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Mardi 26 septembre 2006

**Standing committee on
estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie

Chair: Cameron Jackson
Clerk: Katch Koch

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 26 September 2006

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The committee met at 1530 in room 151.

MINISTRY OF ENERGY

The Acting Chair (Mr. John O'Toole): I'd like to call the standing committee on estimates to order. The business we will be reviewing is the 2006-07 estimates of the Ministry of Energy, which is a nine-hour process, beginning with the minister, who has 30 minutes to make his presentation. The official opposition has 30 minutes, the third party has 30 minutes and the minister will have up to 30 minutes with the right to reply. There will be 20-minute rotations from that point on to complete the nine hours, starting off with the official opposition, moving to the third party and then to the government.

With that, it's my pleasure to welcome the Minister of Energy. You have 30 minutes starting now.

Hon. Dwight Duncan (Minister of Energy): Thank you, John. Did you say that at the end of all the opening statements I get a chance to respond?

The Acting Chair: Yes, 30 minutes.

Hon. Mr. Duncan: Terrific. Thank you.

First of all, I welcome the opportunity to share with the estimates committee the great progress we are making at the Ministry of Energy. And be assured, it is progress on virtually every front. From new generation to conservation to renewable energy to having a plan and direction for the future and the tools to carry it out, it is very much a story of moving ahead to achieve real results.

That progress has come due to the efforts of a great many people. We've worked with stakeholders in the private sector, in municipal utilities, in the environmental movement and across Ontario to build an electricity system we can all be proud of and confident in. Organizations like the Ontario Energy Board, the Independent Electricity System Operator and the Ontario Power Authority know their roles and are performing them well; and both Ontario Power Generation and Hydro One are making an effective and robust contribution to ensuring that the lights stay on in Ontario.

In addition, I'd like in this formal setting to thank the dedicated people of the ministry who have made this progress possible, carrying out the vision for energy that has been such an important part of the priorities of this government. My deputy minister, James Gillis, is sitting next to me. His assistant deputy ministers and all their

staff are tireless, focused and skilled at making things happen. I can't say enough about how much their work is appreciated.

Ministry staff are actively engaged in crafting and implementing the McGuinty government's plan for electricity in this province. It is a plan that strikes a balance between the need for clean, reliable, sustainable, affordable power and our need to build a culture of conservation in Ontario. It is about managing demand and ensuring supply, and what a year it's been when it comes to Ontario's supply.

This summer stretched Ontario's electricity grid to new limits. During the heat wave in July, demand peaked at just over 27,000 megawatts, and yet we were in better shape to handle that peak than we were a year or two ago. Why? Because we're increasing and diversifying our supply of electricity, because we're making progress on building a culture of conservation and because we're not afraid to make tough decisions to ensure Ontario has the electricity supply it needs to grow and prosper.

In every decision, on all fronts and in all respects, there has been no government in a generation that has done more to address Ontario's energy needs. We have brought stability to a system that was in chaos and freefall in 2003. We have created the building blocks for a long-term energy future, the first time a government has attempted to do so since 1989. And in the last three years we have created an environment that has generated significant public and private sector investment which will continue to grow long into the future.

What a difference a few years make. From supply to conservation, to transmission, to ridiculous pricing schemes, the energy system we inherited in 2003 was a complete mess. The previous government's energy policy environment was one that I would call reckless mismanagement. It was a policy environment which had seen no net new generation capacity added to the grid for eight years, no conservation for eight years, no investment in our transmission infrastructure, and a poorly planned and executed electricity marketplace that, within six months, caused prices to skyrocket and resulted in an additional \$1-billion debt.

In the eight years prior to the McGuinty government, demand for electricity grew by 8.5% yet capacity fell by 6%. Put another way, the previous government took 1,965 more megawatts offline than they brought on over the course of their mandate, leaving our government to pick up the pieces.

Today, all of this is history. We've had a lot to do in three years, and the public and private sectors, indeed all Ontarians, have played an important part. Since 2003, we have been consistent in our approach and strong in our resolve to ensure Ontario's energy needs. On every issue over the past three years, from the market to pricing, from building new supply to creating a culture of conservation, from encouraging private sector investment to regulatory streamlining, the ministry has made tremendous progress. Let me address each in turn.

On the issue of the market, many will recall the previous government's efforts to create an electricity market in Ontario to encourage investment. After significant investment by the public and private sectors, and a complete restructuring of the system, it ground to a halt in six months. Our government recognized how important it is to be predictable and stable in our approach to energy. In energy, no surprise is the best surprise. Since 2003 I have said we will create a hybrid market in Ontario, and that's what we have today. Our approach has been a balanced one—the right one. It is consistent, it has encouraged substantial private sector investment and it will continue to do so.

On the issue of pricing, the people of this province remember the price caps implemented by the previous government that destroyed the market and added to a legacy of debt that our children will have to pay. Price caps don't make any sense and they don't work. Instead, three years ago, we committed to Ontarians that they would pay the true price of electricity. That's what I said in 2003 and that's what we have today. It's a policy that encourages conservation, and it also encourages private sector investment in energy supply.

On supply, we have created the largest investment in our energy infrastructure since Adam Beck was running Hydro more than 100 years ago. I've already said that the 1990s actually saw a reduction in supply while our population and economy continued to grow. Since 2003, 3,000 megawatts of new supply have come online, and we have set the wheels in motion to bring online an additional 10,000 megawatts. To put this into perspective, there's no other place in North America that will build more new generation than Ontario over the next five years.

I'd like to draw your attention to some of the projects I consider especially important and exciting. This summer, I had the pleasure of celebrating with Premier McGuinty the start of work by "Big Becky," the world's largest hard-rock boring machine, as it commenced tunnelling under the city of Niagara Falls. The 2,000-ton machine will bore a 10.4-kilometre tunnel, at a depth of up to 140 metres below the city of Niagara Falls, connecting with the Niagara River at Queenston. The tunnel is expected to be completed by 2009, increasing electricity output at the Sir Adam Beck complex by 14%. This project by Ontario Power Generation will create power equivalent to the needs of 160,000 homes, or about two cities the size of Niagara Falls.

It was an idea suggested as far back as the days of Vince Kerrio, whom I know some of you will remember

and who, by the way, is doing very well and was pleased to be at the event. But like so many other ideas, the Niagara tunnel languished for years. I'm proud that the McGuinty government is moving this forward. The project will lead to 230 full-time construction jobs and represents an investment of \$985 million. It speaks to Ontario's need for more environmentally sound energy, and it is a project that showcases the focus and expertise of Ontario Power Generation.

This past year also saw the commercial launch of four wind farms, all the result of renewables RFPs put in place by this government. One, the Erie Shores wind farm, on the north shore of Lake Erie, is in fact the largest wind farm in Ontario to date. The project's 66 turbines can generate 99 megawatts, enough electricity to power over 25,000 homes. The wind farm is one of 18 new renewable energy projects the province has supported to date. In addition, I expect that the Prince Wind Farm near Sault Ste. Marie will begin operating commercially in the coming weeks.

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We've also made it possible for smaller generators to play an important role in Ontario's electricity generating system through two programs: net metering and the standard offer. Ontario residents, farmers, community organizations and smaller companies can invest in renewable energy technology with confidence. Net metering allows those with small generating systems to receive credit for excess power they provide to the grid. The ministry recently staffed an information booth at the International Plowing Match in Keene, near Peterborough, where many farmers expressed real interest in net metering and other opportunities for improving their bottom line through reducing their electricity costs.

Standard offer, for which program details are now being developed by the Ontario Power Authority, will provide small generators with a guaranteed price for the power they produce: 11 cents for wind, biomass and small hydro generation, and 42 cents for solar. As this program is fully rolled out, it will set Ontario apart as one of North America's leaders in promoting the adoption of new, small-scale generation technology.

Increasing our capability for generating electricity is a key role of the ministry. Without a doubt, supply remains a critical focus of the ministry, but it's only one part of the complex package of things we must do to ensure our electricity future. Conservation is equally important and one of the best ways we can ensure electricity is affordable and available when we need it. Just recently, our government directed the Ontario Power Authority to invest an additional \$400 million in energy conservation programs over three years through Ontario's local distribution companies. This new funding brings the total available to local utilities for conservation initiatives to more than \$550 million, supporting the government's target of 6,300 megawatts of conservation by 2025.

We tally conservation not by the numbers but in creating a conservation culture. It's the symbols and community effort that make it real. I'm proud to say that

we've finally got under way a refrigerator retirement program. Antique, inefficient, underused beer fridges have about as much place in Ontario as pit bulls and workplace smoking. It's a fact that refrigerators are one of the largest consumers of electricity in the home, and older models can consume up to four times the electricity of newer, energy-efficient refrigerators. Every 1,000 refrigerators taken out of service will save enough electricity to supply more than 130 homes, and from the standpoint of an individual consumer, that second, old, inefficient fridge could be wasting up to \$220 a year in electricity, money which I expect most homeowners would be glad to have for other things. I look forward to the project moving beyond the pilot programs now under way in Barrie, Mississauga, Kingston, St. Catharines, Timmins and Windsor.

Taken together, in fact, in just three years the McGuinty government has set in motion, through directives to the Ontario Power Authority, the wheels that will generate up to 1,300 megawatts of conservation programs. We're also working with some of Ontario's largest utilities as a partner in powerWISE. This public awareness program is providing consumers across the province with encouragement, information and advice that will help them to conserve energy, save money and build a cleaner environment for the people of Ontario.

Just like supply, there are great opportunities for private sector investment in energy conservation. With programs like those of the conservation bureau, through powerWISE and by giving Ontarians the incentive to conserve through pricing electricity at what it really costs, I know we can count on the private sector to further build up Ontario's developing conservation culture. People and organizations across Ontario have been stepping up with innovative and effective conservation initiatives. I recently attended, for example, the launch of the Greening Sacred Spaces initiative at St. Gabriel's church in Toronto. Across the province, organizations are working with retailers to reduce energy use, are working with homeowners to install energy efficient lighting and are working with us to create what is truly a culture of conservation.

Through my ministry's new community conservation initiatives fund, we are setting in motion conservation projects by small, grassroots organizations in communities across Ontario. This initiative will provide funding of up to \$100,000 for environmental organizations, community and school groups, and aboriginal associations for projects which contribute to a reduction in electricity demand, enhance the capacity of individuals or communities to conserve, or promote small-scale renewable energy.

Within government itself, we are already more than 90% of the way toward our goal of reducing electricity consumption in government buildings by 10% by 2007.

In the past three years, through the ministry and the Ontario Power Authority, we have issued more than 10 power procurement initiatives on supply and conservation initiatives, providing significant opportunity for

private sector investment. Combining all of our supply and conservation initiatives that are currently under way, our government has generated an investment of \$13 billion. This is compared to only \$3 billion invested by the previous administration.

The facts speak for themselves: In generation, in renewables and in conservation, we are creating a stable, balanced electricity system for Ontarians that encourages private sector investment. At the same time, in all of these areas we recognize there is a role for government. It's all about balance. It's all about keeping focused on what is really important: a reliable, sustainable and cost-effective energy system for Ontario.

Let me go further: We have been balanced in our approach on regulatory streamlining. We have restructured the agencies that manage our electricity system to be more streamlined, accountable and focused, each with their own role and mandate. Constant vigilance in this regard is always necessary, but there have been substantial improvements.

We are bringing Ontario energy pricing structure into the 21st century through an ambitious plan to implement smart meters throughout the province. Our current meter technology is virtually unchanged from the days of Edison, while smart meters will set the stage for energy conservation, operating efficiencies and new opportunities for utilities and businesses to offer consumers additional and valuable services. Utilities in Toronto, Ottawa and elsewhere in Ontario have already begun to install smart meters in homes throughout the province. Together with time-of-use rates, smart meters will give consumers a needed tool to conserve by providing them with timely information about their pattern and level of electricity consumption in a given period and, in turn, their cost.

