

**Notes for Remarks By
The Honourable Dwight Duncan, Minister of
Energy
The Canadian Club of Toronto
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Check Against Delivery

Thank you, Michael, for that kind introduction. It's an honour to be here to speak to you today.

There's a lot to talk about when it comes to energy issues in Ontario. It's been a fascinating ride so far as Ontario's Energy Minister.

Our government inherited a mess and we've implemented a plan to fix it.

In 1961, John F. Kennedy said that the thing that surprised him most when he came to office was to find that things were just as bad as he'd been saying they were. Let me tell you, I can certainly identify with that.

This is what we inherited:

In the ten years leading up to the last election, less than 2,900 megawatts of new power was brought on-line in Ontario, and over 5,000 megawatts of power was taken out of service.

This, despite a growing population and an economy that saw electricity demand grow by roughly 8.5 per cent over those ten years.

There was little to no new construction, little to no new investment in new infrastructure, and simply no plan to address the growing need for new supply.

And despite advancements in other jurisdictions, there was little to no focus on renewable energy and conservation, despite more frequent smog days across the province.

In fact, the old Ontario Hydro cancelled all conservation programs while investing in a rain forest.

The previous two governments encouraged electricity consumption through a fantasy world of politically motivated price caps that gave consumers no reason to monitor their electricity use.

Instead of focusing on conservation or building new supply, the previous government tried to artificially create an open market on top of an old monopoly and an antiquated system.

They moved us from the extremes of a full monopoly system to an open market almost overnight, and it was, very simply, a recipe for disaster.

Our own public generation utility – a virtual monopoly – was left in dire financial straits by a policy that cost them 100 million dollars a month since market opening, which compromised its ability to deliver an efficient and reliable supply of power.

As a result of these “ten lost years” as many observers characterize it, our government found itself in a critical situation when we came to office.

A situation in which, factoring in economic growth, we will need to rebuild, conserve or replace 25,000 megawatts of generating capacity over the next 20 years...that’s more that 80 per cent of Ontario’s current generating capacity, and more than the generating capacity of Alberta and British Columbia combined.

...A situation in which investors, tired of policy extremes and instability, chose to take their business elsewhere, at a time in which 25 to 40 billion dollars in new investment is needed to keep powering our province over the coming years.

...And a situation that required a plan and immediate and decisive action to move Ontario’s electricity system away from an unforgiving precipice that threatened our economy.

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Today I want to talk to you about that plan. Today I want to talk to you about how our government is moving forward to address the challenges that face us.

We’ve moved forward prudently and deliberately to bring stability back to Ontario’s electricity sector...

...to develop a truly mature and vibrant electricity sector that will serve as the foundation of Ontario’s economic future.

Our plan is been focused on creating a clean, reliable, diverse and sustainable supply of energy...

...on fostering a culture of conservation...

...on ensuring that prices reflect the true cost of power while supporting the sustainability of our economy.

...on creating an investment climate that welcomes the private sector, while at the same time pushing our public utilities to operate efficiently and responsibly.

And on reducing the environmental footprint we leave to future generations by eliminating coal fired generation.

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I’m very proud of the progress we’ve made...progress despite some formidable opposition.

As Robert Kennedy once said, “Progress is a nice word, but change is its motivator. And change has its enemies.”

The first thing we did as a government was to introduce a more responsible approach to electricity pricing... to take the politics out of electricity prices and to put sound policy back in.

The Ontario Energy Board now has responsibility to set prices that better reflect the true cost of power, and give consumers powerful motivation to conserve....to ensure that prices will be set in the public interest, not political interests.

Putting responsibility back into electricity pricing not only served to solve some of our fiscal challenges and put a greater focus on conservation, it served to slowly regain the confidence of electricity investors watching Ontario closely.

Regaining investor confidence is a crucial part of our government’s plan to close the gap between electricity supply and demand, and make no mistake...we are closing that gap – and quickly.

