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of Debates
(Hansard)**

**Journal
des débats
(Hansard)**

Wednesday 5 June 2002

Mercredi 5 juin 2002

Speaker
Honourable Gary Carr

Président
L'honorable Gary Carr

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LEGISLATIVE ASSEMBLY
OF ONTARIO

Wednesday 5 June 2002

ASSEMBLÉE LÉGISLATIVE
DE L'ONTARIO

Mercredi 5 juin 2002

The House met at 1845.

ORDERS OF THE DAY

RELIABLE ENERGY AND CONSUMER
PROTECTION ACT, 2002

LOI DE 2002 SUR LA FIABILITÉ
DE L'ÉNERGIE ET LA PROTECTION
DES CONSOMMATEURS

Resuming the debate adjourned on June 4, 2002 on the motion for second reading of Bill 58, An Act to amend certain statutes in relation to the energy sector / *Projet de loi 58, Loi modifiant certaines lois en ce qui concerne le secteur de l'énergie.*

The Acting Speaker (Mr Bert Johnson): When we left off, the leader of the third party, the member for Kenora-Rainy River, had the floor and was partway through his leadoff. We'll have that time continue now.

Mr Howard Hampton (Kenora-Rainy River): When I was addressing this issue last night, I pointed out that we in the New Democrats had asked for a legal opinion from a trade lawyer to address the issue of Hydro privatization and deregulation in the context of the North American free trade agreement. That trade lawyer had pointed out that so long as you run your electricity system as a public utility, you can in fact maintain a two-price system. You can sell at a lower price in your own jurisdiction and you can sell at a higher price in terms of the electricity that you export. You can also, if you maintain your electricity system as a public utility, establish rules which dedicate the electricity to your own residents, your own consumers, your own industries, and only allow that which is surplus to be sold.

However, the NAFTA rules state that if you privatize and deregulate your electricity system, then you cannot maintain a two-price system. You effectively have to let the market decide what the price will be, and in the market, as I pointed out, the greatest amount of demand will be in the United States, specifically in the New York-New Jersey-Philadelphia-Baltimore- Washington corridor, along the New England states, and the Detroit-Chicago-Gary-Milwaukee corridor in the Midwest. That's where demand will be determined and that's where price will be determined. The NAFTA rules also say you cannot control exports. Once you privatize and deregulate, then essentially you must sell the electricity

according to whoever is prepared to bid the highest for the electricity, which is already happening in the United States.

The government says, "We disagree with the legal analysis." So I have challenged the government to provide their own legal analysis. I've been challenging the government for a year now. Provide your own legal analysis that supports your position. To this date, the government still hasn't provided a legal analysis in any way, a legal opinion of any kind, to support their position. And I think I know why. I think they are unwilling to put forward any legal opinion because they know any legal opinion would essentially say the same thing that Steven Shrybman has said when he looked at the implications of the North American free trade agreement should Ontario privatize and deregulate its hydro-electricity system.

I say to people at home, if the government of the day can't even provide a legal opinion to provide support for their position, then that really tells you how flimsy their position is. It really tells you how much this is ideologically driven by a government which believes in privatizing highways, believes in privatizing water, believes in private schools, believes in privatizing more of the health care system and believes in private jails. It really tells you how much this is being driven by ideology and not being driven by a thoughtful, practical assessment about what is good for Ontario consumers and what is good for the Ontario economy, in terms of the long-term strategic outlook.

I want to address some of the excuses the government trots out. Because they don't have a legal analysis supporting their position, and because they've never come forward and actually made the business case for privatization, what they often try to do is trot out a number of scare campaigns to justify privatization.

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The first scare campaign they try to trot out is debt, when they say, "Oh, Ontario's hydroelectric system has a debt." Then they make the logical leap that because there's a debt, you must sell it off. I want people at home to make a few comparisons. They say that Ontario's hydroelectric system has a \$38-billion debt and that therefore it must be sold off. No other questions, no other analysis—it must be sold off.

I have done a little analysis of some other hydro-electric systems. For example, we have Hydro-Québec. Now Hydro-Québec is a very successful corporation. If you were to go to Quebec, Quebec industry, Quebec financiers, most of all the Quebec people, would say to

you, that Hydro-Québec is the essential backbone of Quebec's economy. It fundamentally underpins their steel industry, their pulp and paper industry, a number of other processing industries.

Guess what? Hydro-Québec has long-term debt of \$35 billion. According to this government, if you listen to their arguments, because it has long-term debt of \$35 billion, Hydro-Québec should be sold. That's their simplistic debt argument. Never mind that Hydro-Québec has revenues of \$11.5 billion a year. They don't want to consider what your revenues are that come in the door. Never mind that Hydro-Québec has fixed assets worth, as estimated here, \$49 billion. The simplistic argument of this government is, "Oh, if it has a debt of \$35 billion, you must sell it."

If you go through the list, BC Hydro carries a debt of \$8 billion on revenues of about \$7 billion, although we must keep in mind that BC has made a lot of money, a lot of revenue, out of selling hydro to California after California made their ridiculous decision to deregulate and privatize their system. But BC Hydro has a debt, as I point out, of \$7.5 billion on fixed assets of \$9 billion, and so I would conclude that this government's immediate leap of faith would be, "Oh, if it has a debt, you must sell it off."

Manitoba Hydro has fixed assets of \$6.5 billion, but it has long-term debt of \$6 billion. So once again, this government's conclusion would be, "Oh, Manitoba Hydro must be sold off. It has a debt."

I also looked at some of the big private utilities in the United States. Duke Energy has long-term debt of \$16 billion and I know that this government would conclude, "Oh, Duke Energy must be broken up and sold off because it carries debt."

We could look at the Tennessee Valley Authority, a large power generator in the United States. Tennessee Valley has long-term debt of \$34 billion. Again, this government would automatically make the leap of faith and say, "Oh, it must be sold off."

What nonsense. If you look at the assets that all of these hydro generators have and then you look at the revenues they are able to earn through the sales of electricity, they're all in very healthy positions. But this government refuses to consider the revenues that the generation of power, the transmission of power and the distribution of power create as publicly owned corporations. Those revenues are quite substantial. In fact, when you look at those revenues plus the value of the assets, the debt in every case is quite manageable.

What I really want to focus on here is the fact that all hydro systems, whether you look at Duke Energy in the United States, or TransAlta in Alberta, or the Tennessee Valley Authority in the United States, Manitoba Hydro, Hydro-Québec or BC Hydro, all hydro utilities, whether public or private, carry debt. That's the nature of the industry. The way this industry works is that when you see a demand for electricity you then borrow the money to build the facilities. Once you're providing hydro to consumers, you charge them hydro rates over a 20- or 30-

year period such that you pay the operating costs plus the construction costs plus the debt financing costs.

Hydro in Ontario can be maintained as a public utility by continuing to do that: setting our hydro rates over a 20- or 30-year period, such that we pay not only the operating costs, but the construction and the debt financing costs, just as Duke Energy, Tennessee Valley Authority and Bonneville Power Administration in the United States, TransAlta, Hydro-Québec, BC Hydro and Manitoba Hydro are doing. That's what they're all doing, every last one of them. Their debt levels, which they use to build the generating stations and transmission lines that cost billions of dollars to build—their revenues over a 20- or 30-year period are going to more than pay for the debt against those assets. Yet this government's position is, "Ontario's hydroelectric system has a debt; it must be sold"—a completely simplistic conclusion not based upon any facts.

So I say to people at home, do the comparison. Every hydroelectric system in the western world, whether publicly or privately owned, carries a debt level with it. This is such a capital-intensive industry that it costs hundreds of millions, if not billions, of dollars to build the facilities. No one I know of carries loose change around in their pocket of \$1 billion or \$2 billion. So the way this industry works is when there is a need for electricity, a demand for electricity, the money is borrowed, the facilities are built, the electricity is provided and then people pay for the facility, its construction costs, its debt costs and its operating costs over a term of 20 or 30 years.

It's really like having a mortgage on your house. No one I know of would expect someone to come up with \$250,000, \$300,000, \$400,000 to pay for their house in one lump sum. So what we do is debt-finance our home through a mortgage. Most mortgages are 25 years, if not 30 years, in length. We borrow the money, we either build or buy the house, and then as we live in it and earn income from work or other economic activities, we pay not only the debt-financing costs but the operating costs of our home. That's how electricity works. If someone came up to you and said, "Oh, you've got a \$200,000 debt against your home, therefore you must automatically sell it," you'd say, "You're crazy." The same logic applies to this government, exactly the same logic.

This government has provided no analysis, no business case and no legal opinion to support their automatic assumption that privatization of our electricity system is somehow going to be better for people. In fact, if you look at the evidence out of California, Alberta, Montana, Pennsylvania, Massachusetts or New York, the evidence is it's not better for people. A privatized system, where you've got corporate executives who want \$2-million and \$3-million salaries plus their yachts and expensive cars, and the people on Bay Street who want their \$100-million or \$200-million commissions, and profit-takers all along the line, inevitably drives up prices.

In fact, if you look at North America, private electricity is at least 20% more expensive than publicly

owned electricity. Those studies have been done by the Consumer Federation of America. They've looked at all of the states in the United States which have privatized their systems, and they've looked at publicly owned electricity systems. No one has been able to refute the Consumer Federation of America in terms of that study they completed last fall. What does this government have? Nothing. They just repeat and repeat and repeat a phony debt mantra.

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The other argument the government offers up when they say Hydro One must be sold off is because you're going to have to make some investments in maintaining and sustaining the transmission lines. And they say the only place you're going to get that money is if you sell it. Well, I spent some time looking at the privatization prospectus. The prospectus basically sets out the government's plan for privatization of Hydro One. What's interesting when you read the prospectus is that Hydro One invested about \$500 million two years ago for maintenance and sustenance of the transmission lines, they invested \$500 million a year ago and they've budgeted \$500 million for this year. All of that has either been budgeted through retained earnings from the sales of electricity or through selling bonds where they've decided or wished to, in effect, finance that maintenance of a system through longer-term financing. Nowhere in the Hydro One prospectus does it say that the system must be sold in order to finance maintenance of the transmission lines.

In fact, when you look at the investment section of the prospectus, the section that talks about the corporate plan for investments, it doesn't talk about \$100 million to maintain the line leading to northeastern Ontario, \$100 million to maintain the line leading to southwestern Ontario or \$100 million to maintain the line leading to eastern Ontario. It doesn't say any of those things. The corporate plan, when you read the investment section of the privatization prospectus, talks about how a privatized Hydro would spend \$100 million increasing the inter-connection transmission line with New York so more of Ontario's electricity could be exported to New York. It talks about a \$50-million investment to increase the transmission hookup with Michigan so more of Ontario's electricity could be exported to Michigan. Then it talks about building a transmission cable under Lake Erie and they don't want to mention how much it will cost except to say it would be a substantial investment. We did some research, we made some phone calls and asked for some opinions. You're talking about close to \$1 billion to establish that transmission line under Lake Erie into Pennsylvania.

The investment strategy of a privatized Hydro One says nothing about maintaining the lines in Ontario. It in effect says their strategic plan would be to spend in excess of \$1 billion so that—and I can quote page 49 of the prospectus—“low-cost electricity generated in Ontario could be exported to more lucrative markets in the United States.” That's what it says in the privatization document.

The second argument this government trots out to justify privatization isn't even mentioned in the privatization document. It doesn't get any of the investment whatsoever. It doesn't have any investment plan whatsoever. The only investment plan you find in the Hydro One privatization document would be a strategy to build more transmission into the United States, to buy transmission systems in the US New England states and to buy transmission systems in the US Midwest states, all for the purpose of exporting more of Ontario's electricity into those states.

As I say, if the corporate plan is to sell more of Ontario's electricity into the United States because profit-driven corporations get a higher price for that in the United States, plus they can play on the exchange rate, where does that leave Ontario consumers? I'll tell you where it leaves Ontario consumers. Ontario hydro-electricity consumers would be put in the position where they would have to pay the much higher price that can be attained in the United States or watch our electricity simply being exported out of the jurisdiction.

Again, I think the reason the government doesn't want to come forward with a business case, with a legal opinion or a legal analysis, is because if they did, their charade, their shell game, would be over.