As consumers become more responsive to the cost of electricity in different time periods, we'll be able to smooth some of the expensive usage peaks that up to now have often resulted in the import of expensive, and often coal-fired, American power. This is an important step in managing our electricity system to the benefit of Ontario residents, our industry and indeed our environment.

Through the Energy Conservation Responsibility Act, passed by the House earlier this year, we are able to put in place tools to ensure conservation by the broader public sector and to remove barriers to energy conservation.

All in all, by every measure, there is no comparison between what we have achieved together in three years versus what the previous government did in eight. On top of all of this, we have laid the groundwork for Ontario's long-term energy future, an issue that no government has faced since the late 1980s.

In June, I announced our government's long-term plan for energy supply in this province. Our plan includes a new supply mix for Ontario, with a cleaner, greener balance of power. It includes nuclear energy, conservation, renewable energy, eliminating coal-fired plants

and expanding capacity. Our plan strikes a balance between the need for clean, reliable, sustainable and affordable power and our need to encourage a culture of conservation in Ontario—because we're increasing and diversifying our supply of electricity, because we're making progress on building a culture of conservation and because we're not afraid to make tough decisions to ensure Ontario has the electricity supply it needs to grow and prosper.

Our government has made cleaner energy and renewable energy a key focus of our energy plan, and it also recognizes the need for a reliable supply of base-load power from nuclear resources.

We've also assured Ontarians that when it comes to coal, system reliability takes precedence. But make no mistake: We owe it to our grandchildren to wean ourselves off coal.

You'll hear talk of embracing clean-coal technology. The problem is, so-called clean coal isn't clean. As someone told me recently, right now clean-coal technologies are like putting filters on cigarettes. Until technology improves to the point where it cuts CO₂ emissions, there's no clean coal to discuss.

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That is why, prudently, methodically and with resolve, we are moving forward to eliminate coal while at the same time recognizing the trust the people of Ontario have placed in us to ensure a reliable and sustainable electricity system, now and in the future.

I'm proud of our government's efforts in building a plan for the future of Ontario's electricity system. Ours is a balanced approach that will power the continued growth and prosperity of our province for many years to come.

Since 2003, we have stayed the course with a resolve to do all that is necessary to ensure Ontario's long-term energy future. At each step of the way, we have encouraged investment by public sector institutions, as well as the private sector, and these actions have resulted in significant investment in Ontario's energy system.

I'm proud of the work this government and the staff of my ministry have done in making this happen. We have shown direction, balance and a conviction to getting done what needs to be done, and Ontario's energy future is better for it. Thank you.

The Acting Chair: Thank you, Minister. You haven't used all your 30 minutes, but that's fine. We'll just go into the rotation. The Chair recognizes the opposition. Mr. Yakabuski.

Mr. John Yakabuski (Renfrew–Nipissing–Pembroke): Thank you to the minister, and Mr. Gillis and Mr. Jennings for joining him today.

That was a very nice speech on the part of the minister, and we'll touch on some of those as we go along. It's one that's critical of everyone other than the Liberal government and fails to recognize any of the shortcomings on their part, much like was said at the recent OEA conference in Niagara Falls where, Minister, you seemed to indicate, or would like to have given the

impression, that everything is hunky-dory in the world of energy in Ontario and that your government has a handle on everything. Unfortunately, that's not the way it seems to be viewed by both people in the industry and the consumers and industrial users in Ontario, both residential and otherwise.

Let's just back up a little history here. Back in 2002, when you talk about redefining your positioning on coal, which has had—well, we won't use the reference that you used at the OEA, but it certainly is one that has been a contortionist at best. Prior to the election, your then leader and now Premier, Dalton McGuinty, categorically stated without any reservations that they would be shutting down all coal-fired stations in Ontario by 2007, come hell or high water. He further indicated at the OEA conference last year—not this year but last year, 2005—that that promise was based on the best advice available at the time. I know for a fact that the energy critic of the time, my predecessor in my riding, Sean Conway, wanted no part of that promise. He knew it was undoable, and I would suggest that, of the elected members of your party, he probably understood the energy situation better than anybody, and probably still does. He wanted no part of that promise.

Nobody in OPG who operates those plants ever gave that kind of advice to Dalton McGuinty when he was in opposition, that that promise was doable and that was a timetable that could be followed. Nobody from the IMO, now the IESO, gave those kinds of undertakings to your party when they were in opposition, yet those promises were still made. I guess it remains to be answered, and you'll have that opportunity to give us the names of those so-called people who actually told you that that was a doable thing.

It is our position that it was completely political, with no hope of being successful in any way, shape or form, yet you proceeded to do that anyhow because it is what you felt you needed to do to win power in Ontario. People have been badly served because of that promise because now we're three years into your mandate and no action has been taken to reduce the emissions from the coal fleet that exists.

In fact, the only shutdown of a coal plant was commissioned or ordered by Elizabeth Witmer when she was environment minister in the previous government, that the Lakeview plant would cease to operate after, I think, April 30, 2005. You guys would have actually had to break the law in order to not shut it down by that date, or pass a new law. I think it was regulation 390, if my memory serves me correctly, but I could be wrong on that. Don't quote me on the number. But you would have had to actually break the law in order to keep that plant operating. It was the previous government that ordered it closed.

So there's been a lot of rhetoric about coal, but you've actually done nothing about it. Quite frankly, in the intervening years—three lost years—nothing has been done to improve air quality in our plants with respect to the installation of mitigation equipment, either scrubbers

or SCRs. Everything that's in place today, both in Lambton and Nanticoke, was installed by the previous government. You talk about your commitment to clean air, yet you've done absolutely nothing. Any of the improvements and any of the reductions in emissions have come from the fact that there have been improvements made in the operation of those plants on the part of OPG, because they've gone ahead and improved the efficiency of those plants.

Also, the fact that we've imported more energy from the United States has actually reduced our own emissions here in Ontario, but it has certainly not reduced the amount of dirty air, if you want to call it that, that's been travelling over this province, yet your government still today has no answer and no timetable and no plan to continue with the process of cleaning up those coal plants. In the absence of a date at which you're going to close them down, it would seem to me to be absolutely prudent that you have in place a plan to deal with the emissions from those plants, yet you have nothing. You just have these far-off wishes that some day you're going to be able to close these coal plants down.

I would admit that we're in better shape generation-wise today than we were three years ago, and we should be. There was no question that it was a path of paramount importance to move in that direction, yet if you had proceeded—you didn't, because you broke your election promise, which I don't think comes as much of a surprise to anybody in this room or anywhere else in the province at this point. You broke that promise, but had you actually kept your word, by the end of 2007, we would have been in a significant negative generation situation here in Ontario, based on the fact that you would have had to shut down 6,500 megawatts of coal.

How ill-conceived it was. You didn't even take the time to understand the transmission network in this province, the complications regarding the movement of power from generation through transmission to the consumer and all of the issues that would have to be dealt with, yet that promise was still made. It was one of the most irresponsible promises with regard to electricity in the history of this province, yet you people think it should just roll off like water off a duck's back. I don't think the people of Ontario feel there's a lot of credibility attached to what you do in energy as a result of that.

You talk about price caps. In fact, you people voted for price caps and then you promised to extend those price caps. I don't think the people of Ontario are going to accept your version because—you used the word "consistency."

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The one thing that has been consistent is the fact that something will change very quickly in the messaging you're giving to the people of Ontario. Your response to the power mix supply advice report—how do we term that? The words will come to me sooner or later—the Supply Mix Advice Report from the OPA. Again, a political response based on the fact that you don't really have the numbers and you're hoping that somehow you

can play some games with it; for example, coming up with 1,000 megawatts of new-build nuclear, building two reactors, and yet there's nobody in the world—nobody—who builds 500-megawatt nuclear reactors. That's your plan to deal with your integrated power system plan and maintaining the amount of nuclear in this province at 14,000 megawatts but requiring 1,000 megawatts of new-build nuclear to respond to that. Yet you can go to the four corners of the world and you won't find somebody who is willing to build a 500-megawatt reactor at this point. So I'm not sure how you're going to balance those numbers in meeting those plans. Again, this was after it was promised to be responded to in, I believe, 90 days, and I think it took 200-and-whatever days. It was months and months late, and when it came out, the basic answer was, "How are we going to get this political message out so that we can kind of sell it?" They felt, "Well, maybe we'd better stick with the 1,000 megs of nuclear and we might be able to get by on that."

Renewables: 15,700 megawatts. We need a breakdown as to where they're coming from. Right now we have about 7,700 megawatts of hydraulic in this province and maybe 300-and-some of wind. I'm not sure where we're going to get the absolute breakdown. We need to know how the renewables are going to pan out, as the cost of that power is going to be important to consumers in the province of Ontario, because if you're taking high-cost options—you're currently paying 11 cents for wind—as we go up that ladder, you're going to be required to make sure you back that up with some other form of generation, which is going to increase the capital costs in Ontario so we can actually provide that power even if the wind is not blowing at that particular time.

I'm not sure there is a lot of confidence in your plan. I see that Bruce nuclear has gone to the CNSC and started the process of getting approval for an additional 4,000 megawatts of energy, and OPG, I'm sure under your orders, has also gone to begin the process. That's good; I support that. But it would certainly indicate to me that Bruce is not ready to sit around waiting for you people, because they have some real concerns about your ability to ensure that there will be enough power in the province of Ontario to supply the needs as we go down the road.

The Acting Chair: You have 15 minutes.

Mr. Yakabuski: Okay. I just have to keep track of where I am here.

They've gone to the CNSC, and my understanding is that you've made some negative comments to that effect. It might be interesting to hear what you have to say about that.

A number of things have yet to be answered. I see some of the questions in the IESO's latest report talking about transmission. It would certainly be interesting—we keep hearing this, and we heard it from your predecessor, but it hasn't moved up yet. The 3,000 megawatts: You might want to check to see how many of those actually were instituted by the previous government. I noticed that your predecessor even took credit for Brighton Beach, and that's a project of the previous government.

Also, we keep hearing about this 10,000 megawatts in the system, ready to roll out. We're going to certainly need some progress reports on each and every individual project that you're talking about, and we'll ask about some details on specific ones as we go down the line here. Those are issues that people have a lot of question marks on, because you keep rolling out these very optimistic reports, numbers and announcements about how good it is, yet, as they say, the proof of the pudding is in the eating. You just seem to want to send out a new recipe book every so often. So we are going to be asking about that.

We're going to need to get some more information with regard to your cancellation of the Thunder Bay project and how much that cost the people of Ontario.

Back to the IESO: There are going to be some questions with regard to the cost of transmission, how far advanced we are in the planning on transmission, how much of that 10,000 megawatts you're talking about are projects that transmission isn't even place to handle, and how many kilometres we actually have to deal with in agreements with landowners and First Nations etc. down those routes.

We are going to be dealing with issues like that that simply haven't been answered by your government, and, again, how you came up with the numbers for IPSP, 6,300 megawatts of conservation, when just shortly before that the numbers were 3,000. It seems maybe there's a little politics at play here: If you increase that amount, it's going to play well in certain constituencies.

We need to know what the plans are, and not just the plan for this year, but the plans that are going to ensure that that happens and what our contingency is if it doesn't happen, because if you don't get that conservation, you actually have to have the power in place. Either that, or you'll do what you've done to the mills in northern Ontario and basically force them to shut down. That's one certain way of ensuring that the demand for power isn't there.

We need to have a better understanding and a better accounting on your part from the point of view of where we're going if those targets are not met. I accept that there is a three-year process to evaluate the plan every three years but, as you know, three years will take us into the next mandate of perhaps your government, but perhaps a different government. So I think we need to have some frank accounting as to how you're going to reach those goals or how you expect to at this time.

Back when you introduced Bill 100 and created the OPA—not in the discussions of that, not that I saw in the debate of that bill—I did see you either in a scrum or in print or something talking about creating a virtual agency, not something that was going to be another one of these big crown corporation-type things that was going to be expensive to operate or to run. I think the budget now is going to be \$57 million to operate that agency, which has basically doubled over last year. It would seem to me, based on the fact that it is there simply to do your bidding—and that money is right out of the electricity

ratepayers' pockets to operate that. You've simply created a buffer so that you have somebody to turn to if things aren't going well, yet you can take all the credit if you sense they might be going better than expected.

