

Deep in a Dark Age of electricity policy

Terence Corcoran

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Imagine this: The Food Supply Agency announced yesterday that the entire food supply chain is operating at near capacity. All consumers are being asked to cut down on their eating. Due to a lack of investment in new production and distribution facilities,

food shortages are possible in several regions, especially major urban centres. The Department of Food Security has issued a new booklet, How to Make That Frozen Pizza Last All Weekend. The Board of Health today will issue new guidelines on how much food each person should consume each day. "It's a question of excess demand," said a government minister. "We need to cut back on our eating. We simply don't need to be eating as much as we do. It's straining the system."

In Ontario, citizens live surrounded by precisely such reductio ad absurdum admonitions from Dalton McGuinty's Liberal government over electricity. Deep into the absurd is where you would expect to end up under a government that has adopted absurdity as the first principle of electricity regulation.

The province is closing coal-fired generating stations, has fixed the price of electricity at below-market rates and issued requests for new power plants based on pricing schemes and green policies that make no obvious economic sense. All this is being masterminded by an energy minister, a premier and a new array of all-powerful boards and authorities that would be the envy of central planners from here to Zimbabwe.

So, as logic dictates, the province is running out of electricity capacity, just in time for a heat wave. Demand hit a record 26,157 megawatts on June 27. Electricity is being imported from the United States at 30 cents a kilowatt hour and then sold to consumers at fixed prices of 5.0 or 5.8 cents. This brilliant economic model is the handiwork of Mr. McGuinty's energy Minister, Dwight "No-Lights" Duncan.

To be fair to Mr. Duncan, he appears to have learned his electricity policies from "Blackout" Ernie. Just before the former Ontario Tory premier, Ernie Eves, was turfed out of office by voters, he terminated the province's move toward a market-based electricity system, reinstalled price controls and essentially shut down progress. With a few technical exceptions, nobody has built new generating capacity in Ontario since the Eves policy blackout.



Judging by the latest statements from the current Progressive Conservative leader, John Tory, Ontario seems guaranteed to be engulfed in a Dark Age of electricity policy for decades to come. The lights may or may not go out this summer, but they are unlikely to stay on through the rest of the decade.

In an op-ed in the Toronto Star yesterday, Mr. Tory virtually endorsed the McGuinty program. "No one would be against the eventual and well-planned closing of coal plants," said Mr. Tory. Well, in fact, many people oppose the shutdown of the coal plants. Mr. Tory also said his party "is supportive of the need for green energy." In other words, the Tories have no alternative policy, no call for market forces, no plan to bring in real pricing, no plan to get the government out of the electricity business. In fact, Mr. Tory proposed the same policies, only better. "It means having a plan," he said.

That leaves Ontarians facing summers and winters in a constant state of apprehension

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and under perpetual harassment to cut down on energy consumption because the government will not or cannot meet demand. The tone of the harassment is that the problem is wasteful consumers who won't march into line behind the government's blundering policies.

But consumers are not to blame. As the chart above shows, over the last decade electricity consumption per capita is been flat. As the population grows (up 1.6 million, or almost 14% in 10 years) total energy consumption rises. But the amount of power used per person is steady, even in decline. What is clear from the chart is that electricity demand per capita keeps heading down a bit, and probably would have dipped steadily over the decade had it not been for the power price freezes that have been in place in one form or another since the mid-1990s.

The policy absurdity, meanwhile, deepens. The province urged people to cut air conditioning use to curb demand. Simultaneously, Toronto's health officer called on the city to impose maximum temperature limits in homes and public buildings. That would require many landlords to go out and buy new air conditioning equipment, which would increase demand.

That's the electricity future in Ontario. The government will persecute citizens for the government's failure to provide enough electricity. And the electricity that is provided, based on contracts and policies that are set by planners, will arrive without the benefit of market prices. That's if the power arrives at all.

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