in—just ordinary meters—to measure people's usage of water. Yet, in fact, when jurisdictions did this, they would realize about a 75% drop in water usage just because people were now aware of what they were using. Would you see the smart meter as a refinement of that sort of basic technology, to give them that kind of tool, that kind of information?

Mr. Laskaris: Yes, generally, we would. Our understanding of a pilot in Woodstock, a movement toward a smart meter, providing more information on a real-time basis in the context of homeowners by prepaying and therefore having a greater awareness and consciousness of the power they're consuming, has resulted in significant power savings. So it would be consistent with—and that's why we believe in the premise that providing information in real time will have a significant impact on

behaviour, certainly in demand profiles and ultimately in consumption.

Ms. Mossop: In your experience, are people driven to conserve energy because of a sense of social conscience and responsibility or because they can save money?

Mr. Laskaris: I think the answer is yes to both. We have customers who are driven by a strong conservation ethic; we have customers who are driven by economics—our business customers are driven by economics. That's why we're supportive of this two-pronged effort to enact legislation in schedules A and B of the act.

Ms. Mossop: Would it be fair to say that there may even be a generational difference in those who see conservation as more of a social issue than just a money issue? I'm thinking about people who have actually survived or experienced real crises, where rationing might have been the mode of the day, whether it be a depression or a war, whereas there are many generations who have almost a sense of entitlement to these resources and don't have that same sense of conservation and responsible use of our resources.

Mr. Laskaris: I have not seen evidence, nor have we developed evidence to that effect, but it certainly makes very good sense to me that someone who has been pre-sensitized to this has a greater awareness and consciousness of the use of energy.

Ms. Mossop: Hence, the need to nurture a culture of conservation and to really do education around that.

Mr. Laskaris: Absolutely; education plays a critical role.

Ms. Mossop: So that we can all benefit as a collective.

Mr. Laskaris: Absolutely.

The Chair: Thank you, Ms. Anghel and Mr. Laskaris, for your deputation on behalf of Direct Energy.

RENTERS EDUCATING AND NETWORKING TOGETHER

The Chair: I now invite now our next presenter, Ms. Mary Pappert from the Renters Educating and Networking Together, RENT, and company. Ms. Pappert, as you've seen, you have 20 minutes for your presentation, with remaining time distributed evenly amongst the parties. Your time begins now.

Ms. Mary Pappert: Thank you for the opportunity to present our concerns today. My name is Mary Pappert and I'm here to represent a Waterloo regional group called RENT. I'm joined today by Gay Slinger, a RENT colleague.

We're here to express the concerns of our tenants with regard to smart meters and the possible consequences to our tenants with regard to sub-metering systems if they're imposed in rental units.

To clarify, RENT is an acronym for Renters Educating and Networking Together, and we are a volunteer, proactive, non-partisan group of concerned citizens who seek to improve the state of tenants in the region of Waterloo, through education, organization and general representation.

RENT believes that every responsible tenant has the basic human right to shelter that is safe, secure and affordable. We have several hundred members throughout the region of Waterloo, and if you need more clarification on RENT, you will find an Appendix A that gives you a little more information. I won't take the time to do that now.

Our issues, our concerns: Energy conservation, smart meters and sub-metering were the topics of our RENT annual meeting in October 2005. While all our members agree that energy conservation is a vital issue, they expressed concern regarding the costs involved in the implementation of the system and the tenants' inability to control consumption in their own energy-deficient units. This issue was of particular concern to one group of our members because their landlord installed smart meters or sub-meters in their apartments during the summer, and then in September they were informed that they would receive a rent reduction and their hydro costs would be downloaded to each unit as of October 1. I think you'll find in your package a letter from Beacon Towers, the group we're talking about from Kitchener, and there's more detail there. No mention was made that the Tenant Protection Act allowed the tenants the right to refuse this change in their tenancy agreement.

After researching smart meters, considering the possible implementation of sub-metering in rental units, and discussing the issue with our members, RENT believes that in every rental situation, tenants have neither the means nor the authority to make the truly meaningful conservation changes required in their units. They cannot upgrade insulation, make structural replacements or repair drafty windows and doors. They can't repair or upgrade the heating system, they can't install programmable thermostats and they can't replace old appliances with new energy-efficient models. They don't have the authority to do that, nor do they have the finances.

The government's proposal to shift rapidly rising energy costs to tenants penalizes Ontario's lowest-income residents. Imposing increased energy costs on tenants through individual meters threatens the affordability of basic shelter for low-income tenants, while ignoring the big conservation gains that could be made if landlords upgraded the energy efficiency of the buildings over which they have control. By turning off a few lights, doing laundry at night or sitting in cold rooms, tenants' energy savings are minimal, and they're of very great concern to seniors and people who are home all day.

Allowing the landlord to download hydro costs to the tenants removes all the financial incentive for the landlord to improve the energy efficiency of the building or to retrofit the individual units. That would affect conservation throughout the whole building.

Landlords who provide energy-efficient appliances, fixtures and light bulbs, who caulk openings to prevent drafts and who provide sufficient, efficient heating units and water heaters could create true energy conservation. That's what we're looking for. Upgrades such as these would remove two of the biggest energy-guzzling appli-

ances frequently used by tenants. I'm talking about old refrigerators, and heaters bought to supply heat in apartments that are drafty and cold, and they are guzzling.

Regarding smart meters and the downloading of energy costs to tenants, there is no guarantee that conservation can be achieved with this method. The questions tenants ask and the issues that RENT addresses to the members of this committee are these:

How will the landlord calculate a rent reduction? The Tenant Protection Act requires a rent reduction if a service is taken from the tenant. How will they determine it? Will the rent reductions be determined simply on a square-foot basis or will the differences in location, the needs of tenants and the number of occupants be taken into account in these calculations? Is it a north- or a south-facing unit? Is it a corner unit or nestled away from outside walls?

What are the tenant demographics? Are tenants working outside the home daily or living in Florida for extended periods of time during the winter? Are the tenants retired people or parents at home with children who require more hydro usage because they're home all day? Should these people pay more?

Is the building electrically heated? How many appliances are there and what is the age and efficiency of the heating appliances provided by the landlord?

1410

If sub-metering is allowed, how much will the sub-metering company charge for its administrative fees? These seem to be quite exorbitant. What controls are in place for sub-metering and for any future fee increases? To my knowledge, there are no controls at this point in time. They can increase it whatever they want.

What other costs of the landlord are being downloaded to the tenants, such as a share of the non-commodity fees assessed to the landlord by the local utility or amortized cost for the actual installation of sub-meters? Will the landlord pay for these costs? There was one 110-unit in Toronto, I believe, and the sub-metering company itself provided the data. They indicated that 41% of the tenants were paying more, 12% were breaking even and 47% were paying less. But there was no analysis provided as to the reasons why these things happened.

What about compliance with the Tenant Protection Act, 1997, which specifies that tenants have to consent to any unilateral change in their rental agreement? Some landlords use very aggressive, intimidating language and tenants believe they have no choice but to accept, or otherwise lose their hydro service. The quality and veracity of the information being provided by some landlords is highly suspect to us; for example, the savings that might be realized by sub-metering and the level of energy efficiency that currently exists.

RENT recommends that the provincial government not consider any changes to the Tenant Protection Act that would permit unilateral imposition of sub-metering on tenants.

What about contract law? Allowing landlords to impose this change to the tenancy agreement of sitting

tenants breaks the fundamental rule of contract law that one party to an agreement cannot unilaterally change that agreement. Neither party of a contract is allowed to unilaterally change a contract without honest disclosure and consent by both parties. Where a service, facility, privilege, accommodation or thing was provided in accordance with a previous agreement, it would be unreasonable, given the nature and control available to the tenants, to remove this service.

To conclude, let's consider the issues from both sides, and ultimately, as landlords would, look at the bottom line.

Rental housing is a business. Landlords are owners and they alone control the operation and maintenance of the buildings. Tenants have no control over the facilities.

Conservation is a goal for landlords and tenants alike. Tenants must try to conserve electricity as much as they are able; however, real conservation will be found in the major ticket fixes that only the landlord can provide. ACTO has provided an excellent One-Tonne Challenge checklist that would give you details on that.

The upgrades the landlord can make constitute a reasonable approach to energy conservation and put the onus on the only party capable of achieving this goal, the owner of the building and benefactor of this action, by the improvement of his investment: the landlord.

What about rising energy costs and the cost of doing business? Landlords are now allowed annual guideline rent increases by the Ontario government. These increases are based on seven basic issues, one of which is energy consumption. Therefore, the landlord now receives an annual rent increase for this service. The amounts compound annually once they get them and they compensate the landlord. The quality of the landlord's business acumen, their foresight in building maintenance, and the service provided to their tenants determine if the landlords retain good tenants and benefit from the profits accumulated for their business, not the shifting of expenses to those who have already been compensated.

RENT recommends that to conserve energy in rental units, landlords should be required to have full comprehensive energy audits done in their buildings and the recommendations arising from these audits should be implemented.

Basic maintenance issues are easily accomplished without delay. Caulking windows, doing minor things to cut down on drafts are easily done. It's true that the cost of upgrading insulation and appliances can be an excessive financial burden for some landlords, and perhaps the government should provide financial incentives to assist landlords in achieving energy efficiency, and safeguard the tenants, who have no control over the living conditions and can be excessively penalized by increasing energy costs.

We say that you should solicit the co-operation of the tenants with regard to the facets of conservation of energy. It has been shown that most tenants appreciate and co-operate with recycling. They do it in all the apartments. So by meeting with the tenants and asking for

their co-operation, landlords can effect good results. Energy providers can supply informational literature to educate the tenants.

I thank you for your attention and for listening to the concerns of the Waterloo region. I'd be happy to answer any questions you have.

The Chair: Thank you, Ms. Pappert.

We'll have approximately three minutes each, beginning with you, Mr. Hampton.

Mr. Hampton: Thank you for a very informative brief. You point out over and over again that tenants, because they don't own the building and don't control things like insulation, the heat system etc., are not positioned to, in effect, put in place much that's going to produce energy efficiency or energy conservation. Yet government wants to place a significant financial burden through sub-metering and the costs of sub-metering on to tenants.

Does this make any sense to you? If landlords are the people who control how the building is insulated, how the building is heated, whether or not it has energy-efficient windows, whether or not it has energy-efficient appliances, what could possibly be the motivation for putting so-called smart meters and smart-meter sub-metering on to the almost 1.4 million tenants?

Ms. Pappert: Money.

Mr. Hampton: Can you explain?

Ms. Pappert: If the landlord can download the cost of energy, and energy costs rise rapidly, the landlord no longer has to pay for it; he isn't concerned. Also, he has no incentive to do any of the things to make the building energy-efficient. If tenants should change some structural part of their apartment, they can be charged.

Mr. Hampton: Let me suggest another rationale for you. As I've read more and more of the literature, it seems to me that the actual cost of smart meters will be more in the \$2-billion range. If you only do smart metering in single-metered residential units, the cost per unit is going to be fairly significant. It's going to hit people on the hydro bill. But if you spread it also to tenants, even though tenants are not going to be in a position to implement a lot of energy efficiency, energy conservation measures, you can thereby reduce the cost on the monthly bill across the board. In other words, I think the government knows it's not going to get much out of tenants on this, but it becomes a way of spreading the cost of smart meters. In this case, it will be spread on to people who frankly don't have the money to pay.

