

Businesses Households Crushed Ontarios Wind Power Obsession Sends Power Prices into Orbit Thousands Live With No Power

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My plan, 'my bad'....

Thanks to its Liberal Government and their fanatical pursuit of subsidised wind power, Ontario faces a monumental social and economic crisis. Here's the view of an unfolding calamity from a battered, but once proud and prosperous province.

The five sins behind Kathleen Wynne's power failure:

Why the Ontario Liberals under Kathleen Wynne face such a crisis from their handling of the electricity file

Macleans

Charlie Gillis

23 November 2016

To err might be human, but to admit a mistake is anathema to politicians. So props to Kathleen Wynne for her **"my-bad" moment on soaring electricity prices**—however calibrated it was in its vagueness.

"People have told me that they've had to choose between paying the electricity bill and buying food or paying rent," the Ontario premier **told her fellow Liberals** over the weekend. "That is unacceptable to me. It is unacceptable that people in Ontario are facing that choice. Our government made a mistake. It was my mistake."

This expression of unreserved contrition is, of course, a desperate measure. The Liberals have at long last identified skyrocketing power bills as an extreme electoral hazard—one of those rare issues with both substantive and symbolic resonance that drags down an incumbent government over the course of a campaign. Whether a renter or a homeowner, every adult Ontarian feels soaring power rates in their pocketbooks to some degree. More importantly, they understand them as an outcome of this government's preoccupations, which is to say, its pursuit of renewable energy alternatives seemingly at any cost.

Wynne left open the question of exactly where she and her government went wrong. Better to confess a spot of temporary blindness, or even callousness, than acknowledge the cornerstone of party policy dating back more than a decade may have been flawed. And to be sure, not all of the mistakes are hers.

But to call them mistakes might be a misnomer, actually, because on the hydro file, the Grits have succumbed to an all-too-familiar set of political sins. Some are venial, the kind from which a pol can regain a state of grace. But if recent signs are any guide—four Liberal losses in the last five by-elections, and a 15 per cent approval rating for the premier—others may prove mortal. An overview:

Naiveté

The Liberals faced three challenges on the energy front when they took office under Dalton McGuinty in 2003: inadequate capacity, aging power infrastructure and brown air. Their tripartite solution: invest in upgrades to the grid (a no-brainer after the 2003 blackout); shut down the province's coal-fired generation facilities (which caused much of the pollution); and offer incentives for the production of renewable energy production.

That third item brought trouble, because the government's idea of "incentives" for wind and solar producers was 20-year contracts at as much as triple the market rate for power. **A report last year** by the provincial auditor general, Bonnie Lysyk, found that Ontarians shovelled out \$9.2 billion more than necessary because of those deals. Between 2006 and 2014, she found, consumers and businesses paid \$37 billion above the market price of electricity (experts later noted some of that reflects the cost of upgrading infrastructure).

Worse, it must pay the green producers whether it needs the power or not. The province has since brought in a new process to lower costs, but the damage is done.

Maybe the McGuintytes thought generous terms were needed to get producers to invest in renewables. Yet the rates were out of line with those on offer in other jurisdictions. A generation of Ontarians will pay for their ingenuousness.

Myopia

The **electoral map** after the 2014 election shows how concentrated Liberal power is around populous southern Ontario, and in Ottawa. That's important, because the vast majority of homes in those areas enjoy access to natural gas, which they use to heat their homes. Gas has been cheap for the better part of the last decade. Outside the Liberal south: a different story. Hundreds of thousands of households in small-town and rural Ontario rely mainly on electrical heating, which requires a lot of juice. So they got knee-capped relative to gas customers as the price they paid for electricity climbed 70 per cent between 2006 and 2014. These are the folks Wynne worries are now choosing between groceries and heating.

Imagine their fury upon seeing wind turbine farms and solar panel fields in their areas, knowing who's doing the heavy financial lifting to make them possible. They've all but waved their arms to get government attention. But for most Liberal MPPs—whose urban-dwelling constituents weren't feeling such pain—they were over the horizon and out of sight.

