

STAKEHOLDERS' ALLIANCE FOR ELECTRICITY

COMPETITION AND CUSTOMER CHOICE

Policy Imperatives for the Way Ahead

1. A truly competitive market that reflects the true cost of electricity, and in which all customers have the power of choice, will be a key factor in meeting Ontario's electricity needs. Such a market together with the supporting infrastructure is the best way to ensure the Province's continued economic prosperity.
2. The Ontario Government must develop immediately a transition plan with stakeholders to move Ontario to a fully competitive electricity market by May 1, 2006
3. As part of this transition plan a broadly based consumer education program must be implemented to ensure that all consumers have a realistic understanding of the importance of electricity to Ontario's economic health, as well as the need for electricity reform, the issues and choices facing the Ontario electricity sector and the arrangements governing the electricity market.
4. An appropriately designed electricity market for Ontario must ensure adequate, reliable and economically sustainable electricity supply by encouraging the development of new supply resources outside of OPG or other successor companies (e.g. generation, transmission), at the same time incorporating demand side management and conservation by all consumers.
5. New market arrangements need to be put in place to ensure that low volume consumers need not be exposed to the uncertainties and volatility of the spot market. Low volume consumers should be offered three choices:
 - a. Customers could opt to sign contracts with retailers to buy their power at fixed prices over longer periods of time.
 - b. Customers could opt to secure their power on the spot market and take ongoing responsibility for the management of their electricity costs.
 - c. Customers who decide to take no action would be considered standard supply customers. Standard supply customers would be supplied in a manner similar to current arrangements for standard supply customers for natural gas (i.e., the electricity price for

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standard supply customers would be supplied at a fixed price over a specific period of time and periodically adjusted to reflect the price of electricity contracted to supply their needs). The power for standard supply customers would be secured through a portfolio of power purchase agreements arranged through one or more credit-worthy public or private entities, such as the Ontario Electricity Financial Corporation.

6. The development of these portfolios of long-term power purchase agreements would provide a major incentive for the development of new generation, at the same time helping to reduce price volatility.
7. The Ontario Government needs to put in place an accelerated but prudent decontrol program relating to OPG to ensure that Ontario has a robust competitive market by 2006. The benefits of a competitive electricity market can be secured only when the market is served by a multiple number of effective suppliers. The government should move away from achieving this through the Market Power Mitigation Agreement to the establishment of a defined government policy with clear deadlines (e.g. immediately restructuring OPG into separate operating companies with their own separate boards and management teams).
8. Similarly, the Ontario Government must separate Hydro One's transmission system from its distribution assets, and establish each of them under their own separate governance.
9. Demand side management and energy conservation must be encouraged as a key component of meeting Ontario's environmental objectives and the future energy demands of Ontario. These programs must have commercial and market discipline to ensure their long-term viability and must be financed in a way that does not compromise Ontario's fiscal and economic health.