It’s time for action in Ontario. Without an integrated plan to expand our economy and balance the budget, our province will continue to face high deficits, struggle to cover the cost of essential public services, and fail to create jobs for the more than 500,000 Ontarians looking for work.

Ontario must tackle both its deficit problem and its economic growth problem simultaneously. We must reduce the size and cost of government, but also remember that Ontario can’t cut its way out of the tough situation it is in. We need government policies that will encourage growth, not slow it down.

That’s why it’s time for a fresh approach to Ontario’s power sector, one that recognizes that affordable energy is a fundamental element of Ontario’s future economic success. We need policies that will keep prices under control for entrepreneurs, industry, and households alike, while ensuring that the system is reliable and sustainable.

Affordable energy is a cornerstone of economic growth. The provinces that have taken the right steps to assure a steady supply of power at fair rates are well positioned. Those like Ontario, where power rates are being driven up by expensive energy subsidies, are not.

We need to change that. Government must get back to its proper, limited role. It should provide strong and independent regulation, conduct long-term planning, and establish a system where power is provided by companies competing to offer the best prices and most efficient technologies. Government does not need to micromanage every decision made in the power sector.

Power prices affect all consumers and virtually every element of the provincial economy. High power prices cost jobs, they don’t create them. In order to expand the economy, our goal must be to generate affordable power.

We won’t reach that goal by conducting business as usual. We need a new approach. The good news is that Ontarians have a lot of expertise and ideas to offer. That’s why the Ontario PC Caucus has produced this Paths to Prosperity white paper – the first in a series – to pull together some of the best ideas we’ve heard so far and to focus the discussion on finding real solutions to the problem of rapidly escalating electricity prices.

Together, we can fix this problem and make power prices a job creator, not a job barrier.

Leader of the Official Opposition
As energy critic for the Ontario PC Caucus I’ve had the honour and the privilege to travel across Ontario talking to people about energy. From the dedicated men and women who keep the power plants running to the moms and dads who flip on the light switch, there is no shortage of opinions about electricity policy in this province.

The Ontario PC Caucus under Tim Hudak has consulted widely on the future of the provincial power sector. We have listened to our grassroots party members, energy policy advisory committee, and newly formed Job Creation Task Force. We have gathered ideas from all corners of the province, from energy developers to Canadian pension plans to union members – from sector experts both in and out of government to respected think tanks and mainstream media commentators.

There are many voices calling for change, and many people agree on what must be done. This Paths to Prosperity white paper identifies what we believe are some of the strongest ideas and those that most often recur in our daily conversations and travels. It is the first stage in developing rational, positive policy proposals that will restore Ontario’s power sector to its proper role as a key component of job creation and economic growth.

We are proposing fundamental change and advocating new ideas in this paper because we want it to spark a debate and to solicit your feedback. We believe this approach, and not tinkering around the edges, will lead to better public policy. Please let us know what you think by contacting my office through email at vic.fedeli@pc.ola.org or by phone at 705-474-8340 (Constituency) or 416-325-3434 (Queen’s Park).

Vic Fedeli
MEMBER OF PROVINCIAL PARLIAMENT, NIPISSING

As energy critic for the Ontario PC Caucus I’ve had the honour and the privilege to travel across Ontario talking to people about energy. From the dedicated men and women who keep the power plants running to the moms and dads who flip on the light switch, there is no shortage of opinions about electricity policy in this province.

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Ontario’s power sector has strong fundamentals, yet prices continue to increase far in excess of the rate of inflation, while rates fall in competing jurisdictions. Why is that happening? The answer to that question tells us what we need to do next, but first, let’s remind ourselves of what’s working in our energy system.

From Niagara Falls, to the province’s nuclear plants, to the huge Dawn Hub natural gas storage facility, Ontario already has a sophisticated energy system in place. Three-quarters of our power comes from non-emitting nuclear and hydro-electric power sources. Natural gas plays a strategic role as well, with its ability to provide affordable power on short notice.

Ontario has vast reserves of scientific knowledge, skilled workers, and strong business enterprises in the energy sector. These are fundamental strengths.

