

CUPE Ontario Division

Submission to Regional Planning and Infrastructure Siting Dialogue

Ontario Regional Energy Planning Review for the
Ontario Power Authority
Independent Electricity System Operator

Fred Hahn
President
Canadian Union of Public Employees (CUPE)
Ontario

July 15, 2013



Submission to the Ontario Power Authorities Regional Energy Consultation

Introduction and Issues

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 Power Workers' Union (PWU), CUPE Local 1000, represents employees of LDCs operated by Hydro One and others.

The energy sector in the province has undergone historic changes over the years, with a focus on developing green energy capacity. As part of this dramatic shift, the sector has seen many unique developments and as a result some significant challenges. One component of these challenges has been a lack of meaningful consultation in communities over new projects. CUPE members welcome the opportunity to comment on the new initiatives the Ministry is undertaking in the sector.

There has already been a significant amount of investment in the sector with more to come. Nationally, The Conference Board of Canada has calculated over \$340 billion will be spent on electricity infrastructure between 2011 and 2030. They qualify the investment this way; "for every \$100 million (inflation adjusted) invested in electricity generation, transmission and distribution infrastructure, real GDP will be boosted by \$85.6 million and 1,200 jobs will be created." In Ontario, there is already a significant amount of spending planned; the various transmission plans account for almost \$5.5 billion over the years and over \$20 billion on the distribution side over a similar time frame.¹ Investment in this sector is critical to support our economy.

The two major issues in this consultation – municipal and stakeholder input and major project siting – are intrinsically connected. Both project placement issues and the increased level of participation from the private sector have led to a litany of issues, which has caused damage in local communities and shaken confidence in government. In at least two cases – the Oakville and Mississauga gas plants – this has led to enormous scandal and taxpayer expense, which illustrates the downside of an over reliance of private-sector funding for public projects.

We have also seen significant investments from the private sector in the development of wind, solar and hydro energy projects as other parts of the Green Energy Act (GEA) have been implemented. Part of this consultation is about increasing stakeholder engagement and control; given the importance of energy to the province, CUPE members have questions about how this could be achieved reliably and affordably with increased private sector involvement.

Finally, the sector is faced with new changes coming out of the World Trade Organization (WTO) decision on the GEA, which seems to have acted as the catalyst for many of the Ministry's recent announcements and consultations. As the Ministry moves forward in planning for the sector we ask the government take these consultations seriously and continue to canvass key stakeholders, which include workers in the system. We also ask that, overall, the government consider this as an opportunity to take greater control of the changes to the system, which would include increased roles to develop a more accountable public system.

Finally, municipalities need to be more involved because they face some of the greatest challenges and influence in the sector. Municipalities have Official Plans to execute; are owners

of distribution infrastructure; and feel the costs of pollution. If properly included in the process, municipalities also have the ability to incentivise more economic and conservation oriented projects. Vesting more responsibility in municipalities not only makes more sense because of what local communities have at stake and their ability to help manage the sector, but also because it is the most accessible form of government.ⁱⁱ

Local Stakeholder Input and Regional Energy Plans

CUPE Ontario represents 80,000 municipal workers – our members understand municipal government and the way it works. Our members also understand it is important to engage in the political process to help achieve greater levels of service for our communities. Critical in that process is consultation and control over our communities. As the Ontario Auditor General (OAG) has pointed out in his 2011 Report, the Green Energy and Economy Act (2009) eroded some of that control by taking away planning and regulatory processes. The OAG identified that this action likely had “significant long-term costs”.ⁱⁱⁱ

Although the government’s current direction is to solicit advice on how to improve consultation and collaboration in the electricity process it should be cautioned not to have predetermined outcomes. In the Minister’s late May announcement it became clear that municipalities would still not be able to ‘veto’ projects outright. In addition, there is a parallel Cabinet process with Ministers, Chiarelli, Bradley, Jeffery and Leal all tasked with improving municipal involvement. Overall, there must be more space for municipalities to negotiate than to either accept a project or declare the unwilling host designation. Changes need be meaningful and accessible; municipalities are uniquely positioned to play a critical role in a more transparent system.

