

From: [REDACTED]
To: [REDACTED]
Subject: FW: Letter of Comment -
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Original Message-----

From: webmaster@ontarioenergyboard.ca [<mailto:webmaster@ontarioenergyboard.ca>]
Sent: June-09-17 7:37 AM
To: registrar
Subject: Letter of Comment - [REDACTED]

The Ontario Energy Board

-- Comment date --
2017-06-09

-- Case Number --
EB-2017-0049

-- Name --
Robert Hiland

-- Phone --
[REDACTED]

-- Company --
N/A

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-- Comments --
Comments are in the attached Word File.

-- Attachment --
<https://www.oeb.ca/sites/default/files/uploads/comment-form/Enough.doc>

Enough!

Once again Hydro One is playing their shell game and asking for more money from consumers.

The current request is for a 10% increase every year for five years in the distribution cost. All delivery costs should be included in the Kwh cost of electricity and not broken out. Only then do you know the actual hydro rate.

Delivery Rates ²	Urban High Density	Medium Density
Distribution service charge (\$/ month)	\$25.50	\$34.59
Distribution volume charge (metered usage - ¢ / kWh)	0.91 ¢	2.28 ¢
Transmission connection charge (adjusted usage - ¢ / kWh)	0.47 ¢	0.47 ¢
Transmission network charge (adjusted usage - ¢/ kWh)	0.67 ¢	0.64 ¢
Smart metering entity charge³ (\$/ month)	\$ 0.79	\$ 0.79
Adjustment Factor	1.057	1.076

¹ Delivery rates are effective as of January 1, 2017.

² An adjustment for line losses is included under the Delivery line for most customers. Customers paying the spot market price the Electricity line. It is calculated as follows: {adjusted use in kWh x (RPP prices/spot price/retail contract price)} – {metered use x (retail contract price)} = line loss adjustment.

*A \$60.50 credit for rural or remote rate protection has been applied to the distribution service charge.

³ This charge will be collected on behalf of the IESO until October 31, 2018.

Unfortunately, there is an elephant in the room.

I submit that before any additional increases are granted, Ontario Hydro and OPG make performance improvements.

The system is suffering from mismanagement, political interference as well as obscene salaries and benefits packages.

I am not going into details but I encourage you to read the following two articles. I don't know if anything has changed for the better.

Globe and Mail – December 2015

Ontarians paid \$37-billion above market for electricity over eight years, Auditor-General's report says.

Ontarians have paid \$37-billion more than market price for electricity over eight years and will pay another \$133-billion extra by 2032 as a result of haphazard planning and political meddling, a report from the Auditor-General says. The Liberal government has repeatedly overruled expert advice – and even tore up two long-term plans from the Ontario Power Authority for the electricity system – in favour of political decisions that drove up power costs for consumers, the report says.

What's more, Hydro One is in rough shape, with ever-increasing numbers of power outages and aging equipment “at very high risk of failing” that needs \$4.472-billion worth of repairs – even as the province is selling 60 per cent of the company to the private sector.

The revelations about Ontario's expensive and aging electricity system were in Auditor-General Bonnie Lysyk's annual report released on Wednesday.

“We found that the electricity power planning process had essentially broken down over the past decade,” Ms. Lysyk said at a Queen's Park news conference. “The [energy] ministry has made a number of decisions about power generation that went against the OPA's technical advice. In

addition, these decisions did not fully consider the state of the electricity market or the cost impact on consumers.”

Ms. Lysyk’s report put 14 different government policy areas under the microscope. Among other things, she reported that the province has doled out piles of corporate welfare behind closed doors, gone \$90-million overbudget on a flawed computer system for managing social assistance benefits that has resulted in \$140-million worth of miscalculated payments, has \$500-billion worth of infrastructure that must be fixed and failed to make sure home-care providers look after their patients properly.

But it all paled compared to her criticisms of the government’s management of the electricity system.

