THE GLOBE AND MAIL

Ontarians will face hydro-bill shock after short-term relief , PCs say; Leaked cabinet document indicates big long-term rate hikes are in works, but Energy Minister says 'confidential' draft is out of date

theglobeandmail.com
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Section: National
Byline: JUSTIN GIOVANNETTI

Ontarians could end up paying significantly higher electricity bills over two decades in exchange for short-term relief, according to an early draft of a government plan to cut hydro rates by 25 per cent this year.

The average Toronto Hydro consumer would save almost $2,500 through to 2025, at which point they would pay an extra $4,800 over the following 22 years, according to the six-page draft provided to reporters by the Progressive Conservatives Thursday.

The cabinet paper is stamped "confidential" and was released only hours before Energy Minister Glenn Thibeault was set to unveil the government's plan to cut hydro rates and cap increases at the rate of inflation for the next four years. Mr. Thibeault's office said the document was outdated but did not provide more current numbers.

Premier Kathleen Wynne's popularity has waned over the past year as rapidly increasing hydro rates have become a political liability for the Liberals only a year out from the next general election. To reduce rates, the government has decided to refinance electricity costs over 30 years, lowering bills in the first few years but increasing costs in later years.

"This fair hydro plan will cost more and it will take longer to pay back," Mr. Thibeault said Thursday. He dismissed the release of the cabinet document as a political ploy by an opposition that has yet to announce its own hydro plan. "The documents that we provide to cabinet are topics for discussion," he said. "And, you know, plans change."

Todd Smith, the PC Party's energy critic, told reporters the plan was leaked by a disaffected Energy Ministry employee. "We've seen this government interfere time and time again in the electricity sector. They can't keep their fingers out of the pie," he said, blaming the Liberals for high power prices.

New Democrat Peter Tabuns also said that the plan, which the government hopes to move through debate at Queen's Park by the end of next week, is a mess. "This is a 'get through the election' plan. That's what this is all about," he said.

The leaked plan shows the average monthly bill in Toronto falling from $158 last year to $123 this year. The plan would keep hydro costs off the political radar for years, potentially through to the following general election in 2022, at which point monthly costs would have grown to just $142. The relief for consumers ends after that, with bills increasingly quickly to $215 a month by 2028. For the following two decades, Ontarians would see a charge of about $20 on monthly bills to repay the almost $28-billion in debt accrued to lower rates for almost a decade.

Mr. Thibeault vowed there would be no rapid increase in rates like those envisioned in the leaked plan and said prices would remain low for years to come. "We will continue to work to pull costs out of the system to ensure that any graph, that any line, will continue to plateau," he said.

The cabinet document charts electricity prices out to 2050, and many of the assumptions in the plan could change to lower future costs borne by consumers, according to a senior official who spoke to The Globe and Mail on condition of anonymity. A number of factors, including interest rates and natural gas prices, could alter hydro prices decades from now.

The billions of dollars in extra debt needed to lower rates after 2017 will not appear on the government's books but will instead be raised by Ontario Power Generation, the Crown corporation responsible for generating about half the province's electricity. While the province and OPG will provide some of the money for the plan, most of it will be raised by selling debt to private investors, said Jeff Lyash, OPG's chief executive.

Mr. Lyash said OPG can assure access to capital markets and "act like a financial services manager to make sure that whatever gets implemented here has the right underlying basis. … I would expect nominal rates to be fairly low. We think of this as nominally 5-per-cent interest rate depending on how this develops over time."

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THE GLOBE AND MAIL

Ontarians can expect higher hydro bills to repay short-term relief: FAO; Ontario's Financial Accountability Office warns costs could soar even more if the province can't keep its budget balanced

theglobeandmail.com
Wed May 24 2017, 9:35am ET
Section: National
Byline: JUSTIN GIOVANNETTI

Ontarians will pay higher electricity bills for almost two decades as part of the government's plan to reduce power rates in the short term, according to a report from the province's Financial Accountability Office.

Premier Kathleen Wynne's proposal to cut hydro rates by 25 per cent this year while capping increases to the rate of inflation for the next four years will save consumers $24-billion. But it will cost the province $45-billion over the next 29 years, according to an assessment released Wednesday morning by the financial watchdog.

Ms. Wynne's popularity has plummeted over the past year as hydro bills have soared and become a political liability for her long-governing Liberals ahead of next year's general election.

The Premier's Fair Hydro Plan would slash energy bills before the election and keep them low for much of the next government's mandate. However, to lower bills in the short term, the government would need to increase them in later years to pay off the debt needed to finance the plan.

