

Get ready to pay more for power. A lot more

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WIND POWER: Ontario has a plan to siphon billions from consumers' pockets by 2015 to subsidize wind and solar power producers. B.C. is planning to do the same thing next year.

Photograph by: Reuters Files, Vancouver Sun

We're often told that British Columbia has the lowest prices for electricity in North America, but the claim is only partly true. Households that use up to 750 kWh a month do pay the lowest monthly rate on the continent; however, the average household uses 1,000 kWh and based on that level of consumption, B.C. ranks third behind Quebec and Manitoba.

In any case, B.C. consumers will soon pay more -much more -if the province follows the lead of Ontario where power prices are soaring, not just as a result of higher generation or transmission costs, but because of ill-conceived energy policies.

Under Ontario's Green Energy Act, a feed-in tariff (FIT) will siphon \$3.8 billion from consumers' pockets by 2015 to subsidize wind and solar power producers.

B.C. plans to introduce a FIT program early next year.

The way the program would work is that BC Hydro would enter into energy supply contracts with alternative power producers at prices set to provide backers of these projects with an "acceptable" rate of return.

In Ontario, the power authority will pay prices ranging from about 20 cents/kwh to 80 cents/kwh; B.C.'s are likely to be in the same ballpark.

Given that the average residential price in B.C. is just over seven cents, it is clear that the cost to households will increase dramatically. In Ontario, the cost of residential power by 2015 is seen at 21 cents/kWh, nearly triple the price in 2003.

The idea is that a FIT will provide a revenue stream based on production that would enable projects to predict rates of return and attract financing to cover construction and operating costs. For the entrepreneur, a FIT transforms a bet on a pure power play into a surer thing, a subsidy play. All the risk is shifted to the residential consumer.

And the B.C. government plans to heighten that risk by focusing on emerging technologies, such as biomass, biogas, geothermal heat, solar, tidal and wind.

In order to prevent capital flight and job losses, governments that engage in this kind of reckless energy policy will have to find a way to insulate industrial power prices, leaving residential consumers to carry 100 per cent of the cost, although they account for only a third of electricity demand.

In the United Kingdom, FIT and other energy taxes, fees and charges increased the cost of energy so much that five million citizens were facing fuel poverty as of March 2009. Measures introduced to solve the problem reportedly exceeded the amount of revenue that the policies that caused it were designed to raise.

There's no doubt that former premier W.A.C. Bennett's hydroelectric vision in the 1960s helped B.C. to develop into the prosperous province it is today.

He well understood that energy policy and economic policy are one and the same, and that firm, cheap power was needed to exploit B.C.'s vast resources and attract investment. In fact, the mandate of BC Hydro is to ensure "reliable power at low cost for generations."

British Columbians -some grudgingly -may recognize that they have to pay slightly higher prices soon as our public utility embarks upon a program to modernize aging transmission lines.

But the energy policies the Liberal government is foisting on the province decouple energy from economics, impose higher than necessary costs on households and the outcome may parallel the experience in Europe -declines in manufacturing output, less business investment, weaker economic growth, fewer private sector jobs and additional taxes to finance social programs.

In Ontario, the combination of hydro rate hikes, eco-fees and the harmonized sales tax -the latter having raised barely a peep of protest when first introduced there -may now cost Liberal Premier Dalton McGuinty the next election.

In the latest poll, 41 per cent backed Conservative leader Tim Hudak and only 29 per cent supported McGuinty. A telling statistic is that 86 per cent of those polled said they felt poorer than they did two years ago.

We are in favour of encouraging the development of alternative energy, but not at any price.

Since the government defanged the B.C. Utilities Commission, guardian of the public interest, there is no one looking out for the interest of residential ratepayers.

Median household incomes in B.C. have not seen much growth in recent years, the unemployment rate is relatively high, consumer and business confidence has fallen partly due to the continuing slowdown in the U.S., and there is a general anxiety about what our economic prospects are in the coming years.

So, this is not the time to erode the confidence of consumers and dampen economic activity by increasing the energy bills of British Columbians.

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