Who benefits from this? I haven't seen anyone here on the doorsteps of Queen's Park carrying a placard saying, “We want Ontario's hydro system sold.” I haven't seen 500 people, I haven't seen 100 people, I haven't seen one person carrying a placard—no one. None of the ordinary citizens in this province want to see our hydro system sold off. They recognize that electricity is an essential service. They recognize that as we go forward more and more into the 21st century it's going to become more essential and more strategic to our economy. The people I talk to out there all say we must maintain control over it. And you certainly don't see anybody marching up and down in front of Queen's Park saying, “Sell off our hydro.”

But if you read the business press, if you read the Financial Post or the Report on Business of the Globe and Mail or the finance pages of the Toronto Star, what you find there is that the folks from Bay Street—the financiers, the investment bankers à la Ernie Eves—are the people who want our hydro sold off. If you read their articles at all, it's very clear why they want it sold off. They know they can make a lot of money. Those Bay Street investment bankers know that taking a system that has been one of the most reliable suppliers of electricity in the world—not just North America—and privatizing it, when Ontario is semi-surrounded by US states that are either electricity-short or potentially electricity-short going into the future, where the prices are already higher, they can make a lot of money privatizing hydro and then selling at the much higher American rate. That's who's clamouring for the privatization of our hydro system and that's exactly who this government is listening to—exactly who this government is listening to.

Right now, over the past few weeks, we've seen a bit of a charade by this government because the people are

on to them. I just want to talk about the scenario at Hydro One over the past little while. The scenario at Hydro One went like this: in 1998—oh, by the way, I invite people to go back and read the financial reports of Ontario Hydro for 1994, 1995, 1996 and 1997, because what people will find is that substantial amounts of money were in effect being allocated to debt reduction. By 1998, when Ontario Hydro was broken up into Hydro One, the transmission company, and Ontario Power Generation, the generation company, over \$1 billion was actually dedicated to debt reduction that year. So the debt was actually coming down, the debt was being paid off. So I invite people to go look at those annual reports from Ontario Hydro.

But then the government, in its drive to privatize—and let's face it, that was this government's agenda coming in. When they came in in 1995, one of the first things they did in the ominous bill—or, as most of us call it, the omnibus bill—which they wanted passed immediately before Christmas with no debate, was to take away the right of Ontario citizens to insist upon a binding referendum when it comes to the sale of hydro assets. So you can see that already in the fall of 1995 this government had established that it wanted to privatize hydro, no matter what. Without looking at any of the arguments, without presenting a business case, a legal analysis, they'd already made up their minds. They wanted to privatize, just as they wanted to privatize the 407, just as they want to privatize jails, just as they want to privatize water, just as they want private universities, just as they want private elementary schools and so on. The decision was already made.

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So when they passed their so-called Electricity Competition Act in 1998 and broke up Ontario Hydro into Ontario Power Generation and Hydro One, they appointed their cronies, their political buddies, to the board of directors of both Hydro One and Ontario Power Generation. In fact, the chief Conservative bagman, Bill Farlinger, was appointed chair of the board at Ontario Power Generation and Sir Graham Day, the great privatizer of electricity and water in Britain for Margaret Thatcher, was brought over to be the chair of Hydro One to oversee the privatization of it. This government said to the cronies that they appointed to the board of directors, "Start behaving like a private corporation. And so you can start behaving like a private corporation, we're going to make sure that the freedom of information act doesn't apply to you any more, so the public of Ontario won't be able to ask embarrassing questions about what you're doing over there. The public of Ontario won't be able to ask questions about what the salaries are and the bonuses are and how expensive the yachts are and how big and expensive the cars are, or what your expense accounts are being spent on, or what other cozy deals you've got with Conservative consultants."

That's the first thing this government did. The next thing they did was tell their cronies on the board, "Start acting like a private corporation." So they did. They didn't look at what the salary is for the people who run

Hydro-Québec, even though it's a very large hydro-electric utility. They didn't look at the salaries at Manitoba Hydro. They didn't look at the salaries at BC Hydro. They looked at their corporate friends on Bay Street and their bloated salaries, their greed and excess, and they said, "Let us bring that to Hydro One and OPG." And that's exactly what happened.

In fact, when the government was first challenged, and I challenged the Minister of Energy in November to justify the million-dollar clubs that were being created at Hydro One and OPG, he stood up and said, "That's the way it is in the private sector. That's the way it is and that's the way it should be here." He said that he stood behind these excessive salaries and excessive bonuses and bloated expense accounts.

The government did stand behind it, and the government turned a blind eye to it for three years, until it started to get out into public. Now, all of a sudden, since it's gotten out into public, the government is looking around for someone to blame. They don't want to acknowledge their own responsibility, they don't want to acknowledge that this is their agenda, they don't want to acknowledge that people's hydro rates have gone up so that Eleanor Clitheroe could have her \$2.2-million salary, the use of a yacht, the \$174,000 car and the \$1-million pension. They don't want to admit that was their agenda.

So now they've said, "Oh, it's the board at Hydro One that did this." Well, who appointed the board? The Conservative government. Who gave the board its strategic direction? The Conservative government. Who took away the freedom of information act so the board could implement all of these privatization excesses without the public learning about it or having a chance to get at it? The Conservative government. And who tried to say earlier on that they didn't know any of this was happening? The Conservative government.

When you cut through all this, and this is what people really need to understand, what we've had in Ontario has been a public utility system that was required by law to provide power at cost—and that was a dedicated system. What this government wants to do is do away with that dedicated system, sell off all the assets to their corporate friends on Bay Street, who then want to peddle as much of the electricity as possible into the United States where they can get a much higher price, and then watch the price in Canada, the price in Ontario, rise to the same level as it is in the United States when you combine the markets.

They don't want to acknowledge, with all those profit-takers—with a profit-taker on generation, a profit-taker on transmission, a profit-taker on distribution, a profit-taker on financing, profit-taking in terms of Bay Street wanting their commission, and new fees for administration and a new bureaucracy—when you add up all of those things and the grossly inflated, bloated executive salaries—all of the new profit-takers, fee-takers, commission-takers—the price of electricity for Ontario consumers and Ontario industries is going to rise substantially.

It's already rising substantially. People who have gotten their bills for June—and I've heard from many of them—are very angry when they see all of the new costs on their bill, all of the new additions. And all we need is two or three hot weeks this summer, when everyone turns on their air conditioning, and just like California the price of a deregulated system will go through the roof.

In fact, here's an interesting analysis for people to take in. Last summer, when it got very hot for about six weeks in southern Ontario—in fact, it got very hot everywhere south of Hudson Bay—and people all across eastern North America were turning on their air conditioners, the price remained, here in Ontario, in terms of just the price for power and not the price for distribution and transmission, about \$43 a megawatt hour. If you went across into Pennsylvania, New Jersey, Maryland, that big network there that has all been privatized and deregulated, the price of electricity went to \$1,500 a megawatt hour during those very hot days when everyone had their air conditioner turned on. That's what happens under a deregulated, privatized system when the demand for electricity goes up. Whether it's because it's very cold in the winter or very dark and people have their lights on, or everybody wants to turn their air conditioner on in the summer, the price goes through the roof, as it did in California. That's another reason why people ought to be so concerned about this.

I just want to say a few words about history. When the government says Ontario's hydroelectricity system has a debt, yes, it does have a debt. But people need to know where that debt came from. You see, it was another Conservative government, in the late 1960s and early 1970s, that said, "Oh, the answer to hydroelectricity supply issues is nuclear power." It was the likes of Bill Davis and John Robarts and some of the people who are still in cabinet positions here. Ernie Eves was part of this decision-making in the early 1980s that said, "Let's go big into nuclear power." But they didn't estimate at the time what the full capital costs would be of building those nuclear stations. They didn't estimate at all what the maintenance costs would be for nuclear power plants. They certainly didn't have an accurate sense of what the storage costs would be, and they certainly did not pay any attention to what the decommissioning costs would be.

So the Conservatives built Bruce, and there was a cost overrun of at least a couple billion dollars and then huge annual maintenance costs of a couple hundred million a year. Then the Conservatives built Pickering, and there was a cost overrun of a few billion dollars and annual maintenance costs of \$400 million and \$500 million a year. Then the Conservatives, in the late 1970s, decided to build Darlington, and they said at the time, "Oh, it will only cost \$5 billion." But when it was completed in 1989, the price that came in was \$14 billion, \$9 billion over budget.

So who put Ontario's hydro system into debt? None other than the very same Conservatives who now come forward and say, "Oh, because there's a debt, the only thing you can do is sell it off." I say to people, if they

think the Conservatives' fascination—obsession—with nuclear power was a debt-ridden fiasco and a disaster, if that's what they believe, then they had better look twice at this latest instantaneous decision that the Conservatives have come up with, because it will be even more of a disaster for Ontario hydro consumers and Ontario industries that are dependent upon hydroelectricity.

Remember: no analysis from this government, no legal opinion of the interaction of the North American free trade agreement and privatization, no business case, nothing. All they've got, all they've resorted to is a scare campaign about debt. They want to use that as a justification for selling off, I would say, our strategically most important asset in this province.

Just to deal with this issue of the government continuing to talk about debt, if people go to the Ontario Electricity Financial Corp Web site—now, why is the Ontario Electricity Financial Corp important? It's important because it's one of the other companies that was created when the government broke up Ontario Hydro. The government says there's a \$38-billion debt, but if you go to the Ontario Electricity Financial Corp's Web site and look at their financial documents, they in fact tell a different story. I just want people at home to know this.

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The Ontario Electricity Financial Corp cannot mislead or tell an untruth in their financial documents. To do so would be an offence under securities law and would be an offence under criminal law punishable by 10 years in jail. So while you hear this government and especially the Minister of Energy blathering on about a \$38-billion debt, it says in the actual financial documents that if you look at the debt of \$38 billion you must then consider the value of successor companies, which are valued at in excess of \$17 billion, and then you must look at the value of the revenue stream. And what's the revenue stream? Over \$13 billion. So you take the value of the assets at \$17 billion, the value of the revenue stream at \$13 billion and what is the residual debt? It's only a little over \$7 billion.

Once again, this government can't get the numbers straight. As I've pointed out, if you compare that residual debt when you consider the value of the assets and the value of the revenue stream and you look at other public and private utilities in North America, Ontario's hydro system is not in a bad position at all. In fact, if you look at the debt-to-annual-revenues ratio, the former Ontario Hydro had debt at 3.8 times its annual revenues; in other words, very substantial annual revenues. If you look at the debt ratios of Manitoba Hydro and Hydro-Québec, their debt-to-revenue ratios are only 3 to 1. So in fact, other public utilities which have very good bond rating reputations are not that dissimilar, when you look at debt and revenues, to Ontario's hydro system. And if you look at many of the private utilities in the United States or elsewhere, you will see that while they have a lower debt-to-revenue ratio, it is not that appreciably different.

So I invite people across this province to go look at some of these documents. In fact, I'll give you a couple of other Web sites that are very good. If you go to

www.publicpower.ca, that is an excellent Web site to look at because it will provide you with historical information on what happened in California and historical information on what happened in other states that privatized and deregulated. It will provide you with a Web site address for the Consumer Federation of America, which, by the way, says that states in the United States should avoid privatization and deregulation in view of what's happened in Pennsylvania, Montana, New York, Massachusetts and, most of all, what's happened in California.

I just want to close again with what happened in California. California thought, when they deregulated and privatized their system, that they had about a 20% surplus of power. They thought, "We've got enough power here that we should be able to guard against market manipulation and profit-driven corporations manipulating the market to drive up the price." But after they sold it off, Enron—you know, the \$50-billion swindle in the United States—got control over some of the key assets and started shutting down generating stations. By shutting down generating stations, they created an artificial shortage. Once they created the artificial shortage—there are some industries, especially process industries, that not only need power but have to have an assured supply of power. If they don't have an assured supply of power and they have to shut down, it can be a multi-million dollar loss in terms of the process. Petrochemicals and plastics are process industries that come to mind.

Those industries, because they need an assured supply, started agreeing to pay four, five and six times as much for electricity. But then the Enrons, seeing that this was a good thing, not only shut down more generation but started shipping generation out of California to increase the electricity shortage. Then they jacked up the price—not five times, not 10 times, not 20 times, but in some cases 100 times.

The Governor of California was on national television three weeks ago in the United States and made the point that by their calculations now in less than two years the consumers of the state of California were overcharged to the tune of \$31 billion by profit-driven, private electricity traders who manipulated the market in order to screw people and increase their profits. I don't want that to happen here, but I know, because the corporate plan is to move more electricity to the United States, we could very quickly see our so-called surplus go to the United States. We could then see market manipulation in a privatized, deregulated system and people would be gouged.

