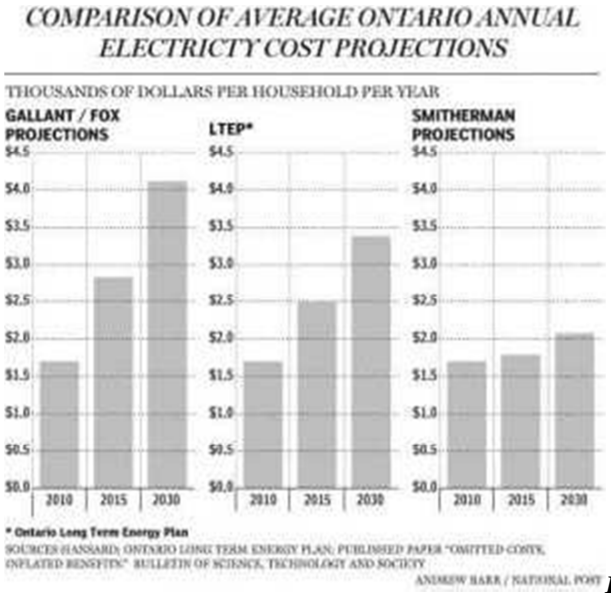
FP COMMENT

Ontario's Power Trip: The $4,000 electricity bill

Parker Gallant Oct 4, 2011 – 8:52 PM ET | **Last Updated: Oct 4, 2011 9:02 PM ET**



Electricity rates will double, making them among the highest in the developed world

By Glenn Fox and Parker Gallant

While attending an Energy Probe board of directors meeting almost a year ago (we are both directors), several of us around the table — as might be expected — discussed the Ontario government's Green Energy Act and wondered aloud about the hidden costs associated with the act. Some speculated that the act might lead to a doubling of Ontario's power rates. Could that possibly be true?

The discussions, which carried on after the meeting, led to a decision by the two of us to pursue a study to cost out the act's embedded costs, focusing on the numerous "directives" the Minister of Energy, Brad Duguid, and his predecessor, George Smitherman had issued to the Ontario Power Authority. These directives drove the creation of a jaw-dropping panoply of initiatives — the feed-in-tariff (FIT) program, conservation, the Samsung contract, Ontario

content mandates, community power programs, nuclear refurbishment, transmission expansion to accommodate the renewables, and job creation — just to mention a few.

When we commenced our study, the plan was to encompass as much as possible that the directives contained. But as we soon discovered, covering everything would require a lot more time and effort than we could reasonably offer, delaying the results. Our position was also crystallized when the Energy Minister, Brad Duguid released his Long Term Energy Plan (LTEP), shortly after we had started our study.

We decided to focus only on renewable energy for wind and solar. The result, a study entitled *Omitted Costs, Inflated Benefits: Renewable Energy Policy in Ontario*, was released Oct. 1 by the peer-reviewed *Bulletin of Science & Society*. The study examines the additional costs to Ontario ratepayers omitted in the ministry's LTEP, and the ministry's claim that ratepayers' electricity bills would increase by 46% by 2015, followed by a more modest increase after that, for an average 3.5% annual increase for the period 2010 to 2030.

Our study effectively finds that the ministry was remiss in not quantifying the knock-on effects of the push for 8,400 MW of industrial wind generation plants and the 2,600 MW of solar plants that are needed to achieve the goals outlined in the LTEP.

For example, the ministry did not adequately account for the fact that wind and solar require backup fossil-fuel generation to ensure no blackouts or brownouts occur. Solar will underperform when Ontario experiences cloud cover, and wind power underperforms when the wind dies down. Texas with almost 10,000 MW of installed wind capacity during a hot, dry and wind-deficient 2011 summer experienced rolling blackouts and had to restart mothballed coal plants. This provides real-time affirmation of the dangers in an Ontario system over-dependent on renewables.

Our study also brings out important issues such as the predilection of wind to produce power at the wrong time. Wrong-time delivery can be costly, causing Ontario to export power at a significant cost, to build expensive transmission facilities to manage wind and solar's unpredictability, and to spill cheap hydro. These all deplete revenues for Ontario Power Generation, thereby extending the time required before the province's "stranded debt" can be extinguished.

The Ontario Green Act promised to create 50,000 jobs. Our study concludes that each of those jobs will require a ratepayer subsidy of $200,000 annually, which effectively means that — as the LTEP reaches fruition — $10-billion will be extracted from ratepayers each year.

For the average ratepayer, an annual electricity bill will escalate from $1,700 per year to $2,800 by 2015 and by the time the renewables envisaged in the LTEP are largely in place (expected in 2018) an average ratepayer will be paying in excess of $4,000 annually — well over a doubling. Put another way Ontario's ratepayers will be paying in excess of 40¢ per kWh, placing them on a par with Denmark, which suffers the highest cost of electricity in the developed world.

Financial Post

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