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**Excerpts from Ontario Hansard, June 20, 2000, September 27, 2000, and October 2, 2000**

**Hansard, 20 June 2000**

**1350**

**ONTARIO ENERGY BOARD AMENDMENT ACT, 2000**

Mr Wilson moved first reading of the following bill:

Bill 100, An Act to promote efficiency in the municipal electricity sector and to protect consumers from unjustified rate increases.

**The Speaker (Hon Gary Carr):** Is it the pleasure of the House that the motion carry?

All those in favour of the motion will please say "aye."

All those opposed will please say "nay."

In my opinion, the ayes have it. Carried.

The minister for a short statement.

**Hon Jim Wilson (Minister of Energy, Science and Technology):** Mr Speaker, I'll make a statement during ministerial statements.

...

**1400**

**STATEMENTS BY THE MINISTRY AND RESPONSES**

**MUNICIPAL ELECTRICITY EFFICIENCY**

**Hon Jim Wilson (Minister of Energy, Science and Technology):** Today I introduced legislation to promote efficiency in the municipal electricity sector and to protect consumers from unjustified rate increases. Two years ago I introduced the Energy Competition Act, legislation this House passed to ensure Ontarians a safe, reliable supply of electricity at the lowest possible cost. Then, as now, we identified three elements which must work together to ensure we reach our goals: first is competition in generation; second is debt reduction and, third, we need fair and stable distribution rates.

As a government, we've introduced competition in generation. This is spelled out in a plan which requires Hydro's successor company, Ontario Power Generation, to reduce its current dominant

1 position in the generation market to 35% over the next 10 years. We've also introduced a debt  
2 retirement plan to reduce and eliminate Ontario Hydro's legacy of debt and liabilities.

3  
4 But to bring the complete package of benefits to electricity customers, our partners, Ontario's  
5 municipalities and their local electric utilities, must share with us the responsibility of making  
6 decisions in the best interests of those we are elected to serve. Electricity customers have no  
7 choice but to use municipal utilities' wires. They are a monopoly, and operating a monopoly is a  
8 privilege. Therefore, it is only right that municipal utilities should deliver electricity at fair and  
9 reasonable prices. All local distribution rates are subject to review and approval by the Ontario  
10 Energy Board. That is why less than two weeks ago, I directed the Ontario Energy Board to  
11 make customer protection its first priority when deciding rate applications. I further directed the  
12 Ontario Energy Board to ask municipalities to justify their rate applications before a decision is  
13 rendered.

14  
15 I remind municipalities that two years ago, when we were drafting the Energy Competition Act,  
16 the Association of Municipalities of Ontario and the Municipal Electrical Association urged the  
17 government not to force amalgamations and mergers in the electricity distribution sector. These  
18 same municipalities promised us that if we gave them the tools and incentives, they would do the  
19 right thing for customers and move to rationalize their distribution systems, find efficiencies, and  
20 ensure the lowest possible price.

21  
22 Our legislation gave municipalities the tools they requested. The act clarified, for the first time,  
23 that municipalities own their electricity utilities. Local councils are the shareholders. We expect  
24 the municipalities to act responsibly. Some of them have. But, unfortunately, some  
25 municipalities have filed with the Ontario Energy Board for significant increases in local  
26 distribution rates, some by as much as 72%. This is being done without regard for the people  
27 who have already paid for their utilities, Ontario's electricity customers.

28  
29 There are more than 250 municipal electric utilities in Ontario, 10 times more than in the rest of  
30 Canada combined. Between them, they have more than \$1 billion in cash and investments.  
31 Customers have already put more than enough money into the electricity system to shield them  
32 against any short-term transitional and regulatory costs brought on by electricity restructuring.  
33 As I have said many times, municipalities must earn their rate of return by squeezing efficiencies  
34 in their operations, not by squeezing customers. We cannot afford to lose the many positive  
35 benefits of electricity competition.

36  
37 Let me be unequivocal. Municipalities have been given a tremendous opportunity. They can  
38 manage their utilities effectively, create innovative partnerships, merge with other utilities,  
39 whatever method they choose to maximize the benefit to their electricity customers. We have  
40 tried to work with municipalities and their utilities to make sure they understand and follow the  
41 intent of the Energy Competition Act. We have listened to their needs and provided the tools  
42 they requested. We urged that they not take advantage of consumers, and we have warned them  
43 that if they did not change their ways, legislation would be forthcoming to ensure they put  
44 customers first. Our pleas and warnings have gone unheeded. Now the time has come to act.

45

1 I have today introduced an act to promote efficiency in the municipal electricity sector and to  
2 protect consumers from unjustified rate increases, which, if passed by members of this  
3 Legislature, would prohibit municipalities from taking windfall profits out of their local  
4 electrical utilities and using these profits to justify rate hikes. This legislation will give the  
5 Ontario Energy Board powers to disallow rate increases attributable either to assets or to  
6 financing transactions and costs where money does not stay in the electricity system.