Ms. Pappert: That's absolutely right. From what we understand, with the building that was done in Kitchener each sub-meter that was put in—and we've heard several prices. We heard \$600 per meter, and the cost of this would be applied to the tenant within the bill they get for their sub-metering. It's amortized over a 20-year period, so the tenant is paying for the piece of equipment that's charging them.

The Chair: We'll move to the government side.

Mr. Leal: Mary, I want to thank you for travelling all the way from Kitchener to be with us today. You've provided us with a very thoughtful presentation.

I just want to get to the Ontario Tenant Protection Act for a moment. It would seem to me that you and your colleagues would like to see some clarification on that particular issue.

Ms. Pappert: No. The Tenant Protection Act is clear right now but they can't change it. We just don't want it changed.

Mr. Leal: That's what I was getting at.

Mrs. Gay Slinger: If I could just interject there.

Mr. Leal: Sure.

Ms. Pappert: Legal advice.

Mrs. Gay Slinger: If I could just interject—as a colleague of RENT, I know I'll have a chance later—yes. Any effort to make the Tenant Protection Act even clearer than it is with respect to the non-imposition on sitting tenants in particular by sub-metering would be very much appreciated.

Mr. Leal: Clarity would be very helpful.

Mrs. Slinger: Clarity is always helpful.

Mr. Leal: That's the point I was trying to get at. Thanks so much.

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The Chair: Are there any further questions from the government side, Mr. Leal?

Mr. Leal: Would your group, RENT, have any suggestions on amendments that we could look at and see if we can utilize?

Mrs. Slinger: From RENT's standpoint, as Mary has indicated, the real concern is sub-metering, and it's born out of a number of local issues where sub-metering was attempted to be imposed on tenants. As we see the current legislation, it appears that although sub-metering is not specifically dealt with in the legislation itself, there is room to deal with it by regulation. We are concerned that that, in fact, is where it's going to be dealt with. So we very much don't want sub-metering imposed on sitting tenants. Mary's other issues—I'll address them further as well, later—are that there is a real concern with the rental housing market being involved in this rollout of smart meters at all, simply because of the lack of ability to effect meaningful conservation by downloading those particular kinds of costs to tenants.

Mr. Leal: You're right, one of the difficulties with enabling legislation, which this is, is that as you get to the regulations, the devil is in the details.

Mrs. Slinger: I guess we would say no sub-metering and don't involve the rental housing stock in the spread of smart meters.

Mr. Leal: Has your group in Kitchener had discussions with your LDC? Some LDCs across the province—I use my hometown of Peterborough as an example, with the electric storage heaters, which is a very innovative solution essentially to help low-income people. Any discussion?

Mrs. Slinger: I understand there are programs that are available through some of the local utilities. I will say that at our annual meeting, which Mary mentioned, there was a gentleman from one of the local utilities—neither Kitchener nor Waterloo, actually, but out in the town-

ships. He was quite astounded, I will say, at what he heard that night with respect to the ability of the sub-metering company to charge fees and what they were able to do that he, as a utility, was not able to do. He was astounded. I know he took that back to his colleagues. That certainly is a concern.

The Chair: We'll move now to the Tory side. Mr. O'Toole.

Mr. O'Toole: Thank you very much for your presentation. I don't think any of us would disagree with the noble intent of conserving energy, and I would not impugn any different motive from the RENT group.

I'm also aware that submetering has been a huge issue. I think it is important how it's implemented, how it's shifted. Unless people are motivated sometimes—the intent of the smart meters, as I understand it, is to shift demand, encourage conservation and move peak demand. How it's implemented is something you've raised here today. They made a couple of promises during the election and maybe broke them. I'm not confident. As Mr. Leal said, the devil is in the details, and that's what I'm worried about with this bill.

I would only put to you in a question—because this is all recorded—you're not against trying to implement a fair and reasonable approach to renters paying a fair and reasonable portion for the utilities they use, are you? You've got to recognize that somebody is paying. If they've got the bill and they go to the rent review commission and they say, "Our cost for energy has gone up 30%," there has to be some connection between the actual consumer who is using that inefficient old space heater; there could be other ways of giving them credits for buying more efficient—you are part of the solution, and I'm wondering how best to establish that relationship. You are part of it; the person in the apartment is using it. Whether the windows are bad, as Howard said, or they're using poor appliances—those should be dealt with in the implementation, an audit being done before it's implemented. Tell me that you're not completely opposed, because really, you are using the electricity.

Ms. Pappert: We are definitely not opposed to conservation. We're very much aware of it. As an educational group, we'd be glad to help educate tenants in the way to utilize it. However, annually, in the guideline increases, one of the seven components is energy. It's calculated annually, and then it's compounded over the years. As far as using heaters is concerned, if the landlord supplies proper heating, they don't need them.

The Chair: We'll leave it at that. Thank you, Ms. Pappert, and your colleague, from whom we'll be hearing shortly on behalf of Renters Educating and Networking Together.

PEMBINA INSTITUTE

The Chair: I now invite our next presenter, Mr. Mark Winfield of the Pembina Institute. As you've seen, Mr. Winfield, 20 minutes to make your presentation; the time remaining distributed evenly among the parties. We'll

have that submission distributed by the clerk and assistant. Otherwise, I'd invite you to please begin.

Dr. Mark Winfield: Thank you, Mr. Chairman. The Pembina Institute is a national, independent, not-for-profit energy and environmental policy, research and education organization. We were founded in 1984, and now have offices in Toronto, Ottawa, Calgary, Edmonton and Vancouver. We welcome the opportunity to address the standing committee on justice policy on Bill 21, the Electricity Conservation Responsibility Act. The Pembina Institute supports the principle that underlies the goals of Bill 21, which is to improve the energy efficiency of the Ontario economy. We do have some specific concerns with the content of the bill, and then I also want to make some more general comments around energy efficiency issues in Ontario.

Schedule A, section 3 of the bill would permit the Lieutenant Governor in Council to designate goods, services and technologies, to remove any restriction imposed by law that would restrict their use. We understand that this provision is well-intentioned. I think the intention is to allow restrictions on the use of energy-efficient goods, services and technology—an obvious example being municipal bylaws against outdoor clotheslines—to be set aside. However, the drafting is rather broad. It does not seem to take into account the possibility that in some cases the restrictions may be in place for valid health, safety or environmental reasons. Therefore, we're recommending that a clause should be added to schedule A, section 3, stating that in designating such goods, services or technologies under the section, the Lieutenant Governor in Council should have due regard for the protection of public health, safety and the environment.

Schedule B deals with the smart metering entity. It provides for the creation of the entity for the purpose of implementing the smart metering initiative. We are somewhat concerned about the lack of clarity regarding the institutional form that the entity is supposed to take. Really, the form should be clarified, before the legislation is enacted, around its role and powers. At the moment, it's kind of a multiple-choice provision.

We also note, among other things, that the entity is to be provided with very extensive powers to gather information from individual households and businesses, but at the same time, the bill is silent on issues of privacy and sets no limits on what the entity can actually do with the information. Similarly, there are no provisions regarding access to information with respect to the entity. Therefore, we're recommending that the smart metering entity be designated as an institution for the purposes of the Freedom of Information and Protection of Privacy Act.

We've also noted that, as the entity would not to be an agent of the crown, the auditor, the Ombudsman and other legislative officers would have no jurisdiction with respect to its operations. We're recommending that the Provincial Auditor be identified as the corporate auditor for the smart metering entity, to provide some additional oversight.

More generally, we note that Bill 21 provides the basis for some components of an overall energy efficiency

strategy for Ontario, but we remain seriously concerned about the province's lack of overall progress in the area of implementation of actual actions to improve the energy efficiency of Ontario's economy and society. These concerns were highlighted in the study that we published in conjunction with the Canadian Environmental Law Association in December, which reviewed Ontario's progress in the areas of energy efficiency, low-impact renewable energy sources and the replacement of coal-fired generation. A copy of the study is attached to our brief for your information.

One of the things we've noted is the overwhelming emphasis on new generation when one looks at where the government has actually been making financial commitments. By our estimation, the government, over the last two years, has committed approximately \$10.5 billion to new supply and, by contrast, only about \$163 million to conservation. If you work that out, it comes out at a ratio of about 64 to 1 on supply over conservation.

In our view, the progress which is occurring is simply too slow, particularly in the area of end-use efficiency. We know from previous work that we've done with Simon Fraser University, and indeed work that others have done, that there is a major opportunity to cost-effectively reduce future peak electricity demand—by some estimates by as much as 50% against business-as-usual projections—over the next 15 years. We're simply not seeing enough action to realize that potential.

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In our view, the province needs, in addition to some of the things in Bill 21, to move rapidly on updating the standards under the Energy Efficiency Act. It needs to be moving on revisions to improve the energy-efficiency requirements in the building code and to expand its use of market incentives, such as innovative financing mechanisms for energy-efficiency investments. It needs to complete the process of establishing a standard offer contract system for low-impact renewable energy sources and cogeneration. Generally, there continues to be a need for clarification of institutional roles and responsibilities, particularly around energy efficiency and the resolution of a number of technical and grid integration issues for small-scale generators.

Thank you. I'd be pleased to take questions.

The Chair: Thank you very much for your remarks. We have a very generous time, five minutes each, and we'll begin with the government side. Mr. Leal.

Mr. Leal: I want to thank you for your very detailed presentation and some options that are certainly worth consideration and further analysis. I'm always interested in the LDCs, the local distribution companies. I think most municipalities—there are some that were unwise. Cornwall, of course, was one that sold off their municipal electric system. I think they got about \$18 million for it, a one-time cash injection, but they don't have the steady stream of revenue that other wiser, I think—when they were doing the reviews.

Mark, what's the role for LDCs? How do you see them playing an ongoing role, provided sufficient finan-

cial resources can be delivered to LDCs? That would be my first question.

Dr. Winfield: I think the local distribution utilities have potentially a huge role to play in the delivery of energy-efficiency programs. We're seeing some of the leaders who are starting to do that. Toronto Hydro is probably the one that's most in the forefront at the moment. But they do make sense as the vehicles for delivery of programs. They've got direct relationships already with their own customers. They're well set up to do this. They're starting to build up a body of experience. Those that don't actually have capacity themselves to do service delivery around energy efficiency can contract with non-governmental service providers—Greensaver here in Toronto is a very good example of that; there's an equivalent one in Ottawa—that do things like the home energy efficiency audits and that sort of thing. So they're extremely well positioned.

I think there's some concern about the degree to which they're taking up the arrangements which were made around the fee structures that are approved through the energy board to be able to invest in energy-efficiency programs. There may need to be a little bit more of a push from the government to get them moving on this, and a bit more technical support as well, especially for the smaller ones. For the city of Toronto, or Toronto Hydro, there's considerable institutional capacity there to do this and design programs and deliver them. Once you're into rural areas or smaller communities, you may not have that sort of capacity within the utility, and we need to think about ways of providing that capacity for them to deliver programs.

Mr. Leal: We're now looking at the idea of standard offer contracts. What's Pembina's view on that particular initiative?

