

CUPE Ontario Division

Submission Ministry of Energy
Long-Term Energy Plan

Ministry of the Energy

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Introduction

The Canadian Union of Public Employees (CUPE) Ontario is the largest union in the province with more than 240,000 members in virtually every community and every riding in Ontario. CUPE members provide services that help make Ontario a great place to live. CUPE represents employees at 14 of the province's local distribution companies (LDC's), including the largest, Toronto Hydro.

The Ontario government has made clear through a variety of policy initiatives, consultations, speeches and announcements that it is seeking to adjust the province's energy policies. Thus, the province's re-visiting of its long-term energy planning (LTEP) must be considered in the context of these other consultations and policy decisions; namely:

- An evaluation on the future of local distribution companies (LDCs);
- Adjustments following a major World Trade Organization (WTO) decision on the Green Energy Act (GEA);
- Changing the terms of the major Samsung arrangement;
- Holding a formal siting dialogue in part to engage communities, but also to mitigate consequences from the gas plant hearings.

This is an extraordinary time to not just engage various stakeholders, workers, and the public in policy development, but also to develop a democratic energy policy program. However, it is important to point out the extent that the government has framed the debate around this sector. There are key issues which are absent from the ongoing engagements, consultations and dialogues.

While our submission will deal with five key issues; CUPE Ontario also wishes to note the following issues which remain a concern.

1. *The emerging issues in human resources.* The government should do more to promote this sector as a viable career option to young and upcoming workers.

The current workforce is aging, as noted in the LDC review¹ and yet this issue is not present in the government's planning. In a time where the government is looking at sectors of the economy with potential, for long-term permanent employment, the energy sector must be one of these sectors'. The government needs to be attentive to this sector's needs, which will in turn staff the next generation of utility/energy workers with good jobs that contribute to the economy. The sectors human resources council underscores this by reporting that tens of thousands of workers will need to be hired to deal with infrastructure needs and working on new green energy initiatives.²

¹ Renewing Ontario's Electricity Distribution Sector: *Putting the Consumer First*. The Report of the Ontario Distribution Sector Review Panel. ISBN 978-1-4606-0671-1 PDF

² Electricity Human Resources Canada. <http://electricityhr.ca/our-solutions/labour-market-intelligence/labour-market-study-2011>

2. Formal policy on the role of Ontario Power Generation (OPG) and Hydro One needs to be clearly defined.

With the last siting dialogue and the current trend of Hydro One again purchasing LDCs, the government needs to be clear on the direction these companies are taking.

Regarding OPG, CUPE Ontario acknowledges the positive step the government has taken to involve the Corporation more in green energy capacity. However, this needs to be fully explained, particularly in the way they will work with LDCs and municipalities. A comprehensive program for coordination between these parts needs to be incorporated into the long-term plan.

Regarding Hydro One, there is a worrisome trend which seems to relive the previous failed attempts at energy market deregulation.

The government has received advice, which CUPE Ontario disagrees with, to consolidate LDCs. We believe this will have an overall negative effect on municipalities and their revenue generation capacity. Examples of the trend include the Norfolk sale, the rumours of LDC sale in Oshawa, as well as the decision of St. Catharines to examine or execute the sale of its generation capacity. CUPE Ontario can only come to the conclusion there is downward pressure from the aforementioned corporations and/or government itself to take these steps.

CUPE Ontario reiterates its position on the role of municipal government in the energy system and the need for the system to remain public and accountable.

3. The government is creating an uncertain energy policy environment.

Currently, there is a lack of a publicly articulated vision and the long-term plan does not go all the way to address the many complicated issues currently at play.

The government should re-commit to a public system, with clear conservation goals which will serve as a reliable and affordable system to users. The current policy environment is fractured and will only hamper any attempt at effective implementation of an effective green energy system. The continuing recovery of our economy depends on resolving these uncertainties.

On the aforementioned positions CUPE refers the government to our previous submissions on the siting dialogue and LDC consultation.

Long-term Energy Plan

CUPE Ontario also offers the following five items for discussion and submits recommendations to the long-term energy plan consultation:

1. The balance of emissions, consumer costs and reliability.
2. Equality in transmission and generation development between north and south for positive economic spinoff.
3. Re-development of old generation sites into new more efficient and green alternatives – including the old coal and private industry facilities.
4. A discussion on Smart Grids.
5. A view to creating public energy capacity.

The Balance of Emissions, Consumer Costs & Reliability

The real threat to energy costs is the over production of energy at a loss to rate payers. This over production is a direct result of poor management of renewable energy growth and corresponding shutdown of older high green house gas (GHG) production.

CUPE submits the questions posed in the Ministry's LTEP document on the matter of the province's energy supply mix need to be rephrased. The long-term goal of achieving the optimal energy supply mix must start with the objective of each parameter. It is a false assumption that there is a magical energy supply mix between these that will result in a stable, sustainable and green energy supply.

