



## Bruce Power: Does it deserve a special deal?

Nuclear not cost competitive with natural gas-fired electricity

### Securing new supply at the right cost and the right time

In 2004, the Government of Ontario initiated a competitive bidding process to obtain up to 2,500 megawatts (MW) of new, clean electricity supplies from independent power producers (e.g., municipal utilities, energy co-operatives, district energy companies, shopping centres, hospitals, factories and investor-owned power companies).

To date, the government has received proposals for 8,268 MW of new electricity capacity or comparable conservation measures. This proposed new generation and conservation capacity easily exceeds Ontario's total coal-fired generation capacity (7,564 MW).

Any contracts issued through this competitive bidding process will contain a number of stringent conditions to ensure stable pricing and reliable supplies, including that:

- If the power plant fails to achieve its Milestone Date for commercial operation, the independent power supplier will be required to pay the Government up to \$300 per MW of contracted capacity per day for each day after the Milestone Date until commercial operation is achieved.
- The Government can terminate an independent power supplier's contract if it is 18 months late in bringing its power plant online.
- The Government can also terminate the supply contract if the power plant is unable to achieve capacity utilization rates of 70% during the second contract year; 75% during the third contract year; and 80% during the fourth and each succeeding contract year.
- Moreover, if the Government terminates the contract for one of the above reasons, the independent power supplier is required to pay the province's incremental cost of obtaining replacement power for the duration of the original contract term.

As other jurisdictions, such as California, have discovered, including such provisions is essential to ensuring that contracted power supplies are delivered on time and on budget. Similarly, Ontario's recent experiences with huge cost overruns and delays in restarting nuclear units points to the need for proper controls and guarantees for all new power supply contracts

### Bruce Power takes a pass on competitive bidding

In response to its request for competitive bids, the province received 33 proposals. However, it did not receive a bid from Ontario's largest independent power producer, Bruce Power, which would like a special contract with the Government of Ontario to finance the re-start its two shutdown nuclear reactors.

Bruce Power's refusal to participate in the competitive bidding process is an implicit admission that re-starting its shutdown nuclear reactors is a higher-cost option to meet Ontario's electricity needs than new high-efficiency natural gas-fired power plants. Despite this, the provincial government has agreed to begin discussions of a special deal with Bruce Power for the re-start of its shutdown nuclear reactors.

The Ontario Clean Air Alliance does not believe that Ontario consumers should pay a price premium for unreliable nuclear power (the International Energy Agency says that Canada's nuclear plants had the worst performance record among all nuclear facilities in OECD countries from 1990-2002).

Moreover, a special sweetheart deal for Bruce Power will crowd-out investment spending on ecologically sustainable, lower-cost and lower-risk options to meet Ontario's electricity needs (e.g., energy conservation and efficiency, water power, wind power, solar power and biomass). In the worst case, a continued failure of Ontario's nuclear reactors to meet their performance targets (Ontario's nuclear fleet performed at only 52% capacity in 2003) could lead to continued reliance on dirty coal-fired power. (Ontario's reliance on dirty coal power soared 120% between 1995 and 2003 thanks to ongoing problems with Ontario's nuclear power stations.)

### Protecting consumers, public health and the environment

Please contact Ontario's Energy Minister, Dwight Duncan, and ask him to protect Ontario's consumers, public health and the environment by ensuring that any deal for Bruce Power:

- Caps the province's annual purchase price for nuclear power at its annual purchase price for electricity as determined by the competitive bidding process for 2,500 MW of new supply;
- Requires that if the Bruce Power plant fails to achieve its Milestone Date for commercial operation, Bruce Power is required to pay the Government up to \$300 per MW of contracted capacity per day, for each day after the Milestone Date until commercial operation is achieved.
- Permits the Government to terminate its contract with Bruce Power if the company is more than 18 months late in returning its nuclear units to service or if the units fail to achieve annual capacity utilization rates of 70% during the second contract year; 75% during the third contract year; and 80% during the fourth and each succeeding contract year.
- Requires Bruce Power to pay the province's incremental cost of obtaining replacement power for the duration of the original contract term if the province terminates the Bruce Power contract for one of the above-noted reasons.

Please also tell Minister Duncan that the best strategy to phase-out dirty coal is by promoting energy conservation and efficiency, obtaining new renewable supplies and using high-efficiency natural gas-fired power plants as a bridge to a green economy. Minister Duncan can be reached at:

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