Dr. Winfield: Our view has been that the standard offer contract mechanism has been extremely effective in other jurisdictions as a way of bringing about rapid development of low-impact renewable energy sources. It has been the key instrument in places like Germany and Spain, where we've seen the large-scale expansion of wind power, for example. It also makes a lot of sense from the viewpoint of trying to get cogeneration happening as well. So not just renewables, but also in work that we've done and other people have done, considerable potential has been identified for cogeneration in commercial institutional buildings—like the university across the way—to do cogeneration. But they need incentives, and the standard offer contract is one of the ways that you can clear up a lot of the transactional costs that they'd otherwise be faced with in terms of offering something into the market.

Mr. Leal: If I could continue just in a similar vein, have you looked at any sort of specific manufacturing or industry groups with regard to standard offer contracts in terms of cogen and the impact that a standard offer contract would have in order to sustain a particular area of commercial activity or manufacturing?

Dr. Winfield: There's obviously potential, because what you're doing in effect is you provide a revenue

stream to the industry. So in an area like forestry, for example, you encourage them to use their existing boilers and generating capacity to sell into the grid. You're actually giving them a revenue stream. We've not done analysis down to specific economic impact on those sectors. We did a little bit of modelling which sort of gives some impression, which suggested considerable cost-effective potential in areas like petroleum refining. We've done some work there. Also, the one that came through really strongly, surprisingly, in the work that we did, was commercial-institutional: large office buildings, which have the potential to install—some of them already have standby generators in place—cogeneration capacity, particularly with new technologies like micro-turbines that are coming into the marketplace. There's some considerable potential to contribute to the overall supply situation somewhere, like downtown Toronto.

Mr. Leal: What's your feeling on the idea of a ratio between new supply and conservation—you've already indicated the current situation—from your expertise and activity in this area?

Dr. Winfield: We've indicated in the modelling we did that we feel there are cost-effective and technically feasible opportunities to reduce projected grid demand by something in the range of 40% relative to the projected business-as-usual case. There may be a potential for up to another 10% through demand response load-shaving off the peak. Our view is that there needs to be a much stronger emphasis on the conservation side relative to the supply side.

The Chair: We'll have to leave it at that. Thank you, Mr. Leal. We'll move to the Tory side.

Mr. O'Toole: I appreciate, Mark, that your group has done a lot of work on this over the last number of years. I appreciate your expertise and your perspective on the issue, and I'll ask a very simplified question, I suppose, in a very complicated area. This sort of a demand management initiative, technically—when I look at the profile of energy consumption, the residential side is probably 30% of the consumption side. There's a role to play for conservation, but the discretionary role of consumers is quite small: 1,000 kilowatt hours a month, probably. There isn't a lot of it that is discretionary. There's some waste, having the house too warm or too cold and maybe an old bar fridge, but that's a very small piece. It's a huge \$2-billion investment primarily aimed at that group.

I'd like you to comment on that, whether that's an efficient investment, or is there some other strategy promoting and initiating conservation and renewables? I'm not opposed to the net metering debate, the standard offer contract debate, allowing people who have wind or solar or whatever to get back on the grid, to get some money for it. This thing sounds to me like somebody will get a hold of the contract—\$2 billion—and once they've got it, they're going to have the administrative minutiae—I put to you that this is one of the bigger boondoggles of recent time. It really isn't a smart meter. There is nothing smart about what I've read in this. It's really a demand man-

agement tool to tell consumers to turn off their heat at night. Why don't they just send them a memo—it would cost them a stamp—to get rid of the bar fridge? Give them a credit.

To me, this is a big public sector boondoggle of about \$2.5 billion. It's dealing with a third of consumers, it's dealing with about 10% of those consumers' flexibility, and yet there are bigger issues. They're not really telling the whole truth about this. They can't cancel the coal plants; the IESO told them that. They're going to put a gas plant in Toronto, despite what David Miller says. I have serious concerns, but I'm looking for whether this is a good investment of \$2.5 billion or is there more that they can do?

Dr. Winfield: There are a lot of complex questions in that question.

Mr. O'Toole: You have a Ph.D., so I know you know the answer.

Dr. Winfield: I think what you're asking is whether the smart metering initiative makes sense. There are arguments either way. One can argue that the actual potential for load-shifting from the residential sector is limited, that you may well get a larger response or a larger impact on overall demand by doing things which actually try and improve end-use efficiency. So replacement of less efficient appliances, getting rid of electric space heating, improvements in lighting, electric ranges and getting rid of electric hot water heating are things that we've identified as likely being cost-effective that way.

There is some potential in the industrial sector around demand response. You can do it without quite such an elaborate sort of system, which helps generally in terms of—I mean, there are certainly advantages in the short term, from a system management perspective, to being able to shift load off peak. There's no doubt about that.

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Mr. O'Toole: On the industrial-commercial side.

Dr. Winfield: Yes, and generally. If you can shift the peak somewhere, it helps somewhat with the system management.

Mr. O'Toole: Just tell people they can't cook their supper at 4:30 anymore, or 5 o'clock. Just tell them.

Dr. Winfield: Again, there are complexities in the sense that one could argue—and I'm just putting ideas on the table—that the smart meter may perform functions in addition to simply attempting to get a behaviour shift change in terms of time of day.

Mr. O'Toole: But it's not wireless. It's not programmable.

The Chair: I'll have to intervene. Thank you, Mr. O'Toole, for your questions, and I would invite now Mr. Hampton. You have about five minutes.

Mr. Hampton: I want to thank you for your submission, and I want to deal with some of the issues that you raised specifically in your submission. On page 2 of your submission, you point out, "Among other things, the entity"—meaning the smart meter entity—"is to be provided with extensive powers to gather infor-

mation from individual households and businesses,” but there is no protection of privacy. There are no limits on what the entity can do with this information.

I just want to suggest to you that in the framework of this, whoever has this information probably has information that is of significant commercial value. In other words, you can use this information for all kinds of marketing tools and you can make a hell of a lot of money out of this information. Is that a fair assumption?

Dr. Winfield: I think that’s probably a fair assumption, that the information that the entity, whatever form it takes, would gather would probably have some potential commercial value.

Mr. Hampton: We’ve seen recently with some of the things that have happened on the stock market that when you create opportunities for corporations to make all kinds of money, you need to put in protection of people’s privacy. Doesn’t it really strike you as bizarre that there’s no privacy protection here, since this is my information about my household or my business? Doesn’t it strike you as a real clanger that there’s no protection of privacy and how this information can be used?

Dr. Winfield: It’s odd, and I don’t know whether to attribute it to oversight or design. There’s an unclarity in the legislation that I’ve highlighted about even what the institutional form of the smart metering entity is supposed to be. So one wonders how much is simply left out. But on this particular issue, I think there’s a relatively simple solution, which is simply to designate whatever the entity turns out to be as an institution for the purposes of the Freedom of Information and Protection of Privacy Act, and that would resolve a whole bunch of issues around this in one tidy way.

Mr. Hampton: The other point you make is that the Provincial Auditor should be identified as the corporate auditor of the smart metering entity. Again, it really struck me as a clanger. You’re talking here about something that I think, more and more, we’re coming to the view could cost \$2 billion to set up and would be dealing with billions of dollars of energy exchange on an annual basis. I don’t think I’d be exorbitant in saying \$10 billion worth of business in a year. It seems to me that you would want the Provincial Auditor to be able to look at this entity and how this money is being spent and whose money it is. Again, this is not just competition in the marketplace; this is government setting up this very large, very powerful entity with the capacity to very much intrude into people’s lives. It seems to me that having the Provincial Auditor excluded from being able to look at this entity is a real cause for concern.

Dr. Winfield: I think what underlies both issues is really what’s in section 53.7 of the bill, which is that the government is indicating that it hasn’t actually decided what the institutional form of the entity is supposed to be. There’s actually a list of different possibilities: a partnership, a designated entity, any one of a number of things. I think in the absence of a resolution of that question, there may have been some hesitancy to resolve these other institutional questions. My own view, which

extends beyond the smart metering entity—I’ve published in academic journals about these types of issues—is that these sorts of things need to be under freedom of information and need to be under the jurisdiction of the auditor, because they are carrying out governmental and quasi-governmental functions.

Mr. Hampton: One final question: It strikes me that the government is putting a lot of their energy efficiency and energy conservation capital into smart meters. As I’ve read more and more of the information, what I’m hearing from local distribution companies is this is not going to be a \$1-billion project; this is more likely to be a \$2-billion-plus project with extensive operating costs. Have you seen any cost-benefit analyses that would tell us that an investment of \$2 billion plus, some of which will hit low-income Ontarians very hard, will say, “This is what you’ll get for this \$2-billion cost,” in terms of good energy efficiency, good energy conservation that is sustainable in the longer term?

Dr. Winfield: The only one I’ve seen so far that’s specific to the residential sector is in the Ontario Power Authority’s climate report. For their planning purposes, they have suggested that they think smart metering will result in a saving of about 500 megawatts, that it’ll take 500 megawatts off peak demand. That seems to be where they’ve ended up. That’s the only one I’ve seen in terms of an actual number of how much savings you would get out of—

The Chair: I need to intervene. Thank you, Mr. Hampton. Thank you, Dr. Winfield, for your presentation today.

WATERLOO REGION COMMUNITY LEGAL SERVICES

The Chair: I would now invite our next presenter, Ms. Gay Slinger from the Waterloo Region Community Legal Services. Seeing as it is your second trip to the main desk today, I’m sure you know the protocol. You have 20 minutes. Please begin.

Mrs. Gay Slinger: Good afternoon, Mr. Chair and members of the committee. My name is Gay Slinger and I’m here as one of the staff lawyers from Waterloo Region Community Legal Services. We’re a community legal clinic, obviously in Waterloo region. We’re funded through Legal Aid Ontario. This means that the people we assist are people who meet the legal aid criteria, which means we are dealing largely with people who are living on social assistance benefits, disability pensions, the unemployed, those working for minimum wage and seniors who are on very fixed, limited incomes. One of the areas on which we have particular expertise, I would like to think, is dealing with the Tenant Protection Act and landlord-tenant issues. Thank you for the opportunity to bring that perspective to the committee this afternoon.

There are two issues I would like to address. One, as I’ve already indicated, is the rollout of the smart meters throughout the province to all buildings, including multi-residential buildings. The second is the use of sub-

metering to allow landlords to unilaterally impose individual electricity billing to tenants, often through private sub-metering companies. Those are the two issues I am going to deal with.

We applaud the efforts of this government to reduce energy consumption, to develop this culture of conservation that we heard about. It's in the best interests of all of us. Tenants are interested in this as well. But my understanding is that the multi-residential sector in fact constitutes only about 7% of the total annual electrical consumption, and so to get really meaningful changes they have to be through landlords, not through the tenants. Mr. O'Toole's comments earlier with respect to the lack of discretionary conservation efforts that private residential people have—well, even more so with respect to tenants.

I'm here to express our perspective that in fact many tenants cannot simply shift to off-peak periods. It is not within their control to do so in any meaningful way to save money either for themselves or potentially for their landlords. As well, tenants simply cannot retrofit the buildings in which they live in order to garner any major or significant savings with respect to true conservation. This simply cannot happen without major changes being made to those structures before it happens.

