

Ross McKitrick Wind Power Subsidies Triple Power Prices in Ontario

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One of the favourite smoke-and-mirrors lines pulled by the wind industry, its parasites and spruikers is that wind power lowers power prices.

Among the 'tiny' little omissions in that pitch are that:

- 1) they're only ever talking about spot prices when the wind is blowing; and
- 2) they skate over the massive subsidies that get tacked on top of the price paid by retailers for the power delivered; and
- 3) they run a mile from the unnecessary cost of base-load plants holding additional 'spinning reserve' and the insane and otherwise unnecessary cost of running highly inefficient Open Cycle Gas Turbines, that are critical to keep a grid up and running when wind power output collapses on a total and totally unpredictable basis.

That little trick lasts about as long as it takes Joe the Power Punter to open his power bill; because all of the above is helpfully collected in the staggering retail cost, as a bottom line that jumps off the page with a heart shuddering reality – crushing households and killing business, growth and employment.

Ross McKitrick unwraps the rocketing bills being dropped on power consumers in Ontario: which pick up the price paid for the most bizarre energy policy on the Planet – a power tax called the GA or Global Adjustment levy, used to subsidise wind power. Here's what it costs and why.

Ontario electricity has never been cheaper, but bills have never been higher

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Ross McKitrick

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The more the wind blows, the bigger the losses and the higher the hit to consumers.

You may be surprised to learn that electricity is now cheaper to generate in Ontario than it has been for decades. The wholesale price, called the Hourly Ontario Electricity Price or HOEP, used to bounce around between five and eight cents per kilowatt hour (kWh), but over the last decade, thanks in large

part to the shale gas revolution, it has trended down to below three cents, and on a typical day is now as low as two cents per kWh. Good news, right?

It would be, except that this is Ontario. A hidden tax on Ontario's electricity has pushed the actual purchase price in the opposite direction, to the highest it's ever been. The tax, called the Global Adjustment (GA), is levied on electricity purchases to cover a massive provincial slush fund for green energy, conservation programs, nuclear plant repairs and other central planning boondoggles. As these spending commitments soar, so does the GA.

In the latter part of the last decade when the HOEP was around five cents per kWh and the government had not yet begun tinkering, the GA was negligible, so it hardly affected the price. In 2009, when the Green Energy Act kicked in with massive revenue guarantees for wind and solar generators, the GA jumped to about 3.5 cents per kWh, and has been trending up since — now it is regularly above 9.5 cents. In April it even topped 11 cents, triple the average HOEP.

So while the marginal production cost for generation is the lowest in decades, electricity bills have never been higher. And the way the system is structured, costs will keep rising.

The province signed long-term contracts with a handful of lucky firms, guaranteeing them 13.5 cents per kWh for electricity produced from wind, and even more from solar. Obviously, if the wholesale price is around 2.5 cents, and the wind turbines are guaranteed 13.5 cents, someone has to kick in 11 cents to make up the difference. That's where the GA comes in. The more the wind blows, and the more turbines get built, the bigger the losses and the higher the GA.

Just to make the story more exquisitely painful, if the HOEP goes down further, for instance through technological innovation, power rates won't go down. A drop in the HOEP widens the gap between the market price and the wind farm's guaranteed price, which means the GA has to go up to cover the losses. Ontario's policy disaster goes many layers further. If people conserve power and demand drops, the GA per kWh goes up, so if everyone tries to save money by cutting usage, the price will just increase, defeating the effort. Nor do Ontarians benefit through exports. Because the renewables sector is guaranteed the sale, Ontario often ends up exporting surplus power at a loss.

The story only gets worse if you try to find any benefits from all this spending. Ontario doesn't get more electricity than before, it gets less.

Despite the hype, all this tinkering produced no special environmental benefits. The province said it needed to close its coal-fired power plants to reduce air pollution. But prior to 2005, these plants were responsible for less than two per cent of annual fine particulate emissions in Ontario, about the same as meat packing plants, and far less than construction or agriculture.

Moreover, engineering studies showed that improvements in air quality equivalent to shutting the plants down could be obtained by simply completing the pollution control retrofit then underway, and at a fraction of the cost. Greenhouse gas emissions could have been netted to zero by purchasing carbon credits on the open market, again at a fraction of the cost. The environmental benefits exist only in provincial propaganda.

And on the subject of environmental protection, mention must be made of the ruin of so many scenic vistas in the province, especially long stretches of the Great Lakes shores, the once-pristine recreational

areas of the central highlands, and the formerly pastoral landscapes of the southwestern farmlands; and we have not even mentioned yet the well-documented ordeal for people living with the noise and disturbance of wind turbines in their backyards. We will look in vain for benefits in Ontario even remotely commensurate to the damage that has been done.

The province likes to defend its disastrous electricity policy by saying it did it for the children. These are the same children who are now watching their parents struggle with unaffordable utility bills. And who in a few years will enter the workforce and discover how hard it has become to get full time jobs amid a shrinking industrial job market.

Electricity is cheaper to make than it's been for a generation, yet Ontarians are paying more than ever. About the only upside is that nine other provinces now have a handbook on what not to do with their electricity sector.

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