The rate-payer costs may constrain the speed at which generation, transmission and distribution are upgraded or transitioned into more distributed green energy production. However, the end result must meet the overall internationally recognized GHG reduction targets and Ontario's particular energy needs.

Sustainable growth in public green and low-carbon energy generation in a way that maximizes support for local economies must take priority. Over-reliance on the private sector to drive development of green energy projects have lead to unsustainable boom-bust cycles that undermine any long-term energy plan.

The government should not be seduced again into deals that do not benefit Ontarians. Recently, the Globe and Mail's Report on Business highlighted several Public Private Partnership examples while quoting energy investor Capstone Infrastructure Corporation's CEO Michael Bernstein, "For an investor such as Capstone and others... there is potentially the opportunity for private sector investment in assets that were previously owned and managed by government." As the provincial government makes adjustments to the way it decides on projects, it must consider public options with input to ensure accountability is the practice. We must not repeat costly privatization mistakes in P3 deals or outright asset sales.³

If the question is how to reduce GHG emissions while building a reliable system at the lowest cost, then the answer is public ownership, regulation and investment in new energy development.

Unfortunately, uncertainty has also been the hallmark of the current program of private sector-lead development, haphazard oversight and lack of clear public vision.

Issues have converged to cause all stakeholders to question the provincial energy sector. The government has not been able to follow through on a single strategy, while at the same time making and changing policy quickly. This has caused both public and private sector players across the sector to question the direction of government.

³ The Globe and Mail. Private sector plugs into public projects; Partnerships with governments seen as a way to stimulate investment and growth in electric sector. Thu Jun 20 2013; Page: B15; Section: Report on Business: Canadian. Byline: Daina Lawrence

The public and private sectors currently rely on each other to deliver electricity. However, the lack of implementation of comprehensive public plan has created serious questions around the certainty of direction of policy and electricity supply. This scenario has been compounded by expensive policy reversals driven by short-term political concerns such as the Samsung deal, FIT contracts and gas plant cancellations. It has become clear that the one common thread to these costly mistakes is the growing influence of the private sector.

Whatever the energy mix, the government needs to state clearly in its plan that they will move forward on a public plan, which will embrace four principles: public generation, public distribution, green energy and reliability and accessibility. These principles will ensure ratepayers are fairly treated and effective planning can take place. Just like with health care and water, energy is a key resource needed for the most basic survival and advanced economy and access should be considered a fundamental security. An asset such as this needs to be put in and remain in the public sphere and under democratic control to ensure citizens an economic interests are best met.

As the Ministry identifies, conservation also needs to be a key component to long-term energy policy. However, a serious plan, which includes large power users, needs to be actualized. It is not enough to continue to fragmented plans, which do not reward success. Wide-reaching and large scale programs need to be examined and best practices followed. An example in urban regions is the tower renewal program from Toronto. The Columbia Institute has also pointed to ways municipalities could be supported in conservation and retrofit programs:

“Energy-efficiency retrofits in residential buildings offer a fast and potentially affordable way to cut GHG emissions, conserve energy and save consumers money on their utility bills. Retrofitting is also good for the local economy and creates a lot of jobs.

However, the up-front cost of retrofitting is a deterrent for many homeowners.

One potential solution is residential retrofit financing programs offered by municipalities. Under these programs, municipalities provide low-cost financing to cover the up-front cost of energy-efficient retrofits and property owners use money saved on energy to repay the financing over time, either as a charge on their local property taxes or on local utility bills. These programs can operate on a full cost recovery basis, at no net-cost to municipalities.”⁴

Overall, the continued privatization of the sector will hinder conservation goals. Marjorie Griffen-Cohen, of Simon Fraser University, points out that deregulation and privatization of the electricity industry are antithetical to conservation and new renewable generation.

“The logic of power conservation completely changes in a deregulated market, where the goal is to encourage a large number of producers to compete against each other for customers. The whole point of production in a private market-based system is not to curtail demand but to foster it and to sell as much as possible.”⁵

⁴ Columbia Institute. A Canadian Energy Strategy Why should local governments care? James Glave, John Chapman, Robert Duffy and Charley Beresford. May 2013.

⁵ Griffen-Cohen, op cit., p.88.

Recommendations:

1. Public ownership is key to the implementation of any sustainable long-term program.
2. Sustainability must be a goal for economic, environmental and generation capacity development.
3. The concept of access to energy as a fundamental security should be incorporated into all stages of development of a long-term energy plan.

Transmission Equity & Generation Development

The LTEP must be attentive to equality and energy capacity issues that exist between the North and South in the province. Currently, there is a tremendous lack of distribution capability to the North and an underutilization of generation capacity. The government needs to address these issues to ensure reliable power to Northern, rural and remote communities, increase the overall generation and transmission capacity, and to further economic development goals.