In fact, according to the Independent Electricity System Operator, our electricity supply margin is projected to be 20 per cent in 2005 – almost twice the levels under our predecessors in 2002 and higher than any levels since 1998.

Over the short-term we already have the wheels in motion to bring nearly 5,000 megawatts of diversified generation capacity on line...through three requests for proposals for new and clean energy supply, the expansion of the Beck Tunnel project, the refurbishment of Pickering A Unit 1, and the potential restart of Bruce A Units 1 and 2.

To put this in perspective, between 2004 and 2007, Ontario will secure more new generating capacity than any other jurisdiction in North America, and will provide enough electricity to power approximately 2.5 million Ontario homes.

Our actions to increase renewable energy in the province will allow us to meet and even exceed our target of generating 5 per cent of our electricity from renewable sources by 2007.

In fact, we’re creating a brand new industry in Ontario. When we came to office, less than 0.2 per cent of Ontario’s energy came from non-hydro renewable energy sources.

By the end of our first mandate – we expect to see a 75-fold increase in Ontario’s wind capacity alone.

In 2004, Bill Clinton estimated that there is a trillion US dollars on the table to move away from a carbon-based economy to a green economy.

There is no doubt that the economic benefits of renewable energy to our province will be tremendous.

In fact, large wind turbine manufactures are increasingly looking at Ontario as a hub for their growing North American operations. And why not – Ontario is a perfect place for manufacturers to do business.

The new projects resulting from the three RFPs we have initiated to date are expected to bring almost \$3.5 billion dollars in new investment to Ontario and thousands of direct and indirect jobs, which means cleaner air, enhanced competitiveness and a healthier, more prosperous Ontario.

I would call that a pretty telling vote of confidence in our industry, our people, our economy, our government and our future.

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Our government has reorganized the electricity sector to address our long-term needs.

The passage of Bill 100 last December marked a milestone in Ontario's electricity history.

As many of you know, the most important element of Bill 100 was the creation of the Ontario Power Authority, now under the able direction of its first Chief Executive Officer, Jan Carr.

And earlier today, I was pleased to announce the first 7 members of the Power Authority's Board of Directors – a group of accomplished and highly capable individuals that will help us address the gap between electricity supply and demand in a coordinated and responsible way.

I was also pleased to appoint six new Board members to the Independent Electricity System Operator, to help us meet our government's objective of developing mature and vibrant markets in our province.

The Ontario Power Authority has the responsibility to develop an Integrated Power System Plan - a crucial new development in Ontario's electricity sector.

Think about it – Ontario, a modern industrial economy, left electricity supply planning to the spot market. It's mind boggling.

The Integrated Power System Plan will lay out a plan for conservation, supply, and transmission based on a 20-year outlook.

Conservation will be an important component of the plan. Bill 100 has provided for the development of a dedicated Conservation Bureau situated within the Ontario Power Authority.

Two weeks ago I named Peter Love, a leading energy efficiency expert, as Ontario's first Chief Energy Conservation Officer.

Today, I have written to the Power Authority's new Board of Directors asking them to immediately begin work on the Integrated Power System Plan – and specifically to advise the government on what Ontario's long-term supply mix should look like in the future.

This is a monumental undertaking. The impact of their deliberations will be felt by each of us for the next two generations.

The toughest issue that must be grappled with is the future of nuclear energy.

Nuclear power will be in Ontario's future until at least 2020 – but the question remains – when existing plants reach the end of their expected lives, do we build new?

Nuclear opponents will point to questions surrounding the storage of nuclear waste, and tell you that the nuclear experiment in Ontario has been a failure...tremendously expensive, and rife with problems.

And who can blame them? The first 40 years in Ontario's nuclear experiment has had significant cost over-runs, inefficiencies and breakdowns that we cannot and should not ignore.

Nuclear advocates, on the other hand, will tell you that nuclear energy is clean and emission-free...generally reliable and affordable, with a capacity to continuously power a major portion of Ontario's electricity needs.