We aren’t under pressure to rush to add more generating capacity, either. Peak demand has actually dropped by almost six per cent over the last five years. Unfortunately, that reflects the dramatic downturn in Ontario’s economy and the reactions of consumers to drastic rate increases.

The problems in Ontario’s electricity system have been widely examined, receiving detailed analysis from the Ontario Society of Professional Engineers, former Ontario Power Authority CEO Jan Carr, the provincial Auditor General, former Bank of Canada governor David Dodge, and economist Don Drummond, who headed a major study of government efficiency.

A review of the existing analyses leads to one conclusion. The Green Energy and Green Economy Act of 2009 was the point where Ontario’s power policies took a profound turn in the wrong direction. Imagining that Ontario’s industrial economy could function while replacing conventional power generation with massive amounts of wind and solar, the government agreed to 20-year power deals at uncompetitive prices. The result has been sharply escalating electricity prices and a growing surplus of power that we now sell at a loss.

In 2009, Ontario lost sight of the fact that electricity costs are an economic fundamental and that government must make sure the province has an efficient supply of power at affordable prices. Together, we can fix the problem, restore the primacy of consumers, and make power an agent of economic growth again.

We can’t defy the laws of economics and the laws of physics, but Ontario’s current policy attempts to do both.

A surplus of a commodity normally lowers its price, but despite Ontario’s ever-increasing excess of power, the price of electricity continues to go up. That’s what happens when government sets arbitrary, and unrealistically high, prices for power. The Green Energy Act boosts wind and solar companies, but at the expense of Ontario’s power consumers. It ignores the fact that the broader Ontario economy relies on affordable power.

Government can compel consumers and businesses to pay these
high prices, but it has had less success overcoming the rules of physics. The oversupply of power has knocked our sophisticated and complex power system out of balance. The province’s professional engineers warn that the current approach is dangerously slowing our transmission system with new power, most of it wind and solar energy that isn’t dependable. Provincial authorities can decree that all of this energy has to be accepted onto the system, but something has to give. Our transmission system can only handle so much. For example, the engineers note that oversupply is already leading to the costly shut down of nuclear plants and hydro-electric spillage. The provincial Auditor General notes that oversupply also creates a situation where Ontario has to sell its power to other jurisdictions at a significant loss. Our power system already resembles an overflowing bucket of water. Now Ontario power users are being forced to pay a premium for more water, causing the bucket to overflow even more. The serious issues of oversupply and price have been obscured by a debate about whether wind and solar technologies are good or bad. They are neither. Renewable energy from these sources is, and should be, an important part of Ontario’s power mix but we can’t create a sustainable industry by forcing consumers to pay excessive prices.

What this province needs is an Affordable Energy Act, a new set of rules that will sustain our renewable energy industry through consumer choice, not subsidies. Treat electricity as a job creation tool for the whole economy, and keep power rates under control for consumers.

We are suggesting significant changes in who owns the electricity sector, a return to competitive bidding for power generation, and ideas to save consumers money. Above all, we know that Ontario needs an integrated, pro-growth plan that leads to job creation and economic development.

"Our power system already resembles an overflowing bucket of water. Now Ontario power users are being forced to pay a premium for more water, causing the bucket to overflow even more."
RETHINKING GOVERNMENT’S ROLE

We need to start with a fundamental question. What role should government play in the generation, transmission, and distribution of electricity?

Right now, government dominates all three sectors of the system, owning the key players and making even the smallest decisions itself. This is the way we have always done things in Ontario. But what value does government add?

We suggest a clearer, more limited role for government.

Government does have a responsibility for long-term planning, to make sure we have enough power. Government also has a responsibility to promote transparency, such as in the use of funds collected from consumers through the Debt Retirement Charge.

Through the Ontario Energy Board – the provincial regulatory body – government has a role to make sure power prices are reasonable and fair. We would ensure the OEB is focused on this core mandate as an economic regulator. The Ontario Energy Board can also promote transparency by reviewing publicly the composition and administration of the global adjustment, a cost power users pay to cover the gap between the market price of electricity and the high-priced contracts government has signed.