Arrogance

The McGuinty government's confidence that it held the key to a brighter, greener future morphed at some point into the belief that it must see its mission through by any means necessary. In 2011, that pathology presented in a cynical decision to cancel construction of a pair of natural gas-powered generating stations in Mississauga and Oakville, where residents who didn't want the facilities in their midst were threatening to punish the Grits at the polls.

That decision might have salvaged a shaky minority, preserving Liberal seats in battleground ridings. But it came at an enormous price to ratepayers—nearly \$1 billion, according the auditor general.

This was a naked case of the party putting its electoral interests ahead of Ontarians', suggesting the Liberals saw the power system as a pawn in their grand scheme. McGuinty retired under the cloud of the scandal in 2013, while two of his former top aides now await trial on criminal charges for allegedly destroying emails related to it. Wynne, who co-chaired McGuinty's 2011 campaign, is dogged by the whole fiasco to this day.

Poor judgment

Or lousy math—you can choose what to call it. In addition to the insane rates it guaranteed to producers of renewables, the province appears to have signed too many contracts with private producers because it overestimated future demand for electricity. One problem: manufacturers who once used up sizeable portions of the power have been slow to return to Ontario.

This has led to a perverse outcome where, effectively, Ontario pays to export electricity. Because it has little capacity to store power, the province has been forced to pay generators hundreds of millions to reduce production, while dumping surplus electricity to neighbouring provinces and U.S. states for much less than what ratepayers shell out to have it generated (the difference in 2014 totalled almost \$800 million).

In extreme cases they actually had to pay others to take it. Here's the auditor general in 2014: "There were 1,952 hours in which the hourly Ontario electricity market price was negative and Ontario paid other exporters a net total of \$32.6 million to take our power."

You're welcome, Michigan.

Desperation (see above)

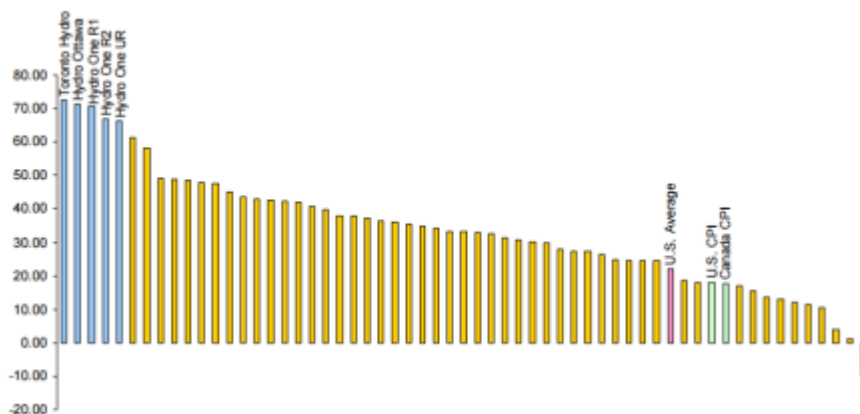
More than forcing Wynne to admit mistakes, the power file has driven her government to drastic measures in the electrical sector. Having promised to balance the provincial budget while spending \$29-billion on infrastructure, the Liberals needed to find money, and fast. So they decided to sell off 60 per cent of Hydro One, the Crown corporation that transmits electricity throughout the province and distributes to 1.4 million households.

That should raise about \$9 billion, but it carries questions about whose interest will come first under the new model: the captive customers' of Hydro One? Or the shareholders'? What recourse will ratepayers have if something goes wrong?

Finally, there's the great payback. In September, Wynne announced an **eight-per-cent** rebate on hydro bills—essentially, the government will forego its share of the HST on amounts owed. The savings from this climbdown add up to a little more than \$10 a month, on average. The Liberals claimed this meagre bit of relief was months in planning. But nothing screams panic like a government trying to buy your vote with a fistful of your own dollars.