The Acting Speaker: The member's time has expired.
Interjection.

The Acting Speaker: The time now is for questions and comments. There will be four, and then I'll come back to the member for Kenora-Rainy River.

Mr Doug Galt (Northumberland): I started making some notes about some of the silly comments that were coming from the member for Kenora-Rainy River. I used up a couple of pages and I quit, because I had lots to respond to.

I got thinking about his comments about a mortgage on a house. You're absolutely right: when you get a mortgage on a house, you start paying it off. You don't start adding to it the way you did during your five-year term in government. You kept adding and adding to the mortgage. You didn't pay anything down. That's what happened with Ontario Hydro. You kept adding and adding. You don't do that to mortgages. You don't take a mortgage on a house at \$170,000 and build it up to \$380,000 and then look for another \$50,000 so you can fix the roof and some of the windows. That's what's going on with Ontario Hydro today and that's how you were running it.

You talked about where did the debt come from. I can tell you where some of it came from. It was from your mishandling in winding up the Darlington nuclear station, starting out around \$4 billion or \$5 billion and ending up at \$15 billion to \$16 billion. No wonder it was in trouble. You didn't talk about the actual decommissioning costs. You didn't talk about the contracts that you people made with the NUGs—ridiculous contracts that were put out there that are totally unaffordable and are not working. That's the way you dealt with private companies.

No wonder you're concerned about something like privatization, especially when you kept two sets of books. No wonder you did. When you talk about adding revenue to the assets, that that should be the total value, what kind of school of economics did you go to when you just simply add on revenue and that's the value of it, when it's costing more per year to run than the actual revenue coming in? Your speech made absolutely no sense. I just don't follow how you could talk about that. Maybe I do, when you were in office having two sets of books for five years. Thank heavens that came to an end in 1995.

Mr David Caplan (Don Valley East): The member for Kenora-Rainy River said many things that I agree with and others that I think were not entirely correct. I have questions for him that I hope he'll answer in his comments following at the end.

Three basic points: one, as I understand it, is that the groundwork for the breakup, sale and privatization of Hydro was begun under the leadership of Maurice Strong, whom the New Democratic Party placed as chair of Hydro. I understand that Mr Strong, through his business plan, put in place the groundwork for the breakup, sale, privatization of Hydro. So I would like the member for Kenora-Rainy River to perhaps reflect on his time when he was a cabinet minister in that government and to say why he and his colleagues proceeded with that course of action, which has been followed through and carried on by the current government, albeit to a much greater extreme. But they have followed the agenda which you set, in my opinion, back in the years from 1990 to 1995.

1930

Second question: Schedule B of the bill deals with the Ontario Energy Board, and the leader of the third party

made a reference to government cronies being put on all of these boards and commissions. Would he please explain how and why Floyd Laughren, his former colleague and finance minister under the New Democratic government, is now the chair of that board, and does he not have confidence in Mr Laughren and his ability to protect consumers? Because it sounded like a pretty stinging indictment of the people that the current government appoint to some of these boards.

Last, but certainly not least, as I understand it there was a rumour today that former Premier Bob Rae is one of the new designates from the government to be on the new Hydro One board. Perhaps the member from Kenora-Rainy River would want to speak to that and the appropriateness of that. Does he have confidence in Mr Rae?

Mr Peter Kormos (Niagara Centre): First, the member from Northumberland, Mr Galt, is the reason why I wear cowboy boots in this chamber. Think about it for a couple of minutes.

Clearly, the Liberals are under a little bit of pressure. Look, it was the Liberals who were advocates of the sell-off, not only of our generating system—everything from Niagara Falls northward—but of our transmission lines as well. They were very much on side. There were the Tories in one back pocket of the private sector and there's Dalton McGuinty, like a little baby kangaroo, sticking his head out of the second back pocket and there's the privatization sector, including Hydro One, this government's friends—Sir Graham Day. Their friends—these were Tory appointments. These people were hand-picked. They were selected by the Tories, and it's clear they were reporting back to this government on a weekly basis, if not more frequently. One has to question whether or not they were following the marching orders of this government.

Then there's Sir Graham Day and the pre-privatization board of Hydro One—that's what it was—operating to the private sector principles that this government praises—millions upon millions of dollars in salaries. Even more repugnant, the payoffs—the grease—upon resignation or privatization being two-fold, three-fold, the \$176,000 car allowances and hundreds of thousands of dollars in racing yachts and here's Hydro One, the pre-privatization board, greasing the Liberals to the tune of five grand and the Tories to the tune of \$7,500 in that little by-election that was held up there in Dufferin-Peel, the election of the new Premier. You see, I know the Tories are obliged to that sector. It's clear the Liberals are, too.

Hon John R. Baird (Associate Minister of Francophone Affairs): I listened with great interest to the speech by my colleague the member for Kenora-Rainy River, the leader of the third party. In the interests of full disclosure, I'm not going to give the Web site again. He gave out a Web site address like it's a source—

Ms Shelley Martel (Nickel Belt): Come on, read it.

Hon Mr Baird: I'll give it out. No, I'm not going to give it out.

Interjection: Oh, go ahead.

Hon Mr Baird: Ontariopower.ca. He gives this Web site out and says, "You know what? Members of the public, you can go get a source of neutral information. Don't believe me. Go to this Web site." I'm sitting across the hall in my office and, you know, I key in the Web site address, ontariopower.ca, and who pops up on my screen?

Interjection: Who?

Hon Mr Baird: I thought it must be one of those viruses because all of a sudden there is the smiling face of the leader of the NDP, Howard Hampton, on my computer screen. An independent Web site. It was a virus, a socialist computer virus. I need a socialist virus checker for my computer.

Anyway, I looked at the site and it was all just NDP socialist propaganda and I didn't see any reference on that Web site to Maurice Strong, someone who they paid millions, someone who had the idea of taking of taking taxpayers' money and buying rainforests in South America. I didn't see that down there. And I didn't see the letter that you sent to the Minister of Energy earlier. You mentioned that during question period. I didn't see a copy of that letter. We should have a public inquiry into where that letter went because we can't find the letter anywhere. The government phoned his office and we can't find his letter. So I thought it was quite interesting.

But I'll respect the member. He has a firm position and he sticks to his guns and I admire the honourable member for that. Where were you on December 12? I know where Dalton McGuinty was. He was out there saying he was in favour of privatizing hydro in Ontario.

The Acting Speaker: The member for Kenora-Rainy River has two minutes to respond.

Mr Hampton: I want to thank the members. I'll give you the Web site address. It is www.publicpower.ca. In fact, you can go there and you can find a legal analysis of hydro privatization and NAFTA, something you won't get out of the government. You can find information from the Consumer Federation of America, looking at what happens when states privatize and deregulate their power, something you won't get out of the government. You can find an analysis by an international organization about what happened after Britain privatized its electricity and the fact that people are paying 25% more than they should.

I just want to say to Mr Galt, go back and read the Ontario Hydro annual reports for 1994, 1995, 1996 and 1997, and they will detail ad nauseam the revenue stream of Ontario's hydroelectric system and how much money was being spent each year to bring down the debt. I just want to say to my Liberal colleagues that yes, the NDP did bring in a noted Liberal, Maurice Strong, and you're right: true to his Liberal colours, he proposed that we should sell off Ontario Hydro. If you go back and check the Globe and Mail of the spring of 1994, you'll see an exposé that says that Maurice Strong is leaving Ontario Hydro in a huff because the NDP cabinet told him no to

hydro privatization, no Liberal strategies to privatize hydro.

I move the following motion: that Bill 58, An Act to amend certain statutes in relation to the energy sector, be now read a second time, but that it be read a second time this day three months hence.

The Acting Speaker: I'm sorry. I'm not allowed to accept a motion during responses. As debate revolves in clockwise fashion, I'll now look to my right. The Chair recognizes the member for Northumberland.

Mr Galt: I'll be sharing my time with the great member from Cambridge.

I think it's wise, maybe, at this point in time to just share with the members of the Legislature the four objectives that the Ontario government has with Hydro One: (1) to provide future generations of Ontarians with an efficient source of energy and electricity for many generations to come and to ensure that we're competitive in an international marketplace, going forward with respect to that supply of power; (2) to provide the necessary capital for restructuring with respect to the transmission and distribution of power in the province of Ontario; (3) to generate revenue to reduce the stranded debt and make sure we do not get into a situation which, over decades, has built up a \$38-billion debt; and (4) to bring private sector discipline and efficiencies to the operation of the transmission system, while ensuring consumers are protected under the tight regulatory control of prices by the Ontario Energy Board.

The present status of Ontario Hydro: we're sitting with a grand total of a \$38-billion debt, regardless of how the leader of the third party would like to play with it. I'm not sure what school of economics he went to, adding the revenue on to the assets and then claiming that's the total value. I really don't understand that. But what I do understand is that within that \$38-billion debt, there's \$17 billion in assets. That means there's \$20 billion that isn't covered. That isn't much of a mortgage, and if that was a private company or any other organization, it would have been bankrupt long ago, when you're two and a half times in debt of your value. That just doesn't work.

What a mess we're in, and how would we ever have gotten in this mess if it hadn't been for a monopoly? I think this monopoly for its first 75 or 80 years did a great job for the people of Ontario. But, typical of monopolies that discourage innovation, that are unresponsive to the needs of the public, we ended up in this situation.

1940

I remember when I first took office I received a lot of complaints about Ontario Hydro and the work ethic, how there'd be 12, 15 people standing around a truck and one working up on the pole. That disappeared within a year or two, but that was certainly a very common complaint.

There are concerns the public has about non-response at times of emergency. We get a big windstorm and my phone starts to light up at home because people can't get through. They have not responded with good customer service.

I think of the waste of power that has occurred in this province since we went to nuclear. That's over 30 years, three decades plus. Nuclear power runs level. They can't bring it up and take it down. It runs level night and day, but the demand for power goes up and down. Yes, they top some of it up with gas-powered plants, oil-powered plants, but there is a tremendous amount of electricity lost at night. You can't store electricity, of course, except a bit in batteries. It pretty well has to be used. It just dissipates and is gone. They could have been converting it through electrolysis to hydrogen. Probably they could have produced enough hydrogen to run all the streetcars and all the buses and subway cars in Toronto, and maybe many other cities; it's a wild guess. But a tremendous amount of energy has been wasted. Did that monopoly ever consider it? Did it ever think of it? No, they didn't consider it.

Thank heaven we're getting on with moving from a monopoly to competition so we can bring in some of the innovative ideas that the select committee on alternative fuel sources is promoting. When I say "innovative," they're actually happening in a lot of other areas, but because of this monopoly, this dinosaur, we've been unable to bring them in: things like net metering, where if you have a windmill or solar panels and you're producing more power than you need, you can run your meter backwards. Half the states now have that kind of legislation in place and are using it. That encourages people to put up small windmills on their farms or at their homes so that they can be more self-sufficient, producing clean energy rather than the coal-powered plants which, I gather, listening to the NDP, must be what they're supporting.

What the government is really talking about is not public versus private but rather monopoly versus competition. To me, that makes an awful lot of sense. But it appears that the opposition—both parties—are in favour of the status quo, with billions and billions of dollars of waste with plants that are sitting idle, not being used. Look at the Lennox generating station and how little it has been used. Look at the Wesleyville station, which never even had generators. But I gather they like that idea and that's the way they want to stay. They refuse to support Bill 80, An Act respecting directors and officers of Hydro One Inc. and its subsidiaries. I think it's a crying shame that both opposition parties resist supporting that particular bill. It's what they've been crying and yelling about for weeks, and we bring in the bill and they refuse to support it.

I think it's interesting to notice what happened during the lost decade from 1985 to 1995 and what happened to rates. Back in late 1995 or 1996, I was chatting with some people from the Ford Motor Co. They were telling me that in 1985—this is their story—they had some 17 jurisdictions where they made cars in North America. In 1985, Ontario was the cheapest source where they could get electricity to produce cars, but by 1995 Ontario was the 15th most expensive place for them to make cars in their 17 jurisdictions. This is one factor in economic development, not to mention taxes that were out of con-

trol, not to mention labour laws that had gone totally awry. They also looked at health costs. A lot of these things go into economic development: will a plant or will a plant not come to certain areas? It's obvious why so many were leaving this country, leaving in droves, through that particular decade.