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I don't think that's the purpose for creating these agencies. They should be real and should be able to offer real, honest, unvarnished advice, unlike what you told them, which was, "Give us a supply mix report, but we don't want to talk about coal." That could have been done without the OPA, seeing that you were giving them all the terms of reference anyway, because you were dictating the rules of the game. We see that based on the fact that there's directive after directive that went out from the ministry on various occasions telling them what to do. I think the autonomy of that agency—and I'm not discounting any of the good work it has done—has to be brought into question, because it would appear that it is simply an extension—not "simply"; that is an unfair characterization—it is an extension of your ministry, and you're calling the shots. In fact—well, maybe I'd better not. I don't think I can use hearsay here, can I? I'm not sure what the rules are in regard to that, but certainly it's questionable as to whether or not it has any real independence. I think that's something the people of Ontario expect from their Ontario Power Authority that they're paying \$57 million to operate.

Again, I'll be asking for status reports on the various different projects. Some are in different states of completion and some seem to be either in limbo or are being held up, both in the generation and on the transmission side of things. We will certainly be looking for some answers with regard to those situations.

I just have to fish out some more stuff here. I don't want to give up any of my time.

A couple of things to your predecessor: I certainly hope you'll be able to shed some light on those things as well. First, I questioned your predecessor here last year about the cost of power purchase agreements. She indicated in the House that she would let us know the details of those power purchase agreements, and then subsequent to that I got answers in writing to some order paper questions that they couldn't release that kind of information to me. I think it's important to the people of Ontario, when you're talking about supply and where the price of electricity might go, down the road—I think they have a right to know what you're paying for that electricity, what the cost of those contracts is going to be, whether they are payments for sitting idle, for installations that can be fired up when demand peaks, and also the cost of the power when they are operating. I think those kinds of secret deals you've got that are not disclosed to the public do not give them a whole lot of confidence that the money they see going up in 55% hydro increases up to now in the term of your mandate—that that money is being spent wisely, if you're not prepared to disclose to them just how you are spending that money. Those kinds of issues, I think, are important to people so they can be satisfied that they're getting

value for their dollar and you're not simply signing contracts because you're in a helter-skelter panic to try to at least give the impression that you're working to meet your now-proven-to-be-ridiculous promise that you'd have every megawatt of coal-generated power shut down in this province by 2007. So there was a real panic on that part to sign some agreements with companies that perhaps—we don't know—are not in the best interests of the consumer in the province of Ontario. So we'd like to have that information, much like it was disclosed—rightfully so, and I certainly appreciate that—on the details of the refurbishment at Bruce Power. That agreement was disclosed quite well, and I think those are the kinds of disclosures we should have on all power purchase agreements, so people can make their own judgments as to whether or not the government is being up front and straight with them. We'd be looking forward to that kind of stuff.

Another thing that I asked your predecessor in the House and she agreed to let us know, and that actually never happened, was when we questioned about contracts, the wages, the high salaries being paid to CEOs of crown corporations like OPG, and particularly Hydro One, where the salary went up by about 50% this year over last year. She undertook to ensure that she would be meeting with the board and reporting back. I asked Ms. Burak, when Hydro One came here to speak before the government agencies committee, when that meeting took place, and she would not disclose that because she felt it was not her—she did not make the undertaking and therefore it should be up to the minister to make that disclosure.

Now, Minister Cansfield is no longer Minister of Energy; she is Minister of Transportation, but you are certainly in a position to let us know when those meetings took place and report back to the House as to what the conclusion of those meetings was, because it continues to be an issue across the province, where people are paying significant increases in hydro rates, as to how we're arriving at the figures to compensate high-level executives in those particular corporations. We certainly recall very clearly how all of you and your colleagues were on your soap boxes when the issue of Eleanor Clitheroe's compensation was in the news. You felt that it was absolutely paramount that the public know every single, solitary detail with regard to those kinds of employment agreements. I can't imagine that you people would have changed your viewpoints on those kinds of things, so I think those issues are worth talking about here at estimates, and those kinds of disclosures are important.

The Acting Chair: You have one minute.

Mr. Yakabuski: Thank you very much.

That's just basically laying out a number of issues that we have out there. I think we'll have the opportunity to question you on specifics as we go down the line. We're here for a few days, anyway, so we'll have more specific questions on many of those issues as we go through the rotation. Is it a continuous rotation?

The Acting Chair: Yes.

Mr. Yakabuski: Thank you very much. Again, I appreciate you coming here today.

The Acting Chair: The Chair recognizes the NDP.

Mr. Howard Hampton (Kenora–Rainy River): I want to thank the minister and his officials for appearing here today. I had a chance to listen to the minister's speech and actually to read the speech. I note that you spend a lot of time in the speech talking about the achievements of the McGuinty government. I would like to start off by asking some questions about the McGuinty government.

I understand that for some time now you've been saying that you're going to come forward with and implement and install new electricity meters. Is that still the plan?

1620

Hon. Mr. Duncan: I'll respond when his half hour is up.

The Acting Chair: The Chair would say that it is open to the NDP to conduct their 30 minutes the way they wish. If the minister decides not to answer or to direct it to staff, then he would have 30 minutes in summary to wrap up.

Hon. Mr. Duncan: Okay, I'll respond in my summary.

Mr. Hampton: I think all I'm listening for here is a yes or no.

Hon. Mr. Duncan: I'll respond to all the questions in my summary. That's why there's a half-hour there, as I understand it.

The Acting Chair: That's the way it is structurally, right now. You have 30 minutes in which you can list your questions, and the minister has declared that he would respond to those questions in his 30 minutes, so there's no dialogue at this particular time.

Mr. Hampton: All right. I'll ask a few more questions, then, and hopefully I'll get a response.

Our research shows that the McGuinty government promised to install 800,000 such McGuinty meters in Ontario homes by 2007. That's three months away, so I guess my question is, is the McGuinty government going to meet this announced target for the installation of 800,000 such McGuinty meters in homes by 2007?

There's another question I want to ask. You should be able to tell us how many you're going to have installed by January 2007. How many McGuinty meters will be installed by October 2007? I'd like to know that.

Our research shows that your government also promised to install McGuinty meters in all Ontario homes and small businesses by 2010. Are you on target for that?

I'd also like to ask some questions about how the McGuinty meters will work. Have the specifications and the regulations regarding the McGuinty meters been finalized yet? I understand, from some discussions we had about a year ago, that the government was still not clear on what the specifications would be for the meters

and what the regulatory framework would be for the McGuinty meters.

The next question I want to ask is, have you decided yet whether the McGuinty meters will have two-way communication or not? I think that's a fairly fundamental question.

The next question I'd ask is, has the McGuinty government decided what company or companies are going to manufacture the McGuinty meters? And if you've decided that, who are they and what particular expertise do they bring to the issue?

I also want to know who is going to install the McGuinty meters. Will local utilities such as Toronto Hydro install the McGuinty meters? Will organizations like Ottawa Hydro install the McGuinty meters, or will that be turned over to someone else? If it is someone else, have you determined who that will be?

You must have by now a calculation of the total cost of implementing the overall McGuinty meter program. By total cost, I mean not only the cost of purchasing the meters but the cost of installing the meters. I understand that it will require a significant, if not substantial, information technology network and other supports to run the system. Have you calculated what that cost will be? What is the total cost per installed McGuinty meter going to be? It would seem to me, given that you announced this over three years ago, that you must have some calculations on that.

Could you tell us as well—because I assume you have some access to this—what has been the total expenditure so far within the Ministry of Energy, within Hydro One, within the Ontario Power Authority, also within the Ontario Energy Board, because I assume there have to be some energy board approvals and some energy board regulatory costs here, and what have been the costs so far for what used to be called municipal electricity distributors, so Toronto Hydro and the other electricity distributors throughout the province? I think I already included Hydro One in that. You must have a sense of how much this has cost so far in the province of Ontario.

How are these costs for the McGuinty meters going to be paid for? Will it be on the monthly bill? Will there be an upfront charge and then further charges on the monthly bill? Have you worked out what the charge will be per month for the total cost—in other words, the purchase of the meters, the installation of the meters, the creation of the information technology and other networks required to support and operate the system? You must have a sense of how long it will take for the average ratepayer to in effect pay for the implementation of this system and you must have some sense of how much the ongoing operating costs of the McGuinty meters must be.

I have to ask another question. Given that I'm told that some scientific work, some study work, some implementation work has already been done on this, I have to ask, are Ontario ratepayers already paying for the McGuinty meters on their hydro bills in one way or another? If they are not paying for the McGuinty meters on their hydro bills in one way or another now, how are these

costs being covered? Who is paying for it? Are taxpayers paying for it? How is this being covered?

Supplementary to that is the question: Are people who do not have a McGuinty meter installed yet already paying for it on their monthly bills? In other words, if someone doesn't have a McGuinty meter in their home or their business, are they already paying for it?

From Bill 21, it appears that a central provincial McGuinty meter data repository is being put in place. My question is, is this still the plan? The follow-up question to that is, have you decided yet on where this repository will be? Is this capacity something you will contract with a private company, that you will purchase from a private company, or is it something that the government will operate itself? If this is something you're planning to purchase from a private company, do you have a sense of who that company or what that company might be? What kind of entity is it? I'm told that some banks operate very large and comprehensive data systems. You must have some sense of how much that will cost, because you've indicated that you want the system at least partially up and running by 2007.

I definitely want to know, is this entity going to be a public entity or a private entity, or is this going to be one of the new creations of the McGuinty government, a public-private entity? I also want to know, when will this entity be in place? If you are going to start operating the system, as you promised, by 2007, it would seem to me that you must be pretty close, or you should be pretty close, to identifying when this entity is to be in place.

What exactly will be the primary activities of this entity? Is it going to be called the metering entity? How are you going to, in reality—because consumers will have to pay for this. I think consumers will want to know exactly what it is they're paying for.

It would be helpful for now if I could have answers to those questions, but I also have some other questions I'd like to ask.

1630

I believe that in your response to the Ontario Power Authority's supply mix report you said that Ontario needs 14,000 megawatts of new or refurbished nuclear energy by 2025. Is that true? I simply want your confirmation or your denial, or if you now have a new figure, I'd like to know what that figure is.

The Ontario Power Authority estimates that the capital costs related to your nuclear power plan will be in the \$35-billion to \$40-billion range. Is that correct, or have you changed your estimate of that now?

In relation to your nuclear plan, I wonder if you can confirm some figures for me. I am told that the cost of the—and actually, Mr. Jennings, who I think has some history with the organization, might know these figures. I think the last time you appeared before this committee, Mr. Jennings was helpful in that he actually knew some of this information. But I'm told that the cost of the first round of Pickering reactors—so this would be Pickering A—was projected in 1964 to cost between \$393 million and \$420 million. I'm simply seeking confirmation of

those figures. But by 1965 that estimate had risen to \$508 million, and I'm seeking confirmation of that figure. When the project was eventually completed, I am told it cost \$716 million. I'm asking you, in respect of all those figures, are they the correct figures? If they are not the correct figures, then I'm asking you what the correct figures are and what the source of that information has been.

The next question I want to ask: I'm told that the 1969 estimate that was released when construction began on the four Bruce A nuclear reactors was \$930 million. That's what the people of Ontario were told that Bruce A would cost. I am told that the final cost, when construction was completed, was \$1.8 billion in the year they were completed. I'm asking if those two figures are reliable figures. In other words, if what was announced at the time and what was announced upon completion are not the true figures, I'm asking you what the real figures were and what the source of those figures is.

In 1974, construction started on the four Pickering B reactors immediately beside the Pickering A units. The 1974 estimate that was released to the public of the cost for the four Pickering B reactors I am told was \$1.585 billion. I seek from you, because I assume you have this expertise within the Ministry of Energy or the agencies responsible to the Ministry of Energy—I want to confirm that figure. If that figure is not correct, then I'd like to know what the correct figure is and where it's obtained from. But I'm also told that the final cost in 1986 of the Pickering B reactors was \$3.846 billion. Is that figure correct? If so, what is the source for that figure? If that figure is not correct, could you tell me what is the correct figure and what the source is for that figure?

