

# Reforming Ontario's Electricity Market: The Freeze and the Thaw



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# Ontario's Electricity Market: Permanent Evolution?

1. Background highlights
2. Core issues
3. Major regulatory developments
4. Fresh government directions
5. Next challenges

## Background Highlights:

- Adopt Energy Probe's fact summary
- Emphasize key points:
  - electricity market functioned May 1, 2002 as planned/designed
  - probably most successful market operation and opening in the world: retail and wholesale
  - IMO and market participants performed very well under stressed supply conditions

## Background Highlights cont'd:

- Design issues/flaws exposed
- Imports: Ontario heavily dependent at peak times
- Rising market pricing and uplift triggers customer revolt

## Unprecedented Public Reaction:

- Most LDCs pass through spot market prices to end-users
- End-user bills 2-3 x “normal”
- Queen’s Park: 25 calls (avg.) daily to complain
- THE most visible election issue

## Government Reaction:

- Messaging objective:
- Initial reaction: close the market
- Limited consultation on action steps
- Decision: Market price roll-back/freeze @ 4.3¢/Kwh to 2006 for customers
- All customers?
- Recognition that limits must be set on eligibility for 4.3¢

## Introduce Bill 210 et al:

- Government exercises new control measures
- Freeze LDC rate applications
- Ministerial supervision over IMO fees and rules
- 100 day review of OEB = major restructuring
- Effort: review and restructure market and regulatory flaws

## Core Issues & Lessons:

- “Substantial consensus” on certain issues and fixes
- LDC spot price pass through to end-users is unacceptable
- Market underpinned by more contracting seen as necessary
- Generators unprepared to build new generation facilities due to lack of certainty
- More emphasis on renewable generation sources
- Conservation deemed necessary and important

## Major Regulatory Issues:

- Structural reforms at the OEB
- Freeze on LDC and IMO rates
- Attracting new generation sources
- Rewrite the Standard Supply Service Code
- Bring back LDC load management

## Fresh Government Directions:

- Reasons for optimism and forgiveness
- Public polls on reforms show split perceptions
- Responsibility to market leaders to get the reforms right - last chance
- Budget announcement of a government - appointed Energy Supply and Conservation Task Force = stakeholder redesign with final recommendations to government by December 2003

## Next Challenges:

1. Identify what works and what does not
2. Allocate responsibility to fix issues to appropriate entity and recommend solutions
3. Set-up the transitions and coordinate and communicate an exit from the freeze
4. Processes should remain stakeholder-driven through consultation with strong government collaboration - no more surprises
5. Restore customer, market participant and political confidence

## THANK YOU



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