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Official Report of Debates (Hansard)

Wednesday 15 November 2006

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Mercredi 15 novembre 2006

**Standing committee on
government agencies**

Agency Review:

Ontario Lottery and Gaming Corp.

Hydro One

**Comité permanent des
organismes gouvernementaux**

Examen des organismes
gouvernementaux :

Société des loteries et des jeux
de l'Ontario

Hydro One

Chair: Julia Munro
Clerk: Tonia Grannum

Présidente : Julia Munro
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
GOVERNMENT AGENCIESCOMITÉ PERMANENT DES
ORGANISMES GOUVERNEMENTAUX

Wednesday 15 November 2006

Mercredi 15 novembre 2006

The committee met at 1005 in room 228.

COMMITTEE BUSINESS

The Chair (Mrs. Julia Munro): Good morning, everyone. I have an addition to the agenda that you don't have, and I'm hoping we can deal with this fairly quickly.

As you are aware, we obviously made a room change for today to be in room 228. The justice committee has asked that we switch with them every Wednesday until we rise before Christmas. I made the decision to move us today, but I felt that making anything more than an individual day change was something that the committee should have some input on. So are there any questions? Are people prepared to make this switch? Any comments?

Ms. Monique M. Smith (Nipissing): I think we're fine in this room.

The Chair: Okay.

Mr. John Yakabuski (Renfrew–Nipissing–Pembroke): Excuse me, Chair. I'm sorry, I just got here. What's this?

The Chair: This is a room change. We were asked if we would consider changing from 151 to 228 for the rest of the time until the holiday.

Mr. Yakabuski: The room is no problem; the Chair is.

The Chair: All right. Having dealt with that, I would just remind you that we will be meeting in this room each Wednesday morning until then.

SUBCOMMITTEE REPORTS

The Chair: The next is the report of the subcommittee on committee business dated November 2. I'd ask you to turn your attention to that. Mr. Parsons?

Mr. Ernie Parsons (Prince Edward–Hastings): Yes, I move acceptance.

The Chair: All those in favour? All those opposed? Carried.

The next one is the subcommittee report dated November 9.

Mr. Parsons: I move acceptance.

The Chair: Any questions? All those in favour? Thank you. Passed.

AGENCY REVIEW

The Chair: We have a motion on the floor with regard to Hydro One.

Mr. John Wilkinson (Perth–Middlesex): Madam Chair, given the fact that Mr. Hampton isn't here at the moment, I would move for unanimous consent that we just set aside the Hydro One issue until all three parties can be here for the vote and that we just go to OLG. We're more than happy to go back to that today, but given the fact that we don't have all three here, I would ask for unanimous consent.

Mr. Yakabuski: I would have to say no, from the point of view that if I could get somebody else to come down to this committee, I'd have no problem with that. But I have had no involvement in the OLG hearings. Consequently, I do not feel like I should be the one dealing with the report. If we can give five minutes, I'll see if I can get another member, and I think Ms. Smith may have even spoken to another member. So it may be possible, then, if we could do that, Madam Chair.

Ms. Cheri DiNovo (Parkdale–High Park): We're only talking about 20 minutes, 25 minutes here. Mr. Hampton is otherwise occupied, so we're waiting for him on this since he was the one who dealt with that report and would like to vote on it. Again, it's not a huge deferral; it's just a short deferral. We could perhaps start walking through some of the other bills, but I'm happy if there's another Conservative member who would like to come and speak to it who has been here before.

The Chair: Any further comments?

Ms. Smith: Yesterday, when I tried to canvass this issue, Mr. Hampton indicated he'd be here for the entire time. I talked to Ms. Scott to see if she could be here for the OLG, but when Mr. Hampton indicated he was going to be here, I didn't follow up with Ms. Scott. That's why she's not here right now. We didn't come to an agreement last night, but I'm more than happy to give five, 10 minutes to see if she can come and we can move it along.

Mr. Yakabuski: I can make a call to her office right now.

The Chair: I'm prepared to do a—I don't know. I'd prefer a five-minute recess.

Mr. Yakabuski: Five minutes should be fine.

The Chair: Okay.

The committee recessed from 1010 to 1014.

The Chair: I think we're ready to go back in session. The first order of business is to have unanimous consent to stand down the motion that's on the floor as well as draft 1 of Hydro One. Do we have unanimous consent to do that? Agreed.

ONTARIO LOTTERY AND GAMING CORP.

The Chair: We'll begin, then, by looking at draft 2 of the Ontario Lottery and Gaming Corp.

In looking at this, you will note those changes that reflect our discussions on this, when we were at draft 1, looking now at draft 2. The first change appears on page 15. Perhaps if you want to just reflect—yes, sorry.

Ms. Smith: Thank you, Madam Chair. Before we get to page 15, I question the need for the extensive background material we're providing from pages 1 to 14. I was a proponent of including background material that was presented by the presenters, but 1 to 14 really represents their annual report, and I think that's available pretty much to anyone who wants to see it.

If we could go back to basic principles of what the mandate is for this committee and our mandate for report writing: Are we supposed to be reporting on what they reported, what we heard and our recommendations, or are we supposed to provide an overview of the entire agency? If I could get a sense of that from what our standing orders are, then I could determine whether or not—I think it's a bit excessive. Do we need all of the financial reporting and all of that stuff in this report?

The Chair: I think that if you look at the process over a period of time, it's very much up to the committee what it wishes to include in its reports. That is kind of a broader philosophical position the committee needs to establish, whether it wants to have the kind of background information which would then allow this document to be a stand-alone, as opposed to assuming the materials from other sources. That's really a question for the committee itself to decide.

Ms. Laurie Scott (Haliburton–Victoria–Brock): I'm sorry—could you just repeat what you were saying, in general?

Ms. Smith: Sure. My concern is that, when I started in on the report, it seemed like twice the size it was from when we started, and that's because all of the background information has been included. Pages 1 to 14, I think, are pretty extensive, and I'm just not sure whether it's appropriate for this committee to include that much background information when it's all publicly available on the annual report, etc. I just wondered if it doesn't detract from our work, which was to review the information that was presented and to make recommendations.

I think we do need some background; I just think some of it could be truncated. I'm not sure we need all of the financial reports for the last three years. I'm not sure we need all of those charts. I'm just asking the question.

Ms. Scott: Does it really matter? Do you think it deters, if people are reading the report, that they're going

to get caught up with background on it? I don't see any extensive harm. It's just easier for someone who's looking at the report. They can choose to look at the background. Would you rather it be put towards the back of the document?

If it's all public information anyway, there's no harm, no foul, in attaching it, unless you thought there was something that was distracting.

Ms. Smith: Well, maybe—sorry, Madam Chair.

The Chair: Just a minute. I would recognize Ms. DiNovo.

Ms. DiNovo: I kind of like the transparency of it. I like the fact that it's there. I'm wondering if perhaps, yes, it's the positioning of it; that perhaps this could be an appendix. It makes more sense as an appendix, anyway, than it be an introduction, so maybe we just reverse the order of the way it's presented. Even though it's publicly available, I wonder how many people actually access that publicly available information. I find it helpful; I find it interesting.

Perhaps you're right; it does detract, in its current position, from the work of this committee, so perhaps put it at the back.

1020

The Chair: Yes. In terms of the layout, I think you want to think about the purpose—whether or not it is to be seen as a stand-alone document, in which case, obviously, some historical background and things like that are warranted.

You also have it set out in such a way as allows someone who wants to know more in terms of the direction that the committee took by having the recommendations as a summary at the end. This, again, provides access for the reader. As I say, it is a question of the committee's decision.

What you might want to consider—given that this, as it is right now, is a 34-page document—in terms of future ones, do you want something that is, in fact, closer to 25 pages or something like that? Obviously, we're not going to determine the value of the product by how many pages it has, but if you want to look at where there's opportunity to pare down, that might be appropriate. It's my view that this is probably one of the longer ones, so you might want to consider those ideas when you're looking at this and other reports.

Ms. Smith: I just wondered where the information came from. Some of it's obviously from the annual reports, but there's an analysis of the somewhat controversial relationship with the First Nations, which, I think, adds a bit to a historical perspective, but I'm not sure that's necessarily germane to the actual operations of the OLG. It is one aspect of some of the work that they do, but to have it included in an overview of the operations I'm not sure is particularly relevant. I just wonder: Is this directly from the annual reports, or is this annual reports and then kind of a historical perspective?