Opinion: Electricity policy: What went wrong in Ontario (www.theglobeandmail.com)

Ontario taxpayers will repay $21-billion more by 2045 than they will save on their bills, according to the FAO. The watchdog warned that the financing costs for the plan could increase rapidly in future years if interest rates change or if the government can't balance its budget over the next three decades. If Ontario were to fall into deficit and borrow additional funds to finance the plan, the eventual cost could increase to as much as $93-billion.

"We've always said that the proposed Fair Hydro Plan will cost more over the long term, but it will share the costs of our investments more fairly over a longer period of time and lower bills by 25 per cent on average starting this summer," Energy Minister Glenn Thibeault's office said in a written statement.

The Energy Minister added that the FAO report took into account a possible increase in interest rates and the need to borrow all the money for the plan, scenarios he called "extremely unlikely." And he said government moves to lower costs in the electric power system, perhaps utilizing technological developments, were not included.

The opposition Progressive Conservatives dismissed the government's hydro plan as a quick fix before the election that will do little to fix the long-term problems facing Ontario's power system. "It's fantasyland," said PC energy critic Todd Smith. "It's all about the next election."

After the 25-per-cent rebate, which could come as soon as this summer, the average monthly bill is expected to drop from $164 to $123.

Bills should remain relatively low until 2021 under the plan. Rates are then expected to increase 6.8 per cent a year from 2021 to 2027. The FAO estimated that the average monthly bill will increase to $213 by 2028. To repay the cost of the rebate plan, the average consumer will pay thousands in additional costs - about $22 a month from 2028 to 2045.

“The impact is greater than we had feared,” New Democrat Peter Tabuns told reporters Wednesday. He said Ontarians will turn against the plan when they learn that their bills will be higher for decades after just a few years of relief.

“What the Liberals brought forward is not sustainable and will be hugely problematic for ratepayers for decades to come,” he said.

The billions of dollars in extra debt needed to lower rates will not appear on the government’s books but will instead be raised by Ontario Power Generation (OPG), the Crown corporation responsible for generating about half the province’s electricity.

The debt needed to finance the plan should peak at $26.2-billion in 2027, according to the FAO. The province will provide 45 per cent of the financing, with the rest raised from banks and other investors by OPG. If the province raised the full amount and did not involve OPG, $4-billion would be saved in lower interest costs, the FAO said.

Financial Accountability Officer Stephen LeClair planned to speak about the report Wednesday morning, but his news conference was cancelled without explanation 15 minutes after it was supposed to start.

Follow this link to view this story on globeandmail.com: **Ontarians can expect higher hydro bills to repay short-term relief**: FAO (www.theglobeandmail.com)

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THE GLOBE AND MAIL

Alberta seeks legal action against contract dump by electrical companies; Deputy Premier says companies are using a clause negotiated in secret with previous government to dump unprofitable contracts on the public

theglobeandmail.com
Mon Jul 25 2016, 9:52pm ET
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Byline: JUSTIN GIOVANNETTI

The Alberta government is going to court to stop electrical companies from offloading $2-billion in money-losing power contracts on the province's consumers.

With Alberta awash in cheap power from natural gas and electrical rates tumbling to the lowest levels in decades, Deputy Premier Sarah Hoffman said Monday that electrical companies were using a clause negotiated in secret with the previous government to dump unprofitable coal-power contracts on the public.

"Our government is taking legal action to protect everyday Albertans from having to pay for the business losses of Alberta's biggest and most profitable power companies," Ms. Hoffman said. "We think this is not only unfair to Albertans, it is also unlawful."

Alberta's deregulated electrical system is run under a complex set of rules where power is most often sold in 20-year contracts known as power-purchase arrangements. A number of power companies in the province have backed out of money-losing power agreements over the past year citing a clause in the contracts that Ms. Hoffman said is illegal and the product of a "back room" deal.

The NDP government says the "Enron clause" was negotiated by lobbyists of the now discredited American energy company and included in the province's first deregulated power contracts only a day before they went up for auction in August, 2000.

The clause allowed companies to back out of agreements when government actions made them "more unprofitable." Before the change, companies could only dump contracts when government action made them "unprofitable."

The change was never publicly released and was exempt from legal review due to a vote by then premier Ralph Klein's Progressive Conservative cabinet. The NDP government wasn't aware of the clause until earlier this year. According to Ms. Hoffman, the change put the public on the hook for any losses for the power companies while allowing the private companies to keep any profits.

The government says the loophole should be declared void. The case will be heard in November.

Houston-based Enron collapsed in 2001 in what was at the time the largest U.S. bankruptcy, after revelations of deceptive accounting and market trickery made the once high-flying energy company a symbol of corporate malfeasance.

Its Canadian unit was among the first buyers of deregulated power contracts in Alberta. As its parent company crumbled, it sold its contract to TransCanada Corp. and AltaGas Ltd. in late 2001.

