



AFFORDABLE ELECTRICITY

A FREEDOM PARTY OF ONTARIO 2011 ELECTION PLANK

With our electricity bills soaring, Dalton McGuinty has been telling us that we must pay higher prices for new power generation. What he's not telling anyone is the *real* reason why.

Forty-two consecutive years of Progressive Conservative ("PC") rule gave Ontario extremely expensive nuclear power generators. To avoid voter backlash, the PCs hid the actual cost of nuclear electricity from consumers. Billions of dollars in government debt were racked up so that electricity bills could be kept artificially low.



Darlington Nuclear Generating Station

In 1998, the Harris government passed legislation to end that irresponsible subsidy by adding a debt retirement charge to electricity bills. It also eliminated price controls on the retail price of electricity. The resulting prospect of getting a reasonable return on investment led the private sector to begin planning the construction of privately owned and operated generators that would replace Ontario's aging, government-owned fleet.

However, as the election of 2003 approached, vocal opposition to higher (i.e., actual) electricity costs led Harris' PC successor, Ernie Eves, to again hide the actual cost of electricity. He imposed a 4.3 cent price cap. The remaining cost of electricity would be paid with government debt and taxes. Within a couple of weeks, McGuinty, who initially condemned Eves' new subsidy, supported it.

Eves' re-imposition of price controls had a massively negative impact that continues to plague Ontario to this day. The price cap, and the evidence that Liberals and Conservatives were both willing to fiddle with

market prices, scared the private investors away before their shovels hit the ground.

With prices being subsidized, consumers had no reason to reduce their electricity consumption. The resulting black-outs and brown-outs of the summer of 2003 handed the McGuinty Liberals a majority government in October of that year. At the end of that October, McGuinty largely ended the irresponsible subsidy by increasing the price cap. He explained that, in the approximately 11 months since the cap was introduced, the subsidy had already cost the taxpayer \$700M.

In 2003, Ontario often had to import expensive U.S. power to meet Ontario's power demands. Yet, in the face of such a shortage, McGuinty pandered to clean air advocates by promising to close Ontario's workhorse coal-powered electricity generators by 2007.

In 2005, McGuinty introduced a new, irresponsible subsidy to encourage private sector investment in the construction of gas-powered electricity generators. Specifically, he offered them contracts pursuant to which they would be paid for their electricity at a rate approximately three times that paid for electricity generated by coal-powered plants. Rather than cranking up taxes to build new generators, McGuinty would crank up the cost of electricity to cover the cost of the subsidy.

"It's possible that Eves could have fouled up his premiership and his election campaign even more than he did, but it's difficult to imagine how. The freezing of hydro rates, while paying the real cost with borrowed money, is a legacy that will cost us for many years."

- "A heartfelt eulogy for Ontario's Conservatives", Randall Denley, *The Ottawa Citizen*, September 30, 2003

Even with the subsidy, it would be years before the new gas-powered plants were operational. Faced with the continuing threat of black-outs and brown-outs, the McGuinty government decided to buy time by imposing limits and penalties on electricity consumption.

In 2006, McGuinty's political time-buying would get some help. Al Gore's junk science thriller, "An Inconvenient Truth", raised fear that "human CO2 production" will kill us. For every politician, that fear would be the gift that keeps on giving. So long as a new tax or fee or regulation could be characterized as one needed to reduce CO2 and prevent "global warming", many voters would support it. McGuinty could now introduce "green" fees and regulations with political impunity.

With global warming as his excuse, McGuinty vowed to ban incandescent light bulbs by 2012. He spent five hundred thousand taxpayer dollars on a "Flick Off" power conservation campaign, which featured a logo designed *intentionally* to look as though it read "Fuck Off". He made us pay for "Power Wise" commercials in which David Suzuki steals incandescent bulbs from porches, and breaks into homes to steal beer fridges, all so as to convince us that such theft and coercion is necessary not so as to cope with a politically-caused power shortage, but to somehow save the planet from an alleged catastrophe.



Then Liberal Environment Minister Laurel Broten introduces Ontario's \$500,000.00 contribution to a "Flick Off" campaign (April 25, 2007). The campaign website's homepage read: "We need you to FLICK OFF, and tell everyone you know to FLICK OFF. The more you do it, the cooler it gets. The planet, that is." The Liberals defended their half-million dollar expenditure on the campaign: "It's a suitable website for youth" said Broten.

By 2008, Ontario's high taxes, high labour costs, and potentially higher electricity costs were driving industry and commerce out of the province. The business exodus reduced power consumption more than a million light-bulb snatching Suzukis could ever hope to. The dramatic reduction in demand left Ontario with more than enough electricity to meet its needs even during peak consumption periods.

"Ontario saw a 20 per cent plunge in wholesale industrial power consumption in the first quarter of 2008 as steel companies, auto makers and other manufacturers in the province idled plants and slashed more production."

