



August 22, 2005

Dr. Jan Carr
Chief Executive Officer
Ontario Power Authority
175 Bloor Street East, North Tower, Suite 606
Toronto M4W 3R8

Dear Dr. Carr:

Re: Ontario Clean Air Alliance Supply Mix Submission

On May 2, 2005 Ontario's Minister of Energy asked the Ontario Power Authority (OPA) to provide him with recommendations with respect to electricity conservation and supply mix targets for Ontario for 2015, 2020 and 2025. To comply with the Minister's request, the OPA has indicated that it is going to analyse "different portfolios of supply sources and conservation options."

It is the Ontario Clean Air Alliance's (OCAA's) submission that, as part of this process, the OPA should analyse the benefits and costs of a conservation and supply portfolio which ensures that at least 60% of Ontario's grid-supplied electricity is provided by renewable sources by 2020 and that all of Ontario's coal and nuclear power plants are phased-out by that date.

A 2004 report by the Pembina Institute, *Power for the Future: Towards a Sustainable Electricity System for Ontario*, has shown that our proposed supply mix for 2020 is technically feasible and cost-effective. Moreover, the findings from the Pembina Institute's report are conservative since it did not analyze the potential for Ontario to meet its renewable targets by importing water-power from Manitoba, Quebec or Labrador.

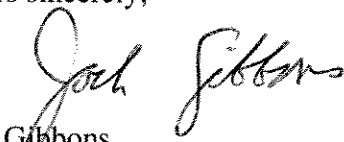
In particular, the OCAA recommends that the OPA analyze the benefits and costs of the following options to ensure that Ontario obtains at least 60% of its grid-supplied electricity from renewable sources by 2020:

1. Raising the price of electricity up to its full (incremental or marginal) cost and providing the excess revenues to the Government of Ontario to finance public services (e.g., schools, hospitals) and/or deficit reduction.

2. Programmes and policies to ensure that low-income consumers are not disadvantaged as a result of higher electricity prices. For example, aggressive conservation and electric space heating fuel switching programmes that will reduce the energy bills of low-income consumers. These programmes could be supplemented by lump sum annual electricity bill rebates for residential consumers (X dollars per electricity ratepayer irrespective of her annual electricity consumption).
3. An aggressive demand response programme that pays large industrial and commercial customers, electric utilities and market aggregators the same price per kWh for demand reductions (a negawatt) that the IESO pays electricity generators for supply during peak demand periods.
4. The aggressive promotion of energy conservation by Hydro One and Ontario's municipal electric utilities.
5. Stricter minimum energy efficiency standards for new buildings, appliances and electric motors.
6. OPA procurement of made-in-Ontario renewable electricity supplies.
7. OPA procurement of water-power supplies from Manitoba, Quebec and Labrador. Ontario has the potential to import more than 5,000 MW of clean power from Manitoba. Five thousand megawatts is equivalent to 46% of Ontario's existing installed nuclear generation capacity. Moreover, if Quebec were to aggressively promote energy conservation, it could free up significant electricity supplies from its existing water power generating stations for export to Ontario.
8. A standard offer price for natural gas and biomass-fired combined heat and power projects. According to a report prepared for the Ontario Ministry of Energy, Ontario's total combined heat and power potential in 2020 is 16,514 MW (Hagler Bailly Canada, *Potential for Cogeneration in Ontario: Final Report*, August 2000, p. 25). This is equivalent to 95% of Ontario's existing installed coal and nuclear generation capacity.
9. A competitive bidding process for additional natural gas-fired combined-cycle power plants.

Should you require any clarification with respect to our submissions, please do not hesitate to contact me.

Yours sincerely,


Jack Gibbons
Chair