I would like to start by saying it's very important to distinguish between the private homeowner and the tenant. Private homeowners can go out, and if our windows are drafty, we can upgrade them and put double panes on them and so forth. If I need more insulation in my house, I go out and get a contractor and I can do that. I can upgrade to a high-efficiency furnace. I can do all of that. Understand that tenants have no authority to do that.

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Folks, I guess I would just remind you that when I walked into this room over the lunch break—it was empty at that time—it was stifling hot in here because you don't have the control in this room. In order to control your own heat, you had to open a window. So there's your heat going out the window. Tenants are living with that same lack of control. They do not have the ability to effect true savings. Tenants can't do that, and that's all tenants regardless of economic class. Tenants, as has already been stated today, don't have control over the building. Contractors won't deal with them. Even if I had the means as a tenant to say, "Please come in and change my windows to double pane," no contractor will deal with me. They'll deal with the property owner. Many of our tenants of course have no means to be able to do that and, even if I did, why would I? Why would I upgrade what isn't my asset? I can't take the window out when I leave; that's the landlord's asset. Improve that and he'll get his return when the building is sold. I may even make myself liable if I do the work myself or get a contractor who does it possibly incorrectly. I could be damaging the building and making myself subject to eviction. So for many reasons, tenants simply do not have the authority to make the major changes that are necessary to effect true conservation, and that's really what this bill is about.

In order to deal with meaningful conservation, we have to deal with the energy efficiency of the building envelope, of the infrastructure and, quite frankly, of the appliances. We hear about that frequently. Without that, as I say, you're going to continue to have heat simply going out the window and old refrigerators consuming excessive amounts and so forth. Understand that even if you've got a gas-heated building, but it's not working properly, and that's not within your control either, that's when you start using your oven for heat and you start buying space heaters. That goes on your electricity bill. The landlord doesn't pay for that under a smart meter system if it's going to be downloaded to tenants.

Understand as well that many of our clients are disabled, elderly or single parents who are home all day with their children, so they have to live in their homes through the day. They don't go out and turn their thermostat down in the morning and come back from work and turn it up in the afternoon. They can't do that. They're living there. They can't sit in the dark. They can't turn off the radio and television all day and sit in silence. They can't turn down their heat even if it is individually controlled and sit there in the cold. This isn't a Third World country. They shouldn't have to live like that, but that's what tenants may be facing because there's very little discretion over what they control within their own units.

Understand that if you move to a smart metering system where the benefits are, first of all, to be found by shifting your time of use, many tenants can't shift their time of use because they're there all day. Understand that some buildings lock their laundry rooms at night in order not to disturb the other tenants. How do I do my laundry in the middle of the night if I'm a tenant? That may be saving the landlord money through a smart meter—it's not my expense—but nobody's saving because I can't use it. They simply can't meaningfully shift; that's to save anybody any money, quite frankly.

It is understandable that in this era of rising energy costs, landlords want to place that very volatile, ever-rising expense, with respect to electricity costs specifically, and remove that from their own operating budgets. That's good business sense. But if that's done through the smart meter program or otherwise, all incentive for the property owner to effect true conservation—and if that's what we're interested in, to effect that truly and meaningfully—is gone. Why would I have to retrofit my building, why would I have to upgrade? I'm not paying the bills anymore. So what's the incentive?

I have a concern that the current Tenant Protection Act—we talked about clarity a little earlier. There's a section under the Tenant Protection Act, section 24, which in fact imposes the obligations on a landlord to maintain "in a good state of repair and fit for habitation and for complying with health, safety, housing and maintenance standards." It is questionable—again, that's the need for clarity—whether that provision could be used by tenants who are living in a situation where they're paying

for their own utilities and are literally living in a situation where the heat's going out the windows and they can't control it, and they need to upgrade the insulation in their walls and do all of these things. It is questionable whether the Ontario Rental Housing Tribunal would say that energy conservation and the need to upgrade for that meets any of the requirements currently under section 24.

Understand that property standards bylaws locally—we often make use of them—are very helpful in trying to maintain buildings and get another force to come to bear where there are inappropriate circumstances with apartments. But they can only apply minimal standards and, to the best of my knowledge, they don't deal with energy conservation; in fact, when they pass bylaws to impose code restrictions, it is the code to the age of the building when it was built. So if I'm living in a 50-year-old building, all property standards under the current provisions can do for me is to say, "Well, all you're entitled to is the R value of what it was for 50 years ago." I don't even know if they talked about R values 50 years ago. So it may well be that beyond the Tenant Protection Act one should be looking at the Building Code Act, maybe even the Municipal Act, to ensure that local municipalities can deal in a meaningful way with energy conservation, particularly if this kind of program is to be rolled out.

We then come to the sub-metering issue. You've already heard a number of concerns today from other people and I'll try not to be overly repetitive, but understand that there is a reason for landlords to want to off-load these costs. There is the popular concept out there that, yes, if tenants are responsible for their own usage then they will become more responsible users and will save money and will conserve. Please understand there are a couple of things on that. Already, tenants are paying for hydro. They pay for it through their rent. In fact, the guideline increase every year that is allowed by the province includes a component for utilities. So that can increase as utility costs increase. If it's particularly volatile, as has happened with some utilities in the past, and there's a spike, landlords can apply for above-guideline increases. They can recoup their costs. Utility costs are a tax-deductible expense. I'm a small landlord; I know that. I can deduct that. So they also get it back with respect to the assets' value increase if they go about with the retrofitting. So there are remedies to them.

Landlords currently, as has been said, are not allowed under the Tenant Protection Act to download these costs, or sub-metering, by simply unilaterally imposing this. It would be like a tenant coming to a landlord and saying, "I just don't like paying my rent this month at that level. How about we make my rent now \$650 instead of \$700." You know how that would go down. Well, what's happening here is the same thing. This would be a government-sanctioned, unilateral imposition of a contract change on two parties that bargained for this deal. Understand from the perspective of our clients: Some of our clients purposely seek out and find rents where the utilities are included. People who live on social assistance, on Ontario Works, on Ontario disability, live on a

shelter allowance that barely covers, if it does, what they pay for their rent. They need to know what their costs are going to be on a monthly basis. They made that deal with their landlord. If suddenly it's allowed to change and now the volatile rising expenses of electricity become their responsibility, then they no longer have that control to budget that they had. So you start finding tenants who are making choices between paying rent, getting food, getting medicine for the children, paying the hydro, paying the gas, whatever. Those choices are being made. That's what would happen to many people if this is unilaterally imposed.

We've already had some discussion with respect to if, under the current system, it is done through a consensual basis with tenants, how then do you determine what a fair reduction is in the rent? There is no formula in the Tenant Protection Act as it currently stands. As Ms. Pappert has already pointed out, there are many factors that go into one's consumption within a unit. So how is it fair to determine for this apartment or that apartment what is going to be the fair reduction?

It is also very important, I believe, that you look at the guidelines currently regulating the business of sub-metering. Companies that engage in this work have very few controls over what they can charge for monthly administration fees, how those rates can be changed; and there are no controls, as I understand it, over cut-off provisions. So through sub-metering you're not just paying for your consumption. I'm not saying that some tenants, if they could see their consumption, might not say, "Okay, I'll shut off a few more lights, if I can." But even in some of these sub-metering situations some of these meters are in a locked room. So we talk about transparency and somebody being able to see their meter and understand the impact of shifting? They can't see it. It's locked up in a room to which only the landlord has access.

It's unregulated distributors. For one thing, you've got tenants who are trying to not just recover and conserve and save through their usage; now they've got to cover the administration cost, the downloading cost. Some of these tenants are being asked to pay for the meters' installation, the meters themselves and the maintenance of those meters. How is that fair? It's not my asset. I can't take it when I go. That's the landlord's asset.

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There's also the concern that there are a number of programs in place with local utilities for price reductions, credits and programs available to users, largely low-income homeowners perhaps. If it is made available to tenants, how do you even find these tenants, if they are not direct customers of your local utility? Because under sub-metering the only client of the distribution company utility is still the landlord, so if there are rebates to be had, they'll go to the landlord. What's the guarantee that it will filter down to the tenants, who are in fact the consumers and who are paying the middleman's sub-metering company? All of those kinds of concerns exist as well.

Many of these concerns exist for tenants who already move into a unit where they are responsible for their own utilities. There should be transparency. If I move into an apartment, I should be able to ask, "What is the electricity cost on these?" Is there fair and appropriate disclosure? Again, the only effective way to conserve in the rental housing market is to impose that obligation on the landlord, who has both the authority and the means to truly effect the changes that will mean anything from a conservation standpoint when you're talking rental housing market, and that's what I'm speaking of today.

Mindful of the time, I urge you to look at the written submission that we have provided to you. I thank the committee clerk for distributing that. There are some recommendations in there. Education certainly is part of that. We all understand that we've got to learn. I'm hoping that conservation will become as popular as drinking and driving has become unpopular. It will take time, but through education it can happen. Tenants will be part of that, willingly, but there are a number of other things that have to happen first.

The Chair: Thank you, Mrs. Slinger. There are about 90 seconds each. Mr. Yakabuski.

Mr. Yakabuski: Thank you, Mrs. Slinger, for your passionate presentation. I certainly agree with you that tenants lack the authority to effect changes to their buildings. Low-income homeowners have no more the means to effect changes to theirs; they have the authority, but they don't have the means.

Mrs. Slinger: If I can interrupt there, I know that there are financial programs available to assist them.

Mr. Yakabuski: Okay. I just want to draw an illustration, because we are short of time. Tenants A, B and C live in the same building. There are more of them, but we'll just—A, B and C, and they're all similar. They're single persons, using about the same amount of electricity. I think we're separating sub-metering and smart metering. We have our severe doubts about whether smart metering works in residential applications across the board. We think it has tremendous potential in commercial applications, but to put in the 4.5 million they're talking about across the province is dubious.

However, tenant A realizes that there is no sub-metering in this building and makes an arrangement with the deli across the street to start baking cakes for them, because they're not paying for the power. Tenants B and C are still single people, living in the same building, but now they're subsidizing tenant A, because tenant A has realized, "You know what? It's a free ticket on power here. We don't have to account for it personally."

The Chair: With apologies, Mr. Yakabuski—

Mr. Yakabuski: Anyway, I'll turn that over. How do you address that?

The Chair: You can address it in the following-up remarks. We'll turn to Mr. Marchese for the NDP. Ninety seconds.

Mrs. Slinger: I really want to respond to that, Mr. Chair, but—

Mr. Rosario Marchese (Trinity-Spadina): Ninety seconds doesn't leave room for anything. I want to thank you for adding your voice to the others, such as the Advocacy Centre for Tenants Ontario. I'm assuming the Social Housing Services Corp. might have the same kind of concerns.

Mrs. Slinger: I don't know.

Mr. Marchese: But you're lending weight to similar kinds of arguments that I think Mr. Leal was sensitive to when he asked the previous group to send in the recommendations. Presumably, he's amenable to changes.

Just a comment from you: What do you think about the wisdom of spending about \$2 billion on capital, including whatever on operating, versus so many other things that could be done in the area of energy efficiency in general?

