

Fw: Energy Centre Newsletter

From: "Bevan, Andrew (OPO)" <andrew.bevan@ontario.ca>
To: "Killorn, Bill (OPO)" <bill.killorn@ontario.ca>, "MacKenzie, Rebecca (OPO)" <rebecca.mackenzie@ontario.ca>
Date: Wed, 19 Apr 2017 17:27:18 -0400

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Orsini, Steve (CAB) <Steve.Orsini@ontario.ca>
Sent: Wednesday, April 19, 2017 4:01 PM
To: Bevan, Andrew (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO); Imbrogno, Serge (ENERGY); Davidson, Steven (CAB); Betzner, Lynn (CAB); Bromm, William (CAB); Kwamena, Bofoa (CAB)
Subject: RE: Energy Centre Newsletter

Ex Summary:

- The overall cost of electricity generation, which accounts for almost two-thirds of Ontario's total system costs, has increased significantly since 2005 mainly due to a substitution away from coal generation towards more costly renewable sources, and a parallel increase in the total amount of installed capacity in the province, notably due to an expansion in the amount of natural gas capacity.

- The unit cost of electricity generation is approximated by the sum of the wholesale market price and the Global Adjustment. Wholesale market prices reflect, in part, short-run variable costs, but often fall short of the total cost of producing electricity, which includes significant fixed capital costs. The Global Adjustment is a mechanism that, in conjunction with the wholesale hourly market price, ensures recovery of variable and fixed generation costs. As such, the Global Adjustment is not an overpayment but a component of the full economic cost of generating electricity.

- Recent increases in consumers' electricity bills have been driven in part by the rapid expansion of generation capacity in the province, much of which has been financed under 20 year contracts with private firms. Current rates and electricity bills could be reduced by amortizing contracted generation capital costs over longer periods to match the productive lifespans of the assets, often longer than the contracted terms. The cost of generation charged on consumer bills would then more closely reflect the

economic cost of the assets. A policy of smoothing generation costs through government subsidies in the short-term would incur interest charges and would lead to higher bills in the long-term.

From: Orsini, Steve (CAB)

Sent: April-19-17 3:57 PM

To: Bevan, Andrew (OPO); Rowe, Mary (OPO); Gillian.McEachern@ontario.ca; Imbrogno, Serge (ENERGY); Davidson, Steven (CAB); 'Lynn Betzner (CAB)'; 'Bromm, William (CAB)'; Kwamena, Boafoa (CAB)

Subject: FW: Energy Centre Newsletter

Report has been released by Ivey on the cost of electricity in Ontario.

Steve

From: Ivey Energy Policy and Management Centre [<mailto:energycentre=ivey.ca@cmail19.com>] **On**

Behalf Of Ivey Energy Policy and Management Centre

Sent: April-19-17 1:27 PM

To: Orsini, Steve (CAB)

Subject: Energy Centre Newsletter

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Ivey Energy Policy and Management Centre

Quarterly Newsletter: April 2017



New Policy Brief: *The Economic Cost of Electricity Generation in Ontario*

This report brings an economic perspective to the analysis of electricity generation costs and prices in Ontario.



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New Case Study: *TransCanada's Energy East Pipeline: Managing Aboriginal Relations in the Energy Sector*

Explore our extensive collection of teaching cases with an energy focus, such as: *Erie*

*Thames Powerlines: The Hybrid Truck
Decision and AltaGas Ltd.: Forrest Kerr
Hydroelectric Project.*

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Recent Guest Speakers

The Ivey Energy Centre was pleased to host Professor Sinziana Dorobantu from New York University, who presented her research on Community Benefit Agreements with First Nations; and Gary Bunio, General Manager, Strategic Technology Development at Suncor Energy, who discussed sustainability in Canada's energy sector.

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News media reacts to Ivey Energy Centre policy proposals

Researchers from the Ivey Energy Centre have developed policy options aimed at smoothing consumer electricity bills, receiving national and local media attention.

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Ivey Business School



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