7  
8 It's unfortunate that some municipalities have kept electricity assets like surplus lands and  
9 working cash balances, and it's unfortunate that other municipal electric utilities have refinanced,  
10 taken out loans and turned the proceeds over to their municipal owners. Our proposed legislation  
11 will put a stop to this creative bookkeeping and ensure these windfalls are not used to justify rate  
12 increases.

13  
14 If the legislation is passed, the Ontario Energy Board will have the power to review and ask for  
15 detailed financial data. Assets withheld from utilities will not be allowed as justification for rate  
16 increases. After all, the ratepayers paid for their electricity systems and we believe the money  
17 should stay in those systems.

18 I'm sure everyone agrees that consumer protection and the lowest possible distribution rates  
19 should be our goal. That is what this amendment will do and I hope to have the support of this  
20 House to formalize this consumer protection as soon as possible.

21  
22  
23 **Hansard, 27 September 2000**

24  
25 ...

26  
27 **1540**

28  
29 ...

### 30 31 **COST OF ELECTRICAL POWER**

32 **Mr Doug Galt (Northumberland):** My question is for the Minister of Energy, Science and  
33 Technology. Representatives from various electric utilities in my riding have approached me  
34 with concerns about Bill 100, the Ontario Energy Board Amendment Act. There is a perception  
35 that the intent of our government in introducing this bill is to have Hydro One take over most of  
36 Ontario's utility services and leave only a few other mega-utilities. They believe that this will not  
37 create better service for the consumer but, rather, create a more powerful Hydro One. If this is  
38 true, I can understand the opposing arguments. Could you please clarify the purpose of this bill  
39 and correct any misconceptions?

40  
41 **Hon Jim Wilson (Minister of Energy, Science and Technology):** Bill 100, which is An Act to  
42 promote efficiency in the municipal electricity sector and protect consumers from unjustified rate  
43 increases, was introduced in this Legislature in response to OEB procedures of this year. This  
44 past May, the 25 large municipal utilities were asked to file with the Ontario Energy Board their  
45 rate applications. What we found after we tallied up the numbers is that the average price of  
46 electricity for municipal ratepayers would go up about 17% in those 25 municipalities, like

1 Toronto and like Mississauga. Since municipalities are responsible for a small portion of the bill-  
2 they're responsible for the wires portion, what we call the monopoly portion of the bill-that  
3 meant that most of those municipalities, on average, were asking for a 72% increase in the  
4 portion of the bill that they were responsible for.

5  
6 Obviously consumers needed protection until the Ontario Energy Board, for the first time, is able  
7 to bring in performance-based regulation and put a lid on these large increases. In the meantime,  
8 I would ask members to support Bill 100.

9  
10 **Mr Galt:** I realize that the purpose is to place the consumer first and to create a level playing  
11 field. However, with Hydro One's ability to earn a rate of return on acquired assets and its ability  
12 to write off interest on acquisitions, will this have any effect on how rates will be established  
13 down the road and give Hydro One a definite advantage over the other utilities?

14  
15 **Hon Mr Wilson:** I remind members that when I was appointed minister some three years ago,  
16 we had 303 municipal electrical utilities. That's several times more than the rest of Canada  
17 combined. Quebec has 12 utilities; most of the provinces have one or two.

18  
19 Today we still have over 250 municipal electrical utilities. Bill 100 and the directive we sent to  
20 the Ontario Energy Board try to encourage those municipalities, along with the tax exemption, to  
21 become efficient, to amalgamate and to pass those savings on to customers. Remember, they're  
22 given a monopoly business. This has nothing to do with the competitive side of the generation  
23 business of this province.

24  
25 With respect to Hydro One, it is treated under the law the same as Toronto or Mississauga or any  
26 other large utility. It has the exact same rules and the exact same set-up. In fact, if Toronto and  
27 Mississauga or Toronto and any other utility would get together, they would be larger than  
28 Hydro One. We need our 257 municipal utilities to get together and become larger than Hydro  
29 One. It's a regulated monopoly. The Ontario Energy Board, on behalf of consumers, will  
30 determine those monopoly rates in the future, regardless of the size and regardless of ownership.

31  
32  
33 **Hansard, 2 October 2000**

34 ...

35  
36 **1450**

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38 ...

## 40 ENERGY COMPETITION

41 **Mr Sean G. Conway (Renfrew-Nipissing-Pembroke):** My question is to the Minister of  
42 Energy and it concerns electricity policy. Minister, you continually say that the Harris  
43 government is interested in and supportive of competition in its electricity policy, yet in terms of  
44 the retailing of electricity we are seeing across the province the re-monopolization of Ontario  
45 Hydro. Thanks to the unfair advantages that your government has given to your company,  
46 Ontario Hydro, now called Hydro One, Hydro One is going around the province of Ontario, in

1 small and large centres, buying up local utilities, and we're told by outside experts that in many  
2 cases they are paying premium prices for these purchases.

