



The Ontario Clean Air Alliance's Submissions

To The

Social Policy Committee

Of The

Ontario Legislature

Re: Bill 100

**An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998
and to make consequential amendments to other Acts**

August 9, 2004

Introduction

According to Ontario's Energy Minister, the Honourable Dwight Duncan, the Government of Ontario is committed to becoming a world leader in the promotion of energy conservation and the creation of a conservation culture.

In his April 26, 2004 speech to the Ontario Energy Association, Minister Duncan said:

“It is the belief of this Minister – and of the McGuinty government – that conservation including energy efficiency and demand side management, is one of the single most important things we can do over the long-term with respect to our power supply.”

“Our government is taking bold action to help make Ontario a world leader in conservation.”

“We need to create a profound shift in the culture of this province. To move from a culture of inefficiency to a culture of innovation. To move from a culture of waste to a culture of conservation.”ⁱ

To move from a culture of waste to a culture of conservation will require a profound shift in the institutional framework of Ontario's energy sector. We will have to move from an institutional structure that promotes the interests of energy suppliers to one that places priority on promoting the interests of energy consumers.

Bill 100, if appropriately amended, can play an important role in moving Ontario from a culture of waste to a culture of conservation.

The enactment of *Bill 100* will create the Ontario Power Authority (OPA), which will contract for new electricity supply and will promote energy conservation. The proposed Ontario Power Authority is a crucial element of a pragmatic and cost-effective strategy to promote energy conservation and phase-out Ontario's dirty coal-fired power plants.

Bill 100 also grants Ontario's electric utilities the authority to promote energy conservation, energy efficiency and load management.

In addition, *Bill 100* firmly establishes the Ontario Energy Board (OEB) as the prime regulator of Ontario's electricity market. The OEB will have regulatory authority over the OPA, the Independent System Operator, Hydro One, all of Ontario's municipal electric utilities (e.g., Toronto Hydro), Ontario Power Generation, all other electricity generators and the price of electricity.

The Ontario Clean Air Alliance (OCAA) strongly supports the creation of the Ontario Power Authority and most elements of *Bill 100*.

However, *Bill 100* also proposes to repeal the OEB's legislative mandate to promote energy conservation, energy efficiency and load management with respect to the use of electricity. This proposal is inconsistent with the government's policy objectives since the OEB, as the prime regulator of Ontario's electricity market, can and should play a pivotal role in guiding Ontario towards a culture of conservation.

For example, the OEB can move Ontario towards a culture of conservation by:

1. amending its existing regulatory rules, which financially penalize electric utilities that promote energy conservation;
2. linking the profits of Ontario's electric utilities to their success at reducing their customers' bills by promoting energy conservation and efficiency;
3. requiring the Ontario Power Authority to pay electricity consumers to shift some of their consumption to off-peak periods during periods of peak demand or supply shortages;
4. requiring Ontario's electric utilities to switch all existing bulk-metered apartments, condominiums and offices to individual metering;
5. introducing peak and off-peak pricing for small volume consumers;
6. lowering the fixed monthly charge for electricity service and increasing the variable charge;
7. approving expansions of the electricity grid if and only if new supply is the least-cost option to meet our energy service needs (e.g., a cold beer, a hot shower); and
8. promoting fuel switching from electricity to natural gas when natural gas can meet the consumers' energy service needs more efficiently and economically (e.g., space heating, water-heating, cooking and drying).

Repealing the OEB's mandate to promote energy conservation is also contrary to the public interest since the aggressive and cost-effective promotion of energy conservation and efficiency is the only energy option that can simultaneously:

1. reduce the energy bills of Ontario's residential, commercial, institutional and industrial consumers;
2. maintain and increase the competitiveness of Ontario's industries and create jobs; and
3. protect public health and the environment by helping to phase-out Ontario's dirty coal-fired power plants.

The Ontario Energy Board Act

Currently, the OEB's mandate includes the promotion of energy conservation with respect to electricity and natural gas:

According to section 1 (6) of the *Ontario Energy Board Act*:

“The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:

To promote energy conservation, energy efficiency, load management and the use of cleaner energy sources, including alternative and renewable energy sources, in a manner consistent with the policies of the Government of Ontario.”

According to section 2 (5) of the *Act*:

“The Board, in carrying out its responsibilities under this or any other Act in relation to gas, shall be guided by the following objectives:

To promote energy conservation and energy efficiency in a manner consistent with the policies of the Government of Ontario.”

Bill 100

Bill 100 is proposing to repeal the OEB’s mandate to promote the conservation and efficient use of electricity.¹ Specifically, *Bill 100* proposes to repeal Section 1 (6) of the *OEB Act* and replace it with the following:

“1. The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
2. To promote economic efficiency and cost-effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.”

The Ontario Clean Air Alliance’s Recommendation

Bill 100 firmly establishes the OEB as the prime regulator of Ontario’s electricity market. As a consequence, the OEB can and should play a pivotal role in shifting Ontario from a culture of waste to a culture of conservation.

Therefore, the Ontario Clean Air Alliance recommends that *Bill 100*’s proposed amendment to section 1 of the *Ontario Energy Board Act* be re-written as follows:

“1. The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:

¹ Interestingly, *Bill 100* does not repeal the OEB’s mandate to promote the conservation and efficient use of natural gas.

1. *To promote energy conservation, energy efficiency and load management in a manner consistent with the policies of the Government of Ontario.*
2. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
3. To promote economic efficiency and cost-effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.”

This amendment will allow Bill 100 to properly capture the government’s commitment to moving Ontario toward a culture of conservation and make the OEB a more effective instrument, rather than an obstacle, to achieving the government’s desired outcome.

ⁱ Remarks By The Hon. Dwight Duncan, Minister of Energy To The Ontario Energy Association Energy Management/DSM Management Forum And Trade Show, Doubletree International Plaza Hotel, (April 26, 2004), pp. 5, 6, 9, 10 and 16.