The Chair: I'll turn to staff for that.

Mr. Larry Johnston: If I could just speak to that: This document is, in part, a historic document in that this

committee has reviewed appointments to the OLG on a fairly regular basis over the years. Each time an appointment is reviewed, we prepare a backgrounder on the OLG. That document is updated and different issues are added in or taken out as the history of the OLG progresses. So there is annual report material in here, but there's also historical analysis that's been done over the past several years to provide a richer background in terms of the agency and its operations and the issues that are connected with it.

Ms. Smith: I would just suggest that the richer background is really from the perspective of the researcher and not necessarily what this committee has heard or wants necessarily to include. I would suggest, as a compromise, that we might look at putting it at the back, as Ms. Scott suggested, and coming up with a much-abridged summary of the actual operations at the front: What is the OLG? What is its mandate? What is its *raison d'être*? What is it doing? And then our report, what we heard it was doing, including our recommendations throughout, a summary of our recommendations and then a summary and historical perspective on the OLG, just to move it out of the front end. That would be my suggestion.

Ms. DiNovo: I'd be fine with that. Again, it sort of begs the question: What's in, what's out? I think we need to give some direction here in terms of what's included and what's not included if we're going to put this as an appendix at the back.

The Chair: Ms. Scott, did you have something further to add?

Ms. Scott: I was just in agreement to change the order of it and to put it at the back. The document is fine with—you can address it in the table of contents at the front as a backgrounder or whatever labels you would choose to put on and just put them towards the back. If we could come to an agreement on that.

Mr. Johnston: I'd just comment that in preparing these reports, research has followed the practice of previous reports on agencies when they've been reviewed, and those have always begun with an overview of the agency that's taken from the backgrounder prepared by research. So if we're going to do something different, that's just fine, but research needs clearer direction in terms of what the committee would like to have in, what it would like not to have in and the relationship of what goes into the report to the background material that's prepared for the committee prior to its consideration of the agency.

Ms. Smith: Since this is the first time this has been done in over 10 years, it has been a bit of a learning curve for everyone. I think in the next round, and as we move forward with other reports, we'll have a better sense of giving direction earlier on so that we don't get into editing and editing. My recommendation again would be to come up with a briefer summary at the beginning, put this at the end and then put our report in the middle—like a two, three-page max summary of the basic job description of the OLG.

Ms. DiNovo: Just to recap what I'm hearing from Ms. Smith—and I think I'm in agreement with that, and I'm sure Ms. Scott is as well—is that we have a summary at the front, that we have the report in the middle and that we have this appended at the back, but I'm not hearing it being abridged.

Personally, I think the more transparency, the better; the more information, the better. That makes sense to me: a few pages of overview at the front, the report in the middle and this lengthy discussion of the history and the financial statements at the back as an appendix. I just wonder if that's acceptable.

Ms. Smith: Yes, that's what I'm suggesting.

The Chair: As Ms. Smith has referred to the fact that this is the first one in some years, what we need to establish then is as much on a go-forward basis as anything else in order to provide research with the appropriate instruction. Clearly, based on past experience, this reflects that. So I think what we need to be doing then is be a little clearer in terms of the instructions prior to this point, quite frankly.

Anyone else, further conversation?

Ms. Smith: Sorry, just on this: As we move this to the back, if that's what we agree, just for clarity, on the board of directors, on page 14, one of them has passed away, so we should probably remove their name—Kristina Liljefors of Ottawa. So if we could remove that name, please.

The Chair: I'd like to draw your attention to page 15—if there are any changes there that you would wish to put forward or if this reflects the conversation.

Ms. Smith: Are you just on page 15?

The Chair: Yes.

Ms. Smith: Sorry. I'm on 16.

The Chair: All right. Then the next change would be on page 16. Any comments or changes there? Notice that it's a deletion. Okay.

Turning to page 17 and the recommendation that, "The OLG explore ways to include the French translation of its legal name in branding exercises of its new public corporate identity." I think that reflects the conversation of the time. Let's look at the rest of page 17 then. Any comments there? Okay.

Turning to page 18: We'll just have an explanation for page 18.

Mr. Johnston: The material that has been added on pages 18 and 19 is material that was originally in the background portion of the document. It was moved forward to provide context for recommendation number 4 and subsequent.

Mr. Joseph N. Tascona (Barrie-Simcoe-Bradford): Just one comment: Now that the government has Bill 152, which is probably going to be moving to third reading shortly, which encompasses Bill 60, it would seem to me that the government is taking steps to deal with Internet gaming but not necessarily that bill. Mr. Leal may want to talk about that, if he wishes.

1030

Mr. Jeff Leal (Peterborough): Indeed, that's correct. The main elements of my private member's bill, Bill 60, are now incorporated into Bill 152, the omnibus consumer protection bill brought forward by Mr. Phillips. Certainly from my perspective, the inquiries I've had on this issue are substantial. Just for the record, the government of Great Britain has now organized a seven-nation summit on this particular issue. Whether this needs to stand in this report, now that it's in Bill 152—I'll leave it to the experts at the front to provide some advice on whether it should be withdrawn at this time.

Mr. Tascona: I think you could change it. You could do it two ways. One is that you could say the government—

Mr. Leal: That's redundant right now.

Mr. Tascona: —is taking steps with Bill 152 to deal with Internet gaming, or you give some credit to Jeff, that the government is taking steps to incorporate the principles of Bill 60 in Bill 152. I don't mind. I think it's incorrect to say that Bill 60 is not going to become law.

The Chair: Did you want to add something at this point, Mr. Leal?

Mr. Leal: I think Mr. Tascona has provided a good overview of how we may incorporate his thoughts into recommendation 13.

Mr. Johnston: Am I understanding correctly then that the recommendation would be removed and a statement added to the end of the previous paragraph—

Mr. Leal: I think that's fair.

Mr. Johnston: —that the committee acknowledges that government Bill 152 incorporates the provisions of Mr. Leal's—

Mr. Leal: Essentially that it incorporates the provisions of Bill 60.

Mr. Tascona: Not in its entirety.

Mr. Leal: No, it's slightly different, but I would say that the major provisions of Bill 60 have been incorporated in Bill 152.

Mr. Tascona: That's fair.

Ms. DiNovo: I think we still need the preamble in there, though. I would hate to see that go, "In November 2004," blah, blah, blah, down to "Provincial problem gaming strategy." I think the first paragraphs should stay in, because they set the stage, and then work needs to be done—absolutely—on the provincial response. But I'd like to see some preamble there. It makes sense, as Jeff said, to set the stage for what follows.

The Chair: Any further comments? Let's move on then to page 20.

Ms. Smith: We've added this portion at the top about the Sadinsky report. I just wonder why we're highlighting only one of the recommendations when we do note that they made 72. I don't understand why we've highlighted just that "Sadinsky recommended making this strategy a responsibility of the Alcohol and Gaming Commission...." There were 72 recommendations, so why are we highlighting that one?

The Chair: We're back on page 19. Do you wish to respond to that? Or perhaps other members?

Ms. Smith: My recommendation would be that if we're not going to go into an analysis of his report in detail, we can say that it "contained 72 recommendations, largely concerned with the province's problem-gambling/responsible gaming strategy" and leave it at that—that's what it's about—unless we want to go into an analysis of his report.

Ms. DiNovo: I'm fine with that. I was just concerned about the preamble before that, the two paragraphs following "Provincial problem gaming strategy," so I do agree that that needs to be reworked.

The Chair: Any further comments?

Mr. Tascona: When we do get to it, on page 33, "Summary of recommendations," recommendation number 3 that we were just talking about with Bill 60 is going to have to be addressed. This is a housekeeping matter when we do get to it.

The Chair: All right. Thank you.

Let's look at page 20, the additional sentence there.

Ms. Smith: Madam Chair, were we okay, then, to remove the last part of that paragraph, from the word "which"? Is everybody okay?

The Chair: Yes. It appears so.

Page 20?

Okay, moving on to page 21: relatively minor changes there.

Seeing no comments, let's go to page 22: three recommendations there. Any comments on page 22?

Okay. Let's go to page 23, and again, we're looking at a recommendation that includes "study the results of the current pilot project on counselling services." All right.

Page 24: again, very minor changes there.