It is widely understood that Northern Ontario constantly faces unique challenges and cycles of prosperity and poverty. Emblematic of this is the ongoing negotiations to start resource extraction in the 'Ring of Fire' area. Also many communities are facing declining populations, victims of the backside of resource economies.

Aboriginal communities in particular are under-resourced in almost every way. For electrical power, many of these communities need to rely on diesel generated power – a most expensive and inefficient way to heat and light a community.

However, these challenges can also breed opportunities and at the same time meet a number of additional economic development goals. In order to build the necessary transmission and generation capacity the government needs to support collaboration between public utilities at different levels of government—so-called public-public partnership agreements. This would include collaboration between Band Councils and municipal Local Distribution Companies in developing sustainable local generation capacity.

One example is the Saugeen Ojibway Nation, which has made a deal with Hydro One on a transmission line running from Bruce nuclear station to Milton. There are also examples with OPG, such as the Mattagami River project in partnership with the Moose Cree. This is consistent with the provinces previous long-term energy plan.⁶

Partnerships with local government and the province through Hydro One could support the development of photo-voltaic (PV) and wind electricity generation in remote communities and on aboriginal reserves use, which would help develop capacity, sustainability, and supply on and off reserves. Municipal LDCs and provincial agency ownership of PV projects needs to be a supported option for planned growth in distributed PV and wind production.

⁶ Toronto Star. Saugeen Nation in historic hydro deal; Aboriginal group to buy 30-per-cent stake in power line. Fri May 10 2013; Page: B1. Section: Business. Byline: John Spears Toronto Star.

The provincial government needs to recreate the positive aspects of their green energy strategy in the North. This would provide stable generation, which with the use of an upgraded grid could shift use where needed and reduce a reliance on fossil fuels. Moreover, it will help local economies, by creating jobs associated with the public expansion of the system and encourage other local business by providing stable local power sources.

The Ministry's LTEP presented paper did not properly address production for harder to reach areas of the province. Currently, many rural areas are serviced only through single lines that are increasingly under-resourced for maintenance resulting in ever frequent power outages. Providing an appropriate level of distributed generation capacity needs to be met with an investment to move the energy through the province better.

Recommendations:

1. Acknowledge rural, Northern and Aboriginal Communities need the support of government for improved access to electricity.
2. Work with Aboriginal Band Councils and LDCs on partnership in building green wind and solar generation capacity.
3. Instruct Hydro One to collaborate with Aboriginal Band Councils and LDCs on expanding transmission capacity.
4. Any new capacity should be publicly distributed and generated to support a stable energy supply for rural communities.
5. Opportunities should be explored for public pension plans to invest in public-public partnerships as a source of capital funding for new renewable infrastructure.

Transforming & Repurposing Abandoned Generation Infrastructure

When the decision was made to phase-out coal generation in Ontario, the government's electricity agencies and companies examined ways to re-purpose generation assets. This began a continuing legacy to utilize existing infrastructure, avoid siting dilemmas, and continue local employment in generation. Sites in the province which once contained generation capacity to serve private industry and resource extraction should be examined as sites to add green energy alternatives. This would allow for flexibility and improved planning; achieve economic goals; present the opportunity to further storage options; and further develop Northern capacity.

Ontario has always been an industrial and resource extraction leader. The heavy industry, pulp/paper, mining and lumber industries all have played a significant role in the shaping of Ontario. These industries are also the largest power users in the province. Throughout the years, industries have come and gone and resources have been used up throughout the boom and bust economic cycles which communities have had to endure. What remains when industry leaves or reduces its operations are both economic challenges and opportunities. The province as part of the LTEP needs to examine what has been left behind by the history of industry. Have large mines or mills left behind generation capacity which could be utilized and taken over by OPG or LDCs? Even if this capacity was for burning coal, these plants should be repurposed under the aforementioned public agencies to build capacity for the future.

In addition, where industrial sites may no longer exist there may have been generation capacity there in the past. This may suggest there is a tolerance in these communities to be willing hosts for new public green energy projects. The province needs to work with willing municipalities in a transparent way to plan for future energy generation. Communities, which played host to large scale industrial projects in the past, should be approached and consulted to participate in furthering green energy goals. This is particularly true where existing infrastructure may be present, but also where large-scale solar, biomass or hydroelectric could be possible.

Recommendations:

1. Inventory and/or publish the communities which have generation capacity connected to private sector industry. This should include the location of closed sites.
2. Incorporate the re-purpose and/or re-start of generation capacity into the LTEP leftover from shuttered industry.
3. Include a plan to relieve peak-time strains by developing effective storage methods.

Smart Grids

CUPE is not opposed the use of smart technology per se in the energy sector, but we do have concerns about its application to date in Ontario.