Mrs. Slinger: My opinion, and from the testimony I've heard as I've been sitting here, is that quite frankly I think it could be better spent. Again, I'm coming from the perspective of the rental housing market in particular, and I just don't see that. Quite frankly, one of the other things that needs to be done is independent studies with respect to whether this is effective: the smart metering program and, with exception, the sub-metering program as well. Neither one has been investigated by any kind of neutral or independent source. We need to study these things before they're imposed. Until that is done in an independent fashion, I would say it's not necessarily a wise investment.

The Chair: Thank you, Mr. Marchese. I would just advise you, Mrs. Slinger, that you're most welcome to respond to anything in writing as a follow-up, should you wish to do so.

The last 90 seconds go to Mr. Leal.

Mr. Leal: Mrs. Slinger, I appreciate your very forthright comments. A couple of questions: I'm a former municipal politician and you would think, or you might suggest, that changes to either the Planning Act or the Municipal Act—

Mrs. Slinger: The Building Code Act.

Mr. Leal: —the Building Code Act would perhaps go a long way to addressing some of the changes you've talked about.

Mrs. Slinger: I'm sitting on a committee right now that is looking at the city of Kitchener property standards bylaw, something the department itself is looking at. They've recently given me a case that came out last year of a building that was about 30 years old. The local municipality tried to impose guidelines with respect to handrails and so forth, using modern-day code on this old building. The court held that you couldn't do that, at least without redrafting the legislation, building in policy statements and so forth with respect to safety. Again, clarity: It may be, and again I'll leave this to the experts, but by looking at the Building Code Act, perhaps the local municipalities could be given the authority, especially with respect to the public policy about energy conservation, to impose current efficiencies upon old buildings, regardless of age.

Mr. Leal: A second quick question: You noted section 24 of the Landlord and Tenant Act, the need to keep a building in a good state of repair. Would it be your view that perhaps an amendment should be made to that section with regard to conservation, to be a companion of the concept of a good state of repair?

The Chair: Very rapidly, please.

Mrs. Slinger: Some will say that you might be able to argue it under the current legislation; I, again, believe in clarity. Put it there that energy conservation is also one of the standards that need to be met; otherwise, the tribunal will look to that and say, “You’ve got shelter, the snow isn’t coming in, the window isn’t broken, it’s drafty, it’s not energy-efficient, your 25-year-old fridge isn’t energy efficient, but it’s working.” I would suggest that it needs to be there specifically to make it clear for all concerned.

The Chair: Thank you, Mrs. Slinger, for your deputiation on behalf of legal services in the Waterloo region.

ENBRIDGE GAS DISTRIBUTION INC.

The Chair: I’d invite now our next presenter, Mr. Lino Luison, on behalf of Enbridge Gas Distribution. As you’ve likely seen, Mr. Luison, you have 20 minutes in which to make your presentation, and the time remaining will be distributed among the parties afterward. Please begin.

Mr. Lino Luison: Good afternoon, everyone, and thank you for the opportunity to address the committee today. As Canada’s largest natural gas utility, with more than 1.7 million residential, commercial and industrial customers in Ontario, Enbridge Gas Distribution has a keen interest in Ontario’s energy future. The utility has a long tradition of contributing to the public policy process and hopes that this submission will assist the government as it moves forward with significant decisions that will lay the groundwork for Ontario’s prosperity.

We applaud the direction of Bill 21, in particular with respect to its emphasis on building a conservation culture in the province through various initiatives. We appreciate and support the bill’s interest in giving consumers the tools they need to make this happen. Many of you will be familiar with the success of our energy efficiency programs, which in just 10 years have helped our customers save enough natural gas to serve 750,000 homes for one year.

More recently, we have been working with the government to deliver targeted programs that achieve energy savings for low-income consumers in particular. We look forward to working with our customers, the energy industry and elected representatives to continue making a positive contribution to Ontario’s prosperity by sharing our expertise in this area.

Specifically, today I’m here to highlight several areas where I believe Enbridge can bring value to the province and help its energy consumers, large and small, in terms of electricity reliability and making smart energy choices.

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While much of the broad discussion regarding the role of natural gas in addressing Ontario’s electricity supply gap tends to focus on large, central, gas-fired generating plants, the benefits offered by fuel switching, fuel cells and demand-side management should not be overlooked.

I’d like to highlight several areas in particular: the role fuel cells can play, issues with Ontario’s building code and the impact fuel switching from electric to natural gas appliances can make to Ontario’s energy landscape.

My comments today should be considered in the context of the OPA’s recent supply mix report, which recommended the adoption of a smart gas strategy. It discussed using gas only in high-efficiency applications or applications where avoided costs are particularly high. The applications it foresaw include combined heat and power, cogeneration, meeting peaking needs, relieving transmission constraints and fuel cells or other distributed generation.

As well, the report indicates that “Ontario’s supply mix should not include significantly more natural gas-fired generation than has already been contemplated by recent procurement directives. While natural gas prices are expected to continue to decline from their recent all-time high levels, we still recommend that any further additions should be part of a ‘smart gas’ strategy that stresses the advantages of natural gas and limits the unnecessary exposure to price and supply risk. In addition to the current procurements, the portfolio should include up to 1,500 megawatts of natural gas. This may be 500 megawatts of fuel cells or other distributed generation and 1,000 megawatts of generation for relief of transmission bottlenecks.”

While Enbridge Gas Distribution supports the general direction of the OPA report, the utility was disappointed that the report did not detail the OPA’s proposed smart gas strategy. As a result, my comments today represent our thoughts on additional ways we believe gas can be utilized to help meet the government’s energy objectives and produce benefits for the residents and businesses of Ontario.

My comments should also be considered in the context of the North American natural gas marketplace. Ontario’s natural gas marketplace is part of a continental North American marketplace and has access to multiple supply sources through a vast network of transmission pipelines. The gas distribution network within Ontario is mature, with Enbridge itself tracing the development of its well-established infrastructure over almost 160 years.

Enbridge Gas Distribution and Union Gas are the main distributors in the province, and each earn a regulated rate of return on the capital invested in the distribution system. Safe and reliable natural gas is now the number one fuel for home and water heating in this province.

Earlier, I briefly mentioned our success with demand-side management. For energy efficiency programs to continue to play an important role in Ontario’s future, we would encourage clear role definition and fair attribution

rules for private sector participants, as well as regulatory efficiency.

While many discussions about Ontario's energy efficiency efforts focus on electricity, gas must also be part of the equation. We must use all our resources wisely, and gas can be a big part of Ontario's energy solutions. For example, cogeneration and combined heat and power applications can achieve significant efficiency improvements over traditional power generation methods. In addition, an opportunity exists through the advancement of fuel cells in Ontario.

We were pleased that the OPA report recommended a portfolio of up to 1,500 megawatts of natural gas in addition to current procurements and specifies that, of that, 500 megawatts would be for fuel cells or other distributed generation. We applaud the OPA for its forward-thinking views on fuel cells. Fuel cells represent a low-impact supply of electricity and must be considered on a level playing field with other low-impact supplies like wind and biomass.

We believe that to achieve that 500 megawatts of fuel cells by 2015, the Ontario Ministry of Energy must immediately focus on supporting key demonstration projects. They must support smart policy and regulatory development, and collaboration with industry on near-term commercialization efforts.

Natural gas and electric utilities are ideal incubators of advanced energy technologies like fuel cells. These fuel cells have a small footprint, can be installed within the existing gas distribution infrastructure, are environmentally ultraclean and are an alternative to large wired investments within built-up urban areas.

Enbridge Gas Distribution is willing to invest in this technology and is in fact promoting a demonstration project at our head office in Scarborough in 2006 and 2007. However, we also need public sector funding and policy support for this demonstration project. To date, we have met with some success at the federal level. EnerCan and Industry Canada have been supportive, and we are short-listed for funding consideration. We have also applied to Ontario's fuel cell innovation program for potential funding of our pilot installation.

With the Ministry of Energy's support at the provincial level today, fuel cells could become a part of Ontario's energy supply mix within the time period set out by the OPA. Beyond 2007, Enbridge's pipeline infrastructure alone can support 40 to 60 megawatts of opportunity through fuel cell integration at our city gate stations. Other utilities could then build on this, with the ultimate adoption by industry and institutional customers for high-efficiency cogeneration using fuel cells.

So what are the critical steps to achieve success in this area? First of all, we need a successful demonstration project. As I said, that's what we are pursuing on site at our home office. Second, we need a supportive and favourable regulatory environment at both a policy and rate approval level. Third, we need support from the OPA, and lastly, policy and regulatory support from the Ontario government.

The next thing I'd like to bring to the committee's attention is the issue of fuel switching. Fuel switching refers to substituting natural gas appliances for existing electric appliances. At the request of the Minister of Energy, Enbridge Gas Distribution worked to develop a model that quantified the results that fuel switching would achieve if residents were to use natural gas furnaces, water heaters, ranges and clothes dryers, instead of their electric counterparts. Such fuel switching would support a smart gas strategy, since using these natural gas appliances is much more efficient than using electric appliances. Using natural gas as a primary energy source versus a secondary energy source achieves significant efficiency advantages.

I believe all of you have received a copy of the presentation that we've brought with us. If you look at slide 10 in your packages, you'll see that natural gas appliances achieve a quantum improvement in energy efficiency relative to using electric appliances.

Consumers would be encouraged to switch from electric to natural gas appliances if appropriate financial incentives were in place. Based on our modelling, the cost per megawatt saved would amount to just over \$350,000. That cost is well below the cost of meeting that demand through additional generation alternatives proposed by the OPA in its report. Furthermore, fuel switching would achieve \$1.2 billion in customer net savings on appliance operating costs. Let me repeat that: Fuel switching would save \$1.2 billion to the consumers of this province.

Gas prices have fallen significantly in the last three months, but even when they were at their peak at the start of the winter, it was still nearly 30% less expensive for Enbridge Gas Distribution customers to heat their homes and water with natural gas than with electricity. As well, it is also 23% and 27% more cost effective to use natural gas for cooking and drying applications respectively. From our point of view, if you'll allow me to be colloquial, the fuel switching alternative should be a no-brainer.

In addition to financial benefits, fuel switching offers advantages in terms of implementation timelines. A plan could begin immediately, providing a quick win toward addressing Ontario's electricity supply crunch by reducing demand for electricity. Extensive natural gas distribution systems are already in place in this province, allowing for speedy implementation. With abundant natural gas supplies readily available well into the future, Ontario is well positioned to benefit from fuel switching.

Fuel switching also provides benefits associated with reduced demand on the transmission system, which may reduce or delay costs associated with reinforcing the transmission system to meet demand growth.

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Finally, fuel switching would support the government's interest in improving air quality by delivering a 2.5-million tonne reduction in greenhouse gases. Obviously, Enbridge believes that fuel switching can make an important contribution as Ontario works to address its electricity supply challenges.

Let me change gears a little bit. It is our understanding that the new Energy Conservation Leadership Act envisions changes to the current building codes that impede conservation initiatives, and I believe the last speaker spoke a little bit about this as well.