Beyond that, we question the need for government to be the major player in Ontario’s power sector. We are suggesting policy changes that will unlock the value of the public’s huge investment in the sector, while creating a more efficient system that relies on private capital in the future, not more public borrowing. By next year, Ontario’s provincial debt will have doubled from what it was in 2003. The current path of borrowing is simply unsustainable.

The inefficiencies of the former Ontario Hydro are legendary. That’s why Ontario businesses and residential power users are still stuck paying for debt the former corporation ran up. When the company was split into Hydro One, which is mostly a transmission and rural distribution company, and Ontario Power Generation, it did not magically make things more efficient. OPG is still plagued with cost overruns, Hydro One’s efficiencies don’t compare well to other utilities, and both agencies suffer from high labour costs.

Top executives at Ontario Power Generation and Hydro One have the highest salaries in the provincial public sector, even though they are running businesses that do not face normal competition or the pressure for results that comes from having to meet shareholders’ expectations. And despite the fact that power demand in Ontario has declined significantly, the number of highly paid employees at OPG and Hydro One continues to increase rapidly. Taken together, there are over 11,000 people at these two companies earning more than $100,000 a year, for a total compensation package of more than $1.5 billion annually. These figures are more than double what they were in 2003.

We suggest opening both Hydro One and OPG to investment. The first step would be to negotiate a partial sale to Ontario’s major pension funds. These funds are the largest in Canada and have a strategic demand for long-term investments. That initial sale could later be followed by a public offering of shares to both institutional and retail investors.

Investors like public sector pension plans and major power companies will demand, and get, the kind of management that values efficiency and cost control.

Our view is that investors – not taxpayers – should bear the investment risk in generating, transmitting and distributing electricity – as is the case in the US and UK.

– Michael Nobrega, President and CEO of OMERS

OPG in particular faces substantial investment requirements in the near future related to nuclear refurbishments and the proposed construction of new reactors at the Darlington site. If projects go over budget, the difference will come from investors’ dollars, not the perceived bottomless pit of public money.

Selling part of these two provincial assets will free up money to pay down debt, which is now so high that it is weakening Ontario’s credit rating. Consumer prices would continue to be regulated by the Ontario Energy Board.

PATH 1

Monetize Ontario Power Generation and Hydro One – the publicly-owned power generation, transmission and distribution companies – first through a pension-led equity stake, followed later by an initial public offering of shares that will open them to other future investors. The goal is to create more efficient companies that are not entirely reliant on public money.
There is also an opportunity to create efficiency and value for the public by making changes in the rules that govern local distribution companies (LDCs) – the utilities that deliver power to your home or business.

Most Ontario consumers deal directly with a company such as Toronto Hydro, North Bay Hydro or London Hydro. There are nearly 80 of these companies in Ontario, and they are already for-profit, privately structured corporations registered under the Ontario Business Corporations Act. The majority of LDCs are owned solely by municipal shareholders, but others, particularly pension plans and domestic holding companies, have seen these as valuable long-term assets as well.

While bigger isn’t always better, many of these companies are just too small to be efficient. That means consumers and businesses are paying more than they should. Thirty-two of the companies have 10,000 or fewer customers, not enough to be cost efficient.

The large number of companies doesn’t create consumer choice. Each is a monopoly in its own small region. Do we need 80 monopolies to distribute electricity in Ontario? Natural gas distribution is a comparable service but is delivered by just five companies.

In a normal business sector, consolidation would have occurred naturally, but provincial rules have imposed a 33 per cent transfer tax on the sale of local utilities to investors. This tax was intended to help pay for the debt left by the former Ontario Hydro, but without sales, there is no tax. Instead, it has prevented natural, efficiency-creating mergers.

We have heard numerous times that the transfer tax should be eliminated, creating benefit for municipal taxpayers and for power users. While taxpayers own these companies, they can’t fully tap into their value because the high tax makes them virtually unsalable. Eliminating this barrier would deliver greater options and flexibility to local councils. Without the tax, some municipalities will choose to expand their local hydro companies, generating new revenue for the municipality. Others will choose to sell part or all of their company and use the proceeds for important infrastructure projects.

