

## CLEAN ENERGY ACT WILL COST BILLIONS FOR BC<sup>1</sup>

**Marvin Shaffer<sup>©</sup>**

While the HST has captured all the attention, the province's passage of the Clean Energy Act in the recent legislative session is a far more serious matter. The Act will impose billions of dollars of unnecessary costs on British Columbians. It is, simply put, bad legislation.

The Clean Energy Act imposes a legal requirement for energy "self-sufficiency" for BC Hydro. Self-sufficiency sounds positive. But in fact, "self-sufficiency," as defined by the BC government, will simply force BC Hydro to buy a large amount of high cost power from private producers that is not needed to ensure a reliable supply of electricity.

In a hydroelectric system such as BC Hydro's, the main reliability question is how to guard against the impact of drought, when low water conditions limit electricity production. With "self-sufficiency," BC Hydro will have to manage this low water risk by entering into long term contracts with private power producers for new supply — supply that in most years will be surplus to BC Hydro's requirements.

The Act does not put any limits on the price BC Hydro has to pay for electricity. Nor is there any room to consider the alternatives that BC Hydro could have pursued to ensure a reliable supply. The legislation dictates that BC Hydro must ignore the back-up capability of the Burrard Thermal plant, even in drought years. It must assume that the province will not let BC Hydro use any of the Columbia River treaty power it receives each year. It must pretend there is no "spot market" (one-off sales or purchases) for power, even though such markets exist in the US and Alberta, and BC Hydro in fact regularly buys and sells electricity in those markets for trading purposes.

BC Hydro itself has estimated that "self-sufficiency" will add in excess of a billion dollars to its costs. Environmentalists are concerned that the generation and transmission line development it will cause will have significant adverse environmental effects. Despite all these concerns, the government has yet to release any analysis in support of this measure. There is no evidence that it is in the broader public interest.

In addition to "self-sufficiency," the Clean Energy Act accelerates a requirement for "insurance," increasing the amount of surplus BC Hydro is being forced to buy. It is not at all clear what contingency this insurance is intended to address or what benefit it will offer. All that is clear is that it will add hundreds of millions of dollars more in costs that ratepayers will ultimately have to pay. BC Hydro's own forecasts suggest that all of this surplus will be sold at a loss.

Then there are the export provisions. In addition to buying privately-produced power for dubious self-sufficiency and insurance reasons, BC Hydro will have to buy even more privately

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<sup>1</sup> Canadian Centre for Policy Alternatives – BC Office Commentary and Fact Sheets, Climate Justice Project, June 22, 2010.

produced power, in this case explicitly for export. The Act requires BC Hydro to pursue export opportunities that private power producers will not pursue on their own.

There is nothing inherently wrong with the export of power — after all, we export pretty well everything else. The issue here is forcing BC Hydro to be the export agent for private developers. BC Hydro will be responsible for providing all of the transmission, backup and other services needed to create a reliable, marketable product. However, it is not at all clear that BC Hydro will be able to earn an appropriate return on the services it provides and risks it assumes. Under the Act, Cabinet can order BC Hydro to buy power for export even if its management and Board do not consider the market prices sufficient to justify the costs it must incur. There is the obvious potential for political interference and abuse, particularly with the legislation's elimination of any independent oversight and transparency of the implications of these export (and other BC Hydro) activities.

The Clean Energy Act is not really about clean energy. Requiring an unnecessary amount of generation and transmission development, with all of the environmental impacts that causes, is not particularly clean or green. Nor is it about developing BC's hydroelectric resources in the general public interest. The Act is designed, first and foremost, to expand private power development throughout the province by forcing BC Hydro to buy power it does not need for its own purposes, and to buy power for export regardless of the adequacy of the return.

The power development the Act is designed to encourage is hugely expensive in economic and environmental terms. The Act does not in any way recognize these costs, and the government has not provided any analysis or made any effort to demonstrate that the benefits justify the costs. Worst in many ways, the Act does not provide for any judgment by the BC Hydro management and Board of the trade-offs these measures entail, nor is there to be any independent oversight by the BC Utilities Commission or anyone else.

The Clean Energy Act is bad legislation. It's far worse than the HST. This is the legislation that British Columbians should be fighting to repeal.