Macleans

Figure 3: % change in electricity price in Ontario compared to United States, 2006-2015



Aside from the incessant warnings, Ontario's hydro crisis clearly came out of nowhere

CBC News

Robyn Urback

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Aside from the repeated, incessant warnings — there was no warning.

Ontario's energy costs have spiralled out of control. Consumers are struggling to pay their hydro bills and still have enough money left to buy a ticket to one of the premier's cash-for-access fundraisers.

Who — with the exception of everyone — could have foreseen that wasting billions of dollars on cancelled gas plants, paying way above market value for green energy contracts, producing too much energy and selling it to other jurisdictions at a loss, and investing in smart meters that didn't actually do what they were supposed to do would translate into skyrocketing electricity bills for everyday Ontarians?

Why didn't someone — besides the auditor general, both opposition parties and various economic experts — say something?

'My mistake'

Now Ontario finds itself in a mess of its own making, locked in unsustainable contracts and a looming cap-and-trade scheme that will make hydro bills even more expensive, all while some Ontario families have "had to choose between paying the electricity bill and buying food or paying rent," according to Premier Kathleen Wynne. Thanks, guys.

"Our government made a mistake. It was my mistake. And I'm going to do my best to fix it," Wynne admitted in a rare moment of contrition during her address to her party's annual general meeting this past weekend.

"In the weeks and the months ahead, we are going to find more ways to lower rates and reduce the burden on consumers," she added.

Earlier measures to reduce that burden have included a pledge to eliminate the provincial portion of the HST on consumers' hydro bills — a move that will save Ontarians roughly \$130 a year — which will begin around the time that cap-and-trade measures are introduced — a move that will cost Ontarians roughly \$160 a year.

The government didn't seem to realize its mistake until it finally took a look at the numbers — not in the province's energy file, of course, but in a Mainstreet/Postmedia poll released earlier this month on the premier's approval ratings. According to the poll, 58 per cent of Ontarians think the premier should resign, with a dismal approval rating of 15 per cent.

Auditor's report

Those figures proved far more persuasive in soliciting Wynne's penitence than did the extra \$37 billion Ontario consumers paid in electricity costs between 2006 and 2014, according to a 2015 auditor general's report. Just one week ago in the government's fall fiscal update, the Liberals announced triumphantly, "Our plan is working."

But now, Wynne has recognized her "oopsies" and is asking for Ontarians' patience and trust while she endeavours to fix the problem.

The government hasn't specified which steps it will take to relieve consumers' hydro burdens, but it will likely include another tax break to be cancelled out by greater carbon pricing fees, or a new program offering discounts to low-income families (which would probably end up costing as much to administer as it would to offer a discount to everyone) and/or a plan to sell off the rest of Hydro One, thus providing a temporary influx of cash until the Liberals can decide whether to next burn the couch or the dining room table.

In any case, we probably shouldn't blame this one on the Liberals. Indeed, besides the dozens of reports, years of increasing consumer prices, dire financial warnings and protests over unaffordable hydro bills — there was no way they could have seen this coming. And just as long as Ontarians can forget the, oh, last decade or so of Liberal financial boondoggles, they absolutely should trust Kathleen Wynne to be the one to fix it.



Why Canadian taxpayers have to pay Wall Street bankers \$28 million for an Ontario wind farm that never got built

Financial Post

Peter Kuitenbrouwer

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New York investment banker David Mars never wanted to force the long-suffering taxpayers of Canada to write him and his “very high net-worth” U.S. investor friends a cheque for \$28 million, as ordered by a NAFTA panel, in exchange for a wind turbine project they never built.

Mars would also rather not travel to Toronto next week to talk to the Ontario Provincial Police, who have asked him to answer questions as part of a probe into the destruction of evidence by former staff in the office of Ontario’s premier.

All Mars and his fellow investors in Windstream Energy LLC wanted was to erect 130 wind turbines in the eastern edge of Lake Ontario near Kingston and sell the power to the grid.

But that simple project has become a tangled saga involving the police, Canada’s largest-ever NAFTA litigation defeat, deleted emails and terse, vague statements from governments in both Ottawa and Toronto.