Either way, power consumers will benefit from stronger utilities and lower operations, maintenance, and administrative costs.

It is important to emphasize that this would be a voluntary process. The decision to sell or expand should be made by local councils – not Queen’s Park. However the province should also encourage consolidation with progressive new targets for operating efficiency set by the Ontario Energy Board.

Local distribution companies will continue to be regulated by the OEB, no matter how many of them there are or who owns them.

There will be savings at the Energy Board, too. The provincial Auditor General found that a typical LDC rate application can involve 1,200 pages of paper work, the use of external consultants, and cost a mid-sized utility a quarter of a million dollars to complete. Reducing the number of companies the OEB must regulate will help keep down costs, which more than doubled at the board between 2003 and today. The large number of electricity distributors is one of the key drivers behind that increase. Taken together, 40 per cent of the average electricity bill is comprised of regulatory and delivery charges.

**PATH 2**

Abolish the 33 per cent transfer tax to encourage cost-efficient consolidation of local power companies and direct the Ontario Energy Board to make sure those efficiency savings are passed on to consumers.
ELECTRICITY AND JOBS

There is a strong correlation between the price of power and jobs, but current policy doesn’t have it right. In fact, it has it backwards.

A recent study by the Fraser Institute used a Statistics Canada model to study the effect of higher energy prices on employment and found that expensive “feed-in tariffs” for renewable energy are likely to cost as many jobs as they create. Ontario Auditor General Jim McCarter has cited international studies to say that high wind and solar prices cost two to four jobs in other sectors for every one created in the wind and solar sector itself.

Power is a major input cost for business. Steadily rising power bills leave less money to reinvest in research, equipment and creating new jobs.

Ontario already has the highest industrial electricity costs in Canada, and they’re going to get worse. According to the Ministry of Energy’s own data, a major industrial facility such as an auto assembly plant can expect to pay about $2.2 million more a month in power charges by 2018 due solely to renewable energy costs.

That’s a major problem for our beleaguered and power-intensive manufacturing and resource-based industries, struggling to get back on their feet and create good jobs that Ontarians need.

Energy and electricity prices top the list of costs affecting the outlook for small firms as well, particularly those competing against firms outside Ontario. According to one survey by the Canadian Federation of Independent Business, 88 per cent of Ontario members cited “price stability” as the most important energy issue for their business.

As the government’s own economic consultant, Don Drummond, said in his report on how to tackle the province’s debt burden, “the inextricable link between electricity prices and economic performance requires us to review possible avenues to reduce long term costs to electricity consumers.”
Ontario’s economy will grow again when we keep power rates down for businesses, not raise them to benefit one narrow niche of the economy. That means an industrial and resource power rate in Ontario that takes into account what businesses in competing jurisdictions are paying for power. As recent experience has shown, our provincial economy can’t afford to be uncompetitive on power.

In northern Ontario, in particular, more needs to be done to take advantage of the ample generating capacity in the region. Right now, much of that capacity is going unused while forestry and mining operations are closing because of high power prices.

The Ring of Fire mining opportunity alone could attract billions in business investment to Ontario. We should be processing that chromite, copper, and nickel in Ontario, but we won’t get that opportunity unless power prices are competitive.

European countries like Denmark and Germany recognize that export-oriented industries cannot bear uncompetitive power costs. Instead, they shift some of the extra burden to other consumers. Sadly, Ontario’s new legacy of excess costs forces us down this road.

In establishing this new industrial and resource power rate, the Ontario Energy Board would have to take into account the power rates in competing jurisdictions and the effect on consumers. It would also have to undertake and monitor the costs and benefits of the power rate. It would remain government’s job to ensure that the rate changes actually create investment and jobs.

PATH 4

Establish a new power rate for manufacturing and resource-based industry. This rate should be set independently by the Ontario Energy Board using objective economic criteria like the average of what similar businesses pay in surrounding, competitive states and provinces.
ENERGY SUPPLY

The right mix and volume of energy supply is critical to a system that can meet Ontario’s demand at the best price while allowing our power grid to function effectively.