The early estimates for the Darlington nuclear station pegged the cost of Darlington at \$2.5 billion. That's what our research shows. I wonder if you can confirm that and where that figure comes from. If you cannot confirm it, can you tell me what the early estimates were for Darlington and what the source of that information is?

The estimates immediately prior to the construction of Darlington said that it would cost less than \$4 billion; in other words, it would cost more than \$2.5 billion but less than \$4 billion. Can you confirm that figure and what the source of that figure is? If you cannot confirm that figure, can you tell us what the true figure was, the figure that was given immediately prior to the beginning of construction, and tell us the source of the true figure?

I'm told that it cost over \$14.3 billion when Darlington was completed. Can you confirm that figure and the source of that figure and when that figure was provided? If that is not the correct figure, can you provide me with the correct figure and what the source of that figure is and when that figure was provided?

I'm told that Darlington was about \$12 billion over budget, so I wonder if you can confirm or deny that figure. If it wasn't \$12 billion over budget, can you tell me exactly how much it was over budget? I think we could all agree that it was over budget.

The estimate that was initially released for Bruce B in 1976, I am told, was \$3.929 billion. That was the figure

that the public was given in 1976 for the construction of Bruce B. But I'm told that the final cost in the year it was completed was \$5.994 billion. Once again, I'm asking if you can confirm those two figures and, in confirming them, can you give us the source of those figures? If either of those figures is wrong, can you tell us what the true figure is and can you tell us what the source of those figures is?

In 2001, I am told that Bruce Power expected that the Bruce reactors would be restarted in the summer of 2003 at a total cost of \$340 million. That's what Bruce Power announced in 2001. I am told that the cost of refurbishing the two reactors in question more than doubled, to \$720 million, when it was finally tallied up. Does that sound correct to you? If it doesn't sound correct, can you give me more accurate figures and tell me the source of those figures?

I want to ask you about the history of Pickering A, unit 1. What was estimated to be the cost of refurbishment of Pickering A, unit 1? What was the initial estimated cost given to the public? I understand there were some updated costs or some later cost estimates, and then I want to know the final all-in cost of Pickering A, unit 1.

The other cost was unit 4 at Pickering A. Once again, I'm asking for the initial cost estimate for that, but then I understand that an updated cost estimate was provided. I think there was a task force put together by the former government that then reported to the McGuinty government. Finally, I'd like to know the final all-in cost for Pickering A, unit 4, and what the source is of all those figures.

1640

I could go on and ask some more questions, but for now I think I've asked enough. I assume that with all of the expertise you have here you can provide some answers.

The Acting Chair: Thank you very much, Mr. Hampton. The rotation goes back to the minister. It's 30 minutes in which to respond to questions and other responses.

Hon. Mr. Duncan: I'll respond to the official opposition and to the third party.

First of all, with respect to the official opposition, as I understood the questions, there were four general sets of questions: The first had to do with coal commitment, the second had to do with price caps, the third set of questions had to do with the government's response to the integrated power system plan, and then there was a fourth category, a broad range where the critic raised a number of issues that he would like to get answers to. I would like to begin to address each of those in their turn. I'll try to provide 15 minutes to his questions and 15 minutes to the leader of the third party's questions.

Let me speak first of all about the coal commitment and why we believe it is important to continue on that course of action. First of all, the evidence is overwhelming and compelling that climate change is a very real challenge for all governments. There is a need, I

believe and our government believes, to respond to climate change. We regret that we can't close all the plants according to the timeline we originally laid out. We have asked the Ontario Power Authority, as part of their final report on the IPSP, to give us that plan. That doesn't mean we're not making progress.

I will refute some of the statements you made earlier, Mr. Yakabuski, based on the actual facts with respect to the emissions from coal plants and so on, and also try to share with you my thoughts on coal and the question of the so-called clean coal technologies. Even if you acknowledge that they're clean—and they're not, as I said in my opening statement. We don't accept that, because the fact is that the so-called clean coal technologies don't get the CO₂, which is the principal challenge with respect to climate change. Climate change is the principal reason, among others, that we believe it's a prudent policy to move aggressively to close coal-fired plants.

Did we get OPG's advice when we came to office? No. In fact, we had to fire the board. We had a company that was going bankrupt. We had a company that was not subject to full disclosure under freedom of information. We had the largest nuclear operator in the world with nobody on the board with nuclear experience. We had the Premier of the day's best buddy running the company. So no, we didn't seek their advice. Our view is that they would have been precisely the wrong people to go to at that time.

You'll recall that your government brought in a number of Americans at a cost of, I think, \$40 million to fix things—and they didn't. Once we changed the top management of the company, which we had to do as a result of the enormous cost overruns at the Pickering A unit 4 redevelopment, which Mr. Hampton referenced, and once we had the report from Jake Epp, the Epp report—Mr. Epp is a former Conservative federal member of Parliament, a former federal member of cabinet whom we have subsequently appointed chair of Ontario Power Generation. He's a man who's done a terrific job. Once we had those new executives in place, and the new board, then we were able to have confidence in the advice we would get. They had to get rid of things. Your government purchased that box for Blue Jays—no, it was a hockey box, Toronto Maple Leafs. And we had to deal with other things like that—while the company was going bankrupt, I might add. So no, we didn't seek their advice.

We did seek advice from authorities around the world about coal and its impact. We did talk to everyone from environmental groups to coal manufacturers, to people who are involved in the so-called clean coal technologies, to see where things were at, to see if there was any coal company or research organization anywhere in the world that could say that the so-called clean coal technologies get the CO₂, and the answer, of course, was no—or the mercury or the particulate. Yes, some reduction in NO_x and SO_x has been achieved by a number of those technologies, and that's important to note, because that does

contribute to smog, there's no doubt, and we cannot dispute that.

So we did seek a lot of advice on those issues, and indeed we sought Hydro One's advice. The reason we sought Hydro One's advice is because your government said it was going to close Lakeview, but unfortunately, none of the needed transmission changes had been put into place by the time you left office. It was, I think, two and a half years subsequent to your commitment to do that, and we rushed, made orders, directives to Hydro One immediately, within a couple of months of taking office, once we realized that nothing had been done, because in order to close that plant, you had to redirect hydro transmission. So we did seek their advice on that, and we did take action very quickly to begin that process. It did take another year and a half or so to get that online. So we got advice from Hydro One and many others.

With respect to emissions, I can report, as the IESO and others have reported, that generation from coal has been cut by 17% overall so far, and I believe that number, once we have the next set of numbers, will be considerably higher. So-called SO₂ emissions have been cut by 28%, the NO_x emissions by 34%, the mercury by 33% and particulate by 28%. So while we are not able to keep our commitment on the actual closure of all the plants for a variety of reasons, we are very much committed to reducing the emissions in a very meaningful and dramatic fashion and are taking that approach throughout the balance of our first mandate. I think when the people of Ontario see that, they'll understand.

You raised the issue of clean coal technologies. First of all, clean coal doesn't get the CO₂, the mercury or the particulate. The second issue that we'll have a good discussion about is, if your plan is to put those technologies onto our existing fleet, even though they don't get the principal pollutants, the cost is very substantial. And by signalling that, you would be saying to the people of Ontario that you intend to keep these plants open well beyond the undertaking you gave them of 2015. So we have to balance those issues, and that's in part what I asked the power authority to respond to in terms of a recommendation for how to close the plants, how to reduce emissions from coal plants, recognizing that it has to be an absolute priority, in our view, of any government. So we'll have a good discussion, I suspect, around the fact that if you're proposing to put those so-called technologies onto our existing fleet, you're proposing, in effect, to extend their lives, not just get them out of service.

The second broad issue was the price caps. Yes, we did vote for them. That was a mistake. I think I said that two years ago at estimates, and when I came here the first year I was minister, when we got to office we found a few things that weren't part of the dialogue in the lead-up to the election. The first was that there was a \$5.6-billion deficit when the previous government had committed that the budget was balanced. That was the so-called Magna budget that was done outside of the Legislature. A big component of that was—I think at the time it was \$1.8

billion; I'm going to have to confirm that number—the cost of the cap. Even though the previous government said it would be revenue-neutral over a period of time, that simply wasn't the case. So we had a choice, and it was one of those difficult choices that one has to make when one sees a much different reality than had originally been laid out. So yes, we did change our position. It was the wrong position to take in the lead-up to the past election. From a fiscal perspective and in terms of the ability to develop new power in Ontario, we made the decision, I believe within a month of taking office, and went to the people of Ontario and said, "Look, we were wrong." We removed the price cap. We would not have had, in my estimation, the close to \$13 billion in new investments that are coming online right now had we not done that.

1650

Price caps are a real mug's game. Your government, in opposition, voted for them, and you voted against taking them off. We have a difference of opinion on that. Those price caps did not save consumers money; in fact, they cost consumers. They shifted the cost of power from people of better means to people of more modest means, because it shifted it from a user base to a taxpayer base. So it was a decidedly bad piece of public policy, and it was welcomed, I think, in most quarters when we took them off. It's a real mug's game for anybody to suggest that they can keep the price of power down. I'll talk more about that.

Mr. Hampton was quite right back in 2003. I think he voted against putting the price caps on. Then he voted against taking them off when we finally did decide to take them off. That's been part of the problem, in my view, with electricity policy in this province over the years. Starting in 1993 or 1994, the government of the day put a price cap on, and that was essentially at the heart of a promise that couldn't be kept and one that, in my view—and we were all guilty of this; all of us—was just a false promise.

What I have said with respect to price caps is that I cannot protect consumers from the real price of electricity. What I can do is give them the tools to manage their consumption better. And by charging the true cost of electricity, we will also see the kind of development we've seen. We've seen a whole new renewable energy industry spring up in Ontario.

Two weeks ago, we saw net negative pricing for the first time. I think that's a harbinger of what's to come in the coming weeks and months. That was a result of our decisions to move forward in difficult areas.

Premier McGuinty has said that we knew there would be challenges with this but we also knew that it was the right thing to do, and that's why we did it. When you were at the OEA, you heard all the spokespeople tell you not to put a price cap back on. If you're going to put a price cap back on, you should say so now. And if you're not, you should be clear about that. We cleared up our position.

Mr. Yakabuski: Do I answer questions?

Hon. Mr. Duncan: No, I'm just responding. I'm saying to you, I will be responding to you again. Are you going to put a price cap on? And if you are, you should tell people. We'll have a chance over the course of the remaining—I think we'll have probably about eight hours to deal with those kinds of things coming along.

The response to the IPSP: You're right. There are not currently reactors that are 500 megawatts. You're absolutely right. I think Darlington's are 700 and change. What we've said is that we need 1,000 new build, a maximum of two new reactors, assuming we can refurb the Pickering B fleet to the way we think we can at this point in time. So yes, it's a maximum of two reactors, which could in fact produce more. But you couldn't do it with just one reactor. So we erred on the side of caution and said, yes, for 1,000 megawatts, it will take two reactors of new power.

I want to remind you that that 1,000 megawatts of new build could be at any of the existing sites. We're not looking at a new site. Both OPG and Bruce Power have begun the various processes—environmental processes, licensing and so on—which I know Mr. O'Toole will be most interested to know, particularly about Darlington and other potential sites for new nuke on an existing site.

With respect to renewables, yes, we can make that. I can respond to that question very directly now. To date we have 1,570 megawatts of procurement initiatives. Those are the wind farms you folks voted against and the biomass things you voted against that are designed to help our farmers. I was with John Wilkinson at the Stanton farm just outside of London. I spent the better part of a day there: another great initiative by our farming community. A private enterprise, by the way, Mr. Hampton, that is going to produce electricity and be well paid for that. I know you're opposed to private power, but the Stanton farm is a \$43-million family farm with, right now, I think, 700 head of cattle, moving to 2,000. We were at that farm and many others, including the cattle farm up near Lucan, John.