Updating Ontario's energy grid is important for development of new renewable energy production and stability of access to power in rural regions. However, while this investment in upgrading of the energy grid should happen alongside a comprehensive plan for green and renewable energy production, the grid upgrade plan must be developed after the plan for capacity growth has been developed.

Smart Grid technology as a whole is implemented on large scales and without full planning and integration can lead to huge costs for the suppliers and the user. We recommend that a separate consultation with labour be carried out once the final long-term energy plan for generation is developed. Depending on the final make-up of the production capacity and distribution, more will be known about how best to invest in grid upgrades.

Since "Smart Grid" development will likely include discussion of mass implementation of Smart Metres we feel it necessary to include a comment on Smart Metres. As has been shown in Quebec and across Europe, opportunistic promotion of mass implementation of Smart Metres by private technology companies can unnecessarily add hundreds of millions of dollars to an energy plan. The investment in energy grid upgrades are necessarily large in scale, however, this does raise the following notes of caution:

- Upgrading to a modern energy grid to so-called "Smart Grids" is distinct from mass "Smart Metre" implementation and do not necessarily go hand-in-hand.
- Smart Metres are costly with questionable benefits for the cost. A recent Hydro Quebec example <http://www.scfp2000.qc.ca/memoireLAD.pdf> shows the caution that should be followed with regards to "Smart Metre" implementation.
- Ill-planned implementation of grid upgrades and smart metres will have significant negative impact on quality jobs including those carrying-out metre reading and data review.

- Grid upgrades require different skills. Affected workers and their organizations must be part of a Just Transition program development and implementation. Smart Metres in particular result in a significant loss of certain jobs. Jobs and skills to construct the Smart Grid, install metres, maintain the grid and metres after install and manage in information must be fully developed before implementation. A full labour market analysis should be carried out as part of this process to examine re-training and cost benefit analysis of transition to new technologies.
- Smart Metre implementation has serious privacy implications for rate payers.
- Smart Grid implementation must match the long-term energy strategy to be effective and maximise efficiency.
- Regulatory mechanisms must be developed for implementation and oversight of any new technologies before investment is made.
- Smart Metre and pricing can result in a form of regressive taxation for rate payers. Further, if consumers do not have the ability to access the data, upgrade inefficient devices, move time of use, or if the goals of efficiency burden the poor disproportionately then it is not a good policy framework or a sustainable solution. The risk of automatic disconnection from the grid for vulnerable users must be addressed before implementation.
- There are serious concerns that technology upgrades to the grid that result in privatization in services undermining the economic benefits of grid upgrades.
- Poorly planned implementation of complex modern electricity networks will result in increased needs of public regulation and oversight to maintain security of these networks which can also add additional costs.

It is clear from other implementations of grid upgrades that fact-based planning and regulation must trump ideology when developing a longer-term program for upgrading the energy grid.

The effectiveness of the current plan for implementation of smart-grid technology has not been defined. As such:

Recommendation:

A full review of the costs and benefits of the implementation of the “Smart Grid” technology should be carried out.

The following questions should be answered in the review:

- Can developing a “Smart Grid” lead to changed behaviour though the current plan if it does not allow home owners or renters to see their use patterns by device or time?
- Could similar efficiencies be found through a similar sized investment in upgrades of homes, public buildings and education?
- Could similar efficiencies be found through requiring changes to industrial power use and conservation?

Investment in Public Energy Production

The Canadian Centre for Policy Alternatives has observed:

“International experience indicates that most manufacturing in the renewable energy sector occurs in countries where there is considerable government support (Germany, U.S. (led by states), Spain, India, and China) and where this support is part of a larger industrial strategy. Unfortunately, growing reliance on private sector development in Canada for green energy in all renewable energy projects reduces government leverage to encourage the domestic production of inputs.”⁷

It is laudable that Ontario is reducing its reliance on both economically and environmentally unsustainable energy production. However, the longer-term program should be planned and not just left up to the private sector within the unstable energy market. The boom and bust cycle already experienced in Ontario makes growth in the area of PV and wind generation uneven and unsustainable. Access to electrical energy should be considered a fundamental security and developed as a public utility. While investment can be expensive, the history in Ontario of failed private initiatives; the fragmented and unstable green energy growth; the incoherent implementation of policy; and the over-riding of long-term planning with short-term political objectives have cost Ontarians because of over-reliance on the private sector. It is for these reasons that the new plan needs to ensure access to energy and should be adopted as a fundamental security. Ontario should develop a long-term energy plan that prioritizes publicly owned and managed production, transmission, and distribution of electrical energy.

⁷ Climate Change and the Canadian Energy Sector. Implications for Labour and Trade Unions. John Calvert and Marjorie Griffin Cohen. ISBN978-1-926888-70-5. This report is available from the CCPA website at www.policyalternatives.ca.