- "Slump leaves power to spare",
Tyler Hamilton, *The Toronto Star*,
May 26, 2009

The drop in demand for power introduced a new problem: "surplus baseload generation" (also known as "SBG"). When Ontario's "baseload" nuclear, coal, gas, and hydro generators generate more electricity than is being demanded, the excess electricity must be eliminated from the grid. One option is to reduce generation, but only coal and hydro plants are capable of getting back up to speed quickly enough to meet increased demand after a few hours of low demand, and McGuinty is closing the coal plants. Another option is to export excess power to U.S. buyers at discount prices. When the U.S. will not buy the discounted surplus electricity, Ontario now pays the U.S. to take it (i.e., it "sells" the electricity for a "negative price").

In 2009, the McGuinty government introduced the *Green Energy Act*. Echoing the misguided subsidy for gas-powered generators, the *Act* introduced even larger subsidies for private companies who supplied wind and solar power to the grid. Specifically, pursuant to the "feed-in tariff" (a.k.a. "FIT") system, they would be paid for their electricity at rates as much as 16 times higher than the price of conventional electricity. Moreover, wind and solar power generators would be given priority: consumers would be forced to buy up all of the expensive wind and solar power before meeting their remaining power demands with relatively inexpensive electricity from coal, gas, hydro or nuclear generators. With

artificially high prices and priority, private investors could now make a killing on otherwise money-losing solar and wind power generation. Not surprisingly, thousands of private sector companies – including many farmers located in ridings that have usually voted PC – have signed up to get their cut of the loot.

Ontario's Independent Electricity System Operator is now predicting that the additional power from wind and solar generators will make those expensive and wasteful episodes of surplus baseload generation more frequent for years to come. It is expected that, to cope with the more frequent periods of low demand/excess electricity, wind and solar power generators will be taken off-line from time to time. However, consumers will still have to pay the wind and solar companies for the power they do not deliver while off-line.

“With the *Green Energy and Green Economy Act, 2009* (GEA) and more renewable energy generation capacity being planned, the number of hours with [surplus baseload generation may increase faster than forecast...”

- “Monitoring Report on the IESO-administered Electricity Markets”, November 2008–April 2009 (p. 220), Ontario Energy Board Market Surveillance Panel

In a nutshell: McGuinty's *Green Energy Act* will leave consumers paying the US even more to ditch excess electricity while simultaneously encouraging the construction of even more solar and wind power generators whose owners will be paid not to generate electricity during the periods of excess electricity that their wind and solar generators cause.

To deal with public outrage over soaring electricity prices, McGuinty now falsely implies that Ontario consumers are guilty of not paying the full cost of the electricity they are already consuming, and that he is merely raising prices to put an end to that irresponsible practice; that he is being “responsible”. The inconvenient truth he thereby tries to disguise is that, for purely self-serving political reasons, his government is jacking up our electricity bills to pay for unneeded energy that we will not consume.

If we are to have an affordable and reliable supply of electricity in this province, we must learn from Ontario's political history. For electoral reasons, PC and Liberal governments have imposed price controls that have scared away private investment in power generation. The result has been government debt and the payment of outrageous subsidies to the private sector.

Given that history, what have Ontario's opposition Progressive Conservatives said they would do were they in power? “We would invest in nuclear power” says that party's new leader, Tim Hudak. In other words, a Tim Hudak Progressive Conservative government would repeat the disastrous policies of previous Progressive Conservative governments. Hudak is essentially promising that, if Ontarians elect the Progressive Conservatives as the replacement for Ontario's Liberal government, he will pile tens of billions of dollars of *additional* nuclear debt onto the tens of billions of dollars of debt we already have because of nuclear borrowing by earlier Progressive Conservative governments. That additional debt will result in higher taxes or a higher “debt retirement charge” on our electricity bills. Clearly, Ontario cannot afford to keep the Liberals in power, but neither can it afford to hand the government over to Tim Hudak's Progressive Conservatives.

MAKING ELECTRICITY AFFORDABLE AGAIN

A Freedom government will eliminate artificially high prices and electricity wastage imposed by the Progressive Conservative and Liberal governments over the last decade. Specifically:

1. A Freedom government will repeal the *Green Energy Act*.
2. A Freedom government will eliminate Dalton McGuinty's 2014 deadline for the closure of Ontario's existing coal-fueled electricity generators. The plants will be closed only after new baseload generation facilities are built and ready to operate.

3. A Freedom government will not subsidize the building or operation of privately-owned and operated power generation facilities. It will instead provide new generation investors with guarantees that the government will not jeopardize their investments by interfering with market prices, or by imposing politically-motivated controls on the supply of or demand for electricity.
4. A Freedom government will ensure that top priority is given to supplying consumers with the lowest-price electricity available.
5. A Freedom government will facilitate price competition and allow consumers to purchase the power they want, when they want it, at the lowest price the market will bear.
6. A Freedom government will require new power generation facilities not to emit chemicals or particles that significantly harm the health of Ontarians.
7. A Freedom government will remove the debt retirement charge from electricity bills. As a result, Ontarians will no longer have to pay HST on hydro debt payments.
8. A Freedom government will make “time-of-use billing” optional. You will not have to do your cooking and cleaning in the middle of the night to make your electricity affordable.



Transmission lines along Highway 7, in Brooklin, Ontario