Mr. John Wilkinson (Perth–Middlesex): Lynn Cattle.

Hon. Mr. Duncan: The Lynn Cattle farm, another one; another private power producer that's going to be doing that. I met with a number of other farmers and others throughout who say they can help us.

So we've got about 1,570 megawatts, which is about 1,530 more than we had when we took office, and that's growing. We believe we'll be able to purchase up to 6,720 megawatts from Quebec, Manitoba and Newfoundland. We are continuing active negotiations on those. That takes us to the figure that was pointed out.

As for 6,300 megawatts of conservation, it is an aggressive target. You talked about the politics of it; we're talking about the leadership of it. We are going to provide people with the tools they need to conserve. We've got close to 500 programs going on around the province right now, offered by various local distribution companies and a number of pilots being offered by the Ontario Power Authority. I'll be doing a fairly major one

this week with Toronto and am looking forward to that. Also, the Premier will have something to say about province-wide initiatives in the coming weeks and months, now that we've had the pilot projects done.

I would remind the member that when we came to office, there was no planning authority left. The previous government, when it broke up the old Ontario Hydro, gave no one the mandate to plan. No one was left planning. It was left to a spot market, which even market advocates acknowledged was the wrong way and an inadequate way to do it. So we had to set up the Power Authority. We had to set up a planning body.

One of the issues you raised in that broad category of issues was the size of the power authority. Yes, I think there are about 148 employees. You cited the budget figure. I'll have to double-check that—\$57 million to \$58 million—but we think that's an important function. I noticed that your leader, in his speech to the Ontario Energy Association, talked about the need for administrative efficiency and so on—which we agreed to, by the way—but when he was asked which of the organizations he would get rid of, he couldn't say.

We'll have a chance to talk about that more. If you're going to get rid of a planning authority, how do you plan to plan? These projects take a long time.

The independence of the various authorities, whether you're talking about the OPA, the OPG or Hydro One, are very important issues. We made a very deliberate point of appointing, for instance, Jake Epp, the chair of OPG, because he happened to know the business well. We found experts in all forms of energy to put on that board as we replaced the political appointments that had been made by the previous government.

Again, I remind the people of Ontario through this committee that the previous government hadn't appointed anybody with any nuclear experience to OPG, which is one of the largest nuclear operators in the world. That's one of the reasons our reactors were among the least efficient in the world. We have turned that performance around. I know we'll get a chance to talk about that as this thing unfolds.

In terms of the cost of power purchase agreements, in fact, the average prices and the scope have been released, but I'll remind you that your government wouldn't even allow the salaries and so on of Hydro One or OPG to be released. You exempted them from freedom of information, which was a bad mistake.

Mr. Yakabuski: I did?

Hon. Mr. Duncan: Yes. Your government, the Tory government, exempted OPG and Hydro One. In fact, you were having—

Mr. Yakabuski: I would never have allowed that.

Hon. Mr. Duncan: Well, that's the fact, and then you slowed down passage of the bill we brought forward. It was the second bill I brought forward. So the first step we made was to make that information publicly available so the people of Ontario—

Mr. Yakabuski: If you'd put that in a separate bill, I'd have supported it.

1700

Hon. Mr. Duncan: It was a separate bill; it was a stand-alone piece of legislation that was delayed for a long period of time.

The long and the short of it is, we've now provided the people of Ontario with that information. You know what? I welcome the debate and the discussion we're having about salaries and so on; I welcome the comparisons to other public utilities. The contracts that were signed by your government—for instance, Mr. Parkinson's and so on—and the form in which those contracts was laid out have become an issue that has been widely discussed. I'm glad the people of Ontario have that information. It will compel this government and others to respond as to how you will deal with those situations. I was very proud of the fact that we were able to do that and to at least enhance that discussion and make those things available.

In terms of the cost of power purchase agreements, the average figures have been published, the broad terms of the agreements have been published. Certain elements of them have not been; they're commercially sensitive issues. We consulted the Information and Privacy Commissioner and others before this was set up. But on the price of them, the average prices have been published in each case, as has the key information. The ultimate test will be the price of power moving into the future.

You raise a valid concern. I think, for instance, of the non-utility generating contracts that the NDP signed in the early 1990s which are still out of line with price. I do worry about that. I do worry about those kinds of deals. The problem is, had we not done that, nobody would have built power in Ontario. They just wouldn't come here. Now we have a thriving industry on renewables that's being done by the private sector. We have farms and others helping us out on all of these issues. That's the broad response to your initial speech, and I know we'll engage on these items point by point.

To the leader of the third party, you raised two broad issues: smart meters and the supply mix report. We are going ahead with smart meters. We committed to 800,000 by 2007; we are on target for that. The commitment was by the end of 2007, by the way, not the beginning of 2007, which I think you indicated. There are currently, as I understand it, 70,000 of the meters already installed. The member may be aware that the coalition of the largest utilities have agreed to help us out, and we all believe quite firmly that we can get that target by 2007.

With respect to the 2010 undertaking, yes, we believe we're on target. The member will be interested to know—I think he probably already does—that when we began this process, there were about four million meters in Ontario. We believe that because of submetering, growth and so on, by 2010 you're probably looking at a total replacement of about six million meters. But we believe we're on track for that and that we are on target on both counts.

You asked how they will work. Are they two-way communications? Are the regs all out yet? They are two-way communications devices. Each local utility will

select its own technology, as I understand it, based on a certain set of parameters that we have established, so we've left that in local hands. Most of the regs are out, but there are probably some that need to come yet, and we'll have to get back to you with more specifics on that. Ros, do you want to take a moment?

Ms. Rosalyn Lawrence: Rosalyn Lawrence, assistant deputy minister of consumer and regulatory affairs. We have done regulations at this point to govern the procurement of metering technology by LDCs. They cover a minimum specification, which will be eligible for cost recovery. LDCs will have to make a business case to the energy board for anything that is enhanced above that minimum specification. Bill 21 contained a prohibition on discretionary metering activities, so it sets out a list of authorized metering activities, chief among which are competitive processes by the six large distributors, who are targeting installation of over 700,000 meters by the end of 2007, as well as a competitive procurement by Hydro One, which is targeting another 200,000-odd by the end of that period.

Hon. Mr. Duncan: The leader of the third party asked a series of other questions.

Who will install them? That will be decided by the local distribution company.

You asked about the calculation of the total cost of the program, the cost of purchase of the system, the calculation of total cost. You asked a question about the total cost per meter. You asked a question about the total expenditure so far within the power authority, presumably the Ministry of Energy and elsewhere, to do this.

You asked how they're being paid for, whether it would be a charge per month. You then asked what the average payback would be: How much is it going to cost? You asked if Ontario ratepayers are already paying and how the costs are being covered until now.

You asked about Bill 21: Is the data repository still the plan? Have we decided who and where? The IESO will run that. I think we've been pretty clear about that. They, as I understand it, will contract out various parts of that, subject to a competitive process. But the IESO will be in charge of the information repository.

We will get back to you on the other questions you raised with respect to that, but it is the view of our government that to have an effective conservation program, which you have called for, people need the tool to manage that. You'll know that many large industrial users and others have already switched to so-called smart meters. You'll know that we have already provided time-of-use pricing mechanisms through the Ontario Energy Board. Depending ultimately on the technologies chosen and the installation time frames, payback will be very quick. In fact, the experience in other jurisdictions that we have looked at has been that once the installation starts, people start demanding the meters more quickly. We think that's what will happen in Ontario, as it has happened elsewhere. We think if you're going to have a conservation plan, you have to be able to measure what you're using, and right now you can't do that. Somebody

compared it to going to the gas station. If you went to the gas station and the pump gave you an estimate of what you took and then sent you a bill three months later for an estimate of what you used, you wouldn't like that very much.

So if you're going to advocate for an aggressive conservation program in a place like Ontario, where about half of our consumption goes on at the residential level, you're going to need smart meters. You can't have conservation without that. I know you have spoken and written about the need for people to pay the true cost of electricity, and we believe you've got to give people the tools with which they can manage their consumption in order to benefit from conservation.

How much time?

The Acting Chair: You have one minute.

Hon. Mr. Duncan: You then asked questions about all the nuclear developments, the original estimated cost versus the final cost of nuclear. We will endeavour, where we can, to provide you with that information throughout the course of these discussions. Suffice it to say that you also have to calculate what we would have done without that power, the alternatives. I think we all acknowledge that in the past there were cost overruns. I think we all acknowledge that there are challenges. I would submit that there would be challenges associated with not moving forward in a responsible fashion on nuclear redevelopment and refurbishment. As we've indicated, we believe in the need for about two new reactors to keep our total megawatts the same as they are today, at about 14,000, which would represent a decrease in the amount of nuclear power we use based on present consumption.

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The Acting Chair: Thank you, Minister. With that, we'll go into the rotation of 20 minutes. We'll start with the official opposition.

Mr. Yakabuski: So we have 20 minutes to ask questions?

The Acting Chair: You have 20 minutes.

Mr. Yakabuski: I want to ask you a couple of questions based on your answers, because I think I was a little more specific. You're talking about your coal promise. You said you consulted with a number of different people. I would like to know who those people were. You're asking me, with respect to electricity, what John Tory would say about which government agency he would either alter, dismantle or whatever. You see, John Tory doesn't make statements without thinking them out and without ensuring that he can follow through on them, unlike what you guys did with your coal promise. You haven't given me a name and you haven't given me an organization. It's not good enough to say "environmentalists" or whatever, because of course an environmentalist is going to tell you you should be able to shut down your coal because that's what they believe in, and I respect them for feeling that way. But if you want to honestly and frankly answer the question, then tell us who gave you that advice.

Hon. Mr. Duncan: I'll provide you with the full list, but I can tell you, we had lots of advice and lots of—

Mr. Yakabuski: And this is prior to your taking office.

Hon. Mr. Duncan: Oh, yes. We heard from a lot—now, I wasn't the critic at the time, but I can tell you, we heard from—

Mr. Yakabuski: Who was the critic at the time Parliament dissolved?

Hon. Mr. Duncan: When Parliament dissolved? I think it was Michael Bryant on energy. I'll double-check.

I'll just give you an example. We've spoken with a lot of people who didn't support our goal: the Association of Major Power Producers, a whole range of them; we spoke with a range of those groups. I can tell you, we had a lot of advice on that promise. We believe very strongly that it's in the province's interest and everyone's interest to move as quickly as we can to eliminate those CO₂ emissions. We also heard from umpteen groups that were very supportive.

Mr. Yakabuski: Were you involved in those discussions?

Hon. Mr. Duncan: In opposition, no, but we had regular dialogue with those groups in opposition. They were very concerned about the government of the day's policies, whether you're talking about AMPCO or the environmental groups. I wasn't personally involved in those discussions at the time. I can tell you that, immediately upon becoming minister, I heard from the same groups. Many groups oppose the coal commitment. I met with representatives of the coal industry. I met with leading environmental activists from all sectors who were concerned—

Mr. Yakabuski: We'd expect the coal industry to oppose it, but this wasn't about who opposed it on the decision that it should or shouldn't be done. It was the viability of it.

Hon. Mr. Duncan: A lot of people thought it was very viable, and we believed—

Mr. Yakabuski: We need those names of people who actually believed it could be done.

Hon. Mr. Duncan: Well, they're out there now saying to close them. The Ontario Clean Air Alliance, for instance, is a good example.

Mr. Yakabuski: But we need people who—

Hon. Mr. Duncan: They're entitled to their view. If you're opposed to them, say so.

Mr. Yakabuski: But you guys made a decision to make that commitment to the people of Ontario, and as your Premier said, that was based on the best advice out there at the time that we could get. I think it speaks to the credibility and the gullibility of the Premier as to where he's taking his advice from when he makes a serious commitment to the people of Ontario that has huge ramifications down the road, as you have shown by the fact that you have had to climb down from that completely.

Hon. Mr. Duncan: It remains very good advice to close those plants.