We believe that some changes to the Ontario electrical code will level the playing field between natural gas and electricity and support the government's conservation and efficiency policies. Currently, under the OEC, builders are required to install an electric range outlet even if a gas range will be installed instead, and the OEC makes no provision for the installation of a gas dryer. Furthermore, the customer must pay for an electric range outlet even if it will not be used; they must also pay for an outlet normally required for a gas range. Obviously neither builders nor homebuyers are keen to absorb these redundant costs, so the gas outlet is usually left out during home construction.

We propose changes to the OEC that would allow the builder to offer the customer a choice of making the electrical or gas hookup. Utilities are not asking or expecting that the builders be precluded from offering the electrical option, but just to allow the builder to offer the gas option as well on a fair and equal footing. As I've already pointed out, the use of a gas dryer and a range rather than an electric dryer and range is far less costly and more energy efficient for the consumer.

We are confident that Enbridge can play a greater role in addressing Ontario's electricity challenges. However, we cannot do this alone. In addition to working with our customers and others in the industry, we also want to work together with the government. As I've mentioned, in the area of fuel switching, for example, appropriate provincial policies, directives and funding are required. There is also an opportunity to support the government's objectives by levelling the playing field between gas and electric appliances through alignment of the Ontario building code. We must work together to tap existing expertise where it makes sense and we must keep the lines of communication open throughout the process. Today is certainly part of these communications and I appreciate the opportunity to be here. I welcome your comments and any question you might have.

The Chair: Thank you, Mr. Luison. We have about two minutes per party. We'll begin with Mr. Marchese of the NDP.

Mr. Marchese: Mr. Luison, you may have heard other speakers before and you may have heard questions from Howard Hampton earlier. One of the questions he asked to a number of deputants was that there has been no cost-benefit analysis. As someone working for Enbridge, that's almost something that would be automatic for any corporation or company, would you not agree?

Mr. Luison: Certainly any initiative that we would pursue would typically undergo very rigorous cost-benefit analyses. I can't comment on some of the other ones that were addressed today, because I wasn't here, but the fuel switching initiative, for example, that I've proposed in my talk today has a payoff of roughly 240%.

So for an investment by the government of roughly \$500 million, we would get a savings to consumers of \$1.2 billion. So the cost-benefit analysis has been done on our part.

Mr. Marchese: You would expect, as I would, that the government would do such a cost-benefit analysis in order to be able to convince us and the people who are going to be paying for this that this is good for them and good general government policy. Wouldn't you agree?

Mr. Luison: I would suggest it's always good public policy to have the numbers to back things up.

Mr. Marchese: In California, where they tried the smart meter, they had assumed they would save about 500 megawatts of power, only to discover they only saved about 35 megawatts of power. Given that and given that this is likely to cost \$1.5 billion to \$2 billion, based on estimates that we have seen or based on what we think is going to be the cost on capital alone, let alone operational, just to ask you the same question I asked the previous deputant, do you think this is a wise investment versus some of the items you've suggested and that others have suggested?

The Chair: Mr. Luison, you can perhaps address that question in a follow-up. We'll move to the government side.

Mr. Delaney: I'd like to follow up on your comments on fuel switching. As a scenario, just imagine that in the next 10 years, roughly a million Ontario homes either are built for or convert to natural gas ranges and gas dryers. Here are my questions, and they relate to the infrastructure that Ontario has for the procurement and distribution of natural gas: Can we get gas to distribution centres from its sources, be it through pipelines or liquid natural gas? Secondly, is our infrastructure for the distribution of gas up to date, or as producers and distributors will you need to invest in upgrades to it?

Mr. Luison: Let me address the supply issue first of all. Let me tell you that I'm very confident, as is the industry, that there is no issue with respect to supply of natural gas in North America. We have new sources coming on, we have the traditional basins, and we have imports coming in through liquefied natural gas sources, as you've already pointed out. There are plenty of projects on the books, and many of these new sources of supply are at least as large as those that we've traditionally relied upon. So on the supply side, there is no issue. There are plenty of plans and investment projects in place to bring it here at reasonable cost and in an economic way.

With respect to the infrastructure, virtually the same answer: Both Enbridge and other companies have very large investment in pipeline infrastructure. Enbridge Gas Distribution, specifically, has been putting in distribution infrastructure for over 160 years. Yes, additional investment is required. We continue to make reinforcement and expansion investments every single year, because we are growing by roughly 50,000 customers each and every year. These are challenges that are routine to us. Supply and infrastructure are not issues.

The Chair: Thank you, Mr. Luison. I would invite a final, efficient two minutes from Mr. Yakabuski.

Mr. Yakabuski: Thank you very much for your presentation. As the saying goes, "Now we're cooking with gas."

This is a very interesting submission. Of course, I've not had the opportunity to analyze it at all, but if your numbers are correct, we could take a tremendous amount of pressure off our generational demand if we had a reduction in the electricity demand commensurate, obviously, with switching to gas. My wife, who really enjoys cooking, has always said that she'd love to have gas appliances, but we don't have natural gas where we are, so she doesn't have the option. But she knows how much more efficient they are for a chef.

I haven't seen this presentation before; I haven't even heard about this idea. But it would seem to have tremendous potential if we could have a reduction in the megawatt demand if this number of appliances were operating on gas as opposed to electricity. The generation of electricity is one of our biggest challenges right now. If we needed to generate less because we were providing our needs from another source, I think that would be very helpful. As I say, we'd like to see more about it.

I know you are going to comment on Mr. Marchese's comment. There seems to be a general consensus out there from a lot of people that the entire smart metering initiative, the fruit it's going to bear, is questionable with regard to the investment that's going to be required, particularly on the residential side of things. Maybe you could answer both of us.

Mr. Luison: My comment is that we respect the government of the day and the initiatives that it wants to pursue. I'm not here to question the validity of those particular initiatives. I know that we can supplement those initiatives. We bring something to the table as well that we don't think has received proper and sufficient consideration, and we can assist the government in meeting its objectives. We all want the same ultimate objectives of increasing energy efficiency and conservation and doing it in a cost-effective manner. Gas has to be part of that solution.

The Chair: Thank you, Mr. Yakabuski. Thank you, Mr. Luison, particularly for a review of all our collective responsibilities.

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ONTARIO CLEAN AIR ALLIANCE

The Chair: I'd now invite our next presenter, Mr. Jack Gibbons of the Ontario Clean Air Alliance and company. I hope all members of the committee have received this particular deputation. As you've seen, there are 20 minutes in terms of presentation, with any time remaining to be distributed evenly. I invite you to begin now.

Mr. Jack Gibbons: Thank you very much, Mr. Chair, for the opportunity to speak to you today, and thank you very much to all the members of the provincial Legis-

lature who stayed here late on a Friday afternoon to listen to what we have to say.

Premier McGuinty is very strongly in favour of creating a conservation culture in Ontario. Premier McGuinty has said that he wants to make Ontario a North American leader in energy efficiency. The Ontario Clean Air Alliance very strongly supports these objectives, since conservation is the lowest-cost, the quickest and the most reliable option to phase out our dirty coal-fired power plants and meet Ontario's electricity needs. Therefore, we support Bill 21 because it will help the government of Ontario to promote energy conservation and efficiency.

However, much more must be done to promote energy conservation in this province. Last summer, Ontario had over 60 smog alert days. On these smog alert days, we imported up to 3,000 megawatts of dirty coal-fired electricity from the Ohio Valley. This is simply unacceptable, because coal-fired electricity imports from the Ohio Valley have a huge cost to the people of Ontario. There's a huge financial cost, and there's a huge cost to human health, because when we import coal-fired electricity from the US, we're also importing the air pollution too, which leads to asthma attacks, heart disease, lung disease, strokes and, ultimately, death. I've talked about the public health costs of coal-fired electricity imports, but just to emphasize, there's a huge financial cost. According to an analysis by Hydro One, in 2002 we were paying up to 60 cents a kilowatt hour for these dirty coal-fired electricity imports on smog alert days. That's a huge financial cost to Ontario. It means lots of our money is flowing out of Ontario to the United States.

But there is a better way. There's a much better way. On smog alert days, instead of paying US power producers up to 60 cents a kilowatt hour for coal-fired electricity imports, the Independent Electricity System Operator should be paying Ontario consumers to shift to reduce their demand, to reduce some of their peak day demands to off-peak periods. That's a much cheaper way to keep the lights on in Ontario. Pay consumers, pay Falconbridge, pay Abitibi Paper, pay the York region school board, pay Magna International, pay Toronto Hydro to reduce some of their peak day demands to off-peak periods on smog alert days.

That has multiple benefits: First of all, it keeps Ontario consumers' dollars in Ontario instead of exporting them to the Ohio Valley and it helps create jobs in Ontario. And it dramatically increases the reliability of Ontario's electricity system. If we can reduce the need to import 3,000 megawatts of power on peak smog alert days, our electricity system will be so much more reliable. There is no quicker, no cheaper, no better way to ensure that the lights stay on this summer than paying Ontario consumers to reduce their demand. I'm just saying, pay them the same price that we would have otherwise paid to the US coal-fired power producers. So it doesn't cost Ontario more, it keeps the money here in Ontario and gives us a more reliable system. It also means we're not importing that coal-fired electricity and the air pollution from the United States, so it means fewer asthma attacks for our children.

In conclusion, the Independent Electricity System Operator has the potential to completely eliminate the need for dirty coal-fired electricity imports on smog alert days this summer by paying Ontario consumers to shift some of their peak day demands to off-peak periods on smog alert days. I would strongly urge this committee to recommend to the government of Ontario that they direct the Independent Electricity System Operator to pay customers to reduce their demands on smog alert days, keep the money here in Ontario, increase the reliability of our power system, and reduce air pollution from the US on smog alert days.

Thank you. Those are my submissions. I'll be glad to answer any questions.

The Chair: Thank you, Mr. Gibbons. We'll have about four minutes or so each, beginning with the government side.

Mr. Leal: Thank you, Mr. Gibbons, for your presentation. You identified a number of industries and big commercial players in the Ontario economy. Have you talked to them about your concept?

Mr. Gibbons: Yes.

Mr. Leal: Is it feasible in terms of—we'll take Magna, for example—making auto parts and just-in-time deliveries, and whether they could shift their manufacturing profile to what you have suggested? I'd like to hear thoughts on that.

Mr. Gibbons: Magna is very much in favour of this type of proposal. They wouldn't stop producing car parts, but Magna has many discretionary uses of electricity that can be shifted from one hour to another hour, so they could definitely take part in this. For example, as you may know, there is a reliability challenge in the Newmarket-Aurora area, where Magna has many of their plants. The Ontario Power Authority had a consultation process last summer just to talk about how to deal with that problem. I was on their consultation committee with the energy manager from Magna, and he strongly supports this.

Certainly, if you talk to companies like Falconbridge, to companies like Abitibi, these companies support it. In York region, the York Region District School Board strongly supports it. In York region, the schools are also used as recreation centres, so there's huge potential for them to control their loads on smog alert days. Again, keep the money in Ontario: It's much better to make the York Region District School Board richer than to send that money to the US Ohio Valley.

There's huge potential. The Association of Major Power Consumers of Ontario is a strong supporter of demand-response programs. Basically, all consumers are for it. The people who are against it are electricity suppliers, because when you reduce the demand for electricity, of course, you push down the spot price, which lowers their profits.

Mr. Racco: Is there more time?

The Chair: Yes. Any further questions?