Transparency and collaboration are important to ensure public funds are used appropriately. Site selection, planning guidelines, and best practices are followed and so that stakeholders have ‘skin in the game’. When people and groups are shut out of decisions which so closely affecting their well-being there is bound to be a negative reaction. CUPE believes our members, our local decision making bodies and the residents need to be consulted about infrastructure decisions in their community – particularly those as important as electricity. The OAG also addressed this in his 2011 Report, with a focus on of additional costs around green energy initiatives:

“The development of renewable energy initiatives involves planning and co-ordination with other parties, including the Ministry of the Environment, the Ministry of Natural Resources, federal agencies, and municipalities. We noted several instances where renewable energy initiatives led to potentially unnecessary compensation and potential lawsuits because of conflicts with environmental impact and planning decisions.”^{iv}

Whether it is paying additional costs, which negatively affect all of us, or to ensure practices which engage people in the process, the following measures would have a positive effect:

- Give municipalities the resources they need to develop energy plans in conjunction with the Province, its agencies and other groups. This should include funding for dedicated staff and events to engage the public in the process and conservation. It should also include electronic resources to solicit opinion via the Web and social media.
- Include municipal councils in the decision and ratification processes. It needs to be mandated that councils be updated throughout the process and that these meetings be open to the public comment. In addition to council, LDC’s still need to be consulted and

included in the planning process. These meetings and the results of them should also be made public.

- The developments also must be included into the municipal planning process and fit a municipality's Official Plan.
- Special effort should also be made to get the attention and opinions of equity seeking groups. Aboriginal groups and their agencies and governments should be included, but also anti-poverty, seniors and other consumer groups. It is often not enough to have a public political process; the onus to consult needs to be on the government, it's agencies and the municipality to outreach to these groups.

Electricity is a critical part of the infrastructure underlying all private and public economic activity in the province. Adding confusion to the matter is the ruling at the WTO and the threat that privatization of energy production could destroy the use of green energy development as a local economic development tool. All of these factors mean that the government needs to pay extra attention to sound development principles to protect our investments and include municipalities and other stakeholders in a meaningful accountable process. Overall any exercise to 'site' new electricity infrastructure needs to have multiple stages, be inclusive and universal.

Large Project's, Privatization in the Sector, and the Gas Plant Scandal

The 'siting' of larger energy projects has been fraught with difficulty, conflict and high costs. The Oakville and Mississauga gas plants have cost Ontario large amounts of both money and creditability. The government is now talking about measures to improve the system, but until political goals and privatization through public private partnerships (P3s) are removed from the process, the possibility of more fiascos is clear and present.

CUPE members are consistent in their position against all attempts to privatize parts of province's electricity system. The interests of rate-payers, residents, and municipal governments are best met with a system of public utilities which are publicly held and operated. Increasing private-sector investment and the drive for profit in the province's electricity system can only lead to increased costs and a decreased commitment to meeting long-term public interests for environmental protection and substantive reductions in electricity demand. The gas plant tender process and subsequent events is a benchmark moment, which reinforces that privatization is not that answer for this sector.

The 'siting' decisions of large-scale projects need to be made in an inclusive and open fashion; CUPE's position on large projects also echoes our suggestions in the previous section. One of the ways this could happen is a Siting Board. The Board would need to be accountable back to potential host municipalities through an open and democratic process and made up of elected officials, community members and union representatives/workers in the sector. These Boards could be resourced with experts suggested by the Ministry and/or selected by the Board. It is likely that a Board like this would not have moved forward with the Oakville and Mississauga plants given the acrimony in the community while decisions on those projects were being made.

In addition to the Boards, one restriction which has been removed CUPE agrees with is allowing Ontario Power Generation (OPG) to bid on large scale renewable energy projects. This represents a step in the right direction to greater public control over the sector and could allow for public/public partnerships with municipalities and First Nations. In addition, giving preference to these partnerships in procurement could lead to an increased public role in the development, ownership and operation of electricity assets. The other benefit of collaborating with other public entities is a greater role for those partners, which also meets consultation

goals. It is CUPE's hope this is the beginning of OPG and municipalities taking an even greater role in large-scale projects.

The other suggested courses for siting decisions from this 'dialogue group' – government decision, multi-stage procurement, or community funds – could lead to repeating the calamity experienced with the gas plants. Resting the process totally with government or having a complicated tender process echo too much the process already utilized in the Oakville and Mississauga examples. The final suggestion, community funds, is the wrong way to provide resources to a host community. Providing additional funding to communities to host a site in this fashion would take away objective decision making from the host. In all of the aforementioned cases there is the potential for repeating some of the same mistakes the Ontario energy sector needs to learn from.

There is little merit in rehashing all of the details surrounding the Mississauga and Oakville gas plant cancellations; however, it is worth noting several observations about the process and outcomes:

- Public private partnership deals are structured under the guise of risk transfer from government and the taxpayer. When the OPA agreed to take on financing liabilities in the Mississauga deal this became yet another example which illustrates this is a fallacy in these deals.
- A hallmark of privatization is also hidden or unknown costs, which materialize along the process – this is especially true if the parties find themselves in dispute. In the Mississauga example, it has been found there were millions of extra costs associated with the cancellation of the deal and relocation of the plant.
- The secret complex nature of P3s perpetuates bad deals and restricts accountability. It took an exceptionally long process for the truth to come out over these deals and the OAG Report on the Oakville plant has yet to be released. Ontario residents saw exceptional behaviour such as deleting e-mails and covering the true costs of the plants. These deals alienate communities and put profit before the services that we need.^v

Despite the gas plant experience, the private sector is still keen to invest with government in privatization schemes. 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."^{vi} 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.