Ontario’s system relies heavily on hydro-electric and nuclear power stations, which together are our main power source. To supplement those, we use wind and solar farms, but they don’t provide power reliably. To back up wind and solar and to meet fluctuating demand, Ontario depends on natural gas generating stations.

The problem we have in Ontario now is that there is already too much wind and solar available, mostly when we don’t need it and at unrealistically high prices. Rules that say wind and solar must get preference on the grid mean that we either have to waste cheaper, green hydro-electric power or nuclear power or sell it at a steep loss.

Ontario needs to get its power supply and demand back in balance, while making sure we have the power required when industries want to expand again. A number of steps are required to meet this goal. First, Ontario must be committed to maintaining nuclear power to cover half of our power needs. Today, nuclear power delivers this amount cleanly, competitively, and reliably. But this fleet is aging. Soon, we have to begin closing down some reactors. We must build new ones and refurbish others. The Pickering nuclear plant will be the first to see closures. Pickering will need to keep a large contingency of employees for decommissioning work. Other employees would be transferred to the Darlington Nuclear Generating Station, where two new nuclear reactors would be built using an open and competitive request for proposals. Even though this power will not come online for a decade, these decisions must be made now, and with a sense of responsibility to Ontario’s long-term economic needs.

In the meantime, we must tackle the province’s current oversupply of high-priced electricity. Renewable energy is desirable, but the problem is that Ontario is currently flooding the power system with wind and solar when there is no demand for new power of any sort, especially through expensive subsidies at prices from two to 10 times the cost of traditional sources.

To prevent the oversupply problem from getting worse, we propose cancelling the province’s feed-in tariff program for both large and small power generators. We would immediately halt all the new projects still in the approval queue. We will also end the special deals with Samsung and ensure that future power deals are the result of competitive contracts, not secretive, one-off arrangements.

All existing projects that are connected to the grid will remain in place, but we can’t keep contracting for power that we don’t need at prices that consumers can’t afford.

Our economy can’t afford it, either. Ontario will have the highest electricity prices in North America next year. That makes it tough for Ontario businesses to compete and create jobs. While the government has recently lowered the rates for future wind and solar contracts a little bit, going more slowly down the wrong path is still not the solution.

Any future industrial wind or solar projects must meet three key tests:

As many as 35,000 jobs could be lost as a result of more expensive electricity under the Green Energy Act.

Do we need the power, is the price competitive, and is the host community willing to accept the project?

If the province is to be a player in wind and solar energy in the future, it will only succeed if Ontario companies can contribute to producing this power at competitive market prices. The heavily-subsidized regime we have in Ontario now takes away the incentive for that efficiency.

Countries around the world where this type of energy policy began decades ago are now backing away. It’s time Ontario did the same.

Ontario’s current electricity surplus has led to a number of expensive short term remedies to keep the system stable, from dumping this power at a loss in neighboring states and provinces to spilling water at our hydroelectric facilities. We are even temporarily shutting down nuclear power units.

Instead of paying neighbours like New York and Quebec to take our surplus power, we can use this situation to explore a new, made-in-Ontario technology. One option is to make green hydrogen, which acts as a way to store energy for another use, as a battery does. Unlike batteries, however, hydrogen can be sent through a pipeline like natural gas or stored as a liquid and transported in a tanker truck. Creating hydrogen from our oversupply of wind power could help alleviate strains on the transmission system, which is bound by contract to accept all power created from wind and solar farms, whether it’s needed or not.

PATH 5
Affirm nuclear as the key future source of Ontario’s basic energy supply.

PATH 6
Cancel the non-competitive feed-in tariff program.

PATH 7
Subject future wind and solar projects to tests like demand assessment, competitive bidding and local approval.

PATH 8
Explore options like green hydrogen as a way to deal with Ontario’s oversupply of power, for use in power plants, industrial operations, and vehicle fleets.
SENSIBLE TRADE AGREEMENTS

Whatever steps are taken next, Ontario will have to contend with a surplus of power for many years. That means we need a rational policy to sell that excess power under contract to neighboring jurisdictions, not to dump it at the last minute at a loss, as Ontario does today.