So what happened in 1995? First, we froze the hydro rates. Prior to that, in that lost decade, they'd gone up something like 90%. We brought in the Macdonald commission, because we knew the mess that we were in was not sustainable.

I think it's interesting, and a lot of the public probably doesn't seem to be aware, that the market has now been open for competition in the production of electricity and the results have been quite impressive. We were paying 4.3 cents for the production of power from the generation to our utilities. It's been averaging below three cents for that first month and early in the morning it gets down to around 1.5 cents. In the peak, in the afternoon, sometimes it gets up to around 4.3 cents.

Mr Dwight Duncan (Windsor-St Clair): What about July?

Mr Galt: The opposition is concerned—yes, in July it may go up. It might go up to five cents or even six cents in the heat of the day. But so far it's proving that it's working very well, and obviously the rates are coming down, which relates to power generation. Yes, there's been some added on to the distribution so we can pay down this debt, but that goes over years and years of misuse. It's interesting to notice the NDP and some of their advertising slogans that I've been going through—“Trash Hydro Privatization.” I'd suggest the NDP trashed electricity competitiveness back in the early 1990s, and there's nothing that's competitive about it today. I think a government is something like bumper cars at an amusement park: you can't sit still and not get hit. It's just unfortunate the way the opposition are looking at this.

I did want to make a few comments, in winding up, about the select committee on alternative fuels, before I turn the floor over to my good friend from the great riding of Cambridge. Because of opening it up to competition, by bringing previous electricity bills into this Legislature, we'll be able to move ahead with things like net metering. I mentioned that a little earlier. It would be so innovative in Ontario, but certainly not in the rest of the world. All the things we recommended, all 141 recommendations in that report, are already happening in some jurisdictions in the world. However, there's no particular country where they're all happening.

I encourage the members to have a look at this report. It talks about everything. It's a beautiful report. It's being held up there by the member for Windsor West. There are nice pictures on the front. It was well put together by our researchers. It was arrived at by consensus; all the members from all three parties agreed to it. So I would look forward to the implementation by our government. It talks about the renewable portfolio standards, in other words, bringing in green power, and all the electric

distribution PUCs—they would have a requirement. We're recommending there be a task force to look at the actual details of how that would be brought in.

Certainly, I encourage anyone who's listening this evening to go to the legislative Web site and have a look at this report. If they want a copy, it's certainly very easy to just let the clerks know and a copy would be sent to them.

In closing, I encourage people to get involved and have a look at the select committee. Also, I'll be able to support Bill 58 when it comes forward. It's certainly innovative and it's setting up the rights of the Ontario government to deal with their assets as they see fit.

Without further ado, I now would call on the member for Cambridge for his remarks.

Mr Gerry Martiniuk (Cambridge): I'm pleased to be here on this lovely evening.

Consumer protection has always been the government's first priority in restructuring Ontario's electrical sector. We made it clear—

Interjections.

Mr Martiniuk: We're hearing from the cheap seats right now.

We made it clear right from day one, when we put our electricity customers first in designing our new market and when we made the commitment to fix the problems of the past, to safeguard our future electrical supply and ensure that safe, reliable power would continue to be supplied to consumers at competitive costs.

1950

May 1 marked an exciting new era in Ontario's history when we opened the electricity market to competition. The transition was quite successful, I must add. The lights didn't go out. The power prices over the past month have been 33% lower than the 4.3 cents per kilowatt hour. Isn't that remarkable? That's not what we're hearing from the opposition. I'd say this is an excellent start in our plan to restructure the electrical sector.

Ontario's new market has all the key ingredients to function smoothly, especially with respect to adequate supply and a robust market design. From our May 1 start-up, our new market will evolve and mature as market participants gain experience, the tools and processes are further defined, new participants invest in the industry and competition strengthens. And as the market matures, we should see other benefits, including greater efficiencies, better service and innovation.

As with other jurisdictions that have been successful in making the transition to competition, we firmly believe that market competition, commercial discipline and strong regulation are the best guarantees of reasonable prices for customers over the long term. And for the first time, Ontario's 4.1 million residential electrical customers have two choices in buying their power: they can decide to do nothing and their local utility will continue to supply them with power at variable or spot-rate market—that's because the generation of electricity is a competitive activity, with supply and demand determining price—or they can purchase their electricity at a

fixed rate from one of several retailers licensed by the Ontario Energy Board. It is completely the customer's choice, based on their individual circumstances and preferences. Some people liken the two choices available to them to a choice between a fixed or a variable-rate mortgage.

But no matter what choice consumers make, their local utility will continue to deliver electricity and bill customers for transmission and distribution and still be responsible for the safety and reliability of local distribution.

I'd like to point out that we are not the first deregulating the electrical sector. In fact, for the first time the transmission and distribution of electricity will be strictly regulated by the Ontario Energy Board in order to protect customers. We've established an Independent Electricity Market Operator, or IMO, to oversee the wholesale market and grid operations of our electrical system. By law, IMO must protect the interests of customers with respect to the reliability and quality of electricity services in Ontario. This is not what I would call deregulation. It's competition combined with strong regulatory oversight, which will work to the benefit of all Ontarians.

We protected consumers by putting in place tough customer protection laws for energy retailers which require them to operate fairly and honestly. We have provided the Ontario Energy Board with the tools it needs to oversee the retailing practices of marketers and deal with those engaging in questionable practices. For example, all retailers must be licensed by the OEB, and as a condition of their licences, they must follow the electricity retailer code of conduct that establishes guidelines and standards. This code requires salespeople to carry a photograph identification when retailing door to door, to indicate that they don't represent a distribution utility, to clearly state the price and other terms, and to provide a clearly printed contract. The offer must clearly indicate the price, any other fees, the length of the contract and any other term such as cancellation charges, renewal terms and transferral or assignment of the contract.

Direct sale contracts must also include a buyer's right to cancel. The statement should be in not less than 12-point type, which is a readable size of printed type much larger than so-called fine print. Retailers must give customers ample time to understand an offer without pressure or harassment. No customer is required to show their electrical bill or any other information to a retailer unless they decide to sign a contract with that retailer.

In fact, electrical retailers are subject to the same consumer protection laws as other sellers in the province under the Consumer Protection Act.

If there are any problems, the Ontario Energy Board, headed by Floyd Laughren, has the authority to levy financial penalties against a retailer or revoke or suspend its licence. The OEB has zero tolerance for anyone engaged in questionable marketing practices. This was demonstrated on April 25 when OEB's director of licens-

ing levied significant fines on two electrical retailers for violation of the code of conduct.

Retailers want to do their part as well. So far, companies have responded by changing their administration procedures and by reprimanding or dismissing sales agents who haven't followed the rules.

The energy board also has a dispute resolution process in place and the director of licences will make a ruling if the dispute can't be resolved with the retailer.

But consumers also have a responsibility to take care of their own interests. That means that consumers, if they want to sign a fixed-price contract, should read the terms and conditions before signing and make sure they understand what they're signing. A contract is a legally binding document, and currently customers have a right to cancel without penalty by notifying the company within 10 business days after signing.

I would strongly urge customers to ask questions when the retailer comes to the door: Do you have a licence from the OEB? What is the length of the contract? Is there a penalty for cancelling? Can the retailer cancel a contract? What is the price per kilowatt hour, and will it vary? What additional charges are there?

Information and education materials have been provided over the past years through brochures, fact sheets, bill inserts, a toll-free information line, a ministry Web site, town hall meetings, seniors' information sessions, and radio, print and television advertising. In fact, since 1999 the ministry has distributed 1.3 million brochures and 11 million utility bill inserts in an effort to inform customers well before the market opening. Our toll-free information line is available at 1-888-668-4636.

The Acting Speaker: Comments and questions?

Mr Bruce Crozier (Essex): I just listened very carefully to the comments made by the member for Cambridge. I know he wants residents in the province of Ontario who might consider buying electricity from a supplier to be very careful in what they purchase. This Bill 58 in fact has a section that deals with consumers' rights and what should be disclosed to the consumers.

This government should have learned some months ago and should have planned for this some months ago. There are over a million customers in the province of Ontario who have already signed contracts to purchase electricity from these suppliers. The warning comes just a little bit late, because we know there are thousands, probably tens of thousands, of examples of where electricity retailers haven't been honest at the door. In fact, there are some cases of outright fraud. In my constituency I have had one example I can think of where the signature on the contract simply wasn't put there by the so-called purchaser. My colleague from Prescott-Russell himself has been a victim of this fraud.

Although this bill contains some further protection—though it's so complicated that I'm not so sure it's protection at all—what are we going to do for those who have signed contracts over this past year or so? They're left out in the cold. They're hung out to dry. I think this government should be interested in all the consumers in Ontario.

2000

Mr Kormos: The member for Nickel Belt, Shelley Martel, is going to have a chance to speak before the night is through, at least I hope she is. She's at least going to be participating in these two-minute questions and comments.

I did listen. Painfully and with great patience and with an inner fortitude that I didn't know I could muster up, I listened to the member for Northumberland, Mr Galt. He's the kind of guy who will pass gas and then blame it on the dog. We've got him in here ignoring the reality of the history of Hydro. I'm not sure he's ignoring it; I suspect he isn't familiar with it.

If he had listened to Howard Hampton talk about the history of Ontario Hydro in this province, he'd have learned that the so-called debt—and it's a debt that has been expressed in hyperbolic terms; that's the most generous and safest parliamentary way to describe it—is a debt that the consumer is going to pay off anyway. Why don't you tell folks that, that Hydro users in this province are going to pay every penny of that Hydro debt but you're going to sell the multi-billion-dollar assets of Ontario Hydro—Hydro One and then all our generating stations—out from underneath them?

What's the matter with these guys? You've got to be careful. The scripts that you're given by the little minions behind the Speaker don't replace real research on your part. You're being paid big bucks. You voted yourself a salary increase that was exceeded only by Ms Clitheroe's. You've got to earn the salaries you're being paid. Do some independent reading. Do some research on your own. Go to www.publicpower.ca and find out what's really going on.

Mr Duncan: I listened carefully to the members for Northumberland and Cambridge and I'm pleased to have an opportunity to respond.

First of all, both members addressed problems with respect to Hydro's past. One spoke of the problems associated with the debt of the old Ontario Hydro. The other spoke of other problems related to regulation, deregulation and so on.

Let's make sure we understand what this bill is about. This bill is presumably about privatizing Hydro One, the transmission grid, that is, the wires that take the power from where it's produced to where it's sold, to the local retailer. That asset—and it is an asset, a huge asset to this province—makes money, \$300 million a year. It doesn't lose money. It is a natural monopoly. If the government chooses to privatize Hydro One, there will be no competition in the transmission of hydroelectric power.

When the member for Northumberland addressed the question of competition, he failed to mention that this bill doesn't deal with generation; it deals with what will be a successor natural monopoly. That's why we oppose the sale of Hydro One and oppose this bill, because it gives the government the power to make the decision when the Legislature's not sitting, to finalize the terms of that transaction in the dark of summer, shall we say, when they can't be questioned.

I must say, the good news is that because the government has so mishandled the pay issue at Hydro One with respect to the board and the senior officers, they probably won't privatize it. Thank goodness, some people here stood four-square against this initiative.

Ms Martel: I listened with great interest to what was said by the Conservative members and would say the following in response. It makes absolutely no sense at all to sell off an asset that generates income for the province of Ontario. The fact of the matter is that whatever the debt is—and if people want to get a real, honest idea of what that debt is; underline the word "honest"—they should look to the Ontario Electricity Financial Corp Web site, posted April 1, 1999, after this government reorganized the Hydro debt. If they want to get an honest view of the debt, which is far less than what the Minister of Energy would put out to you, they would also understand that every cent of that debt is going to be paid by hydro ratepayers in any event. It's not as if when we sell it, it goes away.

So if we're going to be paying for it anyway, we might as well keep the asset that generates revenue every year to be applied to the debt. That revenue stream that the Ontario Electricity Financial Corp speaks to is at least \$13.1 billion. That's the dedicated revenue stream. It makes no sense whatsoever to sell off something that generates money for us.

If people really want to look at what happens in other jurisdictions, our leader Howard Hampton made clear the case in both Manitoba and in Quebec, where their debt levels are higher than the province of Ontario. No one in Quebec and no one in Manitoba is talking about selling off those public utilities or those public assets, because they understand that those are valuable assets for the people of those provinces that make sure that rates are stable and that there is power at cost. That's what we should be doing in this province, too.