3  
4 My question to you today, on behalf of the electricity consumers, is, why are we seeing the re-  
5 monopolization of Ontario Hydro Retail, and how is it possible that this re-monopolization is  
6 occurring under your noses, which tell us we're about to get competition?

7  
8 **Hon Jim Wilson (Minister of Energy, Science and Technology):** The honourable member has  
9 a couple of concepts mixed up. The retailing of electricity has nothing to do with the monopoly  
10 wires businesses that Hydro One is going around and buying up. Under law, those have to be two  
11 separate entities, and no cross-subsidization is allowed between retailing-by the way, there's lots  
12 of competition emerging in retailing of electricity.

13  
14 We have over 40 applications before the Ontario Energy Board; 26 of those, I believe, have been  
15 approved to date. That's 40 more companies in the business than when the old Ontario Hydro  
16 was a full monopoly wires business, monopoly generating business and monopoly retailing  
17 business, and had 93% of the Ontario market. That's all been divided into separate companies.  
18 There's no cross-subsidization between them.

19  
20 Hydro One, by the way, in the monopoly business, which is not competitive, just the wires-  
21 there's only one wire in front of your house. We don't run six wires across the field as if there  
22 was some competition in electrons; there isn't. There's one wire. Just like the CRTC, along with  
23 the federal government, controls Bell Canada's wires, the OEB is regulating Hydro One and  
24 municipalities who have been given the privilege of running monopoly wires businesses.

25  
26 **Mr Conway:** Bullfeathers. Every day the Globe and Mail has another story. Today-

27  
28 *Interjection.*

29  
30 **Mr Conway:** Last week she said she couldn't hear.

31  
32 **The Speaker (Hon Gary Carr):** Stop the clock. Members will know that this member is usually  
33 quiet during this. He does not usually heckle people. He would appreciate the same courtesy.

34  
35 I understand that sometimes when members get up who have heckled other people in the past, it  
36 is almost fair game. This is a member who is usually very quiet.

37  
38 Supplementary?

39  
40 **Mr Conway:** Every day the papers contain ads: today, a big ad from the energy board that your  
41 company, Hydro One, is out buying the distribution assets of the utility in Lanark Highlands.  
42 They've already got 42 either in place or about to be purchased.

43  
44 We are seeing the re-monopolization of Ontario Hydro at a cost that is going to be considerable  
45 to the ratepayers. Just a few weeks ago the Canadian bond rating agency put out a bulletin  
46 saying, "Yes, Bill 100 is very good news for Hydro One." What's going on here? My colleague

1 from Brant tells me, as other members are saying, that orderly restructuring of electricity  
2 distribution in their communities-Brant county is a good example-is being completely frustrated  
3 by your company. Ontario Hydro is out there skewing the works in their favour, and they can do  
4 so because your government, through Bill 35 and Bill 100, has given them an unfair advantage,  
5 and they are taking it at full sail.

6  
7 By the way, we are apparently about to be told that your company is soon going to announce the  
8 takeover of some of the big utilities in 905, Brampton being the one I'm hearing about. So the  
9 question remains, you talk competition, but your company, the company you control, the  
10 company where you have a big vested interest, is out re-monopolizing the distribution system of  
11 much of this province. How is that happening, and why is that happening?

12  
13 **Hon Mr Wilson:** I am astounded by the lack of facts from a former energy minister.

14  
15 The distribution business in this province is a monopoly. They are wires. Just like Bell has  
16 telephone wires that are a monopoly, the federal government and the CRTC make sure that  
17 AT&T, Sprint and other companies can put their phone calls on those wires. But those wires are  
18 a monopoly, and the rates of return are controlled by a public interest body, in this case called the  
19 Ontario Energy Board. For the first time, by the way, consumers will be protected in the  
20 distribution wires business in this province.

21  
22 Hydro One is a generic name for 25 different companies that are under there. If you read the ad  
23 the honourable member refers to, I think it's probably Hydro One Networks. By the way, Hydro  
24 One Networks buys back distribution systems-again, it's a monopoly; the rate of return is  
25 controlled by the Ontario Energy Board to protect consumers. I'm told that if all 70 of their  
26 applications actually went through, they would become approximately as large as they were in  
27 terms of the rural distribution system they owned in the old days under Ontario Hydro before the  
28 NDP introduced Bill 86 and started to sell-

29  
30 **The Speaker:** Answer.

31  
32 **Hon Mr Wilson:** -those distribution assets at below-market value, stealing assets from the old  
33 Ontario Hydro and giving them to municipalities. They'll have approximately 1.2 million  
34 customers when they're done, just like they did in the old days. So it's not a re-monopolization-

35  
36 **The Speaker:** The minister's time is up.

37  
38 **1500**

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