Mr. Racco: If I may. It's a lovely idea. I'm familiar with what's happening in Aurora, since I live in the area.

But how is Magna going to switch their demands to a later time? I mean, we're talking about a manufacturing company that produces all day long. How are their needs going to be switched to a later time?

Mr. Gibbons: They're not going to shift their production to another time, absolutely not, because as the other member mentioned, it's just-in-time delivery. But not all of their electricity is used to drive the production process of getting car parts out the door, so they do have discretion; certain loads can be operated at different times and cycled on and off. Now, I'm not an engineer and I don't run the Magna plant, so I can't tell you. I could give you the name of the Magna energy manager and he could certainly explain it to you, because this came up in our discussions last summer at the OPA consultation and he definitely said he could do it. But I'm an economist, not an engineer, and I can't really tell you how car part plants operate.

Mr. Racco: To conclude, let me say thank you for what you told us. I would be interested to have the name not only at Magna but also at the York region public school system so that maybe we can have a little discussion with them and get more specifics. I thank you for that.

Mr. Gibbons: I'm pleased to give it to you, sir.

The Chair: We'll move to the Tory side. Again, four minutes.

Mr. Yakabuski: Thank you very much for your presentation, Jack. I do have some questions on that, and some are the same. As usual, I'm on the same side as the Liberals.

You're talking about shifting of peak demand. I'm just doing some thinking in my head here, but—

Mr. Leal: Uh oh.

Mr. Yakabuski: Yes, I know; that's scary.

The more successful you are at doing that, the more declining the benefit would have to be, because then the spot prices wouldn't be \$400 a megawatt and stuff like that; it would be a declining benefit the more successful we would be. You can't pick and choose who—especially at the high prices, you'd be paying companies a significant amount of money to shift some load and some demand. That can't just apply to Magna; it could maybe apply to a sawmill in my riding. Depending on how successful you are, you might find that the willingness to participate if the price is there is extremely high, so depending on how successful you are, you could actually create another problem. I don't think it's as simple as we might like to look at it, that we get a few big users to stop using energy and we don't have to bring in coal-fired power produced in the Ohio Valley.

I don't know what kind of analysis you've done across the board. Maybe Abitibi wouldn't have had to lay off 360 workers and shut down the mill, or Bowater wouldn't be shutting down 260 workers if they were getting paid not to operate their mill. They may be willing to pay their workers to do something else for that time, I don't know. Depending on how high those prices go, the amount of money that's being thrown around can get pretty significant.

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You and I have met. There's no question that we agree there are things that can and need to be done to reduce our appetite for energy growth in Ontario, and conservation is a big part of it. We all agree that we want to be able to produce power in the cleanest possible way in this province. We don't necessarily always agree on how we're going to do that.

As to my musings here about that plan of yours, what do you say? Hey, Jack, what do you say?

Mr. Gibbons: I think it's a very good plan for Ontario. For example, take Abitibi. What they would do, could do, if they were offered, to reduce their demand on a peak day, so we didn't have to import coal-fired electricity from the US, is that instead of operating their plant, they could schedule the plant for maintenance that day. They will still be hiring all their employees and they will still be creating jobs for the people in Ontario, but instead of operating their plant to produce pulp and paper on a smog alert day, they will be doing the maintenance they have to do anyway. They just schedule the maintenance on that day. They'll be paid a significant amount of money to do that, to schedule maintenance on that day. That would lead to a net reduction in Abitibi's annual electricity bill, because they're paid to schedule their maintenance on a smog alert day so we don't have to pay US power producers 60 cents a kilowatt hour to import the power. So Abitibi's net electricity bill for the year goes down, and that makes Abitibi more competitive. It reduces their electricity costs, so they'll be more competitive and more likely to prosper in Ontario and keep jobs here.

I think it's just good news. It has no downside.

Mr. Yakabuski: You would have to know in advance. I don't know how far in advance you can project what days are going to be smog alert days, but you couldn't have Abitibi have the people show up at 7 o'clock: "Oh, boys, home you go, it's a smog alert day and we're going to do maintenance, or stay here and we're going to do maintenance." They're in a business where they can't just up and start it, stop it. You got to have some consistency.

Mr. Gibbons: Sir, you're absolutely correct. If you look in our submission that was handed out, on page 10 it talks about the demand-response program. This is called demand-response, the technical name for it. Basically, the independent electricity system operator has a demand-response program. We describe it here. They only want to operate on absolute emergency days when the system is about to crash. We're saying to also do it on smog alert days. The independent system operator has already got a plan to pay customers to reduce demand. We're just saying to expand it and also activate it on smog alert days, and pay people what you would have paid the US coal-fired producers. Under the IESO's plan, they would notify Abitibi a day in advance that we think—

The Chair: We're going to have to leave it at that. Thank you, Mr. Yakabuski. We'll move to the NDP side; four minutes.

Mr. Marchese: Mr. Gibbons, you started off talking about how you support the government's objectives vis-à-vis wanting to be North American leaders in energy efficiency, and you're not the only one who started that way; many others have said the same thing. I look at Schedule A. You have probably read the bill; of course you did.

Mr. Gibbons: Yes, I've read it.

Mr. Marchese: Schedule A talks about the Energy Conservation Leadership Act. As I review that schedule, in Schedule A, section 2, "A regulation may provide for consequences if a person fails to comply with a requirement established under this section." That's under "Effect of non-compliance." I move on to the next page, section 4, and it talks about, "The Lieutenant Governor in council may, by regulation, require public agencies to prepare an annual energy conservation plan." I move on to the next page, section 5: "Two or more persons may prepare a joint energy conservation plan and may publish and implement it jointly.... The Lieutenant Governor in Council may, by regulation, require public agencies to consider energy conservation and energy efficiency in their acquisition of goods and services," and blah, blah, blah.

It goes on to say, "The Lieutenant Governor in Council may, by regulation, require public agencies to consider energy conservation and energy efficiency when making capital investments," and on and on.

Section 7: "The Minister of Energy may enter into agreements to promote energy conservation."

You understand what I'm getting at, right? The whole schedule is exactly like that. I'm amazed how many deputants have come forward, saying how strongly they support the government in its initiative to conserve. As I read schedule A, called the Energy Conservation Leadership Act, it doesn't prescribe anything. It simply says it may do this or that, but it's not prescribed that they will do anything.

Does that bother you as someone representing the Ontario Clean Air Alliance today, that there's no such prescription of language vis-à-vis the Energy Conservation Leadership Act?

Mr. Gibbons: No, sir. I understand this to be enabling legislation. It gives the government the ability to do these things. I think that's appropriate. Then the government will actually issue regulations or directives under this act. I think that's wholly appropriate. This is to make public agencies promote energy conservation. There are many examples in this province where public agencies don't do that. We've got all these low-income housing developments that have gone up in this province with electric heating, which is the worst possible.

Mr. Marchese: We understand what you're saying. I'm agreeing with you. All I'm saying is that, while it is enabling, it doesn't say anything about what they may or may not do. What you're saying is, "I have faith in the government to do something with this bill that says they're enabling someone to do something," and you're fine with that. If you're fine with it, that's fine.

Mr. Gibbons: This bill enables the government to more effectively promote energy conservation. It's not a panacea.

Mr. Marchese: I understand that.

Mr. Gibbons: It won't solve all the world's problems—

Mr. Marchese: I agree with that.

Mr. Gibbons: —but it will help the government achieve its objectives.

Mr. Marchese: I understand what you're saying. I'm a bit disillusioned about the fact that it says nothing, prescribes absolutely nothing. I'm in disagreement with you that you're happy with the enabling legislation that may or may not achieve something. So thank you for that.

The other point you make is, why not pay consumers to reduce peak day demand? I think it's a very useful suggestion. I think some of the members think so too, and I am amazed the minister hasn't thought about it. I wonder whether the civil servants know about these ideas—

Mr. Gibbons: Yes, they do.

Mr. Marchese: —because they're quite aligned with your support for their enabling conservation ideas. I'm assuming the minister is aware of these things—

Mr. Gibbons: Yes, she is.

Mr. Marchese: —that the civil servants are aware of these suggestions.

Is there any reason, do you think, why they haven't thought about bringing them forward as useful things we could do?

Mr. Gibbons: Traditionally, these types of proposals have been very aggressively opposed by energy supply companies because they will reduce the price of power and reduce the profits.

Mr. Marchese: So the government is reluctant, perhaps, to introduce such initiatives because of that, do you think?

Mr. Gibbons: They are the organizations that lobby against proposals like this. These proposals are generally endorsed by all consumers in Ontario because it's in the best interests of all Ontario electricity consumers. In my view, it will help increase the competitiveness, the prosperity of this great province. But energy suppliers are—

Mr. Marchese: I'm convinced that these Liberals here present are going to support—

The Chair: We'll have to leave it at that, Mr. Marchese. On behalf of the committee, I'd like to thank you, Mr. Gibbons, from the Ontario Clean Air Alliance, for your deputation.

SOCIAL HOUSING SERVICES CORP.

The Chair: I invite our last presenter of the day, Mr. Colin Gage, on behalf of the Social Housing Services Corp. As you have seen, you have 20 minutes in which to make your presentation, the time remaining to be distributed evenly among the parties afterward.

Mr. Colin Gage: Mr. Chairman and members of the justice committee, thank you for the opportunity to come before you today. I am happy, by way of introduction, to let you know that I come wearing two hats today. I come wearing my hat as a director who sits on the Social Housing Services Corp. and I also wear my other hat as a provider or, making reference to a previous presenter, I am a landlord with a heart.

We come to you today to talk to you about Bill 21. It presents an opportunity for the Social Housing Services Corp. to assist the province of Ontario in achieving a conservation culture, and for the province to consider the Social Housing Services Corp.'s continuing work in energy conservation for the social housing sector.

My remarks on Bill 21 will revolve around five themes: our support for the creation of a conservation culture in Ontario; our desire to continue working with social housing providers on energy management issues; our wish to communicate the complex nature of our sector as it relates to energy matters; the need for on-going consultation between the government and our sector; and most of all, the necessity to provide financing options to allow the social housing sector to reach its energy conservation targets.

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A little bit about the Social Housing Services Corp.: The corporation itself was established under the provisions of the Ontario Social Housing Reform Act, 2000. The act provided the legislative authority to devolve the administration and financing of social housing to the municipalities and district service managers in 2002, and it also established the Social Housing Services Corp. as an independent corporation providing common services to service managers, local housing corporations, non-profit and co-operative housing providers previously administered by the provincial government.

The Social Housing Services Corp. fulfills the need for a central body to serve as a resource to 47 service managers of municipalities and over 1,600 housing providers within 455 municipalities throughout Ontario. The service managers collectively manage some 250,000 social housing units with over 700,000 residents. I would suggest to you that it doesn't stop there because what I've just alluded to are those developments that were funded under the provincial initiative, but do not include the federal unilateral development, so the scope of social housing in Ontario is much larger, I would suspect, than the numbers I just cited. The Social Housing Services Corp. provides consistent quality services to housing providers, while taking advantage of economies of scale. The SHSC programs include bulk purchasing of insurance, the pooling of capital reserves, which came out of the Provincial Auditor's recommendations, joint purchasing of natural gas and research for best practices.