So we can look at page 25, again changing the recommendation: "The OLGC and its partners continue with the OPGRC to work to eliminate problem gambling and explore options for adopting such a policy." Any problems?

Let's move on then to page 26. Again, a very minor adjustment there at the top, and a couple of other suggestions to text on the rest of page 26. All right.

Let's move to page 27. This one refers to the payout rates. Any comments or suggestions with regard to page 27? Okay.

We'll turn to page 28.

Ms. Smith: At the top of page 28—actually, the sentence starts at the bottom of page 27: "However, in the view of its industry partners ... the OLGC is a world leader in the study, research and treatment of problem gambling, with nothing to learn from the experience of any other jurisdiction." I think that's a bit over the top. I don't remember anyone before this committee saying they had nothing to learn from any other jurisdiction, so I just wonder where that comes from. I'm sorry that we didn't catch that in the last round.

The Chair: I'm sorry, I haven't found it yet.

Ms. Smith: It's the end of the first paragraph at the top of page 28. Actually, I think I'm working from a

differently structured draft. I have draft 2. It's just above the box for 13, what I'm looking at, so wherever that appears on your pages.

The Chair: I'm working from a different draft than everybody else.

Ms. Smith: Sorry, just above the box for 15.

Mr. Johnston: Page 28?

Ms. Smith: Page 28.

Interjection.

The Chair: Okay. I have a different draft 2 than you do. That was my problem. I couldn't find the sentence.

Ms. Smith: I'm just above box 15.

1040

The Chair: Apparently, there are two draft 2s floating around. Okay, I'm with you.

Comments with regard to the suggestion that it be removed?

Ms. DiNovo: I would agree: just removing that last phrase, "with nothing to learn from the experience of any other jurisdiction." It's amazing we didn't catch that. So, absolutely.

Ms. Smith: I just have a question. I think everyone on the committee recognizes that I had a real problem with some of the evidence from, is it Dr. Williams, Larry? The guy on the TV.

Mr. Johnston: Yes.

Ms. Smith: And we still report what he says. We do say that some of the industry folks responded with skepticism about his findings, but I wonder, is there something that precludes us from saying that certain committee members questioned his findings? Or is that inappropriate? I just wonder, because I strongly—you weren't here for this, Madam Chair—took exception to some of the things he had to say and questioned some of his research. And I did do it verbally when he was here—it's in the transcript—but it's not reflected in the report, and I just wonder if that's appropriate or not.

Interjection.

Ms. Smith: At what page, are you asking? It's kind of throughout. It's all the Dr. Williams stuff. That's why I waited until we got to the end of the Dr. Williams stuff to bring it up. It starts on page 18 really with the—no, sorry.

The Clerk of the Committee (Ms. Tonia Grannum): Page 19?

Ms. Smith: Page 19: "Dr. Williams, a researcher at the school of health sciences at the University of Lethbridge...."

Ms. DiNovo: I'm still not seeing where we are.

Interjections.

The Chair: I'm afraid it's confusing, because we have two draft 2s.

Ms. Smith: We're at bullet points that start with, "Reconsider OLG's adoption of the Vegas model...."

The Chair: I think that when we had our conversation about this in draft 1, there was the sort of disclaimer notion here where you've talked about how—in the copy I have, it's at the bottom of page 21—"Committee members asked Dr. Williams for evidence that there is a significant proportion of problem gamblers among front-

line casino staff." You've got there certainly some questioning of the nature of his research and things like that. I guess the point you're raising is whether that's strong enough, given the kind of skepticism that people have.

Ms. DiNovo: I wasn't here for this testimony either, but I wonder—we have already gone through the recommendations. The recommendations seem to me to be valid ones. Where they originated, who knows? I wasn't here and didn't hear it and don't have access to that research, and neither does anybody reading this document. But I'd certainly be okay with removing where they came from, if we needed to do that, and just put in voluntary recommendations. But then that again begs the question: Where did they come from? Who did make them? I'd like to see the recommendations there, and I wonder if there's some way that we can work that out.

Ms. Smith: I don't have any problem leaving the recommendations in. What I wanted to do was put in an editorial comment that certain committee members were unconvinced by his evidence, something like that, just to put on the record that at least some of us weren't buying it. I wouldn't ever say that the committee did not accept it, but just some of the members. I would like to put that on the record, if it's possible. I do appreciate that we've already made the changes to at least include that it was based on a master's thesis by one of his students who was interviewing their fellow casino workers. But again, Madam Chair, I leave it to you on the propriety of that.

The Chair: I think that, certainly within the scope of this committee, it is possible for that kind of concern to be included. On the bottom of page 23, where it says, "OLGC officials and the CGA expressed skepticism about the results of the Williams study," I wonder if that's an appropriate point at which to make the kind of comment you are suggesting.

Ms. DiNovo: Madam Chair, I'm just thinking that perhaps just even a line: "The committee has some questions about the validity of the research conducted, but stands by the recommendations."

The Chair: It would seem to me that the suggestion of that skepticism would then be consistent if it was "shared by members of the committee," or "some members" or something like that, if the committee was comfortable with that.

Ms. Smith: I'm comfortable with that on my page 23, which is the paragraph that starts with "Both OLG." I would take out "Both" and put, "OLG officials, the CGA and certain members of the committee expressed skepticism about the results...."

The Chair: Right. Perfect.

Mr. Johnston: Where are you?

The Chair: The bottom of page 23.

Ms. Smith: And without being too picky, if I could say, "of the Williams study and analysis," because I had more of a problem with his analysis.

The Chair: All right?

Ms. Smith: "Certain members of the committee."

The Chair: Or “some.” Obviously, it depends on the committee, if you want to say “and committee members” or “some.” So we’d say “some committee members”?

Ms. Smith: I’m fine with either.

The Chair: Okay, that’s fine.

Mr. Johnston: If I could just clarify in terms of the two versions of draft 2. It’s the same version. One has been printed with the balloons, the comments, in the side margins. That’s what has caused the repagination. The content of the two versions is identical. The one that was supplied originally with the redlining doesn’t have the comments in the margin.

Mr. Yakabuski: It’s out one page.

Mr. Johnston: That’s because of the space that’s taken up by those comments.

The Chair: Okay. Now, I think we’re at page 28.

The Clerk of the Committee: Or 29.

The Chair: Or 29; whichever version you have. I think we’re ready to look at page 29. The only changes there would be the number of the recommendation.

Ms. Smith, I think you had raised a point, though, on page 28, had you?

Ms. Smith: Yes. We dealt with that. We’re going to remove “with nothing to learn from the experience of any other jurisdiction” from just before box 15.

Mr. Johnston: You had asked where that came from. I was just going to supply the reference for that. Mr. Bisson asked, “I’m just wondering: Is somebody doing something in another jurisdiction that we should be looking at, specific initiative programs etc.?”

Mr. Rutsey from the gambling association said, “No. The short answer is no. I think the programs that Ontario is currently undertaking and has on the drawing board are kind of leading-edge in terms of identifying and assisting people with problems.” So that’s the basis from which that was taken.

Ms. Smith: I still want to see that last part removed. I mean, they didn’t say they didn’t have anything to learn.

The Chair: Okay. Can we move on then to the last few pages? I think there hasn’t been any change made from the earlier draft, so at the end we have the summary of recommendations.

Ms. Smith: Did we always have the revenue projections section? Was that there before? I just don’t remember. Probably after we got out of recommendations, I stopped reading. Was the revenue projections section always there?

1050

The Chair: Yes, I think it was.

Ms. Smith: What I would ask, then, is if other issues should be included as an appendix as opposed to part of our report. I don’t remember hearing about Pro-Line products at Casino Windsor or that kind of stuff, so I just wonder if we shouldn’t put this other information as a second appendix and move up our summary of recommendations to the end of our report after recommendation 15.

Mr. Johnston: On the basis of previous practice, any issues that arose during a review for which there were no

recommendations did not appear to be included in the report. In this case, the committee had only identified two or three issues in each case for OLGC and LCBO to attach recommendations to, so the committee was asked whether or not it wanted to include the discussion of the other issues in the report. The decision at that point was yes. So I guess the question is, do you still want to include these issues if you feel they are superfluous, or change the order?

The Chair: Any comments with regard to laying this out?

Ms. Smith: I’ve made my recommendation, so I’d just be interested to hear the others.

Ms. DiNovo: I’m always for including more information rather than less, more transparency rather than less, so why not?