Mr. Yakabuski: By 2007, Minister.

Hon. Mr. Duncan: It remains good advice to move aggressively. Now, you're talking about putting clean coal technology on our existing fleet, which means you're signalling that you want to keep the plants open even longer. We are moving aggressively, and as I said—

Mr. Yakabuski: No, because you have not signalled as to when you would shut those down.

The Acting Chair: One at a time, please.

Mr. Yakabuski: And who might that be?

The Acting Chair: The minister was speaking—

Hon. Mr. Duncan: Go ahead; I was being rude.

Mr. Yakabuski: You have not given a time as to when you would shut those plants. In the absence of a commitment, you have no idea how long they will operate. So you're saying to the people of Ontario, "As long as we need to operate those plants, we're not going to do anything to mitigate the emissions from them because we don't know how long we're going to operate them." I don't know that that's good enough. You're so committed to air quality that you need to be able to say, "If we're not going to do anything to reduce the emissions from those plants, then we should be committing to a specific time," but you should be committing to something that is reasonable and doable, not something that you've pulled out of a hat because it looked like good politics in 2002.

Hon. Mr. Duncan: We have in fact reduced the use of them by 17%, and the emissions. There's more than one way to get at this challenge, and we're moving aggressively on it. You're right. That's why we appointed an independent power authority to give us advice on that, to give us some advice on how to get out of those plants as quickly as we can. We intend to continue on that course.

We were disappointed that we couldn't make our targets, but we are continuing in the interim. It's not just putting technologies on the smokestacks that can have some benefit. It's how you run the plants, when you run the plants, how much alternative source you have versus those plants. So there are a lot of ways of getting at this, and we've already shown that.

The fact is that the best alternatives are hydroelectric power, and various forms of renewable power. When you factor in the costs associated to the health care system—we have a study done on the cost of running the coal plants versus the cost of these clean green technologies, and the clean green technologies win hands down. So there are a lot of ways of getting at this.

The first priority will continue to be system reliability, and we have asked the power authority to give us some further advice on how to achieve our goal in as short a time frame as possible.

Mr. Yakabuski: When do we expect that?

Hon. Mr. Duncan: They are responding back in late winter or early spring, I believe. James, is that correct?

Mr. James Gillis: Yes.

Mr. Yakabuski: Are they going to respond on when you might meet the goal of shutting them down or

whether or not you should be installing emission mitigation devices?

Hon. Mr. Duncan: They're an independent body. I don't know what they're going to provide us with. They will likely provide us—

Mr. Yakabuski: So they don't work under your directives?

Hon. Mr. Duncan: We have a directive giving power till next year, I think. It was part of the construct of the legislation. But I can assure you, they're very independent. They will likely provide the government with a range of options or alternatives. At the end of the day, that's what they are supposed to do.

Mr. Yakabuski: Did you ever receive communication from the board or members of the board of OPA since taking office—well, obviously since taking office, seeing as you created it—challenging your wisdom on the commitment to coal? I can't quote letters; I don't have them in front of me, because I wouldn't have seen them. But did you ever receive a letter from the OPA disagreeing with your position on the coal shutdown and the timetable you had?

Hon. Mr. Duncan: I'm going to have to check to see if there's an actual letter, but I can assure you, I've heard from a lot of people, both pro and con, on the coal commitment. There have been people on the board there who felt we should keep moving on the coal commitment. There are likely people—and I'll check to see if there's an actual letter or resolution from the power authority. I also heard it from the IESO, the Independent Electricity System Operator. They do that in their published reports. They signalled about the challenges in meeting demand if we moved forward on the coal goal. They did that; I believe they publish semi-annually.

Mr. Yakabuski: When you did climb down from that commitment, you cited the IESO as having failed. Do you take that position? You basically said they gave you improper information and you based it on the information you had at the time, and now they've got new information and it's all like it's a whole new world.

Hon. Mr. Duncan: No. I never ever, publicly or privately, suggested they failed. The IESO adjusted its peak energy demand forecasts upward by, I think, a little over 2,000 megawatts. This is an oversimplification, but that was as a result of our experience last summer. The one-in-100-year scenario became a one-in-50-year scenario, and therefore, using prudent statistical projections, they revised upward their projection of what our peak would be. As it turned out, we hit another peak this summer, of almost 27,000 megawatts.

Mr. Yakabuski: Just over.

Hon. Mr. Duncan: Just over. So we never suggested they were wrong, never publicly or privately criticized. I think they did their job in that instance.

Mr. Yakabuski: On the Lakeview closure, you seemed to make a big deal about the fact that the necessary transmission changes weren't done by the time the government left office.

Hon. Mr. Duncan: I said they weren't started. The previous government.

Mr. Yakabuski: Weren't done, weren't started—whatever. I don't think they planned to leave office. Clearly, making those upgrades was very, very doable, so quite frankly, it's just politicking to make that statement. That fact is, it was that government who ordered the closure of Lakeview. Is that correct?

1720

Hon. Mr. Duncan: Why didn't they close it then?

Mr. Yakabuski: Because the closure date was April 2005.

Hon. Mr. Duncan: They weren't anywhere near that date because they hadn't started the transmission—

Mr. Yakabuski: Well, they left office in 2003.

Hon. Mr. Duncan: Look, you said you were going to close it; you didn't close it. And when we got there, we found out that the transmission changes that were necessary to accommodate that closure hadn't finished—they hadn't begun.

Mr. Yakabuski: That's right.

Hon. Mr. Duncan: There had been no order, there had been no directive to Hydro—

Mr. Yakabuski: But obviously there was not an issue getting them done.

Hon. Mr. Duncan: Yes, there was.

Mr. Yakabuski: They were done in time to close it, correct? Obviously we closed it on time.

Hon. Mr. Duncan: They were not even started when you left office.

Mr. Yakabuski: It was closed on time.

Hon. Mr. Duncan: I don't know why you wouldn't have done it. Why didn't you? It's done now; we did it. One of the first directives I issued was—

Mr. Yakabuski: Did they know that they were going to be leaving office?

Hon. Mr. Duncan: I gave a directive, I think within a couple of months of coming to office, to do the necessary changes.

Mr. Yakabuski: Who ordered the closure of Lakeview?

Hon. Mr. Duncan: We closed Lakeview.

Mr. Yakabuski: Who ordered the closure of Lakeview? The question is, who ordered the closure of Lakeview by regulation?

Hon. Mr. Duncan: The previous government.

Mr. Yakabuski: Thank you very much, Mr. Minister. I appreciate that. So you carried out their order.

Hon. Mr. Duncan: It was still open when you left office three years later. That's one of the reasons we made such an aggressive commitment, because you talked a good game, just like you said you had a balanced budget, but you didn't do it.

Mr. Yakabuski: You carried out the order of the previous government, correct?

Hon. Mr. Duncan: We were proud to make sure that the order could be carried out.

Mr. Yakabuski: Proud to carry it out. Thank you very much.

Hon. Mr. Duncan: You were not able to do it because you didn't do what you had to do. It wasn't done.

Mr. Yakabuski: You just mentioned budgets. That's a very good excuse, and we certainly think you have engaged in some significant creative accounting to make the numbers wherever you want them to be. We can debate and disagree on that, but you're saying that if you had determined the budget was balanced, you would have kept the price cap in place? You said that the reason you decided not to maintain your promise, your commitment during the campaign to maintain the price cap, was because the budget wasn't balanced. So are you telling us that if the budget was balanced, you would have maintained the price cap?

Hon. Mr. Duncan: No, we're saying that the previous government misled the people of Ontario.

Mr. Yakabuski: So you misled them. You misled them by not keeping your promise.

Hon. Mr. Duncan: They said it was revenue neutral. We made a mistake in supporting your policy. And we're not ostriches. We realized it was a mistake and we got our head out of the sand. I'd suggest you guys do the same thing—

Mr. Yakabuski: So you basically just said whatever you thought you had to say.

Hon. Mr. Duncan: —because if you're going to suggest there's going to be a price cap, which you seem to be, you're making a bad mistake. You know what? I don't, when the time came in public life where you couldn't acknowledge—

Mr. Yakabuski: I'm asking the questions. I'm not suggesting anything about a price cap.

Hon. Mr. Duncan: Hey, believe me, I'm asking you questions too, pal.

Mr. Yakabuski: I'm not suggesting anything about a price cap.

Hon. Mr. Duncan: Because you've got to answer statements, bud.

Mr. Yakabuski: You made a commitment in the campaign to maintain a price cap. You broke that promise and you're saying your excuse is because the budget wasn't balanced. So are you now saying that even if the budget was balanced, you would have broken that promise, that you simply made the promise because it was good politics? Is that what you're telling people?

Hon. Mr. Duncan: The previous government's policy suggested that it was a revenue-neutral undertaking and provided information to that effect. It turns out it wasn't. I didn't just say "because the budget wasn't balanced"; we had to take a number of other measures as well. I also indicated that the cost was about \$1.8 billion and it was growing; it was not revenue neutral. We were faced with a choice: We could continue on with your policy, which we had supported, or we could acknowledge that it was a mistake, that the facts that had been laid before the people of Ontario were not accurate, and set the record straight. The final consideration had to do with the ability to provide opportunity for new investment and so on, and frankly, nobody anywhere would even look at this

province for investment as a result of that. So, yeah, it was a bad policy and we regret having supported it. We're glad that, once we became apprised of the right numbers and so on, we did the right thing.

Mr. Yakabuski: Thank you for your answer on that.

I'd questioned you about renewables. I don't have the numbers, but I think you said something about 6,000—5,000 maybe, whatever—megawatts of renewable energy you're planning, hoping, dreaming, wishing from Manitoba and Quebec, Newfoundland and Labrador. Where are we in the—I'm not going to ask that question because it'll take you an hour to answer it and I don't want you to have all that time. But we're supposed to base our electricity future on securing agreements with other jurisdictions where we've barely scratched the surface. Getting power from those jurisdictions is something that's been talked about for 25 years. Do you know how far it is from Toronto to Conawapa?

Hon. Mr. Duncan: Yes. It's about 1,800 kilometres.

Mr. Yakabuski: About the same distance it would be, say, from Toronto to Florida.

Hon. Mr. Duncan: You may not realize this, but we're importing power from the United States and we can't meet our own domestic supply unless you're suggesting you're going to build another six to 12 nuclear reactors instead of that. That's the discussion point here.

Mr. Yakabuski: What if you can't secure agreements with these people, Minister? You're talking about something where you have to rely completely on the compliance of another jurisdiction. You're handing the power future of Ontario into someone else's hands. You're punting it to someone else.

Hon. Mr. Duncan: I know you're new at this; you may not realize that we rely on our imports from the United States right now.

Mr. Yakabuski: Oh, I'm quite aware of what we rely on, sir, but you're now saying that—

Hon. Mr. Duncan: What we're trying to do is not only—

Mr. Yakabuski: —the major amount of our new renewables is going to come from other provinces.

Hon. Mr. Duncan: The previous Liberal government signed the deal on Conawapa. It was ready to go and was cancelled, as you know, subsequent to that. So yes, we think it is important to get that power.

Mr. Yakabuski: How many First Nations communities are there between here and Conawapa?

Hon. Mr. Duncan: There are, I believe, 24 or 25 that are affected in Ontario. You're probably aware that the government of Manitoba also has a memorandum of understanding with their First Nations.

Mr. Yakabuski: And how many of these groups have you sat down and ironed out agreements with at this point?

Hon. Mr. Duncan: We have not negotiated with First Nations, although they have a memorandum of understanding, as I understand it, with their counterparts in Manitoba, because the final deal with Manitoba has not been inked.