The Acting Speaker: The member for Northumberland has two minutes to respond.

Mr Galt: I was entertained with some of the responses that we were hearing. The member from Nickel Belt is talking about all this generation revenue that's going to be generated, this \$13 billion she is talking about. She didn't seem to mention the costs. I understand several billion dollars are currently needed by Hydro One to repair poles and upgrade a lot of the equipment they have. She seemed to ignore mentioning that aspect. I appreciate that generation can occur there, but you have to invest capital annually and you have all the operational costs. Should that exceed the revenue, that's hardly a profit. She ignored mentioning what the net profit on an annual basis might be. It's a net profit, not a net loss, that she really should have been speaking about if in fact that was the point she was making.

The member from Windsor-St Clair talked about what is really in the bill, but he didn't talk about the fact that the bill includes reforms to strengthen the Ontario Energy Board's powers against unfair marketing and retailing practices. He didn't talk about that fact that the bill will

enact a new energy consumers' bill of rights which would place new requirements on gas and electricity retailers dealing with consumers. He didn't mention that the bill provides the Ontario Energy Board with new enforcement powers. He overlooked mentioning that the bill strengthens the market surveillance powers of the IMO's market surveillance panel.

Also, there are amendments to the bill that would help protect our environment by strengthening the rules governing water power generators. Finally, the bill enables the government to establish an environmental information tracking and reporting system that would allow consumers to make informed choices about electricity offerings.

The Acting Speaker: I just wanted to remind the members that there are several opportunities for you to speak. You can get in touch with your House leader, your whip, and have debate. You have two minutes to do comments or questions, and you may get a response or whatever. That's all our rules allow. I just wanted to remind members that you have those opportunities and no others.

Further debate?

2010

Mr Michael Bryant (St Paul's): We're speaking here, debating Bill 58. It is called the blank-cheque bill. That is for a very good reason. It seeks to give the executive council a blank cheque to do what it wishes with the future of Hydro One. I want tonight in my time to talk about why the blank-cheque bill is an affront to our democracy, an affront to our parliamentary system. I also want to talk about the government's electrical storm that has been their path to privatization, it being on the table and then off the table and then back on the table, and the volatility that has caused in the entire electricity market on the generation side, which in turn has meant we are going to get less made-in-Ontario electricity because of the volatility caused by this government with respect to the way it has handled Hydro One—its sale or keeping it public. Last, I want to talk about why we need to keep Hydro One public, why we must keep the electricity transmission highway public.

First, we call this the blank-cheque bill. Dalton McGuinty and the Ontario Liberals do, and I think members of the third party may have called it the blank-cheque bill as well. Pundits and commentators have also referred to it as the blank-cheque bill. You might ask why they would call it a blank-cheque bill. It's because it turns our parliamentary system on its head. Instead of the executive—the cabinet—coming to the Legislature to get support for a decision it has made, the executive is asking for a blank cheque from the Legislature to do what it wishes, either through a cabinet meeting or by passing an order in council, outside this Legislative chamber. Why does that matter? Is this an academic problem? Is this just a concern that will bedevil some political science examination question? I say no. This is not a hypothetical affront to our democracy and our parliamentary system; it is a very real affront to our democracy.

Let me just get to it right away. It is questionable that this government, executive council or cabinet—it's the same thing—that Premier Eves could come to this Legislature and get a majority of this Legislature to support the privatization of Hydro One. We know of at least five members of the government caucus who have expressed in published reports, one in the Legislature and one in the midst of a leadership debate, serious concerns about the privatization of electricity transmission. If there are five who have spoken out, it is quite possible that this cabinet could not get the support of the government caucus for privatization of Hydro One. If that were the case, then of course it couldn't get Hydro One privatized. In turn, they're not going to get the support from the official opposition or the third party, because we oppose the privatization.

So suddenly the government is faced with a choice. They can take the matter of the future of Hydro One to this Legislature, and get the people to decide the future of Hydro One—let the people get the last word—or they can do this, and this is the trick: the cabinet gets the last word, not the people. That way, all the government members can go home and say, "Well, I said in the caucus meeting that I was against it, but the cabinet made me do it."

Again, let's be clear: we have a parliamentary system where the executive—the government—introduces a bill, we go through stages of legislative debate and committee hearings and ultimately the Legislature passes or defeats a bill. Obviously, to some extent it can literally become an academic process in the sense that we know that government bills are going to be supported by the government. The government doesn't introduce a bill unless it knows it's got the support of its caucus and obviously the support of its cabinet. It won't introduce a bill unless it has that support.

So you have to ask yourself, "Why wouldn't they put what they want to do on the future of Hydro One before this Legislature?" The answer is that the government wants to avoid having the people have the last word on this, not for some crazy conspiratorial reason, but for the simple fact that the majority of Ontarians oppose the sale of Hydro One. How do you get around that if you want to sell Hydro One? Well, the government has figured out a way. They pass a blank-cheque bill which gives them the power to do what they can't do right now, that gives them the power to do what they could not do if they brought it to this Legislature. It truly turns our parliamentary process on its head. We're about to have a budget, probably next week—I'm looking for nodding from the cabinet over there, but I'm not getting any. We're going to have a budget next week.

Interjections.

Mr Bryant: The week after would be estimates. The budget has to be next week and estimates the week after, I think. Then there's the supply bill. Of course, the way the supply bill works is that it's the opportunity for the government—the executive council—which has explained its position through the estimates process, to come and

say to the Legislature, "We need to get your approval before we can start spending the people's money." That has been the case, at least, since the 16th century, since the English Bill of Rights—the people getting the last word instead of the monarchy getting the last word. In other words, Parliament has to agree before the crown starts spending the people's money.

To turn that on its head would involve the executive not having to come to the Legislature to get approval to spend the people's money. The whole purpose of the supply bill and the supply process and the appropriation process is to do that. Government—the cabinet—presents a budget, and the Legislature approves.

Again, more often than not it is just a formality. We know that; we know it's a formality. The cabinet, it's been said, is the buckle, the hyphen that connects the Legislature to the Parliament. Of course, in our system the members of the executive council are members of provincial Parliament; they are members of the Legislature. There are 24 of them. They are 24 important people; they're 24 powerful people; they're people who have control over ministries. But there are only 24 of them. In order for this Legislature to take something introduced by a minister and make it law, they have to bring it to this House and we get to vote on it. If the people at home don't like the way an MPP votes, they pick up the phone, they write an e-mail, they write a letter and they let the MPP know. Dollars to doughnuts there are a lot of MPPs on the government side of the House who have gotten a lot of calls and e-mails and letters and visits from constituents who have said, "For goodness' sake, don't sell off Hydro One."

In a democracy, at some point we get an election and those people who feel very strongly about it, who believe this is an election issue, will say to the PC MPP, "You voted for the sale of Hydro One. I'm opposed to that, and I'm not going to give you my support in this election." It's the way democracy works.

Here's why this blank-cheque bill is truly a perversion of our parliamentary process. The voters can't go to the PC MPPs and say, "You sold off Hydro One." Why? Because the MPPs are going to say, "The cabinet did it, actually; I didn't do it. I didn't do it; the cabinet did it. It was done by order in council. It happened during the World Cup," or "It happened in the middle of the World Series," or "It happened on a Friday afternoon; the announcement came out at 4 o'clock," or whatever. There's no opportunity for an MPP, in the ultimate expression of accountability, to say, "I voted for it," or "I voted against it."

What we want on this side of the House—

Mr Ted Chudleigh (Halton): That's the way your party works. That's not how our party works.

Mr Bryant: The member says that's how our party works. Yes, we believe in democracy and you don't. That's how it works, I guess. Member for Halton, if your constituents in fact support the privatization of Hydro One, then you should be given the opportunity to vote for it. If they don't, and you vote in favour of the privatiza-

tion of Hydro One, then your constituents should have the opportunity to hold you to account. The problem with this bill is that it doesn't permit the people—the voters—to hold their members of provincial Parliament to account, because it gives the last word to the cabinet, not to the Legislature.

Again, in most circumstances that may only be of concern to a keen student of political science. But in this case I am saying the political reality is that the privatization of Hydro One, in whatever way, shape or form—through income trust, through a non-profit corporation, through an IPO, an initial public offering, through a strategic sale or through a lease, any of those options—whatever the privatization option that is undertaken by this government, I say it couldn't get through this Legislature. Why? It's extraordinary that we have had, again, five members of this Legislature remark in published reports, and there may be more, I don't know—they usually say something like having grave concerns about privatization. That means they are opposed to it.

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The Deputy Premier, Elizabeth Witmer, said in the leadership debate—remember?—that she had great concerns and that we should review electricity reform. Remember what the reaction was? Chris Stockwell was shocked. He said, "What? You were at the cabinet table with me when we made that decision and agreed to privatize Hydro One. The cabinet decision was made on December 6 that we're going to privatize Hydro One. So what happened?" She started to speak her mind because she was not shackled by the Emperor of North Bay. Now she's the Deputy Premier in a government that has introduced a bill that gives the cabinet the last word on this matter that otherwise could not get through this Legislature.

It's an affront to our democracy, it's a perversion of parliamentary system and it's wrong. It wouldn't matter what the subject matter was. It could be the privatization of Highway 407; it could be privatization of another government enterprise, corporation; it could be the privatization of another government service. It wouldn't matter. The people should have the last word. The Legislature should have the last word. Blank cheques should never be allowed.

Second, there has been an electricity storm that is the path of this government, en route through plans to privatize, derail plans to privatize, promises and confirmations to privatize. Then an incredible thing happens: privatization gets off the table and then goes back on the table. Then out of nowhere we get five different privatization options, plus it seems that the status quo is on the table and then off the table.

Then, in the midst of that, while the government is trying to convince everybody that privatization is off the table, the enterprise minister, the former Deputy Premier, Mr Flaherty, says, "No, the IPO, the privatization of Hydro One, is on the table." That didn't go over well, so I guess there were dinners planned and cancelled. But in any event, suddenly, despite the fact that during the by-election and in the days leading up to the by-election the

Premier very clearly said that privatization was off the table, when the by-election was over—guess what?—it was back on the table. In fact, the government let it be known that it wanted to give itself the executive power to privatize Hydro One—again, the problem being the perversion of our democracy. The people of North Bay have had a say as to what they thought about the privatization of Hydro One. They were told by the Premier of Ontario that privatization was off the table, that the IPO was off the table. It was on the front page of newspapers. Hydro One IPO “Off the Table.” People read that and they said, “Phew, because I don’t want that.” Ontarians don’t want the privatization of Hydro One. We know that. You know that because you’ve heard it in your constituency offices. And yes, there have been polls that have confirmed it, but we all know that in this House. We know. Of course there are some people who support it, but we know that the vast majority of the people we represent, who elected us here, do not support the privatization of Hydro One. But the government wasn’t going to take their chances and test that. They said, “Hydro One is off the table for now.” Then, after the by-election, it was on the table.

Quickly, here’s the timeline:

On December 6, cabinet meets to discuss the opening of the electricity market to competition. Later on discussion is entered into, we understand from media reports. We don’t know because, again—this is the problem—we don’t get to sit in on cabinet meetings, so we don’t know how the decision is made. Cabinet secrecy has its purposes. I’m taking a run at that. I’m just saying that that’s not the place to decide whether or not to privatize Hydro One.

On December 12, Premier Harris announces that they’ve instructed SuperBuild to privatize Hydro One. That will be accomplished through an initial public offering.

On January 15, 2002, the deadline for underwriters to apply for leading Hydro One IPO comes and goes. The next week, CEO Eleanor Clitheroe says she’s ready to lead Hydro One into the IPO.

On February 5, the Globe and Mail publishes a poll saying that the vast majority of Ontarians do not support the privatization of Hydro One—but anyway.

On February 13, the now Deputy Premier, the Honourable Elizabeth Witmer, in her leadership campaign declares that she would review the electricity reform plans of the government, and now-energy minister Chris Stockwell is shocked and says, “You were at the table with me. You supported that. How can you turn your back on that now?”

Well, well, it looks in some ways like she was a leader. She then became a follower, but she was a leader in some ways at that moment, because it turned out that at one point later on in the history of this Mr Eves and Mr Stockwell said that keeping Hydro One public was on the table—but only during the by-election, by the way.

Then Mr Justice Gans ruled, on April 19, that in fact the IPO was illegal, that the government had no statutory authority to proceed with the IPO. This is interesting.