Ms. Smith: So you want it in the body of the report, not in appendices?

Ms. DiNovo: Appendices are fine as long as it’s there somewhere.

The Chair: All right. I think that we’re obviously going to have to look at this once again. So we will conclude for the moment our review and look for draft 3 to come back and deal with some of the outstanding issues.

Given the time and the attendance that we have right now, I’m suggesting that we go back to Hydro One, if everyone is in agreement with that. All right.

HYDRO ONE

The Chair: We’re turning our attention to the agency review on Hydro One. I would just remind you that we have a motion on the floor that Mr. Tascona—and I’ll just read it to remind you: “I move that recommendation 8 be amended to read, ‘Hydro One develop a corporate policy on helicopter use, which shall include maintaining a log listing the names of all individuals using Hydro One helicopters and the purpose of the trip.’”

We are at this point, then, considering that motion. I would ask for any comments before we vote on that motion.

Mr. Leal: I suspect that’s a similar policy to the one that the federal government uses for the Challenger jet. They have to list the names of all the people who are on board, so that seems reasonable.

The Chair: Ms. Hull.

Ms. Carrie Hull: The committee asked me to verify with Hydro One the status of its practice or policy, so I don’t know if the committee would like to hear the answers.

Mr. Yakabuski: I think we might.

Ms. Hull: I asked Hydro very specifically whether it has a corporate policy or a set of practices related to helicopter usage, and the answer was, “Hydro One does not have a specific corporate policy ... we have a long-standing set of practices and comply with all Transport Canada aeronautics regulations.”

They have six helicopters. I asked for details about the exact information that is included in the log for a trip,

and Hydro One replied, consistent with Transport Canada regulations, “Each flight is recorded on a Hydro One flight report which states the helicopter registration, date, pilot, destination, number of passengers and takeoff and landing times.”

The Chair: Thank you, Mr. Wilkinson.

Mr. Wilkinson: Given that response, we’ll be voting in favour of Mr. Tascona’s recommendation.

Mr. Howard Hampton (Kenora–Rainy River): Finally.

Mr. Wilkinson: I just wanted to hear it, Howard. But I’m glad we have it on the record now.

Mr. Yakabuski: Where are we here with Mr. Tascona’s recommendation?

Mr. Wilkinson: It’s the same as Howard’s, but it just says “corporate policy,” which was ours.

Mr. Yakabuski: So we’re basically—

Mr. Wilkinson: We’re all in agreement.

The Chair: If there are no further comments or questions, I will call for the vote. All those in favour? Carried unanimously.

We’re looking at the Hydro document; we are at page 6. We have made, obviously, a change through the motion just carried on recommendation 8. So we’re looking at the service delivery issues at the bottom of page 6. Perhaps we could just have a little introductory overview to that section.

Mr. Johnston: One of the key stakeholders who appeared was the Electricity Distributors Association, which represents Ontario’s 85 local distribution companies. This is an important group of Hydro One customers. On the other hand, Hydro One is also a member of the EDA and holds one seat on its board of directors. The EDA brought a number of recommendations to the committee concerning Hydro’s ability to carry out its transmission responsibilities.

The first one for the committee to consider is recommendation 9: “Hydro One’s need to make significant capital investments to expand its system capabilities to address load growth, generation connection requirements, and transmission congestion not be deferred, but recognized and built into future plans.”

The Chair: Let’s take any comments, if you’ll have a look at recommendation 9.

Mr. Wilkinson: I would note for the record that it is a requirement of the Ontario Energy Board, that it falls under their purview, though the intention is fine, as far as I’m concerned. But I think the way it’s worded is a bit difficult in a recommendation, so my problem is with how it’s worded. I just think a regular person reading that will get a bit confused over “Hydro One’s need to make,” and then, at the end of it, “Not be deferred.” So I just think the English should be improved on that so it’s clear. That would be my only suggestion.

Mr. Hampton: I think what the distributors’ association is trying to get at—and I’m not sure the recommendation gets at this—is that there were a number of Hydro One transmission projects identified in 2004-05 that went to the Ontario Energy Board that received

capital approval or rate approval. Yet here we are now, almost at the end of 2006, and many of these are delayed and deferred. That’s essentially what’s going on in terms of Bruce. I think what the recommendation needs to get at is that there has to be, to hold Hydro One accountable, some sort of public record of what transmission projects need to be accomplished.

I find it scandalous, as I said yesterday, that the hydro consumers of the province could be on the hook for about \$700 million if Hydro One’s duct-tape fix-up of the transmission line doesn’t work. The Ontario Power Authority’s report, which is going to be released today but which we got a draft of yesterday, says that there is a big risk that it won’t work. That’s at least \$700 million of the public’s money that’s being gambled.

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I think what this recommendation is getting at is, that’s not acceptable. This agency is critical to the economic future of the province. You have generation projects being brought online but no assured transmission facilities to get the electricity to where it needs to be. The local utilities—electricity distributors, in this case—are sort of left in the lurch as well. I think the recommendation needs to be toughened up, that Hydro One—just as the Ontario Power Authority is setting out what they think needs to happen in terms of generation and distribution, because the government is the sole shareholder, Hydro One has to put out some projections of what needs to be done and what in fact is going to be done, rather than us hearing, as we did yesterday, a year later—some would say, perhaps a year too late—that the transmission may not be there for the Bruce. It may cost the ratepayers of the province between \$700 and \$800 million to cover for that.

We have to make a greater demand on Hydro One. I think that’s what this recommendation needs to speak to.

Mr. Yakabuski: I concur with Mr. Hampton. When we have a situation, it doesn’t matter what agency you want to pass it off to, whether it’s the OEB, the OPA, Hydro One or whatever; ultimately, it’s the government’s responsibility. When you have a situation where you sign a huge contract for power procurement with the Bruce—and we certainly agree that that was something that was necessary and we support the government on that. However, when you don’t take the necessary steps to ensure that it can in fact be made to work—you can’t sign an agreement without ensuring that you’re going to be able to move that power. Hydro One is a huge component of ensuring that those things will happen.

I think what the government has done is insulate itself with various organizations so it can take credit when it wants to take credit but not take the blame when somebody has to be the scapegoat. If we get into a situation in 2009 to 2011 where we’re not able to move the power produced at the Bruce, we are in for some significant cost penalties, and I think it’s paramount that those transmission corridors be ready and running.

I know the minister has assured us that we will be able to move that power through some sort of temporary

solution, but then again, this was the same minister who assured us we'd have coal power shut down in 2007. I'm not really that comfortable with his competence in making sure that what he says is actually going to come true.

There has to be a strong recommendation made to Hydro One to ensure those facilities are there.

The Chair: If I could just suggest—perhaps, given that this is all in one sentence, you might want to consider breaking it up into at least two sentences to deal with the two parts that, I think, are inherent here. I just offer that recommendation to you. That might provide more clarity and strength to what seems to be agreed upon.

Mr. Wilkinson: I think that if we capture what the EDA testified at the bottom of page 6 and we added into there those parts which tend to be confusing because they're being restated in the recommendation so that the recommendation is pure and clear, this committee is recognizing that, obviously, if the transmission challenges are not addressed, that causes a large problem, and that it's Hydro One's responsibility to actually get those things fixed. I think the committee rightly feels that this is something that needs to be a priority.

For example, if we added at the bottom of page 6, for clarity, that we're talking about significant capital investments to expand its system capabilities to address load growth, generation connection requirements, and transmission congestion, which is in the recommendation, and put it at the bottom of page 6—because that's really the testimony of EDA, which is what we're quoting—and then make the recommendation that these things cannot be deferred, that they need to be recognized and built into future plans, which I think is what the recommendation was.

I think that would add some clarity. The English in the recommendation would be something that people could understand and we'd allow the EDA testimony to be the context. I don't know if that's acceptable.

The Chair: Okay?

Mr. Yakabuski: Yes, I'd be okay with that.

Interjection.

The Chair: We'll look at a draft of this recommendation then that would concentrate on the last part of the sentence. Did you have something further to add to that?

Interjection: No.

The Chair: Okay. We'll move on then and look at the next issue: timely project approvals.

Mr. Johnston: I think this is probably related to the previous matter. The EDA spoke about the importance of obtaining timely regulatory approvals. I think part of the issue is the number of players in the electricity regulatory environment. Recommendation 10 says, "Provide the electricity industry with mechanisms that ensure timely project approvals to reflect the best interest of the province and ratepayers."