The other thing that you haven't talked about too is those other opportunities. I mean wind and biomass. We've got what I would call in the first round the low-hanging fruit on those types of energy. There's also a lot of hydroelectric opportunity left in Ontario: depending on whose estimate you look at, between 2,000 and 5,000 megawatts. So what we've said is that we think it's better to try to get those megawatts of hydroelectric power than it is to build, say, another six to 12 nuclear reactors or to continue to remain reliant on another country for our power. I can tell you that the discussions with Quebec, Manitoba and indeed Newfoundland are very complex, very detailed and very far along. Our hope, by the way, is that the new federal government, in what it's about to announce in terms of emissions and so on, will see the wisdom of Canadians helping other Canadians. It's better to buy power from clean, renewable hydroelectric resources in Newfoundland, Quebec, Manitoba and indeed northern Ontario as well than it is to import from the United States. I'll be candid with you: The previous federal government had an opportunity to assist and it didn't. My hope is that the new federal government will respond.

Mr. Yakabuski: We are certainly not going to question—

The Acting Chair: You have one minute left.

Mr. Yakabuski: How much?

The Acting Chair: One minute.

Mr. Yakabuski:—what you're saying about those agreements. But, quite frankly, you could tell us they're at any stage of—let me finish; I've got one minute now—development. But we don't have any real way of verifying that. And your position is one that is not supported by many people in the industry. The complications of bringing that power from those distances is something that they see as being problematic.

Hon. Mr. Duncan: People who manufacture coal power?

Mr. Yakabuski: No.

Hon. Mr. Duncan: Okay. Who, then? Tell me who?

Mr. Yakabuski: But the fact is that power that we import from the United States—

The Acting Chair: I'm sorry, you'll have to make that your final question.

With that, it's 5:30 and I'll move to the third party. Mr. Hampton, you have 20 minutes.

1730

Mr. Hampton: Earlier, when you responded to some of the questions I asked, you said you have looked at these meters in other jurisdictions, at the experience in these other jurisdictions. Could you tell us what jurisdictions these are, please?

Hon. Mr. Duncan: PG&E in California, and Italy.

Mr. Hampton: Where in Italy?

Hon. Mr. Duncan: The whole country.

Mr. Hampton: The whole country?

Hon. Mr. Duncan: The whole country has smart meters, yes.

Mr. Hampton: What was the experience in Italy?

Ms. Lawrence: I think they had a different business case than we did. Their principal rationale for installing them was initially to implement a remote disconnection. They had a significant experience of theft of power and arrears. They made their business case principally on the collection of arrears as well as harnessing some of the operational savings in their distribution system, which is a similar case to what PG&E is pursuing in California and what some of our utilities are interested in capturing here in Ontario.

Mr. Hampton: If you're basing your approach on the information from those jurisdictions, you must have detailed information from those jurisdictions. So I'm asking you, will you table that information for the committee, since these seem to be the business cases that you're relying on?

Hon. Mr. Duncan: We can do that, absolutely.

Mr. Hampton: When will you be able to do that? You have it available, I understand. When will you be able to table that information?

Hon. Mr. Duncan: As soon as we can. We'll get back to you on that.

Mr. Hampton: Just so I'm clear: In Italy, though, the business case was really based upon disconnection?

Ms. Lawrence: That's what they started with initially. They have evolved. I think the fact is, Ontario clearly is in the leading pack in terms of doing a broad-scale implementation, but other utilities are catching on. I would say different utilities have different reasons within their own unique service territories. For many in Ontario, estimated billing, for example, as the minister mentioned, is a huge potential savings for LDCs.

Hon. Mr. Duncan: It saves money for LDCs and gives consumers the ability to manage their consumption. We've implemented time-of-use pricing in Ontario now. The experience elsewhere has been that in fact these things have led to real conservation and savings.

By the way, we had some pilot projects in Ontario. I'll give you one example; you're probably familiar with it. Woodstock called it a pilot project. They started in 1989. Roughly 15% of their rate base was on these special meters, which involved a card, just like a phone card. You went into the local 7-Eleven, you filled it up with money and you had to put it in your meter in order to run it. You could see how much it was costing you when you ran a dryer and so on, or whatever appliance you were running. I believe they had 15% of their consumers on the meter, and the average saving was about 25% on their bill over the life of this pilot project. There have been other similar pilots here in Ontario.

Mr. Hampton: You referred to Italy and Pacific Gas and Electric in California, but you just said you looked also at other jurisdictions. What other jurisdictions?

Hon. Mr. Duncan: I said those are the principal ones we looked at, and we looked at our own experience in pilots. Those are the principal jurisdictions. You asked the question, and those are the principal ones we've looked at.

Mr. Hampton: So there are no other jurisdictions other than Italy and the experience of Pacific Gas and Electric in California.

Hon. Mr. Duncan: California. You've cited California in terms of conservation initiatives.

Mr. Hampton: You've looked at no other jurisdictions other than those two?

Hon. Mr. Duncan: We've looked at other jurisdictions in terms of what they're planning to do as well, and many of them are looking to move in a similar direction.

Mr. Hampton: What jurisdictions would those be?

Hon. Mr. Duncan: We'll get back to you on all of those.

Mr. Hampton: My question about the metering—I understand in Bill 21 it was called the metering entity. I think it's now called the meter data repository. Are those two the same thing, the metering entity and the meter data repository? Are they the same thing?

Ms. Lawrence: Yes. The central meter data repository is basically the system functionality or the technology. It's where the data will be stored. What we have in place right now is a memorandum of understanding with the IESO to take on those project management tasks on the ministry's behalf to ensure the integration with the LDC systems.

The smart metering entity was contemplated in Bill 21 as a governance and accountability structure for the function going forward. Bill 21 outlined a number of choices available to the government, including the designation of an existing entity in the sector. We have had some talks with LDCs about their interest in participating in governance, but I think we are of a mind that we need to concentrate on getting the system up and running in the near term and leave governance for a later day.

Mr. Hampton: Then the metering entity and the meter data repository are not the same thing?

Ms. Lawrence: One is a function, and that is the repository. The smart metering entity is the entity that would be responsible for management and oversight of that repository going forward.

Mr. Hampton: I would think this is pretty important. Who is going to manage it in the interim?

Ms. Lawrence: The IESO is currently the project manager on our behalf.

Mr. Hampton: So the IESO is going to manage it for now? So the IESO is going to contract for these functions?

Ms. Lawrence: That's correct.

Mr. Hampton: Who are they going to contract with?

Ms. Lawrence: They're running a competitive procurement right now.

Mr. Hampton: But you must know, potentially, who they're going to contract with. Who would they potentially contract with? Who would provide these kinds of data services? You must have some idea before—

Hon. Mr. Duncan: There is a range of individual companies and organizations that could be in partner-

ships, and also diverse companies such as IBM and others that manage these kinds of systems elsewhere.

Mr. Hampton: So I repeat my question. You say you're going to have 800,000 of these meters installed within 15 months, yet you can't tell me what kind of entity is going to run and be responsible for the data.

Hon. Mr. Duncan: We just indicated: companies that normally provide that service. It could range from IBM to others of a similar nature that are all responding to the IESO RFP.

Mr. Gillis: I think it's probably best, since we are in the midst of a true procurement, not to front-run the process and speculate as to who might bid—

Mr. Hampton: I'm not asking you to name a company. What kind of entity, what kind of operations? Banks?

Mr. Gillis: It's the IESO who will oversee the development of a software project that will manage the data on behalf of the LDCs. The procurement of that software, whether it's an outsource function that could be provided by banks, for example, or whether it's a newly built software infrastructure, is a determination that will be made within the context of that RFP. And that process is ongoing.

Mr. Hampton: I just want to get this straight. You say that you're going to have 800,000 of these meters installed in people's homes within 15 months, yet I'm asking you here who is going to manage the data—and I would think that we're talking about an amount of data that would make the federal gun registry look like a peanut stand in terms of the number of operations each day that would have to be dealt with etc.—and all you can give me is a vague answer about who is going to—

Mr. Gillis: The organization that will run the whole process will be the IESO. They run a similarly complicated information technology infrastructure right now in the way that they manage the market. They rebalance all of the transmission points and all of the supply points every five minutes, every hour of every day of the year.

Mr. Hampton: And this will be a significant new undertaking. The figure that someone gave to me is that you're potentially talking about hundreds of millions of pieces of data in terms of people's daily hydroelectricity use, weekly hydroelectricity use etc. You're 15 months away from telling people this is the new order and you don't have an entity yet?

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Hon. Mr. Duncan: Yes, the IESO. It's a very manageable—

Mr. Hampton: You're saying the IESO isn't going to do it; they're going to contract with someone to do it.

Hon. Mr. Duncan: Yes, and that kind of data information is managed elsewhere, not specifically here, but in terms of our own electricity system. So we have advantages resulting from new technologies and so on that we're taking advantage of, and I'm confident that this can be properly managed by the IESO and that the types of data they're collecting can in fact be measured and stored.

Mr. Hampton: So when is the IESO going to put out this request for proposals?

Ms. Lawrence: It's out.

Hon. Mr. Duncan: It's out.

Mr. Hampton: It's out there now?

Hon. Mr. Duncan: Yes.

Mr. Hampton: So can you table that?

Hon. Mr. Duncan: I'll have to get back you on that.

Mr. Hampton: I'm told the IESO is supposed to be subject to freedom of information. All I'm asking for is, give us the document, the request for proposals.

Hon. Mr. Duncan: If we're able to, we will, and if we can't, you can always apply for it under freedom of information.

Mr. Hampton: Why wouldn't you be able to table it?

Hon. Mr. Duncan: I'm not certain that we won't be able to. I'm going to have to double-check on that.

Mr. Hampton: I'm not asking for the identity of who is bidding; I'm asking for what's being requested.

Ms. Lawrence: There's a fairness commissioner who is overseeing the IESO's procurement, and we will have to double-check with him. There is a request for information that preceded the RFP that was made publicly available and posted on MERX and we can certainly share that, and we will get back to you with the status on what we can do with the RFP proper, which isn't public. It's gone to a specific number of vendors.

Mr. Hampton: I don't care how many vendors it's gone to or the identity of the vendors. It just seems to me that if you're talking about something that potentially can cost hundreds of millions of dollars, the consumers of Ontario, who, it looks like, are not going to have any choice in this, need to know what's in the content of the request for proposal and what's involved here and potentially what kind of entity is involved. And you're 15 months away from—

Ms. Lawrence: I think the RFI is posted on the IESO's website, as well as over 100 questions with answers as vendors responded in the initial phase. That is all publicly available to consumers on the website. So the dialogue has certainly been open—

Mr. Hampton: But that's fairly general. We're getting down to the short strokes here. You're saying this entity is going to be up and running. I want to know what it's going to look like. You're telling me you can't tell us that?

Hon. Mr. Duncan: The IESO is managing the data. The local distribution companies—

Mr. Hampton: The IESO reports to you, Minister.

Hon. Mr. Duncan: That's right, and ultimately the government is responsible for it, number one. Number two, the local distribution companies are responsible for the actual installation of the smart meters themselves, the management of the smart meters. This was subject to very extensive public discussions, I think two years ago, including committee hearings and so on. So it's a very clear path. With respect to your question about the RFP, we'll get back to you about what precisely we can

release, and there is a considerable amount of information already published on it.

Mr. Hampton: It's bizarre that this thing is going to be up and running in 15 months and you're not even sure you can share the request for proposals.

Hon. Mr. Duncan: There's no link to that. There's absolutely no connection.

Mr. Hampton: You've said you're on target to install 800,000 McGuinty meters by the end of 2007, within 15 months.

Hon. Mr. Duncan: That's correct.

Mr. Hampton: But you've so far installed only 70,000.

Hon. Mr. Duncan: That's correct.

Mr. Hampton: So by my calculation, you will have to install, going forward, 53,000 a month.

Hon. Mr. Duncan: Yes.

Mr. Hampton: You must have some idea where those are going to be installed, then.

Hon. Mr. Duncan: We have arrangements now with the six largest distribution companies.

Mr. Hampton: What are they?

Ms. Lawrence: And Hydro One.

Hon. Mr. Duncan: And Hydro One.

Mr. Hampton: Do you know how many Hydro One is going to install?

Ms. Lawrence: I think I mentioned that a little over 200,000 is what their target is.

Mr. Hampton: Over the next 15 months?