Ontarians seem to be equally divided on the issue.

We cannot and must not postpone the discussion on new nuclear any longer. We need to begin to make some decisions through an open and public debate.

As part of the work on the Integrated Power System Plan, I'm asking the Power Authority to seek the best possible advice on this issue, so that our government, and future governments, can move forward judiciously when it comes to nuclear energy in Ontario.

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As we contemplate the question of new nuclear, the natural next question becomes what role will Ontario Power Generation play in Ontario's energy future.

We've started from the top down. When we came to office and learned that Pickering A Unit 4 was hundreds of millions of dollars and years over budget, we accepted the resignations of OPG's Board members and a number of top executives.

We applied freedom of information and public salary disclosure rules to OPG, to remove the veil of secrecy from the company's operations.

Since then we've put a new Board of Directors in place under the able leadership of the Honourable Jake Epp. Last year I directed that Board to begin the search for a new CEO.

After a rigorous search process, and interviewing literally hundreds of candidates, the Board came to the conclusion that the best candidate was actually close at hand.

Today, I'm extremely pleased to recognize OPG's new Chief Executive Officer, Jim Hankinson, who is here with us today.

Jim joined OPG's board last fall following six years as President and CEO of New Brunswick Power. The new Board is doing excellent work, and I am sure that with Jim as CEO, they will continue to move decisively to address the challenges ahead, and to lead OPG in a new and productive era of power generation.

I also want to take this opportunity to thank Richard Dicerni for doing an excellent job as acting CEO over the past year and a half, during some of the darkest days of OPG's history.

OPG generates more than 70 per cent of Ontario's electricity. However, with the removal of OPG's coal operations, OPG's market share will fall by almost 20 percent, which means there will be healthy competition among a variety of suppliers for an increasing share of the market.

Having said that, OPG will continue to play a vital role in Ontario's evolving electricity sector through a new and renewed mandate.

Next week I will be giving OPG's Board a new Shareholder's Agreement that will clearly spell out this mandate.

Overarching OPG's mission is the requirement that it operate its current facilities as efficiently and cost-effectively as possible.

Consistent with our policy of openness and transparency, we expect OPG to be benchmarked against other competitors, so that all Ontarians can have confidence that publicly owned assets are well managed.

We have asked OPG to concentrate on maximizing Ontario's large hydroelectric opportunities, by upgrading its existing facilities and exploring new sites, especially in the Northern reaches of the province, which hold thousands of megawatts of untapped hydroelectric potential.

Ontario Hydro's history was built on clean, sustainable hydroelectric power generation.

I want OPG's future to be built on the same.

OPG's mandate does not include exploring wind power or other forms of non-hydro renewable energy. Our two RFPs for renewable energy have demonstrated that a healthy, competitive environment is developing in Ontario's renewable energy sector, and we want that level of competition to continue.

Nuclear is a more complex question, related to the long-term plan that will be developed by the Power Authority. As an immediate priority, I have asked OPG's Board to focus on improving the operation of the Pickering and Darlington nuclear stations, and to consider all possible courses of action to do so.

So far, through a system of checks and balances put in place under our government's watch, the refurbishment of Pickering A Unit 1 is on budget and almost 91 per cent complete. When you compare this to the cost and time overruns at Pickering A Unit 4 and Darlington, we are proud to say that this is the first time a nuclear project of this magnitude is coming in on time and on budget.

And I think the workers and management at Pickering A Unit 1 deserve a tremendous amount of credit for that.

But let me say on a personal level that making the decision to proceed with Pickering A Unit 1 was the most difficult decision I've had to make so far as Energy Minister. To be very honest with you, the decision kept me up at night, because it transferred an enormous level of risk onto the backs of Ontario's ratepayers and taxpayers.

Risk transfer is one of the most important things our government needs to take into account when it comes to the future of nuclear, and I have asked the Board to consider this very carefully.