Mr. Wilkinson: Because the impediments that I think are being identified are not the responsibility of Hydro One because we're dealing with a lot of other approvals,

it strikes me that it would be better if we asked Hydro One to report back to this committee as to what those impediments are, so that then this place can do what's required to make sure that if there are those bottlenecks, we're dealing with them. I'd be more comfortable if we were actually asking Hydro One to report back on those.

The EDA came in and said, "You've got these bottlenecks. We've got these problems with approvals. This is undermining the ability of Hydro One to deliver what the people of Ontario expect of them." I think they've raised more than a valid point. Why don't we get Hydro One to report back to us about what those are? Because it goes beyond the purview of Hydro One to fix EA approvals, municipal bylaws, all of those other areas, so I just find that the recommendation isn't—I understand the intent. I don't know whether this report can deal with that.

Mr. Hampton: Correct me if I'm wrong, but I thought that when the EDA was here, they identified bureaucratic delay as one of the issues. I think you now have seven agencies involved in elements of hydro-electricity supply: OPG, Hydro One, the IESO, the Ontario Power Authority, the Ontario Energy Board, the Ontario Electricity Safety Authority and the Ontario Electricity Financing Authority.

Am I wrong? I thought what I heard them say that a big part of the problem is that there are too many players and the scope of some of the players overlaps, so you'll have three different agencies dealing with transmission issues. Hydro One finds it difficult to make a decision unless and until the Ontario Power Authority, the Ontario Energy Board and someone else possibly also has their say. Maybe staff can correct me, but I thought what I heard from their presentation was that there are too many competing entities, which makes arriving at a decision very difficult.

Mr. Johnston: Perhaps I glossed over the previous paragraph a little quickly because it does note that in fact it wasn't just the EDA but also Hydro One and some of the other stakeholders who identified the role of the OPA and the IESO as adding to the complication. So I think that confirms your point.

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Mr. Yakabuski: I share Mr. Hampton's recollection, but I also agree with Mr. Wilkinson that Hydro One is an applicant in these processes. They're not the one that determines the process and/or determines its outcome. In my opinion, the recommendation just doesn't fit with the mandate of Hydro One, so I'm not sure where we should be going with that. Obviously we should be discussing that. We're recognizing the problem with regard to timely approvals, which we've all spoken about and, in fairness, the government has raised that issue themselves, with how we're going to address some of the concerns when it comes to adequate supplies of electricity and moving them to where they need to be. I think we're all probably in a similar position on this recommendation in that we shouldn't be recommending something to Hydro One that they're in no position to follow through on anyway.

Mr. Wilkinson: Further, I think we're all in agreement that it isn't for this committee to tell Hydro One to fix something that they can't fix, but would we agree that it's reasonable, though—because this has been brought up by Hydro One but particularly by the EDA in testimony before this committee, and we all agree that it's an issue that needs to be addressed. Is it appropriate then for this committee to ask Hydro One to report back to us as to what they consider constraints—

Mr. Yakubuski: Things that they could recommend to us to streamline the system?

Mr. Wilkinson: Yes, that's right.

Mr. Yakubuski: Recommendations to—yes, that would be reasonable.

Mr. Wilkinson: In this province, we used to have it the old way where everything was just controlled by the one entity. I remember from my good friend Sean Conway that at the time there was all-party agreement of the need to have that broken up, but I think the testimony we're having here is that you can end up in a situation where there are so many cooks that things are being delayed. There's obviously a need to move forward.

I would maybe defer to my friend the leader of the third party who has much more experience than I, but is it appropriate for this committee to ask Hydro One to report back on what they consider to be the challenges? Perhaps Ms. Munro would have some historical context as well since she is a senior member of the Legislature.

The Chair: Mr. Hampton, do you wish to respond at this point on that?

Mr. Hampton: Since the issue was raised not just by Hydro One but by other groups and organizations that came before the committee, I think we should put the onus on Hydro One to spell out for the committee what measures they believe need to be undertaken in order to ensure not only timely approval but timely undertaking of transmission projects.

Mr. Wilkinson: Could we have agreement perhaps that this recommendation, given that, could be redrafted for the next draft and we could visit it then? We could try to wordsmith this now and—

Mr. Yakubuski: I guess I'm asking the committee clerk perhaps: Is this a function of our committee? Can we go to Hydro One and—

The Clerk of the Committee: Yes.

Mr. Yakubuski: Okay, perfect.

Mr. Wilkinson: Because we can always ask them to report back.

Mr. Yakubuski: Then what Mr. Wilkinson is asking for, I think, is quite reasonable.

The Chair: Okay. We'll move on, then?

Mr. Wilkinson: Sure. So you have enough to try to come up with a draft on this?

Mr. Johnston: We'll get the exact wording from Hansard.

Mr. Wilkinson: Super. Thanks, Larry.

Mr. Yakubuski: Then we'll look at it.

The Chair: Yes. Let's move on to the next—11 and 12, the background for those.

Mr. Johnston: The next two recommendations deal with the issue of the cost of capital, which is a concern for the EDA and its members, including Hydro One, and concerns proposals by the Ontario Energy Board for a process of determining the overall cost of capital for local distribution companies. The association made two suggestions:

“11. That a more flexible approach be taken to the determination of the capital structure and determination of the rate of equity for return for utilities, recognizing that all utilities need and are entitled to a reasonable rate of return.

“12. That a regulatory environment be provided that allows access to financing at reasonable rates for all utilities.”

Mr. Wilkinson: Madam Chair, first of all it must be my business background, but it wouldn't be the rate of equity for return; it would be the rate of return on equity, just as a point of clarity.

Beyond trying to clarify that, it is the purview of the OEB, which is an arm's-length agency, to lay out the rate-of-return rules. I can't see how it's within the scope of this committee doing a review on Hydro One, which is an LDC, to be voting in favour of something which is not the responsibility of Hydro One. There is the Ontario Energy Board. They clearly have jurisdiction in this issue. They have the responsibility of balancing the need of power companies versus the ratepayer. So I can understand why they would want to come in here and make their case about why they think they should make a better rate of return, but I don't think it's the purview of this committee to get into the weeds on this issue. I know that we're not in favour of it, both 11 and 12, because we don't just don't think it's appropriate in this report.

Mr. Leal: Just a quick comment on 12 with regard to “a regulatory environment be provided that allows access to financing at reasonable rates for all utilities”: If any LDCs in the province of Ontario are owned by a respective municipality, when you look at those financial arrangements, often the LDCs can take advantage of low interest rates that municipalities can acquire to borrow money at a substantially lower rate if you're issuing debentures for cattle projects or other financing mechanisms that they take advantage of to provide lower interest rates in terms of their borrowing. I know that Peterborough is a prime example because we happen to own Peterborough Utilities Services.

Mr. Yakubuski: One of the concerns the LDCs have, and this may be part and parcel of what they're talking about—I also agree with Mr. Wilkinson that Hydro One is an LDC. They're part of the group, and it is the responsibility of the OEB to set the rates of return and the regulations surrounding that. One of the things they're concerned about is in the smart meter initiative, that the LDCs are saddled with all of the capital costs in the purchase and installation of these meters, mandated by the government. That's one of the big concerns they have. I think that's part and parcel of their capital concerns here.

Again, it's not Hydro One's responsibility, but I think it is indicative of the concern that LDCs have with regard to the time and the rollout of the smart meter initiative and the financial burden that it's placing on LDCs.

Mr. Johnston: It just seems to me that implicit in these recommendations is that they're for the OEB, so I guess part of the question is, can this committee make recommendations to the OEB?

Mr. Yakabuski: Can we?

Mr. Wilkinson: It's our position that that is not the purview of this committee. What we're doing here in government agencies is that we've had a review of Hydro One, and they've come in. I agree that all stakeholders should be able to come in here and have their issues and get them on the table, and they've been recorded in Hansard. I don't mind, obviously, research drafting a report that reflects the testimony given, but at the end of the day we are charged with writing a report which contains recommendations.

Mr. Yakabuski: Hydro One.

Mr. Wilkinson: Those recommendations have to deal with Hydro One. As we start getting into other issues, if we want to call another agency here, that's another issue.

Mr. Yakabuski: Are we allowed to call—is the OEB an agency that can be called for government agencies?

Interjection.