The City of Calgary's electrical utility is a respondent in the court case. In a statement, Enmax said the decision to go to court sends a bad signal for future investment in the province.

"We are very disappointed that the government is retroactively challenging fundamental aspects that have been in place in these agreements since their inception," the company said.

In January, Enmax was the first company to successfully cancel a money- losing power contract and pass on the cost to the government. The NDP government is also seeking to have the court quash the decision to cancel the contract.

Power contracts from coal plants that were once profitable in the booming province are now money-losers. A declining need for electricity due to a depressed economy, a glut of cheap power and the doubling of carbon taxes on industrial emissions by 2017 are all to blame.

The pool price for electricity in the province is now about $15 per megawatt hour, less than a fifth of the cost of electricity in 2013.

While Enmax cited the carbon levy as a reason to offload the contract, Ms. Hoffman says the utility was using that as a reason to back out of a bad business decision.

“Market changes that affect profits are part of being in business and cannot be the grounds for abandoning contracts and passing on those costs,” Ms. Hoffman said. She added that the province’s power companies collected $10-billion in profits from the contracts, enough to make up for the $2-billion they are now expected to lose.

The province’s official opposition criticized the decision to go to court as heavy-handed. “Today’s announcement to take private companies to court over agreements signed at the turn of the century is extremely short sighted and will keep billions of dollars of necessary investment away from our province,” wrote Dan MacIntyre, the Wildrose opposition’s electricity critic.

Alberta will phase out all coal power plants by 2020 under the province’s climate plan.

With a report from Jeffrey Jones in Calgary

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Length: 737 words
Tone: Negative

THE GLOBE AND MAIL

Cancelled electrical contracts would cost Albertans $600-million: report; Average Alberta household would pay extra $2.25 a month if power prices remain at near-record lows

theglobeandmail.com
Tue Aug 9 2016, 4:10pm ET
Section: Other
Byline: JUSTIN GIOVANNETTI

Alberta consumers could be on the hook for $600-million if the province's power companies walk away from a number of fixed-rate electrical contracts, according to a report from the University of Calgary, far less than the $2-billion claimed by Rachel Notley's NDP.

The typical Alberta household would pay an additional $2.25 every month on their electrical bills if the money-losing contracts were cancelled. However, that would happen only if power prices remained at near-record lows, economists Trevor Tombe and Andrew Leach cautioned in the report, released on Tuesday morning.

Alberta's New Democrats are going to court to stop a number of the province's electrical companies from cancelling 16-year-old power contracts known as power-purchase arrangements (PPAs).

"Falling prices and rising costs have made many of the PPAs unprofitable, in particular those which apply to legacy coal power plants in the province," the report says.

The contracts were at the centre of then-premier Ralph Klein's move to deregulate the province's electrical market, allowing power generators to sell to buyers at a stable price for two decades. However, many of the contracts are now unprofitable as electrical prices in Alberta have tumbled to a small fraction of what they were only three years ago.

The NDP will be arguing in court that the language in the contracts allowing buyers to back out of the deals was entered illegally, only days before the contracts were auctioned off. In e-mails obtained by The Globe and Mail, the chief Canadian lobbyist for discredited energy giant Enron claimed responsibility for the last-minute insertion of the clause the government is now looking to have revoked.

Power companies pocketed nearly $10-billion from the coal-fired PPAs over the past 16 years as the Alberta economy soared and power prices rose. In the summer of 2015, the five years remaining on the power contracts were estimated to be worth about $1.5-billion. According to the University of Calgary report, they are now worth negative $900-million.

While Alberta government officials have said that most of the drop in value has occurred because of the plunge in the province's power prices, the report says two new policies introduced by the NDP are responsible for about half of the nearly $2.5-billion fall in value: a doubling of the carbon levy on industrial emitters and the introduction of a provincewide carbon tax. Prof. Leach chaired the panel that helped to design the province's new carbon tax.

The report explains how the value of Alberta's power deals declined. Worth nearly $1.5-billion last year, the contracts will lose about $500-million in value when the industrial carbon levy doubles in 2017. The new economy-wide carbon tax shaves an additional $850-million off the contracts at the same time. The power deals would still be profitable after the government's new carbon taxes, worth only $150-million.

However, plummeting power prices will reduce the value of the contracts by $1.1-billion by 2020. The end result is that they're now worth negative $900-million, according to the report authors - because one of the contracts is already owned by the government, Albertans would be required to pay for $600-million in money-losing contracts. Spread out over each power bill, that equals about $2.25 monthly a household.

Echoing the fall in the value of the contracts has been the rapid increase in carbon costs faced by Alberta's coal producers. Since the Notley government took over last summer, the new carbon taxes announced by her New Democrats will push the carbon cost of electricity from about $2 aMWh in 2015 to $21 next year.

