

Free power is really expensive

Stumbling over the IESO weekly summary^{NB:} for May 24th to May 30th came with a shocking discovery that the HOEP (Hourly Ontario Electricity Price) for the week had descended to a low of \$1.05 /MWh (megawatt hour) or 0.11 cents /kWh (kilowatt hour). As it turns out there is probably nothing you could buy for eleven one hundredths of a cent expect for what was surplus to Ontario's electricity demand for the week. If you were looking to buy power from Ontario while living elsewhere it was much better than a Boxing Day or Black Friday sale! During that week IESO exported 278,712 MWh to NY, Michigan, Quebec, etc., which could have supplied 1.6 million average Ontario households with their electricity needs for the whole week for 19 cents. Yes, you read that right! The 278,812 MWh cost Ontario ratepayers the GA (Global Adjustment) which IESO's 2nd estimate for May suggests will be \$127.76/MWh (12.8 cents /kWh)! What that means is Ontario's ratepayers will pick up \$35.6 million in GA costs reducing electricity rates for our neighbours. Our neighbours can use that cheap power to lure small and medium sized businesses to their state or province. The businesses being lured provide employment for many Ontarians.

Now, so surprised was I by the foregoing I fired off an e-mail to my friend Scott Luft about the meager amount of the HOEP for that week. Scott quickly responded suggesting a look at the prior week which he said was even more egregious. So egregious, that the HOEP for the week of May 17th to May 23rd was negative at -0.48 /MWh or -0.5 cents /kWh. He closed with the thought provoking “*free power is really expensive*” alluding to wind and solar as a fuel having virtually no cost!

It turned out the 308,616 MWh exported to NY, Michigan, etc, for the week commencing May 17th required Ontario ratepayers to pick up almost the full costs of our surplus and unneeded^{NBB:} generation and to also pay our neighbours to take it off our hands. The cost of the latter was \$148,134. and the cost of the generation based on the 2nd IESO estimate of the GA for May was \$39.4 million! Those exported 308,616 MWh were equivalent to the “average” consumption of 1.8 million Ontario ratepayers for one week. Those 1.8 million ratepayers if they lived in Ontario, unburdened by the GA costs, would have been paid .83 cents for their average weekly consumption. Instead of a benefit those ratepayers were obliged to pay 12.8 cents /kWh for power they didn't consume and also pay \$20.00 for their own “average” consumption of 172 kWh for the week.

Conclusion

In just two weeks of May Ontario ratepayers subsidized the generation and export of 587,328 MWh at a cost of \$75 million (excluding costs of curtailed wind, spilled hydro, etc) to ensure our grid was stable and not cause blackouts or brownouts. What the foregoing highlights is the complete mess our various Minister's of Energy have made of Ontario's electricity system by catering to the whims of the many unqualified environmental groups who have led our government down the path of contracting for intermittent and unreliable wind and solar generation at high rates to save the world without even so much as a cursory cost/benefit analysis. Just those two weeks of May 2017 make it obvious:

Free power is really expensive!

Parker Gallant,
June 6, 2017

NB: IESO's weekly summaries commence Wednesday running to Tuesday of the following week.

NBB: Unneeded generation costs include: spilled hydro, curtailed wind, steamed-off nuclear and idling gas plants.