On April 23, finance minister Ecker says that the sale of Hydro One will go ahead despite the legal setback. The Premier confirms that.

On April 25, the Premier says in a statement to the media that the government will hold hearings about the sale of Hydro One, even though it has already decided to sell Hydro One. That was a weird one.

On the April 26, Premier Eves says he will appeal the Gans decision and that the sale of Hydro One must go ahead, to which I say, why would you appeal it and legislate it? Why would you not do what the government always does, which is to let the courts come to a final determination on the future of Hydro One and then, if the government wishes to respond, to respond? Instead, we’re going to have a hearing on June 17 on a matter that is currently already before the Legislature. The government doesn’t do that with other bills. The Attorney General called it foolhardy to do so with respect to a private member’s bill that was currently before the Court of Appeal—but not with this bill.

On May 1, “Sale of Hydro One off the table,” says the Premier. Ha. It’s the April Fool’s Day joke on the voters and it’s May Day for the future of Hydro One, because the next day, May 2, was a by-election. The headline was there for the by-election and, lo and behold, the voters went to the polls fooled into thinking that the Hydro One IPO, the sale of Hydro One, was not going to take place.

They were wrong, because of course, lo and behold, on May 29 this bill, the blank-cheque bill, gets introduced.

Last, I say to you that we must stop this blank-cheque bill from proceeding, not just because it’s an affront to democracy but because we must keep Hydro One public. Hydro One, the electricity transmission highway, is just too important to risk leaving the priority of our electricity transmission highway to a board whose fiduciary duty is not to the public but rather to the private shareholders. We cannot let shareholder value trump public interest. Ultimately, that’s why we cannot privatize the electricity transmission highway.

However, there’s more. Hydro One is a natural money-maker. It’s a natural monopoly because it’s the only stream down which electricity can be transported and it makes hundreds of millions of dollars a year for provincial coffers. So we cannot sell Hydro One. We must keep it public, and we must stop this blank-cheque bill from ever passing.

The Acting Speaker: Comments and questions?

Mr Kormos: I listened to the member, and he’s standing in his place and debating the bill, and he has indicated that he’s opposed to it, and that’s good. He’s calling upon the government to produce what even five people with some guts—and that’s a good thing too. But I would ask the member to please express some of those same concerns to his colleague from Sudbury, because the member from St Paul’s has a colleague who supports government bills all the time. The member for Sudbury, Mr Bartolucci, is always jumping to his feet saying, “Pass government bills, second and third reading, with no

debate.” The member from St Paul’s likes debating government bills. He likes opposing them. But his colleague from Sudbury, who calls himself a Liberal as well, the member’s colleague from Sudbury, Mr Bartolucci, wants to pass more government bills. Mr Bartolucci wants to pass those bills without any debate. Mr Bartolucci wants to pass them, second and third reading—boom, boom—in one afternoon or one evening. The record shows it. Over and over and over again, Mr Bartolucci’s up in this House advocating for the Tories, trying to get Tory legislation passed, trying to prevent people from debating against Tory legislation.

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I agree with the member from St Paul’s. I want to find five Tory backbenchers with the guts or the gonads to say no to this legislation. But I ask the member for St Paul’s to speak to his colleague from Sudbury and say to Mr Bartolucci, “Rick, you’ve got to stop supporting the Tory legislation. Rick, you’ve got to stop advancing the Tory agenda. Rick, you’ve got to let us know, are you really a Liberal, or are you a Liberal who deep inside is really a Tory? Because, Rick, you’re spending as much time trying to advance the government’s legislative agenda as the government House leader is. No, Rick, you’re spending more time. Rick Bartolucci, you’re investing more energy in advancing the government’s legislative agenda than the government House leader is. The government House leader seeks unanimous consent less often than you do, Rick.” Please, Mike, talk to Rick. We’ve got to find out: is he a Liberal or is he a Tory?

Ms Marilyn Mushinski (Scarborough Centre): Most of the time I actually enjoy listening to the very eloquent oration, sometimes emotive and hammish, of the member for St Paul’s, but I have to admit to being somewhat bemused this evening because I really don’t know what he said. I appreciate that it is the role of the opposition to oppose, but I also happen to believe it’s the role of the opposition in a democratic system to offer alternative solutions. It’s interesting, because I didn’t hear that once in the 20-minute submission from the member for St Paul’s.

Interjection.

Ms Mushinski: Oh, was it a 10-minute submission? It sounded like 20 minutes.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): It was a painful 20 minutes.

Ms Mushinski: Yes, I appreciate your saying it was painful, but I’ll let you say that. I usually, as I say, am quite amused by the somewhat eloquent style of the member for St Paul’s.

In listening to what Mr Kormos was saying, it was interesting that he suggested that there may be one member of the Liberal caucus considering jumping and coming across to this side. Actually, on December 12, 2001, we thought the Leader of the Opposition—his name is Mr McGuinty—was also considering coming to this side, because he was the one who said he actually supported the privatization of Hydro One.

Mr Tony Ruprecht (Davenport): I listened very carefully to the member from St Paul’s. As always, he makes a great deal of sense. His major point is, how was this decision arrived at that suddenly we’re confronted by the possibility of selling Hydro One, the transmission system? How did we arrive at this? Was this in the blue book? Was it in the red book? Was it in the green book? No, it was in no book, and suddenly we’re faced with the decision that only one person now can shed some light on. Do you know who that is?

Mr Kormos: Dalton.

Mr Ruprecht: No, that person is the Premier of this province, because that decision was made between the present Premier of this province and the Premier who had just left us. No one else is able to throw some light on this decision except him.

Let me just turn the limelight on Mr Kormos himself. Guess what happened to us in our riding of Davenport one nice day? I thought we were together in fighting this government. I thought we were together in fighting to stop the sale of Hydro. Suddenly, when I organized a demonstration, right in Davenport riding, on the corner of St Clair and Dufferin, I saw this great big bus with a big sign on it circling this demonstration. Guess who jumped out of that bus? You guessed it. It was Mr Kormos and Shelley Martel. You know what? Up to that point, I thought we were on the same side. I of course invited them to speak. I said, “Come and address the audience.” Both of them refused to come. Instead they handed out leaflets against us.

The Acting Speaker: Order. The member’s time has expired.

Interjections.

The Acting Speaker: I want you to keep quiet.

Interjections.

The Acting Speaker: I want you to pay attention, because somebody missed it. I said there are three opportunities for you to speak. One is to get your whip or government House leader to get you on the debate time. The other is during questions and comments. The other is in response. There is no provision for any other talking within our rules. You have appointed me to enforce your rules.

Interjection.

The Acting Speaker: I’ll not warn those members again. You have asked me to enforce the rules for you, and believe me, I’ll do it.

Ms Martel: Speaker, I am provoked, especially with respect to the comments of the last member. Look, my friend, you thought we were on the same side? No, we are on the side of keeping Hydro in public hands. That is the side that New Democrats are on. You are on the side of the Conservatives. Let me just provide you with some proof of that.

Here is what Dalton McGuinty had to say with respect to the sale, the privatization of Hydro One on December 12, 2001: “Liberal leader Dalton McGuinty said privatizing Hydro One was the right move but should have been done following an open debate in the Legislature.”

Dalton got caught again on Global last week, because they have the actual clip with his face, and coming out of his mouth was, "Yes, we support the privatization of Hydro One." Your position is the same as theirs.

Let me talk to you about deregulation, because with respect to deregulation the Liberal position is the same as the Conservative position. Here's a comment from Dalton McGuinty, February 5, 2001, the Larry Silver Show. "We believe you've got to go toward deregulation. That's the way to bring this to heel. That's the way to introduce real competition." Dalton McGuinty, October 31, in a big fundraising letter, \$350 a plate, to the energy sector: "Throughout Ontario's electricity restructuring process, Dalton and the Ontario Liberals have been consistent supporters of the move to an open electricity market in Ontario."

Interjections.

Ms Martel: Folks, the Liberal position is the same as the Tories': privatize Hydro One, deregulate the energy market and privatize the electricity assets. Only New Democrats want to keep power in public hands.

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The Acting Speaker: I'll try this in English this time. I'll not warn the members for Davenport, Niagara Centre, Halton, Northumberland or Scarborough Centre again.

The Chair recognizes the member for St Paul's for a two-minute response.

Mr Bryant: I thank the members for Niagara Centre, Scarborough Centre, Davenport and Nickel Belt for their comments.

The member for Scarborough Centre said that I didn't suggest any alternatives. That actually is not at all accurate. I talked about keeping Hydro One public. We have an alternative to the government vision of privatization. It's pretty clear. You keep Hydro One public. Let me go slow. We would keep Hydro One public. That's the alternative to the government position.

The New Democrats in 1997, through their representative Floyd Laughren and the select committee on electricity reform, said of electricity deregulation—do you know what they said? Floyd Laughren said he is open to competition in the electricity marketplace. Then there is a final opinion from the NDP caucus in 1997, and do you know what they said? They said they supported reform of electricity generation. They supported that. That was in 1997. Then votes were held, decisions were made, hearings were held. But now that the New Democrats are in a position—I don't know what the word is—of some desperation, they've discovered religion when it comes to keeping our electricity generation public.

The government, on the other hand—and I don't know if I can do this in 25 seconds, but I'll try. Remember, on December 1 they were in favour of privatization. Then in April they were told they can't do it. Later in April, the finance minister flip-flopped and said they were in favour of privatization. Then the Premier said that he was in favour of it. But then a by-election was called and then he said it was off the table. Then after the by-election, it was on the table. Then Flaherty flipped and he said that

in fact it's on. But now they say it's off, and now we've got a blank-cheque bill before us and we don't know where the government's going.

The Acting Speaker: The member's time has expired. Further debate?

Ms Mushinski: I will be sharing my time this evening with the honourable member for Halton.

I'd like to start off by saying quite clearly that this government is totally committed to ensuring a safe, reliable supply of electricity to Ontarians. If we look at the track record of the 10 lost years, clearly they were not as committed as we are to making sure we're committed to a safe, reliable supply of electricity at the lowest possible cost. Clearly, we are committed to looking after the interests of our consumers, which is something that I do not believe has been demonstrated by either the NDP or the Liberal governments of the past.

We are moving toward that commitment. Just over a month ago, we successfully opened our retail and wholesale markets to competition, completing the first step in our plan to restructure Ontario's electricity system. I'd say we're off to a very good start, notwithstanding the fact that members of the opposition, such as the one from St Paul's, who is just walking out right now, suggested that the sky was going to fall and rates were going to go through the roof.

Last week we took the next step in our plan for our electricity sector by introducing the Reliable Energy and Consumer Protection Act. If passed by this Legislature, it would allow us to determine the future of Hydro One. Why are we doing this? We're doing this essentially to address a recent decision on Hydro One by the Ontario Superior Court and to ensure that the strongest consumer protections are in place for electricity consumers and the environment. The decision by the Ontario Superior Court on April 19 determined that section 48 of the Electricity Act restricts the crown's right to determine the future of Hydro One.

On April 25, Premier Ernie Eves announced the government's three-pronged approach and response to the Superior Court decision. They included public consultations to receive constructive feedback from the people of Ontario, an appeal to the courts to clarify issues around the interpretation of existing legislation, and introduction of legislation that would clarify the province's authority to dispose of its Hydro One shares, if it so chooses.

We're doing all three. In keeping with our goals, Environment and Energy Minister Stockwell consulted widely with the public and electricity stakeholders. He travelled across the province, between April 20 and May 8, to 10 different cities in order to listen to people's views on Hydro One and electricity issues. He asked for advice, specifically on how to pay down the old Ontario Hydro debt, and we have all heard many times how much that is. He also asked how to ensure adequate investment in our wires network. He asked for advice on how to protect jobs in Ontario, and I think that's something we all collectively share in this House; how to ensure that transmission and distribution rates remain reasonable; how to

make sure that our citizens will benefit from any transactions relating to Hydro One; how to ensure that Hydro One is efficient; how to enhance the safety and reliability of our transmission and distribution systems; and lastly, how to ensure that Ontario citizens continue to have a say.

During this nine-day consultation, the government listened carefully to what Ontarians had to say about proposed legislation. Hundreds of interested groups and individuals offered what we believe to be constructive ideas, and we received hundreds of faxes and e-mails from across Ontario, which helped us to draft the legislation before us today. These consultations confirmed that the direction we're taking with our electricity sector addresses the concerns of many people. And the consultations allowed us to explain to Ontarians why our electricity sector needs to be restructured.