While the government has tried to portray the power export problem as a revenue generator, that is not the case. As Auditor General McCarter has pointed out, Ontario is selling power for far below cost – great for competitors in other provinces and the U.S. but punishing for Ontario power consumers.

On days when there is too much power, Ontario is often forced to spill water at its hydro dams or curtail nuclear production, passing up the chance to generate inexpensive electricity. In 2010, 86 per cent of wind power was produced on days when Ontario was already exporting surplus power. With a vastly expanding portfolio of wind power contracts, this situation will grow far worse in the near future.

The oversupply problem is so serious that we’re paying people not to generate power. McCarter reported in 2011 that the excess supply will mean Ontarians may have to pay between $150 million and $225 million a year to renewable electricity generators not to generate electricity.

There is no long-term plan to address Ontario’s electricity export losses. It’s time we developed a strategy for those exports that maximizes their value, rather than giving them away at bargain basement prices.

Ontario is not an island. Our neighboring provinces and states constitute both a market for our power and potential sources of attractively priced imports that can be a good alternative to building new power plants in the future when energy demand recovers.

We need to turn this situation to our advantage. For example, Quebec is a major exporter of well-priced hydro-electric power. Newfoundland and Labrador is currently developing the Lower Churchill project – one of the largest undeveloped waterpower resources in North America. These are potential new sources of power to meet Ontario’s future demand and strengthen Canada.

“Based on our analysis of net exports... we estimated that from 2005 to the end of our audit in 2011, Ontario received $1.8 billion less for its electricity exports than what it actually cost electricity ratepayers of Ontario.”


PATH 9

Eliminate impediments to electricity trade wherever possible, engaging other levels of government in these discussions where appropriate.

PATH 10

Enter into trade agreements with neighboring jurisdictions to export our predictable surpluses of power at a reasonable price and treat imports as competitive alternatives to new provincial generation.
Ontario power users are facing dramatic increases in costs in the next few years. The government itself says that power prices will increase by 46 per cent by 2015. Independent analysts have presented even more pessimistic near-term rate outlooks. In 2010, the Roger Martin Task Force on Competitiveness, Productivity and Economic Progress estimated the Green Energy Act would cost ratepayers $32 billion over the next 15 years.

Consumers have been hit with the costs of smart meters and smart grids, overpriced energy contracts, money-losing exports, and redundant government agencies like the Ontario Power Authority. Government can and must do better. Your power bill shouldn’t fund a failed job creation program. Instead, government should take steps to make sure Ontario’s power system is efficient, sustainable, and delivers power at the lowest price.

Consumers need more choice and the system needs more competition. The transmission and distribution of power are natural monopolies that must remain regulated. But we need more competition in power generation.

More consumers should be encouraged to choose renewable energy voluntarily, instead of being forced to pay for it through government mandated policy. There are already companies offering retail contracts to those willing to pay a premium for wind and solar power. We encourage this as a valid consumer choice, much like the premium some people choose to pay for organic fruits and vegetables. What we won’t do is compel everyone to pay artificially high prices, whether they want it or not.

### Residential Electricity Rates (¢/kWh)

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<th>Apr 05</th>
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*Ontario Energy Board “Regulated Price Plan (RPP) - Tiered Prices”*
not, whether they can afford it or not.

We will help green retailers reach consumers by making it easier to buy their products directly. This would reintroduce consumer demand and price as factors in making future power generation choices. That’s preferable to government making all the choices for us.

Choosing your power mix should be as easy as any of the other consumer choices we make. Consumers should be able to pick a power plan by ticking off a box on their monthly bill or going to a website to see power alternatives delivered by the private sector.