Mr. Yakabuski: So that's something that would have to be addressed at another time. I share that position with the government side.

Mr. Wilkinson: I have no problem with the testimony being summarized in the report. When they came here, it was—

Mr. Yakabuski: Exactly. But we can't recommend to Hydro One what should be recommended to somebody else.

Mr. Wilkinson: Again, when it comes to rates, it's not just the people selling; it's also the interest of the people buying. That's why we have mechanisms other than Hydro One or the LDCs to set that.

The Chair: Now, in order to move this along, are we agreed that you want to remove the two recommendations, or do you want to find a way to pin them on to Hydro One?

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Mr. Hampton: I think that if we just take out the words "possible recommendations" and take out numbers 11 and 12, so that it reads:

"The association made two suggestions:

"That a more flexible approach be taken to the determination of the capital...

"That a regulatory environment be provided that allows access...."

That summarizes what they said, but they're not recommendations.

Mr. Wilkinson: Not to put too fine a point on it—I agree with that. When we talk about rates, we're talking about rates going up. So I think we have to be very clear that that is not the purview of this committee, unless we want to discuss whether or not we think rates should go

up on consumers. I think if we canvassed the table here, we probably would decide that we shouldn't get into that discussion today while we're dealing with this report. But I have no problem making sure, as the leader of the third party said, that if we're just recording what the advice was that we received from stakeholders, I have no problem with that.

Interjection.

Mr. Wilkinson: Yes. But again, as long as we're being clear who's recommending it, that it's not in committee.

Mr. Yakabuski: I'm good with that.

The Chair: We'll move on, then. We'll just look at the text that leads up to the next recommendation.

Mr. Johnston: The committee was told that the Ontario Energy Board has issued a requirement that long-term load transfers be wound up by utilities' either building facilities out to the customers involved or selling those customers to their neighbouring utility. Many of these long-term load transfers involve Hydro One, and the ministerial directive that prohibits Hydro One from buying or selling assets makes meeting the OEB requirement problematic for many of the LDCs.

The possible recommendation was that the ministry clarify its directive that currently prevents Hydro One from buying or selling assets in such a way that the long-term load transfers in which Hydro One is a partner may be resolved consistent with the requirement of the OEB.

Mr. Wilkinson: I believe that the policy decision by government was recently clarified. I think it's a bit after the fact, but I have no problem with it being reflected in the testimony that was received. In my opinion, the ministry has clarified that, and we'd be more than happy to provide for the committee something from the ministry if that would help clarify it.

Mr. Yakabuski: But the change had something to do with the taxation of those transfers too, didn't it?

Mr. Wilkinson: Yes. My understanding is that, talking to my own LDCs in my own riding, there needed to be clarity on that to allow a lot of these decisions to go forward. My understanding is—

Mr. Yakabuski: Again, it's not Hydro One that can change its position whether it can sell or purchase assets.

Mr. Wilkinson: That's right. So for us it's kind of a moot point. If there are people around the table who would like the ministry to provide more clarity, because that has happened since the testimony, I'd be more than happy.

Mr. Yakabuski: Again, it's the LDCs saying what they think may be a problem with the operation of Hydro One, but Hydro One has no power to change the rules and regulations surrounding that activity. The recommendation really would have to go elsewhere. We're not in a position to recommend to another agency from the point of view—

The Chair: Not in this context. If I could just suggest to you that you might want to consider approaching this, since there has been a change since the committee hearing, in a manner similar to that which we have agreed on,

Mr. Leal, in the legislation. So if there is a sentence to be added as an update on this issue, and then take out the recommendation, but simply make reference that, because of the fact that this is part of the committee hearing, that would be one way of dealing with the issue.

Mr. Hampton: I'd be interested in some more information. Does the clarification by the ministry in fact respond directly to the recommendation? That's the first issue, and if staff can provide us with some information on that, that would be helpful.

Again, I would be okay with something that simply says that it was felt strongly that the ministry needs to clarify its directive, and if we then find out that the directive has been clarified, you can add another sentence: "There has been some response to this."

Mr. Wilkinson: And for committee members, I will undertake to ask the ministry people to actually work with research on the specific questions raised around the issue of clarity, since there have been some changes made since we had this original testimony, and that could be reported back the next time we deal with this, if that's acceptable. And then we can deal with the issue that has been raised by my friend from Kenora—Rainy River.

The Chair: If there's agreement there, then what I would suggest is that we hold off on any decision on this, because it would seem, if there's clarification, there's unlikely to be any recommendation. So we'll await clarification on this particular initiative, if no one has any objection to that.

Let's look at the next part, on conservation initiatives and the recommendation on page 9.

Mr. Johnston: In its opening statements, Hydro One officials emphasized their commitment to playing their part in conservation, which has become a central component of the government's energy policy. They described a variety of initiatives they've taken over the past few years and, asked to elaborate on conservation initiatives, provided a variety of figures to the committee on what they've achieved to date.

At the same time, the committee heard from the Environmental Commissioner, who observed that Hydro One's conservation initiatives seemed to consist of "well-intentioned, positive plans ... [but] seemed to be a little short on mechanisms, a metric to measure success."

So the possible recommendation is, "That Hydro One assess its conservation initiatives to determine their cost-effectiveness and adopt more critical program evaluation techniques."

The Chair: Comments?

Mr. Wilkinson: I think the testimony speaks for itself. I think our only issue would be that it is the OEB that does the assessment, though I have no problem with the fact that Hydro One could report back to this committee on its efforts. I think that's fair. But let's make sure, again, that we're being clear about what Hydro One can do and what others are supposed to do—and we're not reviewing those—and there is a mechanism for that assessment through the Ontario Energy Board. But I have no problem with them saying that they need to report back to us on their conservation measures.

Mr. Hampton: I have no problem with recommendation 14. We should add in, though, another sentence: "That Hydro One report back to the committee." If Hydro One wants to use OEB information, if they want to use their own information, if they want to use both, that's fine. But I think we clearly heard that while money has been allocated for conservation, it's not clear what the conservation outcomes have been with respect to Hydro One.

Mr. Yakabuski: I would further add that as the front-line people involved in conservation, as an LDC, Hydro certainly is in a position to evaluate its programs. Whether they're instituted by someone else or not, they're the ones who deliver the programs, and I think it behooves them to have an ongoing auditing process to determine whether or not these programs actually do deliver bang for the buck. Regardless of who initiates them or designs them, they deliver them. So I think this is a good recommendation, and let's add the sentence that they report back to the committee on that.

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Mr. Wilkinson: I think if we get back into the testimony, we do have some concerns, not with the intention but actually the testimony. There's a whole section in there we heard about which really, in my opinion, as a business person, uses fuzzy math to prove the researcher's preconceived bias against conservation. So it strikes me that because of that, there are mistakes in that section. For example, they allocated costs over one year; that should be over the life of the installation, if we're going to look at cost-effectiveness. And again, it's not Hydro One that does this; it's the OEB that assesses these things. So to me, what we should be saying clearly to Hydro One is that we want them to report back on what they're doing for conservation, because that's who we're writing a report on, but not to give credence to some who've come and testified. I think we were dealing with the same issue, which Ms. Smith raised, in the review on OLG. People can come here and put whatever they want on the record, but we have to be careful whether or not we validate what one person or one group says.

I think the issue raised is one of Hydro One and its commitment to conservation. So for me, it would be more that—because when we're making a recommendation that they have to adopt more critical program evaluation techniques, what we're saying backhandedly is that they haven't been critical enough. What I want Hydro One to do is to come back and report about what they're doing. Given the concerns raised, they need to report back to us about what they consider to be cost-effective. I would hazard a guess that they would use a different mathematical methodology than the person who gave testimony. For example—

Mr. Yakabuski: We're agreeing with you. We want them, as one of the largest LDCs in the province and one of the ones who would be responsible for delivering the programs, to the largest extent—they're a very good candidate for being able to give feedback on what components of these programs perhaps should be expanded

and what components of the programs are not working as well as was originally thought. I think Hydro One is in a position to give that kind of information, and I think it's a fair recommendation.