It's no secret that the old Ontario Hydro has served us well for many, many years and delivered below-average prices for electricity. But of course, as we all know, it's run into problems. Unfortunately, that did seem to be a secret, and many people were not aware of how serious the problem has become. Between 1983 and 1993, the price of electricity almost doubled, increasing by 94%. Debt and other liabilities ballooned from \$12 billion in 1980 to more than \$38 billion by 1999.

Throughout the 1990s, more than 35% of every electricity bill in Ontario paid for debt interest. To provide some stability and protection for customers, electricity rates were frozen between 1993, to the NDP's credit, and 2001. But this solution, obviously, could only be a temporary measure.

Meanwhile, as we all know, the debt kept growing, and needed investment in the transmission and distribution was neglected as resources were poured into the generation side. It was clear then that our electricity system that had for so long been an economic advantage was now at risk of becoming a competitive disadvantage that would, we know, drive away jobs and investment from Ontario. We simply could not let that happen.

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In 1995, our government made the commitment to stop this spiralling debt and these high costs and put a plan in place to restructure Ontario's electricity sector. In 1996, we asked former federal Liberal finance minister Donald Macdonald to head up a committee and consult with Ontarians. His report, *A Framework for Competition*, recommended major changes to our electricity sector.

After receiving the Macdonald report, the government issued its white paper, called *Direction for Change: Charting a Course for Competitive Electricity and Jobs in Ontario*. It was our blueprint for change in our electricity sector, and it endorsed many of the directions proposed by the Macdonald committee.

Next, we brought industry and consumer experts together to design a new, competitive electricity market, which would benefit customers. In October 1998, the Energy Competition Act was proclaimed after much

public debate and input. This transformed the old Ontario Hydro into two main commercial companies: Ontario Power Generation, called OPG, and Hydro One, which would operate in a reformed and more effective regulatory framework. It also created a new regulatory body, the Independent Electricity Market Operator, also known as the IMO, and strengthened the powers of the Ontario Energy Board to ensure that consumers would be protected.

We were able to eliminate the much-criticized practices of having the old Ontario Hydro regulate itself and of having the transmission wires operated by the same company that owned virtually all the generating plants.

Today, Hydro One owns and operates this province-wide electricity transmission grid and owns local distribution systems serving more than 1.2 million customers across Ontario. Hydro One and the other 94 local distribution companies are what are called natural monopolies, subject to independent regulation by the Ontario Energy Board and the Independent Electricity Market Operator.

The OEB regulates and approves transmission and distribution rates, and their performance-based regulation will provide incentives for Hydro One and the other utilities to lower costs and share savings with customers.

The IMO must, by law, protect the interests of consumers with respect to the reliability and quality of electricity service in the province. The IMO ensures the efficient, safe and reliable operation of the market, while the OEB ensures fair competition.

Not surprisingly, self-regulation by the old monopoly was ineffective, in large part because of an inherent conflict of interest. The new, strengthened regulatory regime puts Hydro One's transmission and distribution businesses under independent regulation on a level playing field with other transmitters and distributors in Ontario. Under the new system, no matter who owns the transmission, distribution, retailing or generation businesses in Ontario, the OEB licenses all of them, including those already owned by the private sector.

Clearly, we've gone a long way to fixing the problems of the past: we've restructured the electricity market and introduced competition, we've ensured an efficient supply of electricity that is competitively priced for the people of Ontario and in the international marketplace and we have tabled legislation that is designed to clarify the province's ability to pursue a variety of options for Hydro One's future that would best meet the province's electricity goals.

Whatever the decision on Hydro One, we will continue our public consultations, keeping our promise to allow the people of Ontario to have a say in the future of their transmission and distribution system. Based on this input, the government will respond with the best course of action that achieves our goals for Hydro One.

I'll now pass the floor over to the member for Halton.

Mr Chudleigh: The opposition and many people are asking why this government is proceeding with legislation on Hydro One. I think it's very basic to anyone in

this province or anyone who owns anything in this province. The question is: who owns Hydro One?

Justice Gans made a decision a little while ago. In my mind, it was a very questionable decision. If you own your house, you have a right to sell it. But Justice Gans made a decision that said, "Yes, you own this entity, Hydro One, but you cannot sell it." That goes against the most basic tenets of a free society.

I think it's incumbent on the government, and on anyone who is in charge of the government at the time, to correct that decision by a judge, which, in my opinion, was very questionable indeed and, you might say, wrong. If it was your house, your farm or your car, and all of a sudden somebody said, "You can't sell it," obviously you would go to the courts. If you were in the Legislature, you would introduce legislation that says, "Yes, we can sell it. Yes, we can. We can do what we want with the property the people of Ontario own." It doesn't say we're going to sell it. It doesn't say we're going to put an income trust in place. It doesn't say we're going to do anything with it. What it does say is that we're going to clarify who owns Hydro One, and we're going to clarify it by saying the people of Ontario own Hydro One and that we, as their representatives, can take action on their behalf after due consultation and the proper legislation is passed in this House.

Obviously, our first priority in meeting our objectives is to ensure that Ontario's electricity customers are protected. We have made that clear from day one, when we put electricity customers first in designing our new market. Electricity customers are obviously the consumers of Ontario, who, I point out, are also the voters of Ontario. But they're also the businesses of Ontario. It's extremely important to the economy of Ontario that we have competitive electricity costs. Without competitive electricity costs, we will not get new industry, especially industry that is dependent on using large quantities of electricity—a fairly clean power source—to locate in this province. Of course, when business locates in this province, it affects our economy.

Mr R. Gary Stewart (Peterborough): And jobs.

Mr Chudleigh: We get new jobs out of that. The nice thing about new jobs, when you're in government, is that every new job means the employees pay taxes. They pay taxes to the province of Ontario; they pay taxes to the government of Canada. When they get their paycheque from a new job, they buy things. When they buy things, they pay the provincial sales tax, which generates revenue for Ontario.

Mr Stewart: The ripple effect.

Mr Chudleigh: The ripple effect creates more jobs. They buy gasoline and pay gasoline tax. Everything they buy creates economic activity, and that economic activity creates a better province.

Ms Mushinski: It creates wealth.

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Mr Chudleigh: It creates wealth in the province and the ability for the province of Ontario to more beneficially effect the things Ontarians want from their gov-

ernment; for instance, more money in health care and education.

That's why this government, in its tax cuts, has been able to create tax revenues that have put over eight billion new dollars into health care. At the same time the federal government over there has been cutting money from health care in Ontario, we have been not only—

Mr Stewart: Did you say \$8 billion?

Mr Chudleigh: More than \$8 billion has been put back into health care so that Ontarians can have the health care they expect and the health care they want, when and where they need it. That's why we've made such tremendous improvements, because every time we get a new job we get that tax revenue.

The electricity business is extremely important to getting new businesses to locate here. So, yes, we want to make sure that electricity is available to Ontarians and that it is available at a reasonable cost.

We made a commitment to fix the problems of the past and to safeguard our future in electricity supply and to ensure that safe, reliable power will continue to be supplied to consumers—individual customers and businesses—at competitive cost.

Much has been made about our open-market system. It's interesting to look at the hourly rate in May. Prior to the open-market system we were paying 4.3 cents a kilowatt hour. It would be nice to have a little flip chart here; we could write all these numbers down. Since we've opened up the market, the lowest hourly rate that we've had in the month of May was 0.78. It was 4.3 before. The lowest rate we've had is 0.78.

Mr Stewart: That's lower.

Mr Chudleigh: It's extremely low, a little over three quarters of a cent per hour. The highest rate we've paid, to be fair, was 10.05 cents per kilowatt hour. It's quite a bit higher and that was a spike during May.

Mr Beaubien: What's the daily average?

Mr Chudleigh: My friend from Petrolia asks, "What's the daily average?" The daily average is 2.9 cents, compared to 4.3. That's what the open market does.

Mr Steve Peters (Elgin-Middlesex-London): I'm quite happy to have the opportunity to comment on comments made by the member for Scarborough Centre and the member for Halton.

It's interesting to hear the member for Halton talk about why the province is going to court. The province is going to court to clarify who owns Hydro One. I don't know what there is to clarify there, honourable member. I think it's quite clear. We, the citizens of Ontario, own Hydro One. We, the citizens of Ontario, are the owners of Hydro One. But they don't understand that. Why would you go to court to clarify who owns it when we own it? We, collectively in this Legislature, 103 members, 12 million people in this province, own Hydro One. So why would you go try and clarify that?

Then the honourable member for Scarborough Centre talks about consultations. What a joke. These consultations are following the track record of this province that

we've seen over and over again, consultations that are invitation-only consultations.

Interjections.

The Acting Speaker: Order.

Mr Peters:—She says they went out to 10 cities to get people's views. But I can tell you, I spoke with people who wanted to attend the consultations in London who were turned away at the door. What kind of public consultation is that?

Then we have the honourable member who is the Minister of Environment and Energy, who walks out of the consultations in London. So how can those be public consultations when the minister won't even sit and listen to what's being talked about?

You talk about fixing the problems of the past. You talk about the debt. When did the biggest problems start with Ontario Hydro and Hydro One and its successor companies? They started many years ago. They started with the Bill Davis government, with the Frank Miller government, they continued through with the Bob Rae government when they froze it. Those debts started in the early days. The roots of this debt are with the Conservative government.

Interjections.

Mr Stewart: Oh, give me a break.

The Acting Speaker: Member for Peterborough and member for Lambton, I'll not warn you again.

Interjection.

The Acting Speaker: I'm naming the member for Peterborough, Gary Stewart.

Interjection.

The Acting Speaker: I'm naming the member for Niagara Centre, Peter Kormos.

Mr Stewart and Mr Kormos were escorted from the chamber.

Ms Martel: I wanted to comment on the input from the member for Scarborough Centre, because she took the time to describe at great length the consultation process that Minister Stockwell had been involved in and how he went to these 10 communities and listened to what people had to say and how, based on what people had to say, he brought this forward and all of this appears in the bill.

I think it's worth reminding the members of the Conservative Party in particular and the people who are watching tonight that if it hadn't been for two trade unions—CEP and CUPE—we wouldn't be here having one single moment, one single second of debate on the privatization of Hydro One. It was only because those two trade unions took this issue to court and in court Justice Gans agreed that the government had no power whatsoever to be selling an asset of the people that the government was then actually forced to have some hearings and that we are now in the position that we are today.

This is a government that on December 12—it might have been earlier in December, before that date—just announced its intention to privatize, even though it hadn't been part of the Electricity Competition Act and even

though the former minister had said very clearly during the debate on that act that the government had no intention of privatizing Hydro One. But the announcement was made and the prospectus went in. The government had no intention of making a referral to the Ontario Energy Board for a public hearing on the matter. The government had no intention whatsoever to hear from the people about this important issue. It was only because those two trade unions thought something was so wrong that they took it to court and we're here today dealing with this.

The consultations were an exercise in futility, because the government had already made up its mind about privatization. They just got caught in court.

Mr Galt: I certainly appreciated the comments of the member for Nickel Belt. There's been so much talk about privatizing. Earlier I heard talk about privatizing electricity and privatizing water. But really we have to talk about whether this is competition versus monopoly and not so much this public versus private. We have to start looking at this in very different kinds of ways.

I remember them talking earlier about revenues and how much revenue was coming in from Hydro One and what that was doing and how they would add it, and talking about other jurisdictions and their revenues. I heard them talking earlier about Quebec and what was happening there. There is a very different situation here.

I notice the opposition is not talking about what's currently happening in California or Alberta. They like to talk about what happened in a crisis situation in California, when a gas line blew up. There was a shortage of gas. There was a tremendous demand in Silicon Valley for power. There was a transmission grid that couldn't supply the state—

Interjection.

Mr Galt: Yes, it did go way up.

We were down there in February. The production of power was at 3 cents. That would convert to roughly the 4.3 cents in Canadian dollars that was being charged for electricity here. The price did go up in Alberta for a period of time, when there was a high demand for natural gas. But we were in Alberta in February and it was back to a reasonable price, as I remember. The production was something like 2.8 cents. So it's a very different scenario from what the opposition likes to present.

The Acting Speaker: The member for Halton has two minutes to respond.