### Concerns of Small Business Purchasing Electricity

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<td>88%</td>
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<tr>
<td>Annual rebates based on usage</td>
<td>33%</td>
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<tr>
<td>Opt out of contracts/no penalties</td>
<td>30%</td>
</tr>
<tr>
<td>Consistent end of month billing cycle</td>
<td>28%</td>
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<tr>
<td>Electricity efficiency information</td>
<td>26%</td>
</tr>
<tr>
<td>Friendly and accessible customer service</td>
<td>24%</td>
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<tr>
<td>Savings through group purchasing power</td>
<td>21%</td>
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<tr>
<td>Ease of switching from current supplier</td>
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<td>Choice of contract terms</td>
<td>12%</td>
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<tr>
<td>Single invoice for multiple sites</td>
<td>9%</td>
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<tr>
<td>Other</td>
<td>3%</td>
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</table>

*CFIB Provincial Energy Survey, September 2010*

### PATH 11

**Provide consumers more renewable offerings through their electricity bill or online to make it easier to choose green energy from private sector retailers voluntarily.**

Consumers also want choice in transportation, and electricity will play an increasing part in that. Electric cars are already on the road and might well be the leading edge of a transformative technology change. They will reduce air pollution produced directly by vehicles, but consumers will not adopt this new technology unless it is affordable. A key offset to the higher initial cost of electric cars is the anticipated operating savings. Rapidly rising power costs erode those savings. If electric cars are to be affordable and commonplace, we must keep power costs down.

Market competition drives efficiency and lowers prices. We can already see that in play as manufacturers produce hybrids and more fuel-efficient cars. That’s why we suggest ending all subsidies directed at electric cars. For example, the province has promised to spend about $80 million to subsidize charging stations for electric cars and to subsidize those who want to buy them. This kind of spending is simply unaffordable. We believe the electric car needs to be adopted without public subsidies. Just like power itself, electric cars need to be competitive at their real costs.

Most owners of electric cars will charge them at home or at work. If there is a market for the kind of public-place charging stations that have been proposed, then the private sector will meet it.

### PATH 12

**End all subsidies for electric cars and charging stations.**
The current government has tried to mask part of the inflating price of power with the so-called Ontario Clean Energy Benefit. It has been shifting 10 per cent of your power bill onto the provincial debt. Fortunately, the most recent budget reduced the subsidies paid to some high volume users.

The objective of government policy shouldn’t be to put a lid on a boiling pot of water, but to stop what is causing the boiling in the first place.

This price reduction is only possible because the government is borrowing money to pay a portion of Ontario’s power bill. Interest rates will inevitably increase from their 20-year lows, and unaffordable programs like this one will only prolong balancing the budget and growing the economy.

For consumers, there will be a day of reckoning in 2016 when the price reduction program runs out and power bills suddenly jump 10 per cent. Or worse, government will be afraid to end the subsidy and will continue to drive up the provincial debt to keep it in place.

The Ontario Clean Energy Benefit does nothing to lower the real price of power. It is simply a scheme to paper over controversial power costs. In fact, economist Don Drummond made eliminating the OCEB as quickly as possible his first recommendation under the energy section of his report.

The so-called “benefit” needs to be reduced every year, to minimize the shock to consumers. This action will also help speed reduction of the provincial deficit. Borrowing to pay our power bills will cost Ontarians more in the end, not less. That just doesn’t make sense.

**PATH 13**

Phase out the provincial power subsidy by cutting it every year until 2015.
CONCLUSION

We need to rebalance our electricity sector and to restore fact-based decision making. Our proposals to accomplish that are bound together by a single theme: Electricity must be a tool for private sector job creation and economic growth.

When government controls a vital element of the economy, as it does with the electricity sector, it’s easy to distort the rational market forces that promote innovation and price competition. In Ontario, we have a hybrid market that relies partly on prices set in the open market, but more and more on prices set by government through long term, high-priced contracts. That won’t change overnight, but introducing an element of private ownership and competitive bidding for power contracts will start to move us back in the right direction.

Ontario can’t afford a future where money desperately needed to invest in productivity and job creation is spent instead on power bills that have become dramatically higher simply because of government decree.

There are many sound ideas for getting Ontario’s electricity sector back to rationality. We can’t present them all here, but we want to start an informed discussion on this vital issue. This Paths to Prosperity white paper is a first step towards a clear, principled plan to restore our power sector to its rightful position as a major support for an expanding provincial economy.

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