By law, the Ontario Power Authority (OPA), which has now merged into the Independent Electricity System Operator, was supposed to provide a long-term plan for electricity that independent regulators would vet. But Ms. Lysyk found that in 2007 and 2011, OPA produced such a plan only to have the Liberals overrule it and make ad-hoc decisions on the system by fiat.

As a result, electricity prices for consumers and small businesses jumped by 70 per cent – from 5.32 cents per kilowatt hour to 9.06 cents – between 2006 and 2014, she found. The largest part of the reason for that is an increase to Global Adjustment Fees, which for the past decade have paid power-generating companies more than market price for their power as an incentive to set up in Ontario. Those fees amounted to \$37-billion between 2006 and 2014, and are projected to add \$133-billion from 2015 to 2032.

Energy Minister Bob Chiarelli defended the above-market prices as necessary. Before the Global Adjustment, he said, the government had trouble persuading private-sector generating companies to come to the province. “Wholesale market prices were not sufficient to attract much-needed investment in Ontario’s electricity generation sector. In other words, there wasn’t enough revenue coming to the generators, so they weren’t building generating capacity,” Mr. Chiarelli told reporters.

He said the draft long-term plans that the OPA created and the province killed were too “cumbersome” and did not include enough consultation. When he became minister in 2013, Mr. Chiarelli said, he changed the planning process and created a new type of plan that will manage the system in the future.

“When I arrived as a minister, there was a consensus that [the OPA’s plan] was cumbersome,” he said. “We worked aggressively, consulted aggressively and we introduced legislation that provides a good framework for consultation.”

Mr. Chiarelli also contended that some of the higher electricity prices were a cost of weaning the province off coal-fired power and onto cleaner sources.

But Ms. Lysyk said Ontario pays more for green power than other jurisdictions. Compared to U.S. prices, the cost of wind power in Ontario is double and solar power is more than triple. The

2010 Green Energy Act, Ms. Lysyk said, failed to take advantage of low electricity prices and instead mandated higher prices for wind and solar power companies than they had received previously. This added up to \$9.2-billion more in renewables costs.

In another case, when the government closed a coal-fired power plant in Thunder Bay in 2013, it decided to convert the plant to biomass to keep it going. Energy experts at the OPA told the government the conversion was not cost-effective, but the government went ahead anyway. Power from the plant now costs \$1,600/megawatts per hour, which is 25 times the cost at other Ontario biomass plants, Ms. Lysyk found. Some of the biomass burned at the plant is imported from Europe, which undercuts part of the rationale for keeping it going, which was to help Ontario's forestry industry.

In a third situation, in January, 2010, the OPA warned the province that the Lower Mattagami hydroelectric project was \$1-billion over budget, but the government allowed it to proceed. As a result, power from that plant costs \$135/megawatts per hour, compared to an average cost of \$46/megawatts per hour for two other recent hydro projects, Ms. Lysyk found.

The province also produces enough extra electricity to power the province of Manitoba, an excess that costs consumers, Ms. Lysyk found. For instance, the province paid \$3.1-billion to power generators between 2009 and 2014 for power that was not needed, plus another \$339-million not to produce power. The province also paid \$32.6-million to exporters to distribute the excess power to other jurisdictions.

Mr. Chiarelli said the government opted for the Thunder Bay biomass plant because of "tremendous economic lobbying" from the mayor and the local mining industry, which wanted a source of power nearby. He said the government is also hoping to create a biomass industry in the area.

"We made a decision to proceed with this particular contract, knowing that it had economic development potential, knowing that it was a reliability issue and a very, very strong comfort level to the mining industry," he said.

Mr. Chiarelli said the government has made numerous improvements to cut costs out of the electricity system, including a new and more competitive process for handing out green energy contracts. Future projects, he said, would be less expensive than previous ones.

Ms. Lysyk's criticisms come at a crucial time for the government, as it seeks to privatize Hydro One. The province sold 15 per cent of the company on the stock market last month and is planning to sell 60 per cent in total over the next few years.