In terms of fossil fuels, OPG currently operates one gas and oil fired facility, the Lennox generating station, which remains an important part of OPG's assets.

Coal-fired generation is something that our government has been very clear is not part of OPG's future mandate.

In fact, last Thursday, Premier McGuinty officially closed the Lakeview Generating Station, the single-biggest source of air pollution in the Greater Toronto Area.

The effects of coal-fired generation are simply too great for our government to sit by and do nothing. Who ever thought we'd have smog days in February and smog days in Sault Ste. Marie and Algonquin Park?

A report I released last week demonstrated a relationship between increased air pollution due to coal emissions and up to 668 premature deaths, 928 hospital admissions and 1,100 emergency room visits in Ontario every single year.

And while on the surface the cost of coal may seem very low, factoring in health and environmental costs, coal is significantly more expensive than other alternatives. And as we continue to move forward to bring on more hydroelectric power, electricity prices in Ontario will continue to be very competitive.

Very soon, our government will be announcing our plan to replace the remaining four coal-fired stations with cleaner sources of energy in a way that is responsible and never compromises the reliability of Ontario's electricity supply.

Our coal replacement plan will also help Ontario and Canada meet it's greenhouse gas reduction targets under the Kyoto accord, and we look forward to working closely with the Federal government to assist us in our efforts.

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Surprisingly, the biggest challenge in replacing coal-fired generation lies not in bringing on new replacement capacity, but in addressing transmission and distribution issues.

This speaks to the importance of transmission and distribution to our electricity sector.

It's expensive to maintain a network of wires that blanket the province. Ontario has one of the largest transmission systems in North America, and our distributors have to manage lines to reach more than 4 million customers.

In December, our government released a discussion paper on transmission and distribution issues, to solicit advice on how to maximize efficiencies in the sector, and facilitate distributed generation.

We're leveraging the relationships our local distribution companies have with their customers by allowing them to invest more than \$160 million dollars in local conservation programs...programs that will help their customers use electricity more wisely, and minimize energy losses within the grid.

We're also moving from an antiquated system of infrequently read mechanical meters to a sophisticated system of smart meters where electricity consumers can track their consumption in real time.

Through our efforts to put a smart electricity meter in 800,000 homes and businesses by 2007, and in every one by 2010 –consumers will be motivated to shift their load and use electricity more wisely, and local distribution companies will benefit from information about their customers never available before.

We're also looking to our neighbours to the east and west, to take a lead role in the development of an east-west transmission grid.

That's why we're working with the governments of Manitoba, Quebec and Newfoundland and Labrador, to find mutually beneficial solutions to enhance our transmission infrastructure and maximize our hydroelectric resources to address our long-term supply needs, which is obviously of great national and provincial interest.

The Canadian government has expressed a desire to proceed with the development of an east-west electricity grid under its plan to meet its Kyoto targets, and I'm proud that Ontario has been a leading advocate for the cause.

Like our ancestors who made the Beck generating station a reality, I believe we need to think big when it comes to an East-West transmission grid. As Churchill once said, "the empires of the future are the empires of the mind."

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I'm proud of what our government has accomplished, and I'm proud of the plan we're executing.

And for everyone that has helped develop our plan and move forward to overcome our challenges – you should be proud too, because we've accomplished a lot together.

I look forward to the challenges ahead and the progress we will make during the balance of our first mandate.

We have been and will continue to be ambitious and aggressive. We have moved on many fronts. Underlying all of our reforms is the realization that we must be price competitive with our neighbours and second to none in reliability.

We are bringing on newer and cleaner power...cleaning up our air....restoring confidence in the sector....enhancing our wires infrastructure...and meeting our conservation and renewable energy targets.

We are setting the table for an optimal electricity supply mix to power the continued growth and prosperity of this great province in which we live, while keeping prices affordable and the lights on.

Thank you for coming today, it was a privilege to be here.

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