Mr. Wilkinson: I agree. My question would be, and what I'm comfortable with—for example, we said that Hydro One report back on its conservation initiatives in regard to cost-effectiveness and critical program evaluation techniques. They can report back to us on that. We're being very specific: It's conservation, and these are two things that we want them to report back on. Don't give us a report. We have a concern that has been raised by others about the cost-effectiveness of what they're doing and about how self-critical they are of what they're using, but I don't want to presume—

Mr. Yakabuski: That's all we can ask them: to report on the programs they're mandated to deliver, to report on their feelings and their experiences as to the cost-effectiveness, the conservation effectiveness and the critical evaluation of those programs.

Mr. Wilkinson: I think the wording I suggested is clear, that it would be clear to Hydro One what we're asking them to do. That's different than the idea that they're supposed to assess that. That's not their purview.

Mr. Yakabuski: Assess?

Mr. Wilkinson: Instead of saying that Hydro One assess themselves, we want a report back on their conservation initiatives. And when they report back, what we're interested in is cost-effectiveness, which means that they'll have to show us their methodology, how they're using their math. The person who testified might have raised a good point, but I didn't agree with the mathematical model that was being used, and I don't think we can tell them to be more critical. Show us what your program evaluation technique is. Let's not presume the guy's testimony, but let's get Hydro One to report back on those two issues that were raised.

Mr. Yakabuski: Well, we're not presuming. And being more critical is not necessarily levelling more criticism; it's just maybe examining it in more detail.

But I don't see how what you're asking, your suggestion of changes, is any different from the recommendation that we're making. We're not asking them to evaluate, in their own experience, whether they think the OEB has done a good job or anything, or whether they should be the ones designing the programs, not the conservation authority or whatever through the OPA. We're saying to them, "You've got the programs, you've had the experience of delivering them; give us your feedback as to where you feel that these things are successful and where you feel they can be improved upon."

Mr. Wilkinson: It could be just how we're reading this, but when we say as a committee, "and adopt," that's saying, "We're telling you to do something. We're telling you right now: Adopt more critical program evaluation techniques." Hydro One should report back on their program evaluation technique. I want to see that first.

Mr. Yakabuski: I can live with that.

Mr. Wilkinson: That's my point. Really, we can't tell them to assess. That's not their purview. But they sure can report back to us.

Mr. Yakabuski: Okay. Let's hear the recommendation and see if we like it.

The Chair: Well, I think, if I'm correct, it's that Hydro One report back its conservation initiatives to determine their cost-effectiveness and use—

Mr. Wilkinson: Actually, Chair, what I was suggesting is that Hydro One report back on its conservation initiatives, and then I also said "in regard to" or "specifically," just so that these two points don't get lost in the report, because conservation initiatives are very broad but the two issues—

Mr. Yakabuski: Give us the recommendation.

Mr. Wilkinson: "But in regard to cost-effectiveness, we want to see your program evaluation techniques." I think that's what this committee can ask them to do.

Mr. Yakabuski: I'm probably good with that.

Mr. Hampton: Can I make a proposal? That Hydro One report back on its conservation initiatives and the evaluation and measurement techniques used to determine the cost-effectiveness of its conservation initiatives. In other words, tell us what your conservation initiatives are, then tell us what your evaluation and measurement techniques are that you use to determine the cost-effectiveness of the initiatives. I think that's really what the Environmental Commissioner was getting at in his comments. He said that they seem to have conservation initiatives, they seem to be well-intentioned, they seem to have positive plans, but they seem to be a little short on mechanisms, a metric to measure success. The other information that's included in the report goes in that direction too.

Mr. Yakabuski: We're kind of splitting hairs at this point. But I'm happy with that. Unless you're going to have a real objection, I think that accomplishes it too.

Mr. Wilkinson: Yes, I'm fine with that.

The Chair: I just want to throw out something and ask you: You've picked up on the notion of program evaluation techniques. I'm just wondering whether or not you really want to ask about outcomes.

Mr. Wilkinson: I think that what the Environmental Commissioner was talking about was metrics. In other words, sure, you can have outcomes, but how are you determining the metrics? Because that's what I think research is telling us: You're well-intentioned and you're moving forward, but how are you measuring success? He obviously didn't feel that he got that from Hydro One, which is why he made that comment. I think it's fair for us to ask Hydro One to report back on that to deal with that issue. Obviously, metrics is one and cost-effectiveness is another.

Mr. Yakabuski: Yes. We spend a lot of money on this and sometimes it's difficult to determine whether or not it adds up. Let's hear from one of the biggest people in the business.

The Chair: Okay. I think we've come to an agreement here. We'll look at—

Mr. Wilkinson: Do we have enough for research to redraft that?

The Chair: Redraft that recommendation.

Okay, we can move on to load-shifting. Do you want to talk a bit about load-shifting for us?

Mr. Johnston: This issue was again brought by representatives of major power consumers, who expressed an interest in Hydro One's upcoming submission to the energy board for transmission rates and, in particular, changes to the tariff structure for industrial users. The recommendation is, "That the OEB be directed to develop a tariff structure for Hydro One's transmission rates that provides a clear incentive for industrial users and business consumers to shift usage from peak to off-peak times."

The Chair: Okay. Any comments about either the text or the recommendation?

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Mr. Wilkinson: First of all, on the recommendation, we're directing the OEB, which is not our purview.

Mr. Yakabuski: I agree. Even if we think something is a positive thing, we're not here to come up with recommendations for the OEB.

The Chair: Would you then think it appropriate if it was simply there as a comment as opposed to a recommendation? There's no reason why you can't do that.

Mr. Hampton: Simply reword it. Take out the recommendation and put in, "These representatives believe that the OEB should develop a tariff structure for Hydro One's transmission rates that provides a clear incentive for industrial users and business consumers to shift usage from peak to off-peak times." It's on the record, it's clearly part of the report, and—

Mr. Yakabuski: It follows the concerns that people have with respect to the—as you said, the multitude of agencies that seem to be involved in this sometimes makes it a little confusing and difficult.

The Chair: All right. Okay. We agreed that we're going to have that as part of the text then.

If we look at the next recommendation.

Mr. Johnston: The same representatives suggested that a distinction needs to be made between conservation initiatives that take industrial assets and capital stock out of production and therefore are not necessarily conducive to the economic health of the province. The recommendation that accompanies that is, "That the design of conservation initiatives take into account the distinction between electricity usage that is economically productive (i.e., adding value) and that which is non-productive consumption, and target any initiatives towards reducing the latter."

Mr. Hampton: This one could be a recommendation to Hydro One. What this is getting at is that, given the current rate structure, you actually have, in significant parts of the province, industries shutting down, sending workers home. Production is stopped because of the rate structure. I think we could make a recommendation to Hydro One that it examine and report back to this committee on how conservation initiatives could take

into account the distinction between electricity usage that is economically productive—adding value—and that which is non-productive consumption, and how that could be targeted. I think we could ask Hydro One that question: How could this be done? How would you do this? Because I think that's one of the questions that needs to be answered. Coming from northern Ontario, paper mills, pulp mills, mining operations are very disturbed that they have to shut down sometimes for weeks at a time and lose valuable economic production, not because they're using more electricity—in fact, they might be using less—but because of consumption elsewhere in the province. Consumption elsewhere in the province may be for a totally uneconomic undertaking. I think we could ask Hydro One: How would you respond to this?

Mr. Wilkinson: Just to make sure the record reflects everything, I would say that incentives for load-shifting primarily come from the price signal, not particularly from Hydro One charges. But I agree; I'm not opposed to them investigating and reporting back on what they think would be additional incentives.

There are some that already exist. For example, the Hydro One network tariff is charged between seven a.m. and seven p.m. So businesses who do shift their demand outside of this time pay no tariff. To be fair, there already are load-shifting and demand-response programs as well as other conservation methods. Those ones are entirely voluntary: Power users are asked to identify what they can do without and are rewarded for that effort. Given that that already exists, I think it's fair for our report to recognize what already exists. I have no problem with asking Hydro One to report back to us as to other things that could be considered to actually get us to the policy objective, which is conservation.

Mr. Yakabuski: Hydro One's role is a minor one in this issue. Of course, they don't produce the electricity and they don't have anything to do with the price of the electricity, but it is a very valid point that Mr. Hampton raises, where production is actually shut down because it reaches a point where they simply can't afford to operate because the price structure has hit a specific level at a specific time because of demand across the province. I concur that if there's something that Hydro One can add or contribute to the point that they may have some suggestions on how we deal with this issue—because it is an issue for manufacturers in this province, there's no question about it, particularly the electricity-intensive ones such as pulp and paper, forestry, mining, that Mr. Hampton was talking about.

