Ontario Power Generation's Money Grab

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Ontario Power Generation (OPG) is seeking permission from the Ontario Energy Board (OEB) to raise its rates for nuclear electricity by 30% in 2014. This rate increase will cost electricity consumers $755.6 million per year.[1]

OPG is also seeking to raise rates from many of its water-power facilities. While OPG may be planning to use some of this increase to modernize plants that are, in some cases, close to a hundred years old, it is just as likely that these funds will be used to cross-subsidize OPG's expensive nuclear generating stations given the rock bottom costs of operating its heritage water power facilities.

Bending the Cost Curve Down for Ratepayers

Clearly, OPG's proposal to raise its rates is inconsistent with Ontario Energy Minister Bob Chiarelli's goal of bending the cost curve down for the province's electricity consumers.[2]

Fortunately, there are three actions that Minister Chiarelli can take to dramatically reduce our electricity rates and bills:

1. Shut down the aging, high-cost Pickering Nuclear Station in 2015;
2. Negotiate a long-term electricity supply contract with Quebec; and
3. Cancel the Darlington Re-Build Project.

OPG's proposal to raise its rates is inconsistent with Ontario Energy Minister Bob Chiarelli's goal of bending the cost curve down for the province's electricity consumers.

Shut down the aging, high-cost Pickering Nuclear Station in 2015 and import power from Quebec

According to a report prepared for OPG by ScottMadden Inc., the Pickering A Nuclear Generating Station is the highest cost nuclear power plant in North America. Furthermore, the Pickering B Nuclear Station is the 5th highest cost nuclear plant in North America.[3] Nevertheless, OPG is proposing to keep these reactors operating until 2020. This doesn' t make sense since water power imports from Quebec can meet our electricity needs at a much lower cost.

According to OPG, the fuel and operating cost of the Pickering Nuclear Station will be 7.1 cents per kWh in 2015.[4] On the other hand, Hydro Quebec's average price for its electricity exports is 4.1 cents per kWh.[5] Therefore, by importing water power from Quebec, we can shut down the Pickering Nuclear Station in 2015 and reduce our electricity bills by $650 million per year.[6]

Cancel the Darlington Re-Build Project

The Darlington Nuclear Station will come to the end of its design life in 2020. OPG is proposing to re-build Darlington in order to extend its operating life until 2050. This doesn't make sense given that energy conservation and efficiency, combined with water power from Quebec, can keep our lights on at a much lower cost.

As Table 1 reveals the costs of energy conservation and water power imports from Quebec are more than 50% lower than OPG's *preliminary* estimate of the cost of re-building the Darlington Nuclear Station, namely, 8.6 cents per kWh.

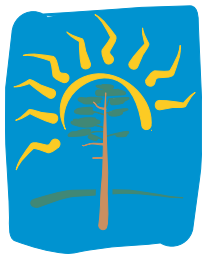

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Table 1: Energy Conservation and Water Power from Quebec vs. Darlington Re-Build: A Cost Comparison

Energy Conservation and Efficiency	Hydro Quebec's Average Export Price in 2012	OPG's *Preliminary* Estimate of the Cost of Re-Building Darlington Nuclear Station	Ontario Clean Air Alliance's Estimate of the *Real* Cost of Re-Building Darlington Nuclear Station
3 cents per kWh[7]	4.1 cents per kWh[8]	8.6 cents per kWh[9]	19 to 37 cents per kWh[10]

It is important to remember that every nuclear project in Ontario's history has gone massively over budget – on average by 2.5 times.[11] As a consequence, we believe that the actual cost of re-building Darlington would likely be in the range of 19 to 37 cents per kWh.

Nevertheless, even if we assume that the cost of re-building Darlington would be only 8.6 cents per kWh, cancelling the Darlington Re-Build would save consumers more than $1.2 billion per year between 2020 and 2050.[12]

As of the end of 2013, OPG will have spent $912.7 million on the Darlington Re-Build and it is planning to spend an additional $1.507 billion in 2014 and 2015.[13] To bend the cost curve this project must be cancelled as soon as possible and lower cost options must be pursued to keep our lights on.

Cancelling the Darlington Re-Build would save consumers more than $1.2 billion per year between 2020 and 2050.

Conclusion

Ontario's Energy Minister Bob Chiarelli can prevent OPG's proposed massive rate increase by taking the following actions.

- Import low-cost water power from Quebec to permit the shut down of the high-cost Pickering Nuclear Station in 2015. This will reduce Ontario electricity bills by $650 million per year.
- Cancel the Darlington Re-Build Project. This will reduce OPG's costs by $1.5 billion during the next two years and will lower electricity bills by more than $1.2 billion per year between 2020 and 2050.

Endnotes

1 Ontario Energy Board Docket No. EB-2013-0321, Exhibit A1, Tab 3, Schedule 2, Page 6. http://www.opg.com/about/reg/filings/2014paymentamounts/

2 Adrian Morrow, "Ontario slashes green energy deal", Globe and Mail, (June 20, 2013).

3 ScottMadden Inc., OPG Nuclear 2009 Benchmarking Report, (July 2, 2009), Page 118.

4 Ontario Energy Board Docket No. EB-2013-0321: Exhibit E2, Tab 1, Schedule 1, Table 1; Exhibit F2, Tab 2, Schedule 1, Table 1; Exhibit F2, Tab 3, Schedule 1, Table 1; Exhibit F2, Tab 4, Schedule 1, Table 1; Exhibit F2, Tab 5, Schedule 1, Table 1; Exhibit F3, Tab 1, Schedule 1, Table 3; Exhibit F3, Tab 2, Schedule 1, Table 2; Exhibit F4, Tab 1, Schedule 1, Table 2; Exhibit F4, Tab 2, Schedule 1, Table 3; and Exhibit F4, Tab 4, Schedule 1, Table 4.

5 Hydro Quebec, Annual Report 2012, Page 99.

6 According to OPG, the Pickering Nuclear Station will produce 21.9 billion kWh in 2015. [21.9 billion kWh x (7.1 – 4.1 cent per kWh) = $657 million.] Ontario Energy Board Docket No. EB-2013-0321, Exhibit E2, Tab 1, Schedule 1, Table 1. For information about Hydro Quebec's export potential and the existing transmission capacity between Ontario and Quebec, see: Ontario Clean Air Alliance, Hydro imports can lower our electricity bills by $1 billion per year, (Revised October 2, 2013).

7 Colin Andersen, CEO, Ontario Power Authority, "Powering Toronto's Electricity Future", Remarks to Toronto Board of Trade, (October 25, 2012), Page 10.

8 Hydro Quebec, Annual Report 2012, Page 99.

9 Ontario Energy Board Docket No. EB-2013-0321, Exhibit D2, Tab 2, Schedule 1, Page 14.

10 Ontario Clean Air Alliance Research, The Darlington Re-Build Consumer Protection Plan, (2010), Page 2.

11 The Darlington Re-Build Consumer Protection Plan, Appendix A.

12 According to OPG, Darlington will produce 28.4 billion kWh in 2014. Assuming that the output of Darlington is replaced by a combination of energy conservation and efficiency and water power from Quebec at an average cost of 4.1 cents per kWh, the annual savings would be $1.278 billion [28.4 billion kWh x (8.6 – 4.1 cents per kWh)]. Ontario Energy Board Docket No. EB-2013-0321, Exhibit E2, Tab 1, Schedule 1, Table 1

13 Ontario Energy Board Docket No. EB-2013-0321, Exhibit D2, Tab 2, Schedule 1, Table 1; and Exhibit F2, Tab 1, Schedule 1, Table 1.

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