With a number of efficient natural-gas plants opening in recent years, which pay fewer carbon taxes and sell electricity more cheaply, "coal-fired power plants would become significantly more expensive to operate but would not be able to pass this cost onto consumers through higher prices," the report says.

As taxes have climbed, prices have collapsed. While a coal-fired plant could sell its electricity for $49 aMWh in 2014, in 2016 the price has averaged $16 aMWh. The price of electricity isn't expected to recover fully until the end of the decade.

The electrical price drop has been a welcomed relief for Albertans in the midst of the province's most protracted recession since the Second World War. Electrical prices have been $10 lower a month for the average consumer in 2016 compared with 2015, and $24.50 below 2014 levels, according to the report.

In the event that the PPAs were cancelled, an entity known as the Balancing Pool would take them over. The arm's-length agency would then charge consumers $2.25 every month to pay for the money-losing electricity, but that would happen only while Albertans continued to save money on their bills because of depressed prices.

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THE GLOBE AND MAIL

Alberta returning to partial regulation of electricity market; Premier looks to fulfill campaign promise by doing away with a market-based system and reinstating partial government regulation

theglobeandmail.com
Tue Nov 22 2016, 9:44pm ET
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Byline: JUSTIN GIOVANNETTI

The Alberta government is preparing to do away with Canada's only deregulated electricity market and return partial government control to the system almost two decades after it was turned over to private competition.

Premier Rachel Notley has long been unhappy with the market-based electrical system created by former premier Ralph Klein. In 2015, her New Democrats campaigned on reintroducing partial regulation to do away with the large price swings seen in recent years and to end any risk of power firms manipulating prices.

With the government now designing an electrical future for Alberta without the coal-fired plants that provide much of the province's power, The Globe and Mail has learned that the government will announce plans on Wednesday afternoon to fulfill that campaign promise.

Opinion: On the anniversary of Alberta's climate plan, still much work to do (www.theglobeandmail.com)

Read more: Carbon levies will make it tough to compete with U.S. firms: Enbridge executive (www.theglobeandmail.com)

Read more: Alberta, Saskatchewan turn focus to renewable energy (www.theglobeandmail.com)

The first step took place on Tuesday, when Ms. Notley held a news conference at a private home in her downtown Edmonton riding and announced that she was capping residential power rates at 6.8 cents per kilowatt hour until 2021. An Albertan buying energy at that price would be paying about $40 monthly, according to Ms. Notley.

That cap price is about twice the rate most Albertans currently pay, as power prices have fallen to some of the lowest levels in decades due to oversupply. Ms. Notley's government is concerned that, without some form of regulation, prices could skyrocket as coal-fired plants are phased out.

The Premier dismissed the current system as a failed experiment. "We heard from energy experts that the current market design needs to go," she said, vowing to introduce "smart regulations."

Alberta's current system, known as an energy-only market, allows power generators to sell electricity into a province-wide pool.

A simple system in theory, the open market doesn't leave the government many options to favour green-power producers or to respond to soaring prices when supply falters. Texas is the only other North American jurisdiction to operate a similarly deregulated market.

"Alberta's energy-only electricity market is broken. It will not bring in the kind of investments that will be needed to power Alberta's future," Mr. Notley said. "Most investors are wary of the volatility in Alberta's unique system."

She vowed to bring the province back into the mainstream of most North American electrical systems. She explicitly ruled out creating a Crown corporation to provide power, as is the case in a number of provinces.

Officials told The Globe the province will announce plans for an electricity model based on a so-called capacity market system. Under that system, the province can plan for demand years ahead and guarantee electrical producers that they will be paid for producing power - even if they can't sell it.

The guarantee is intended to provide an incentive for producers to build new plants, including some that might only be used when wind or solar plants aren't producing enough.

Most of the northeastern United States operates under a capacity market system.

According to Ms. Notley, the new system will provide "the most cost-effective and least disruptive transition for Albertans and for the very large investment community that also has an interest in Alberta."

She added that Alberta has learned from the soaring power bills in Ontario as that province shifted toward more renewable power, which is why her government announced its cap on power prices before making public plans to transform the power system.

While the province relies on coal power today for most of its electricity, the government has promised to phase out all coal by 2030.

Earlier this week, the federal government announced plans (www.theglobeandmail.com) to end all coal-fired power across Canada by the same year.

To replace coal power, Alberta wants 30 per cent of the province's electricity to come from renewables by 2030 and the rest to come from natural gas. Ms. Notley's government has warned that it will cost billions of dollars to convert or build new plants.

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http://www.theglobeandmail.com/news/national/**alberta-returning-to-partial-regulation-of-electricity-market**/article32999925/

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