Progressive Conservative energy critic John Yakabuski said the government must use a lighter touch with the electricity sector.

"The Wynne Liberals often went against the advice of experts, ignoring the long-term impact of Ontario's electricity system on its ratepayers for its own short-term political gain," he said.

“Ontario’s energy sector should involve limited intervention by government. It should primarily be left to experts in the sector to ensure a cost-efficient, effective electricity system.”

NDP Leader Andrea Horwath said: “This government has made a mess of our electricity system and a sell-off to the private sector will only make it worse.”

Toronto Sun - January 2017

Several generating plants will be paid as they sit idle for up to a year or more because that’s a money-saving move in the province’s screwy electricity system.

PC MPP Vic Fedeli, who represents the North Bay area where one plant is located, said as many as 100 jobs could be lost in the province, while the Ontario government announces it’s buying more Quebec hydro power.

“I stated that very day that this will cost Ontario jobs in the non-utility generators (NUGs)... and that’s precisely what’s happened,” Fedeli said Wednesday.

Energy advisor Tom Adams calls this “long-term paid holiday” courtesy of Ontario hydro customers a symptom of a diseased system that’s bringing on new power generation while struggling with an excess of electricity supply.

“They’re still approving the construction of mostly wind and solar,” Adams said. “A lot of these wind turbines were getting installed in the north right beside paper mills that were shutting down.

“Screwed up? Let me count the ways. This just goes on and on and on,” he said.

Atlantic Power Corp. has announced it is idling plants in North Bay, Kapuskasing and Nipigon but will be paid until the end of its contract on Dec. 31, 2017, while Northland Power’s Iroquois Falls facility says it will produce less power until April.

TransAlta Corp. has stated that its new contract provides a fixed monthly payment until Dec. 31, 2018, with “no delivery obligations.”

Under the terms of renegotiated contracts, the companies can opt to produce power or not.

“When we looked at the options it was going to cost less to move into this operating arrangement for some facilities — and it’s a select number of non-utility generators that were getting to the end of their contract life anyway — than to have them run all the time and provide power all the time,” said Chuck Farmer, of the Independent Electricity System Operator (IESO). “I also want to stress there are emissions savings from this; they’re mostly gas-fired generators.”

The IESO will not provide information on how much the NUGs are paid, but told the Toronto Sun that the replacement NUG contracts will generate “ratepayer savings of up to \$53 million over the next two years.”

The plants were contracted in the 1990s when the electricity system was having difficulty meeting demand, and they are “incented” to provide as much power as they can produce.

The IESO will continue to meet its contractual arrangements to cover the fixed costs of these power plants for the life of their contracts, but will save on fuel and other expenses if electricity is not produced, Farmer said.

The savings are found when they don’t produce power into an oversupplied market — electricity that the system was previously obliged to buy and then usually had to sell for less than cost.

“We put them in a situation where those plants have to decide when it makes sense for them to run based on what the market price for electricity is,” he said.

When the principle of supply and demand fails to apply

Ontarians familiar with the concept of supply and demand might wonder why their hydro bills are rising sharply when the system has far more power than needed most of the time.

The electricity system in Ontario has become a vicious circle, Energy Advisor Tom Adams said.

Ontario produces too much electricity which it must sell off, usually to New York and Michigan at a loss, giving those states a competitive advantage over Ontario, he said.

The difference between what Ontario agreed to pay companies to generate electricity in long-term contracts, sometimes whether it needs it or not, and the usually much lower price it gets for it in the market, helps bloat the rate that hydro customers pay for their power.

It’s the job of the Independent Electricity System Operator (IESO) to figure out how to manage supply and demand within a changing economy and around the political priorities of the government of the day.

The OMB should also review their objectives particularly those relating to protecting the interests of consumers. It is time to say no.

The system must be fixed and continual targeting of consumers does nothing to solve it.

Respectfully

Bob Hiland (retired)