Ms. Lawrence: Yes.

Mr. Hampton: Okay. Go ahead.

Ms. Lawrence: Toronto Hydro.

Mr. Hampton: And their target?

Ms. Lawrence: I don't know the specific breakdown among the six large each.

Mr. Hampton: Can you get that, please?

Ms. Lawrence: Yes.

Mr. Hampton: And the others?

Ms. Lawrence: Veridian, Ottawa, PowerStream, Hamilton, Horizon.

Mr. Hampton: And the last one?

Hon. Mr. Duncan: Did we give you Enersource?

Mr. Hampton: No.

Hon. Mr. Duncan: Enersource, Mississauga.

Mr. Hampton: Okay. And you're going to give us the breakdown of each one, how many they're going to install before the next—

Ms. Lawrence: How many we're targeting, yes.

Mr. Hampton: Within the next 15 months.

Ms. Lawrence: Yes.

Mr. Hampton: Okay. Then you say you're looking at six million by the end of 2010. Is that correct?

Hon. Mr. Duncan: Yes, that's our estimate right now.

Mr. Hampton: I'm just doing a rough calculation here, but it looks to me like you would then have to put in about 140,000 a month.

Hon. Mr. Duncan: Italy's was running at about 40,000 a week last year when they were installing.

Mr. Hampton: So you're going to put in 140,000 a month, yet you don't even know what the entity is that's going to look after the data selection.

Hon. Mr. Duncan: Yes, we do know what the entity is. You're putting words in people's mouths. We were very clear about what the entity is.

Mr. Hampton: Okay. You say that the regulations regarding the specifications are out?

Ms. Lawrence: Yes.

Mr. Hampton: Can you table those, please?

Ms. Lawrence: I don't have them with me. We can bring that. I think they're all gazetted at this point.

Hon. Mr. Duncan: They're all gazetted.

Mr. Hampton: They're all gazetted?

Ms. Lawrence: They're certainly filed with the registrar.

Mr. Hampton: Okay, they're all gazetted. Then it should be easy for you to table them.

Hon. Mr. Duncan: You should be able to get them too; in fact, you would have had them when they were published. We used to do that in opposition. Read the gazette. It's published as soon as they're put out. So you can get that, and if there's something that hasn't been gazetted, we'll try wherever we can to provide it.

Just so the public understands: These regulations have to be published in the Ontario Gazette. They are also posted online. That's been available for some time, so you have easy access to that. I just want to be clear about that.

Mr. Hampton: The regulations that have been tabled, that have been gazetted, are all of the regulations with respect to the McGuinty meters and with respect to the specifications for the McGuinty meters?

Ms. Lawrence: I think the regulations I mentioned govern the metering procurement and technology vis-à-vis the LDC. We have regulations which I believe have just been filed adding the smart metering responsibility to the IESO's objects. We have regulations naming three utilities—Milton, Chatham-Kent and Newmarket—as pilot sites for end-to-end system testing. We will be doing draft regulations, again, for consultation on sub-metering in condominiums, and other regulations as they arise, but those are probably the principal ones governing the first wave of deployment.

Mr. Hampton: Since there are other regulations that have not been gazetted, would you table those?

Hon. Mr. Duncan: They will be done through the normal process of gazetting. Once they're completed, once the full consultations have been done, then they'll be gazetted. That's how the process works.

Ms. Lawrence: We've been posting draft regulations on the ministry website for consultation, so they have all been up at various points. Some that I just mentioned we don't actually have drafted yet, but they will be coming, and they will be publicly consulted on as well.

Mr. Hampton: So within 15 months there are supposed to be 800,000 meters installed and being used, yet you still don't have all the regulations in place?

Ms. Lawrence: Not all the regulations are necessary.

Hon. Mr. Duncan: The ones that aren't in place, you don't need to get them installed at this point.

Mr. Hampton: Okay.

I just want to confirm something: You have decided that the McGuinty meters will have to have two-way communications, all of them?

Mr. Gillis: I think that's up to the LDCs. They make the procurement decisions of exactly—they just match what our specifications are. We don't mandate that you have two-way communications. The LDCs have decided in many instances that it's to their advantage, and they'll have to justify any expenditure associated with that with the Ontario Energy Board.

Just to make another point that we were speaking about earlier, I think to a large extent the back office and data requirements are not that well understood. In Milton, for example, they're already building on a full time-of-use basis. That's one of the pilots that we have up and running. It wasn't incredibly complicated for them, and they've done a very good job at that.

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One of the options that we have as well that is being studied by the IESO is to use an existing database. There are American utilities that do time-of-use billing in fairly significant size. One of the options we would have is to increase the size of their database and just use them from a data management perspective. So it may not be as—

Mr. Hampton: So contract out to an American entity.

Mr. Gillis: It's one of the things that's being contemplated, but it would be within a Canadian subsidiary.

The Acting Chair (Mr. Wayne Arthurs): Our 20 minutes has expired for this rotation.

I turn to the government caucus—Mr. Delaney, I believe. I have 10 minutes at this point, and it will be 10 minutes at the beginning of the session of the committee tomorrow.

Mr. Bob Delaney (Mississauga West): Thank you very much. Welcome, Minister. Minister, as I was sitting here listening to the discussion, I was struck by something I remembered when I was very young. In 1961, then-US President John F. Kennedy set his nation a very ambitious goal, to use his own words: "before this decade is out, of landing a man on the moon and returning him safely to the Earth."

Not that long ago, the member for Renfrew-Nipissing-Pembroke wrung his hands in despair at your challenge of using existing technology to bring electricity about 1,850 kilometres from Labrador across Quebec, and comparing it to a challenge that we've already seen that people have already met. The moon was, and of course still is, some 390,000 kilometres away, and the technology needed at that time was not only unproven; it wasn't even on the drawing board when the objective was set in 1961.

I draw that 45-year-old analogy not merely to be nostalgic but to put into perspective the challenge of using existing power generation technology to refurbish an existing generation capacity and an existing power grid. A reasonable person, thinking, one would assume, in a rational manner, would conclude that with the bene-

fit of some 30 to 40 years of experience and technological development since Ontario's grid and its power generation fleet came into service, perhaps adding, upgrading and replacing our power generation infrastructure hardly seems an insurmountable challenge.

So I'd like to start there and talk about some of the challenges that Ontario faces in building a reliable and cost-effective electricity supply. Not for nothing, even as jurisdictions like Indiana and Ohio and Michigan watch their auto and other manufacturing and industrial base leak away, there are other jurisdictions—Ontario and Tennessee come to mind—that are growing and attracting high-value-added jobs that require industrial-size quantities of power. If you're a growing jurisdiction, as Ontario is, people need to know that their electricity supply is going to be economical and reliable.

As well, the greater Toronto area has long been Canada's immigration magnet, and each and every year for about 30 years, the GTA has added both population and infrastructure roughly equivalent to building Kingston in the GTA—each year for 30 years. And yet we in Ontario haven't really paid attention to our grid and our generating capacity since about 1990.

So perhaps could you please start off by talking about how much generating capacity Ontario has added in the last three years, what type of generating capacity in Ontario was added? Maybe you could describe briefly what that type of infrastructure investment has meant in terms of money invested in our Ontario communities and perhaps jobs created in Ontario.

Hon. Mr. Duncan: Yes. To date, about 3,000 megawatts of new power have come on stream. That's nuclear, natural gas, small hydroelectric, a little bit of biomass, wind, other renewables.

You raised a really interesting point, though, that I think I'd like to expand a little bit on. By the time the full amount of new generation we've provided for comes online, it's about a \$13-billion investment in generation. But you referenced the transmission to get that power from new sources, and that's extremely important. You'll know that the Ontario Power Authority in its IPSP made a number of recommendations on transmission. In 2005, Hydro One spent \$691 million in capital expenditures and an additional \$792 million for operation, maintenance and administration. They've got capital expenditures for this year budgeted at \$755 million. Also, we've asked Hydro One to look at a long-term plan in terms of refurbishing our various transmission requirements. Some of the projects that we're working on currently: the so-called Bruce to Essa line; the York region line; the Holland transformer station; the Hydro-Québec inter-connection, something that Hydro-Québec's now agreed to and we've agreed to, and that's proceeding; the Ontario-Manitoba feasibility study; the Niagara reinforcement, which is almost complete, but as you know, that's been slowed down by the situation in Caledonia; downtown Toronto cable; as well as servicing the new Toyota plant in Woodstock.

It's interesting. Manufacturers like Toyota and others come to Ontario. Everyone's concerned about the price,

but they know our price is very competitive. We don't compete with Quebec and Manitoba because they have the natural grace of hydroelectric, more than enough to meet their domestic needs. They come here not only because our price is competitive with surrounding jurisdictions but, more importantly and interesting—Bob, this is something you referenced—because of transmission reliability.

I grew up right across the river from Detroit, and the entire southeastern Michigan grid was recently sold. Growing up, whenever we'd have a power outage on both sides of the border, on our side of the border the power would be up within hours and, without a word of exaggeration, within three or four days, you'd still be hearing on the news, "X number of homes still without power," and this was in a large urban centre. It's obviously more difficult in rural areas when lines are out. As you know, we're experiencing some difficulty in the Muskoka area as a result of the storm last weekend. We've gone from 90,000 homes without power to, the last time I checked this morning, about 30,000.

That reliability of transmission is extremely important to investors and still remains one of our competitive advantages. So it's important to keep your eye on that ball as well, particularly as we move forward. We are bringing on power; we also need to make sure we have the ability to get the power from where it's generated to where it's consumed.

Mr. Delaney: I want to ask you a question about energy conservation, particularly at the community level. As all of us who are baby boomers were growing up—and we all remember it as a civilized world—we didn't have, in just a brief list, such things as microwaves, dishwashers, home theatres, cable television, computers, multiple televisions in a home, electronic battery chargers of all types, nearly universal air conditioning and so on and so forth. You talked about some of the things consumers can do to become more energy-efficient: address the one sixth of energy consumption that's used in lighting with compact fluorescents, replace or get rid of the beer fridge and so on and so forth. But it is a fact that while the appliances themselves are getting more energy-efficient, the other part of that is that as a society, we're getting more energy-intensive. Nonetheless, we have to be careful about how we use energy, so perhaps you could describe in a bit of detail some of the measures that, as the minister, you've brought out to support and encourage energy conservation at the community level.

Hon. Mr. Duncan: First of all, you're absolutely right. Not only did the number of appliances and so on that we use go up, but Ontario and Quebec are the two highest per-capita consumers of electricity in the world. Let me give you a comparator. In California, the rate of growth and consumption has been less than 1% per year over the last 25 years. In Ontario, we're always around 1.7%. There are some facts of life that contribute to that. We have a cold climate. We used to have a single peak; we now have two peaks. We have a summer peak and a winter peak, so it makes it more challenging. That being

said, there was no effort expended on conservation. We had nobody doing it. In fact, in the early 1990s, the NDP government ordered the old Ontario Hydro to cancel all conservation programs, many of the programs that we are now reinstating.

Consumer demand will likely always grow; the question is, by how much and how you manage that growth. We had local distribution companies that were not incented to increase conservation. Why would they? They get paid by how much is used. So when we first came to office, we freed up some money, almost a quarter of a billion dollars, to allow that to happen.

Second, from a province-wide perspective, the government of Ontario had nobody doing conservation. When we set up the power authority to do future planning, we also set up the conservation bureau, staffed it, and it's now up and running, to the point where we've

had a number of very successful pilot projects around the province, including the beer fridge bounty, which has been tested in six communities. Toronto Hydro's doing a terrific job in a whole range of things: their 10/10 program, their peak saver program. We're going to be having some announcements on the new province-wide initiatives very shortly that I know the Premier will be speaking about.

The Acting Chair: Minister, we've arrived at 6 o'clock. I know you'll have the opportunity tomorrow, when we reconvene, to continue that dialogue.

A reminder: The committee will sit again Wednesday, September 27, tomorrow, at 3:30 in this room. We stand adjourned until that time.

The committee adjourned at 1800.

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