The social housing sector in Ontario collectively spends an estimated \$400 million a year on energy, which has been among our fastest-rising and most volatile operating costs, and I'm speaking now as a provider. Housing providers manage their operations within

very restricted budgets. We have another issue now be- holding us. Effective January 1, 2006, all operating costs are now benchmarked, as developed in consort with the provincial government, delivered through the muni- cipalities. So any monies we spend on utilities are now capped. In other words, they increase by the consumer price index on an annual basis, but in essence we have to operate within a capped cost of all our operating numbers throughout the course of a year.

Overall, two thirds of the rent that we receive comes from residents with the lowest income levels, or what we refer to as the working poor, and the remaining one third from by tenants on fixed subsidies that we receive from local municipalities.

Social housing providers face the problem of in- sufficient capital reserves to address their infrastructure renewal needs, including replacing energy-inefficient equipment or engaging in energy-efficient projects, which would also require capital renewable requirements. They are prohibited by the Social Housing Reform Act, and also from the provincial government and by the federal government through the operating agreements, to encumber their key assets, either through second mort- gaging or whatever other instrument, to acquire addi- tional funds through the equity base generated over the years.

In addition, energy conservation initiatives in this sector are confronted with a complex split incentive environment. A survey conducted by the Social Housing Services Corp. showed that housing providers pay 82% of the electrical costs in social housing units, while the residents pay the remaining 18%. It is critical to recognize this reality when designing energy conser- vation programs in the social housing sector.

Moreover, due to diverse geographic, build-form and tenure characteristics, the use of provincial energy consumption averages for the residential sector may not be applied to the mix of conditions in the social housing sector. The result is that the average consumption per social housing unit may be higher than the provincial averages for the residential sector, which in general reflects consumption patterns of single-family homes.

The social housing sector is constructed or built at a much higher density level than the standard subdivision that we see today. They're usually townhouses or high- rise structures.

In response to our members' energy needs, the Social Housing Services Corp. has developed the social housing energy management program, which is a comprehensive, province-wide, multi-year conservation and demand-side management plan. SHEMP includes energy audits, edu- cation, communication, retrofit implementation and evaluation through our energy management system. The intent is to establish a portal for energy management with the necessary information, tools and services to enable social housing providers of every type and size across Ontario to take action to minimize their energy and water use.

Building on our experience, the Social Housing Ser- vices Corp. has successfully negotiated with Hydro One

Networks Inc. for up to \$1.5 million over three years for housing providers in the Hydro One service area to help fund energy audits and retrofits. These are but a fraction of the overall implementation costs needed.

Conservation planning for public agencies: Schedule A of Bill 21 calls for conservation plans for public agen- cies. Establishing plans and reporting on energy effici- ency within the public sector and the broader public sector is entirely in keeping with the Social Housing Services Corp.'s energy management approach. We are already carrying out much of the work in the social housing sector that is envisioned for public agencies in the bill. As described above, it is far more efficient and effective for the Social Housing Services Corp. to do this work on behalf of social housing providers than for each provider to have to develop, implement, monitor and report on their own management program.

On October 6, 2005, the Minister of Energy issued a directive to the Ontario Power Authority to assume responsibility for the ministry's energy initiatives as they pertain to low-income and social housing. The OPA has recognized our capacity to deliver on energy manage- ment by recently signing a memorandum of under- standing with the Social Housing Services Corp. that designates us as their exclusive partner for their social housing conservation and demand management pro- grams. This is a fact that we're very proud of, given the confidence that has been bestowed upon us. We will work together on promotion, implementation and edu- cation in social housing energy conservation.

Given that Bill 21 envisions the possibility of creating different classes of public agencies, and that SHSC is already working with the Ontario Power Authority on energy management planning for social housing pro- viders, we would like Bill 21 to allow for classes of public agencies, such as the social housing sector, to be permitted to submit joint plans along with a recognized third party such as the Social Housing Services Corp.

The Social Housing Services Corp. would be happy to provide input in order to explore the possibility of such a third party to be included in the regulations of Bill 21. So that conservation opportunities in the social housing sector can be maximized, the Social Housing Services Corp. is prepared and able to convene a social housing service manager conservation council to help co-ordinate the work of housing providers who are administered through municipalities and districts.

There is, however, one matter that requires clarifi- cation. Because "public agency" will be prescribed in the regulations, it is not clear to us which social housing providers will be covered by the legislation. Local housing corporations and a few municipal non-profits may come under the provisions of Bill 21, but it is not clear whether other non-profits or co-ops will also be covered. If this question is not resolved, we run the risk of creating an asymmetrical energy planning system for the social housing sector, one that prefers public housing to community housing.

Smart meters: SHSC understands the aim of the gov- ernment's smart metering initiative as a step towards

meeting Ontario's energy challenges. We are currently conducting a survey of our members in an effort to understand the possible impacts that smart metering could have on our sector. While we have no comments on smart metering at this time, we do believe in the principle that consumers of energy must conserve. However, we wish to flag some special challenges that implementing smart metering will pose for the social housing sector.

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Smart metering poses two main challenges to social housing. The first has to do with the nature of our building stock. Compared with the Ontario average, more of our buildings are heated by electricity. For residents of these buildings, reducing consumption during peak periods could often be an unrealistic option because they are home during the day or because the thermostat is controlled centrally, as alluded to earlier by another presenter.

The other challenge points to regulatory practices under Ontario Works and the Ontario disability support program. Many social housing residents pay for rent and utilities according to complex rent-geared-to-income regulations under OW and ODSP. These regulations may not be adjusted to recognize the fluctuations in consumption or energy cost.

Time-of-use billing for necessary use of electricity could become unreasonably high for social housing residents, many of whom are already trying to get by on marginal incomes. If smart metering is to be implemented successfully and fairly, it will require careful thought and consultation between the government and service managers and social housing providers.

If the government does require smart metering in social housing, we would support the meters being owned, installed, operated and maintained by the local distribution companies, as suggested in the government's backgrounder on Bill 21. It would be easier for our members to deal with a regulated entity than a large number of independent metering companies.

Any requirements for energy-efficient planning and purchasing in the social housing sector must be accompanied by the requisite funding and/or financing options. I have already pointed out the restrictions our members face in finding the capital needed to maintain and improve their buildings. Social housing providers have projected capital needs for state-of-good-repair and health and safety compliances over the next 10 years, conservatively estimated at \$450 million in present value. Our members already have to make difficult choices in prioritizing capital spending today. It would be untenable to add energy projects to their lists without providing them with the financial tools that such projects will require.

It is important to understand that expenditures on conservation and efficiency are investments that ultimately pay for themselves and even save money in the long run. The challenge in financing energy initia-

tives is in finding the up-front capital needed to carry them out.

So where are the financial tools to come from? In her speech introducing this bill to the Legislature, Minister Cansfield pointed out that the government will be providing funding to municipalities for energy efficiency projects through the Ontario Strategic Infrastructure Financing Authority. We hope that municipalities will make energy investments in their social housing portfolios a priority. We would also like to see funds earmarked for energy efficiency measures from the Ontario-federal affordable housing agreement, the new delivery program for social housing in the province of Ontario. We do not want to repeat the sins of the past. I can assure you, as a builder, developer and landlord of social housing, we developed many units under a capitalized program that saw us build this housing with baseboard electric heat. We're currently in the process, as a housing provider, of building 42 units in the city of Cambridge and, because of the restricted capital costs, we have to put electric baseboard heating back in. It's a toss-up over who we serve: Do we provide this much-needed housing at the expense of hydro efficiency? It's a question that we're going to wrestle with if we don't keep this in mind.

Bill 21 relies on a vague requirement for public agencies to "consider" energy conservation and efficiency when making purchases and capital investments. We feel that clear regulations are needed to ensure that specific energy efficiency standards are deployed. SHSC believes that energy efficiency means implementing international standards such as LEED for new construction. The old practice of building social housing on the cheap and then paying higher utility bills and retrofit costs later on is not consistent with the goal of creating a conservation culture. Similarly, the regulations should also require EnerStar or some other standards for purchases of appliances and other equipment.

I would note that Ontario will be creating a huge market for energy-efficient equipment and hope that the government will capitalize on the economic benefits and market transformation this could bring to the province. A market for 250,000 refrigerators in social housing units should provide a powerful negotiating opportunity to encourage manufacturers and distributors to transform the marketplace with predominately EnerStar products.

Let me summarize by saying that:

—SHSC supports the government's desire to develop a conservation culture in Ontario;

—We will continue to provide energy management services to the social housing sector;

—Ongoing formal consultation with our sector will be an important element in ensuring reductions in energy consumption;

—It is critical that the government appreciate the complexity of social housing when designing energy programs that affect our sector;

—Adequate financing will be required to meet Bill 21's objectives.

I'd be happy at this time to answer any questions that the committee may have.

The Chair: Thank you, Mr. Gage. We have just a minute each. Mr. Marchese?

Mr. Marchese: I thought we had lots of time.

Mr. Gage, I want to thank you for your remarks. Thank you for pointing out that "regulations should also require EnerStar or some other standards for purchases of appliances." That makes sense. You indeed have a great influence in terms of—your power to buy so many refrigerators is one example of a way of leveraging some energy-efficiency ideas. I'm glad you pointed out the fact that the Toronto Community Housing Corp, for example, has capital needs of \$225 million. Unless we fix some of those problems, not just there but beyond, we've got a problem. You build on the cheap, and later on you've got these kinds of problems. So you can advocate all the conservation measures you want, but if you don't have the money to retrofit the buildings and fix them from scratch, you've got a serious problem on your hands, and the problem is that there is no money. Cities are broke; the city of Toronto is in the red by \$500 million, and most cities face similar problems. How can they help if the province doesn't help? These are some of the quick comments I wanted to make in a few quick seconds. I don't know if you want to comment on anything.

Mr. Gage: You're right. We do face a certain dilemma that we've all recognized: There is a shortfall—I'm sure that will be attested to by the municipalities, certainly the ones I've talked to—in funding for capital reserves. At the same time, I think we have to balance that. Much of the short funding in the capital reserve

items that we are trying to address are for such things as windows, which hopefully will be a higher-efficiency window that can help us conserve energy. It's sort of like a co-balance.

The Chair: To the government side.

Mr. Leal: Thank you very much for your presentation. Just a quick comment: As a former municipal councillor with social housing, I know that one of the difficulties is that when it was devolved in 1997-98, municipalities had the understanding that it was going to be in good repair and brought up to standard as part of the off-load from the Harris government, but in fact that never happened.

Mr. Gage: Would you like me to comment?

Mr. Leal: Absolutely.

Mr. Gage: I guess it's a pride thing for me, in the sense that I do manage a very large housing portfolio, 3,000 units and four area service managers, and I would like to measure my social housing portfolio against any private stock out there. I think, in essence, it is fairly well maintained with the limited resources that we do have available.

Mr. Leal: There was a handicap from day one.

Mr. Gage: Yes.

The Chair: Thank you, Mr. Gage, on behalf of the Social Housing Services Corp.

If there is no further business of the committee, I remind us that we are adjourned until Monday, February 6 at 10 a.m. in Toronto, not Peterborough. Thank you. The committee is adjourned.

The committee adjourned at 1609.

Continued from overleaf

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