Mr. Wilkinson: I know we're going to get into this next, about soft versus hard grids and distributed energy. It's very difficult for Hydro One, which provides the wires, to be asked, "How should you change the model?" But I think it's from a public policy point of view, when you look at the standard offer contract and distributed energy, where we really have looked to the very positive experience in Europe. It goes to that whole issue, so I think it is in the best interests of Hydro One to report back to us on this topic. I think it's something that they

need to be focusing on as we, as a province collectively, agree that we need to be going to more renewables that are generated locally.

The Chair: Okay. Can we move on, then? We've got some suggestions for clarifying that.

Now we're looking at soft versus hard grids.

Mr. Johnston: This is an issue brought to the committee's attention by the Environmental Commissioner, talking about new technologies and different models. He made the distinction between large-scale, capital-intensive technologies and soft-path systems that pursue conservation, small-scale distributed generation and renewable energy applications.

The recommendation that accompanies this discussion is, "That Hydro One be given incentives (or direction) to develop soft-path ideas and work towards their implementation over the medium and long term."

The Chair: Comments?

Mr. Wilkinson: Following up on that—again, to be fair, this isn't my file, but I can share with my colleagues about the distributed energy type projects that are happening in my own riding, and I would invite any member of the Legislature to come and see what is going on, particularly around the issue of anaerobic digestion and the creation of methane and renewable fuels.

I can say from my own experience, dealing with my own constituents, that the Environmental Commissioner was right when he testified that the entire system is built on the 20th-century model and we really need to be forcing everyone to get into the 21st century, again following the lead of our friends in Europe who have done a lot of work on this, particularly in Denmark, which I think is the leader in the world in distributed energy. But we do have a structure that envisions a different way of transmitting electricity. I know from my own constituents that it has been a challenge for them as they deal with Hydro One, because most of these projects are, of course, in rural Ontario, where there is only one LDC and that is Hydro One.

I was very fortunate to have Minister Duncan come out and visit the riding and meet with the constituents, who are doing multi-million-dollar projects to not only make sure that their farm operations are sustainable but actually helping us, as Ontarians, provide new sources of renewable energy.

My concern, though, is the words "be given incentives ... to." It says, "That Hydro One"—instead of "be given incentives ... to," say, "That Hydro One develop soft-path ideas and work toward their implementation over the medium and long term."

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I don't know whether we can direct Hydro One to hand out incentives. I don't think that's Hydro One's job, but I think we need to focus their attention on the idea that they have to be cognizant of soft-path or locally distributed generation.

Hydro One, as well as other partners, has been working on this independently and with the instruction of government. As the Environmental Commissioner points out, we have a historical system that took over a century

to build, so we can't change that overnight. It's large, it's interconnected and it requires much time, work and investment to achieve the changes, but I think we're all in agreement about the need for leadership on this. If we could change that so it says, "Hydro One should develop a strategy to develop soft-path ideas and work towards..." I'd have no problem asking them to report back on a strategy.

Then again, the rationale is that any incentives or directions would have to be recovered by the taxpayer or the ratepayer through oversight of the Ontario Energy Board, which is outside the purview of what we're doing. But I would be in support of trying to get Hydro One to focus on this. I think it's the future.

Mr. Hampton: The reality is, if you follow the announcements made by the government and Hydro One and the disclosures just over the last two days, that the principal focus continues to be the building of major transmission lines. So it's not distributed generation; it will be very capital-intensive generation and very capital-intensive transmission lines. I'm not here to debate that.

I think the recommendation should be this: "That Hydro One be asked to report back on the potential to develop soft-path ideas"—the potential to develop them—"and the costs associated with those activities." I think we'd be fulfilling our goal. We'd be asking Hydro One a question they should be able to answer: What's the potential for this, and what are the costs going to be?

Mr. Wilkinson: Further, with all due respect to the Environmental Commissioner, I think we should use the term "distributed energy" as opposed to "soft-path ideas." I think there's general acceptance of what we mean by that as opposed to "soft path." I wouldn't want to give our friends at Hydro One a reason to interpret that soft path. I think we all agree in this committee what distributed energy is, which is: How can we make energy, the source, be close to the user? Of course that reduces the load on the transmission and it reduces the electricity that's lost in the transmission. From reports that I've read, there are some tremendous savings that would be available over the long haul.

We can't turn this around overnight. I think my friend the leader of the third party is correct, though, in the sense that that would help them bring some focus to this.

Mr. Yakabuski: This is not something that we have any disagreements on. I think we all recognize that distributed energy is something that is going to be a significant component and we're all supportive of it. So if we can have Hydro One's feelings on this, it would be positive for all of us.

Mr. Wilkinson: So this will come back at our next—

The Chair: Yes.

Mr. Wilkinson: Great.

The Chair: Let's move on to the standard offer contract.

Mr. Johnston: This is a related issue, as is obvious from the discussion. The Environmental Commissioner again spoke about the standard offer contract which the government brought in in March of this year. Bringing online an unlimited number of small-scale renewal gen-

eration projects creates a system of distributed generation. The commissioner noted that his office receives a number of complaints related to the ability of renewable generators to access the hydro grid, and he suggested a different model in which the grid system, like a transportation system, is regarded as a public good. Therefore the ability should be provided to maximize the opportunities for renewable energy generation for the long-term good of the public.

The recommendation that accompanies this is: “That Hydro One recover the cost of upgrades to the transmission system that facilitate renewable access through system charges, rather than by generator hook-up charges.”

Mr. Wilkinson: This again, given my previous comments, is near and dear to my own heart. My constituents, who are really very innovative, see the opportunity that we as a society require and I know have had some frustration in this. I told them the other day, “You’re not at the leading edge; you’re at the bleeding edge of this. It is very difficult for us to change a system that’s built on another model.”

I think OEB has the regulations—I believe it’s the transmission system code—which currently require that users pay. So if users, those who want an upgrade, don’t pay, others in the same system will have to make up the difference. In the case of rural LDCs, this could be a significant cost that must be borne through higher rates, but on the basis of the kind of old thinking, which is, “I’ve got a new factory that I’m building and I need to connect to the grid because it’s only going one way. I’m just pulling.”

But this is a different way of doing it, because the wires are going both ways. They’re not just pulling; they’re actually generating electricity. The groups involved have come to me. Countryside Energy Co-op comes to mind, which is a farmer-owned co-op that’s getting off the ground for wind farms. Lynn Cattle is in my riding. The young couple who own Lynn Cattle were the Canadian farming couple of the year last year, a true visionary farm family about what they’re doing. And Stanton Bros.

I know that the government is looking at the issue along with Hydro One, and I would suggest that we could

change the word, that Hydro One “work” with the Ontario Energy Board to investigate ways to recover, because the direction we’re giving them, or what we want them to perhaps report back, is, “Are we all on the same page here, Hydro One?” We can’t have these impediments constantly thrown up. There has to be a new way of thinking. It is in the public’s best interest that we go to distributed energy. That would be my suggestion on the wording.

The Chair: We are almost out of time. Are there a couple of quick comments before we adjourn?

Mr. Hampton: I’d want to suggest a slight change to the recommendation: “That Hydro One examine the feasibility and the cost of upgrades to the transmission system that facilitate renewable access through system charges, rather than by generator hook-up charges.”

I don’t know what work Hydro One has done on this, but I think that says to them, “If you haven’t done this work, this committee recommends that you do it now. What is the feasibility and what is the cost?”

Mr. Wilkinson: But it does go beyond Hydro One in the sense that if Hydro One says, “We’re going to do this,” and OEB has a whole set of regulations that go on the 20th-century model—

Mr. Hampton: Yes, but we can’t recommend to the OEB.

Mr. Yakabuski: We’re just asking.

Mr. Wilkinson: It would be great if they could come back to us and say, “Okay, you guys want us to have less wires, not more.” I can understand that there might be some pushback from them on that, but they have to serve the public good, and distributed energy—

The Chair: Excuse me. I need to remind you that we are out of time. What I would like to indicate to you just before we close is that at our next meeting we’ll finish up the Hydro One draft 1, as we have a few pages left there. We will come back as well to look at the next draft of the Liquor Control Board of Ontario.

Ms. Smith: LCBO, not OLG.

The Chair: Yes, that’s right.

We stand adjourned.

The committee adjourned at 1159.

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