Because Ottawa, not Ontario, signed NAFTA, federal taxpayers must compensate the investors. And if Windstream’s project never sees the light of day, they will likely have to pay the New Yorkers a lot more than the \$28 million the NAFTA panel said they already owe — possibly closer to the \$568.5 million that Windstream initially sought in its NAFTA case.

“We are currently assessing the (NAFTA) decision to determine next steps,” Diana Khaddaj, a spokeswoman for Global Affairs Canada, said in an email to the Financial Post.

In 2010, the government of Ontario, keen to jumpstart its green energy sector, signed a 20-year deal to buy 300 megawatts of electricity from turbines that the New York investors behind Windstream agreed to erect.

Things got messy mere months later in February 2011 when the provincial Liberals, fearing they would lose an election, slapped a moratorium on offshore wind projects, none of which had ever been built. Around the same time, Ontario cancelled two unpopular natural gas power plants, a move that cost provincial taxpayers about \$1 billion.

After waiting five years to get approval to build their wind turbines, Mars and his group lost their patience.

“I have a group of very high-net-worth individuals who invest across energy and technology,” Mars said in a series of interviews from his office in Manhattan. “The contract remains in force. We would like to either build it or come up with an amicable solution. We have gotten many mixed messages on this.”

They complained to the Permanent Court of Arbitration under Chapter 11 of the North American Free Trade Agreement. A panel of three arbitrators heard the case in Toronto last February.

“The claimant’s claim that the respondent has failed to accord the claimant’s investments fair and equitable treatment in accordance with international law, contrary to Article 1105 of NAFTA, is granted,” the panel ruled last month.

Police are now apparently probing whether Ontario government employees broke the law when they deleted documents related to the offshore wind project. A source told the Financial Post that Mars will answer police questions in Toronto next week.

In a related case, police in December 2015 charged David Livingston and Laura Miller, who ran the office of former premier Dalton McGuinty, with breach of trust and mischief over deleted emails related to the gas plant cancellations. That trial is set for next year.

“They also deleted a massive number of files with relation to the offshore wind project,” Mars said. “We didn’t get anything from the premier’s office under discovery.”

The Windstream team was able to dredge up some of the emails from the servers of their recipients, which contrast in tone with Ontario’s insistence that it is still studying the merits of offshore wind.

“Ontario continues to take a cautious approach to offshore wind, which includes finalizing research to make sure that we are protective of both human health and the environment,” a spokesperson for the Ministry of Energy wrote this week in response to questions from the Financial Post.

But in an email exchange in January 2011, Chris Morley, then McGuinty’s chief of staff, made it clear, when commenting on a draft of a news release headlined, “Ontario Sets Clear Course for Offshore Wind Power,” that the government does not want offshore wind.

“Sorry folks. This isn’t good enough. The purpose of this release is to kill all projects except the Kingston one, not suck and blow. Please turn this around so it kills the projects, not sounds like we’re in favour of offshore wind.”

Morley exempted the Kingston project in his note because Windstream continues to hold a valid contract to sell wind to Ontario.

Windstream is still waiting for Ottawa to pay the \$28 million. And while taxpayers in Truro, N.S., or Red Deer, Alta., might take a dim view of having their tax dollars sent to a cabal of investment bankers and hedge funds based on Wall Street to pay for a wind farm that has not and may never see the light of day, they may be on the hook for much more if Ontario decides not to green-light the Kingston-area wind farm.

“The estimated revenue stream over the life of the contract is closing in on \$6 billion,” Mars said. “You are looking at a perfect storm. We didn’t think someone would sign a contract with us and then actively work against implementing the contract they just signed. Now, somebody in Alberta is footing this bill for the infractions of Ontario.”

Financial Post



Hydro One leaves family of 6 without electricity for months

Global News

Brian Hill

23 November 2016

Six months. That's how long Carol – a pseudonym as Global News has agreed to keep the family's identity private – has been without electricity.