Mr Chudleigh: It was interesting to hear the member for Elgin-Middlesex-London ask the question, "Who owns Ontario Hydro?" Of course he said, "The people of Ontario own Ontario Hydro," which most people in Ontario would agree with, all those people except Justice Gans, who disagrees with that concept. Justice Gans was the one who said that perhaps the people of Ontario don't own it and they can't sell it. If you don't own it, you can't sell it.

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There's some confusion. That's what this legislation is going to do and perhaps the member will understand that;

at some later date it'll sink in. It takes a while sometimes, but I think they'll come—Dalton decided on December 12 that privatizing Hydro One was a good idea and sometime later he decided it wasn't a good idea. We're not exactly sure how he feels about it right today, but we think it falls somewhere between being a good idea and not being a good idea. It's in that ballpark somewhere.

The member for Nickel Belt talked about consulting. It's amazing. In the almost seven years I've been in this House, I've noticed one thing: the NDP never has enough time for consultation. I suppose that's good in some things. In other things, I think that eventually you have to make a decision and get on with it. As the member for Scarborough pointed out, the consultation on this bill has been rather exhaustive.

The member for Northumberland made some excellent comments about the way in which our party has gone about these consultations and has created the kind of atmosphere where Hydro One will be—

The Acting Speaker: The member's time has expired. Further debate?

Mr Caplan: I am pleased to speak to Bill 58 today on behalf of all the people of Don Valley East. I will be sharing the time with the member from Essex.

If there has been only one issue in my riding—there have been many—that people have been very crystal clear about, it's their real concern about the sale of Hydro One.

Back in March, I hosted a very successful town hall public meeting at Milne Valley school in Don Valley East. Over 250 people attended. They turned out to express their very valid anxieties. What was most interesting to me was that many of these people didn't vote for me. They were Conservatives. They voted for the Conservative government and they were shocked at what is going on. Those people see a government trying to sell off Hydro without any mandate and they were angry.

People who have never been active on any political issue have been inundating me with petitions, letters and e-mails against the sale of this asset. Without exaggerating, every day I get at least one phone call insisting that I oppose at every step the way this issue has been handled and oppose this sale. I agree with my constituents in Don Valley East. The government has clearly overstepped the boundaries of its mandate.

I did a little bit of research. I looked at the 1995 election document of the Progressive Conservative Party. They said in their so-called Common Sense Revolution:

“Marketable provincial assets will be transferred to an arm's-length corporation charged with their sale. Strict criteria will be established for selecting which assets we sell, and rigid guidelines will be established for protecting the public interest.

“When a deal for a sale is made, it will be independently reviewed. A rigorous conflict-of-interest policy will be enforced and the entire process will be open to scrutiny by the Legislature and the public.”

What a joke, what hollow words, because we know that's not going to happen here. The point of Bill 58 is to

enable the government to act, a blank cheque if you will, without the scrutiny of the Legislature and/or the public. I want to read to you the operative section of Bill 58. It is section 50 and it says:

“50(1) The Lieutenant Governor in Council may cause corporations to be incorporated under the Business Corporations Act....

“(2) The minister, on behalf of Her Majesty in right of Ontario, may acquire, hold, dispose of and otherwise deal with securities or debt obligations of, or any other interest in, a corporation incorporated pursuant to subsection (1).”

“50.1(1) The Lieutenant Governor in Council,” which means the cabinet behind closed doors, “may cause corporations or other entities to be established or arrangements to be made for the purpose of acquiring, holding, disposing of or otherwise dealing with directly or indirectly,

“(a) securities, assets, liabilities, rights, obligations, revenues and income of Hydro One...; and

“(b) interests in or entitlements to those securities, assets, liabilities, rights, obligations, revenues and income.”

In plain words, they want a blank cheque to be able to sell Hydro One.

We know that public scrutiny is not the modus operandi of Ernie Eves or of the Conservative government. They talk about openness, but it's just that, it's just talk. They pass bills, like Bill 58, to ensure that their sell-offs are done under the cover of confidentiality agreements and without review of the Legislature.

What else did the government say when they were running for office? What did they promise when they sought a mandate for the people of Ontario? On page 20 of their 1999 election document, their so-called Blueprint, not surprisingly we're finding that many of the things government owns aren't needed any more: “Over the next five years, we'll maximize taxpayers' value by selling surplus land, buildings and other non-essential holdings that are tying up our precious resources.”

Is that the case with Hydro One? It makes \$300 million in profit per year. It goes into the coffers of the province of Ontario. Is that why the government is planning to sell it off? Is it because the asset is no longer needed? Clearly, no. Is it because it's draining provincial revenues? Clearly, no. Is it because the government is desperate for money to pay for their tax cuts for corporations? Clearly, yes. It's the same reason they sold off Highway 407: they needed the money. They had no regard for the long-term implications of their decision then, nor do they now.

It's not an acceptable reason. It's not acceptable to me and it's not acceptable to the people of Don Valley East.

I will not be supporting this legislation because I cannot endorse the efforts of the government to hide their true intentions. Instead, I support the vision of Dalton McGuinty when it comes to the ownership of the transmission grid in Ontario. I too want to keep the ownership of Ontario's electricity highway where it belongs: in

public hands. Selling Ontario's hydro grid will not benefit consumers. I agree with Dalton McGuinty when he says that Ontario's transmission grid, located in the heart of North America, is one of the province's most valuable assets.

Ernie Eves and his Tory cronies have not presented any business case—and we have pressed both the Premier and the Minister of Energy to present such a case—for the sale of the grid and why it would be in the best interests of Ontarians. We all know that the point of the sale is that it will generate huge fees for Bay Street brokers and huge profits and payouts for Hydro One executives. Keeping the transmission grid in public hands means the public sector controls access to the grid. This strengthens the regulation of a new electricity marketplace since it will prevent generators from purchasing the grid and maintaining it so-called strategically, favouring their own generation assets.

Another concern is that in the post-September 11 world, acts of sabotage and terrorism targeting vital operations are all too possible. The protection of Ontario's electrical nervous system, the transmission system, should remain a public responsibility, in public hands and for public security.

In 1999, Mike Harris and the Tory government said that the private operator of Highway 407 would not be permitted to raise tolls more than three cents per kilometre over the next 15 years. On January 1, 2002, tolls increased for the fourth time since the highway was sold; charges for trips taken between midnight and 6 am have jumped from six cents to almost 12 cents. When Chris Stockwell in his leadership campaign was talking about this, he said there was no business case for the sale of Highway 407. The same is true with the transmission grid. The same is true with Hydro One. It's another example of a Conservative government pursuing goals that are not in the public interest, and it's giving itself the power to do so while people aren't looking, under the cover of darkness. In the middle of the summer they'll make a decision. They'll fill in the blank cheque. The cheque should say, "To the Progressive Conservative Party from the people of Ontario."

Most bills in this Legislature are now dominated by clauses giving the Premier and the cabinet the power to make regulations whenever they want, however they want. It's the keys to their bills. Once again, the government is passing a law and saying, "Trust me." I know that the people of Don Valley East and I certainly don't trust them any more.

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I want to present to members of the Legislature some of the comments and a chronology of events that have taken place over the last few months or so.

After he'd been elected, Ernie Eves said in the April 26 Ottawa Citizen, "I believe it's important that Hydro One be privatized," Mr Eves told reporters following back-to-back emergency cabinet and caucus meetings yesterday." But then on May 1, just before a by-election

in Dufferin-Peel-Wellington-Grey, I would add, in which he was running to be elected to this Legislature: "Premier Ernie Eves says the sale of transmission giant Hydro One is 'off the table for the immediate time being' and that he is not necessarily wedded to the idea of selling it off after all."

Then on May 15, Chris Stockwell says, "We're looking at all avenues, all options. Nothing is off the table except the status quo. It can't continue to operate the way it's operating now."

The most interesting comment was in a May 31 interview, when Jim Wilson said, "Every time we expressed our abhorrence" about the compensation packages for the Hydro One executives, "they would increase" their own exit packages. "It went from bad to worse.... Wilson said he was aware of" the exit packages "two years ago, but says it was lower then. Her salary was about \$1 million then, and if she left—just as she does now—she would get three times her salary."

My question is, if they knew that this abhorrent situation was taking place, what action did the government take? Clearly, they didn't take any until they were caught, until they were caught red-handed by Dalton McGuinty and the Ontario Liberal Party, until we revealed those facts in the Legislature. Premier Eves knew about this over two years ago, then as Minister of Finance. Chris Stockwell, a member of the cabinet, knew. They did nothing to protect Ontario consumers. They're doing nothing to protect Ontario taxpayers now.

Bill 58 is a bad bill. It should be defeated. I hope all members of this House will do so. I certainly will vote against it.

I'm now going to turn the floor over to my colleague from Essex.

Mr Crozier: In the few minutes I have left this evening, I want to very simply say a couple of things. I don't know anybody on Bay Street. I couldn't name anybody who works a couple of streets over and downtown. I don't know anybody who has a vested interest in grabbing one of the major energy lifelines in this province so they can make a profit from it. I do know that I represent a whole bunch of ordinary people who live in southwestern Ontario in my constituency. If it were up to them, we wouldn't even be here debating this bill tonight, because if it were up to them, Hydro One would not be for sale. It's as simple as that. In their minds, it simply should not be sold.

Earlier this evening, there was some talk about owning Hydro One. I think we all agree that we know the citizens of Ontario own Hydro One. The question at the present time seems to be, do they have the right to sell Hydro One? I don't know whether the comparison is fair, but it may be like you owning your house but not having the title to it, and you couldn't sell it until that title was straightened up.

Herein lies some of the confusion of those who have watched this debate over the past few weeks. If the government of the province of Ontario, Ernie Eves,

believes it has the right to sell Hydro One, then that's a good reason that he should appeal the decision of the judge who indicated that we don't have that right. There again, we wouldn't have to be here debating this bill. We'd simply wait for the appeal to be heard, and if the government is right, the original judgment would be overturned. If, on the other hand, the government doesn't know whether it has the right to sell Hydro One, why go through the cost and time of the appeal? Why not simply deal with this bill before us and, in the words of some, clarify that right?

So people are confused about why you're doing both at the same time, notwithstanding the fact that if you really wanted to simplify it, you simply wouldn't sell Hydro One.

And what's going to happen if it is sold? Right now it's a monopoly in the hands of the citizens of Ontario. If it's sold, it's going to become a private monopoly; it's going to be under the Business Corporations Act, but it'll still be a private monopoly.

It would appear, since we're dealing with this bill tonight, that the government that considers itself the great manager, back on the infamous date of December 12, 2001, didn't know whether it had the right to sell Hydro One or not. And I find that absolutely amazing, that Mike Harris would stand up and say, "We're going to sell Hydro One," and do you know what? He apparently didn't even know whether he had the right to do it or not. Whether a court's going to decide that or whether legislation's going to decide it, he didn't know at the time.

Something else that confuses the constituents in my area is what is really the intent of the government? Mike Harris said, "We're going to sell Hydro One." Ernie Eves, I believe, in the campaign—though I must admit I

didn't watch it too carefully—said, "Yes, Hydro One should be sold." Our now Minister of Education, Ms Witmer, thought we should stand back and take a look at it: "Maybe it shouldn't be sold." Then it came to a by-election. On the eve of the by-election, Mr Eves said, "Maybe that's right. Maybe it should be off the table for the time being." You know what "the time being" was? Until after the by-election.

People understand these things. They didn't just fall off a turnip wagon. They understand, now that it is apparently back on the table, that it was a merely an election ploy, and what a sad one, when you have to go to those lengths to assure yourself of a win in a by-election.

It was said earlier this evening, and I agree with it, that no matter how the debt was accumulated, no matter what the debt is, no matter whether it's stranded debt, residual debt—you name it—the people out there realize it's debt. It's about \$38 billion. No matter where you plunk that debt, it's going to have to be paid back, either through taxes or rates. It's the rates that the people in my area are concerned about. My colleague just gave an example of how rates have escalated on the 407 after it was privatized. In fact, I recall that there was a promise that rates wouldn't increase. Let me tell you, if the same promise is being made about Hydro One, that rates won't increase, I'm not so sure that the people of the province of Ontario would believe it.

At the Speaker's behest, I think he's signalled that 9:30 of the clock is here.

The Acting Speaker: It being 9:30, this House stands adjourned until 10 am tomorrow.

The House adjourned at 2129.

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Une liste alphabétique des noms des députés, comprenant toutes les responsabilités de chaque député, figure dans les premier et dernier numéros de chaque session et le premier lundi de chaque mois.

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