

Ontario faces electricity shortfall within five years

Forecast says cancelled renewable projects, closing of Pickering plant to lead to energy shortage

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Ontario faces an electricity shortfall within five years and will need a combination of greater conservation efforts and new sources of power to meet customers' needs, the Independent Electricity System Operator (IESO) says.

The system operator recently released an undated forecast that takes into account the Progressive Conservative government's cancellation of renewable energy projects. It shows a capacity gap during sum-

mer peak-demand months starting in 2023 as a result of closing Ontario Power Generation's Pickering nuclear plant.

The IESO forecast comes as the government of Premier Doug Ford seeks to keep a campaign promise to cut hydro rates by 12 per cent. In the name of cost cutting, the PCs cancelled 758 renewable projects this summer that would have added 450-megawatts of variable capacity to the grid.

The PCs have also promised to shift about \$400-million in annual spending on conservation programs from consumers' bills to general revenues. That pledge has raised concerns in the industry about whether the conservation programs will survive, given that the new government now calculates the provincial deficit to be \$15-billion.

"Given that [the conservation programs] are going to be on the tax base and we have a large deficit, we are very much concerned there could be rash action," said Vince Brescia, president of the Ontario Energy Association, which represents local utilities and other companies in the sector.

His members want to work with the province to address long-term system needs, he said.

In its forecast, IESO concludes the projected summer-peak shortfall will be about 1,400-megawatts in 2023 and will grow to 3,500-megawatts later in the next decade as OPG's Darlington nuclear plant and Bruce Power's plant in Kinkardine undergo refurbishment. (The province was using nearly 16,000 megawatts of capacity at 5 p.m. on Monday, IESO said.)

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“We are going to need more demand response and/or peaking types of facilities,” Chuck Farmer, IESO’s director of stakeholder and public affairs, said in an interview.

A spokeswoman for Energy Minister Greg Rickford said the government is being cautious about making commitments until it has more certainty about the size of the projected shortfall. “There is no immediate need to act to fill the possible gap now,” Mr. Rickford’s press secretary, Sydney Stonier, said in an e-mail.

She reiterated that the government remains committed to reducing electricity rates by 12 per cent. That is a challenge, given that the system has a significant amount of fixed costs, and needs new investment to meet future demand.

Ontario has myriad options to prevent the capacity gap: It can import electricity from its neighbours, boost the capacity of existing natural-gas plants or build more renewable plants combined with the storage needed to smooth out their variable energy production. It can also invest more aggressively in conservation efforts that reduce the need for new supply.

The IESO is also in the early stages of redesigning the market to reduce the reliance on fixed contracts and introduce competition. Generation fired with natural gas could provide more capacity, but those producers will need considerable lead time and some changes to the market rules to provide incentives for the required investment, said David Butters, president of the Association of Power Producers of Ontario.

“It’s important we look at this now so we can be prepared,” Mr. Butters said.

Built into the IESO forecast is an assumption that current energy-efficiency and demand-reduction programs continue, and that this effort increases considerably over the next 15 years. The IESO runs programs – which electricity consumers pay for – that encourage industries to cut their power use when demand soars on hot days to prevent the need to build power plants only for peak demand. It also finances energy conservation programs that encourage households, businesses and the broad public sector to reduce consumption.

While those programs can save people money, they can actually increase the price of electricity because all consumers pay for them. Typically, however, \$1 invested in conservation saves \$2 or \$3 in costs on generation, transmission and distribution, IESO’s Mr. Farmer said.