With four teenage children at home, Carol and her husband, who has a well-paying, blue-collar job, were cut off from their electricity services by Hydro One in mid-June.

Since this time, her husband has used a hose at work to fill plastic-lined garbage cans with water so he and his family can bathe.

"My husband, every day, brings water home for us," Carol said, unable to hold back her tears. "We drink bottled water. We cook on the BBQ. We boil water so the kids can have showers from shower bags."

The couple, who live about an hour east of Toronto, were disconnected as a result of their owing over \$10,000 in late payments. They say that while their usage has not changed since they moved to the rural community 20 years earlier, their bills have increased 20-fold.

"It's just gone up and up and up," Carol said, referring to her monthly electricity bill. "Try explaining to your children why you can't get water from the tap. Try explaining to your children why mommy is out in a blizzard trying to cook dinner on the BBQ. Try explaining that they're not to be embarrassed that they live in a house with no power."

Since being disconnected, the family has survived off a gas-powered generator. They run the machine constantly, 24 hours a day, according to Carol.

"We're trying to make it as comfortable for them as we can," she said, describing how difficult it is to watch her children live without electricity. "There are days, weeks, you know, a week or two, where we didn't have a generator at all. So we were living by LED lights from the dollar store."

It's not for lack of trying, says Carol. The family has done everything they can to keep the lights on and the power running.

They've installed a wood stove, converted to energy-efficient bulbs, done laundry during off-peak hours and reduced their overall electricity consumption – but nothing works.

"We want someone to explain it to us," Carol said. "It doesn't make sense."

After months of living off a generator, Carol says she just hopes her family can be reconnected before winter sets in.

She says a neighbour, concerned for the childrens' well-being, contacted child protective services.

“Our children are our world and they’ve always been well cared for and loved,” said Carol. “But here we are, feeling scared and horrified because this could happen to us.”

Terrified, Carol and her husband do all they can to remain strong for their family.

I usually wait till the kids are in bed and I know they’re asleep,” Carol said. “Then I cry, because I try to be as positive as I can for them.”

“Our monthly bill in winter often hit more than \$900 a month.

Hydro One responds

Hydro One, the province’s largest utility distributor, disconnected nearly 10,000 homes from their electricity services in 2015.

In total, customers owed the company more than \$105 million dollars in back-payments by the end of last year. Despite knowing how difficult it has been for families in Ontario struggling with rising energy costs, the company continues to disconnect residential customers – even as winter approaches.

“Cut-offs and disconnections are the last resort,” said Ferio Pugliese, executive vice president of customer service at Hydro One. “In the latter part of the fall, we actually move into a moratorium on disconnections.”

Still, this is of little help to families like Carol’s who’ve been without electricity for months and have little hope of being reconnected before the company’s Dec. 1 cut-off date for disconnections.

Asked about a letter Carol’s family received on Oct. 22 stating that Hydro One would come to remove their equipment from the family’s home if the bill were not paid in full, Pugliese said “reasonableness” should be applied and that some of the company’s policies might be outdated.

“Our hearts go out to these folks. These are difficult times and we care for the customer,” said Pugliese. “With respect to removing hardware from the premises, we need to revisit that policy because, I’ll be frank with you, we don’t necessarily view that as very customer-friendly – especially if the individual is in a financial predicament that we’re trying to help them through.”

‘Growing’ profits at Hydro One

On Nov. 11, Hydro One released its most recent third-quarter financial statements.

The company, which was recently privatized by the Ontario Liberal government, reported profits of approximately \$835 million, or roughly \$750 for each of Hydro One’s 1.1 million residential customers.

Earnings per share, which reflect the overall profitability of the company for investors, increased by nearly 24 per cent when compared to the same quarter in the previous year.

Overall, Hydro One says the future looks good.

“The quarterly results announced today demonstrate continued execution of our plan to build momentum as we focus across the business on enhancing our operations and customer service, revitalizing Ontario’s electric grid and accelerating our growth,” said Mayo Schmidt, president and CEO of Hydro One.

Global News



Buck up son, it's either that or candles and more blankets.

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