Recommendations

The energy sector is a significant contributor to Ontario's economy. Electricity touches every aspect of our lives and is one of the most critical public services, powering commerce, industry, transit and our homes. This importance cannot be overstated and should be kept top of mind as Ontario conducts this and other electricity consultations.

A common thread through all of our recommendations is that municipalities need support from the province in this sector. As a key actor in the system and the most accessible and democratic body, the province must both include municipalities in the decision making-process and provide resources to develop a more public system. Most of the tax dollars collected go to

other levels of government, while municipalities are largely responsible for the infrastructure in communities. Only 20% of municipal dollars come from government transfers, while at the same time local governments face downloads in other areas of service delivery. If clean reliable public energy is to become a reality, the province and federal levels of government need to make long-term commitments to the sector.^{vii}

The GEA provides incentives for development of private green energy generation at the expense of publicly owned production. Instead of looking at access to energy as a human right and public good, the Ontario government has relinquished democratic control to the private and for-profit sectors for building the backbone of the province's future renewable energy infrastructure. The loss of publicly controlled, long-term planning of the energy sector has resulted in a short-term over-production of electrical energy resulting in rate increases for consumers and the prioritization of private energy production over that of publicly produced energy.

Additionally, the vast majority of the energy being generated under GEA contracts is being purchased from large energy conglomerates and not independent Ontario start-ups meaning that we are paying extra to replace regulated public utilities with private monopolies.^{viii} CUPE agrees with the position put forward by Marjorie Cohen that electricity should be viewed, treated, regulated and priced as a common resource, a common good – that it is an “essential part of modern life [that] has been too significant to be left to the vagaries of the market”.^{ix}

As a key stakeholder in the sector CUPE submits the following recommendations to this dialogue:

1. Decision making: formally include municipalities in the decision-making process for siting and large scale capital developments. Councils should have a formal opportunity to debate the merits of projects and this process must include input from the residents/public at large. Conservation must also be present in these plans.
2. Energy Plans: provide resources to municipalities so they can be an effective partner in planning with the Ministry and its agencies and conduct their own consultations.
3. Planning Process: new small and large scale developments must consider a municipality's Official Plan and other relevant planning process.
4. Siting Board: establish a publicly accountable siting board made up of community members, local leaders, union representatives/workers and other stakeholders for large-scale projects.
5. Communication: In any consultation all parties must consider how to effectively outreach to equity seeking groups. Additional effort must be considered in how to communicate, considering factors such as translation, accessibility of materials and/or public meetings.
6. Communication: The Ministers tasked with examining this issue should publish the results of their working group along with this dialogue.
7. Partnerships: go farther to encourage and develop public/public partnerships with First Nations, municipalities and OPG. These partnerships, in both procurement and development, will lead to a more accountable public system.

ⁱ The Conference Board of Canada. *Shedding Light on the Economic Impact of Investing in Electricity Infrastructure. Economic Performance and Trends*. February 2012 Report.

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

ⁱⁱⁱ Ontario Auditor General 2011 Report. Overview: Electricity Sector—Renewable Energy Initiatives. Pg. 5

^{iv} 2011 Annual Report of the Office of the Auditor General of Ontario. *Co-ordination and Planning for the Procurement of Renewable Energy*. Chapter 3; VFM Section 3.03; pg. 109/10

^v Auditor General of Ontario, Mississauga Power Plant Cancellation Costs: Special Report, April 2013, p18. Available; http://www.auditor.on.ca/en/reports_en/mississaugapower_en.pdf & Information and Privacy Commission of Ontario Release June 5, 2013. *Commissioner Cavoukian dismayed by the indiscriminate deletion of emails in Ontario cabinet ministers' offices*; available: <http://www.ipc.on.ca/images/Resources/2013-06-05-Ministry-of-Energy-e.pdf>.

^{vi} 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

^{vii} The Columbia Institute. *A Canadian Energy Strategy Why should local governments care?* James Glave, John Chapman, Robert Duffy and Charley Beresford. May 2013. The institute also cited the Federation of Canadian Municipalities, canadainfrastructure.ca, and the federal Standing Committee on energy, the environment and natural resources

^{viii} CUPE Factsheet. Free-trade is blocking the path toward sustainable development. Available in authors files.

^{ix} Cohen, Marjorie Griffin. "Electricity Restructuring's Dirty Secret: The Environment" in J. Johnston, M. Gismondi, James Goodman, Eds., *Nature's Revenge: Reclaiming Sustainability in an Age of Corporate Globalization*, p. 74.