

Provincial energy policy hurts BC businesses

Summary: BC Hydro's proposals for green energy and for significant rate increases are a short-term solution to a longer-term problem.

British Columbia has historically provided industry and consumers with some of the most inexpensive and reliable power in the world. For decades, competitive energy costs have attracted energy intensive industries to the province and allowed those industries to remain economically viable even the face of increasing global competition.

Prescient planning and investment, largely in hydroelectric projects, have served the B.C. economy well. However, it is estimated that to meet increasing demands in B.C., energy production will have to increase between 20 percent and 40 percent by 2020.

BC Hydro, whose only shareholder is the government of British Columbia, has embarked on an aggressive \$6 billion energy strategy to make the province energy self-sufficient 2015. It calls for major upgrading of current hydroelectric facilities and more reliance on Independent Power Producers (IPPs) to be located in remote areas of the province.

It is a strategy that aims to not only meet, but actually exceed the province's annual energy needs in the future and change the province from a net importer of energy to a net exporter.

Richard Stout, the executive director of the Association of Major Power Customers of B.C. (AMPCBC), an organization of 25 energy intensive industries in B.C., says the organization estimates the cost of choosing green energy for at least 90 percent of all new power supply to be in the range of \$700 million annually over the next ten years.

In addition, the province's carbon emissions reduction plan, the AMPCBC expects, will further exacerbate the costs of achieving that goal.

Stout adds that introduction of more Independent Power Producers (IPPs) and is not only a costly plan is also unnecessary.

Development of IPP sources of power would result in the needs for thousands of kilometers of new transmission lines in previously pristine areas at an astronomical and as yet unknown cost. The approval process is also complicated, usually involving many stakeholders and can take years. Construction of the lines takes even more time.

Although it is necessary to increase energy to meet future requirements in the province, the government's current energy plan and the rapid rate increases scheduled to pay for it, create negative conditions for many businesses.

BC Hydro is currently seeking a 9.73 percent rate increase in each of the next three years for consumers resulting in a 32 percent increase, and a 7 percent increase over the subsequent two years or a total increase of over 50 percent by 2016.

Electricity rates for both business and consumers, according to BC Hydro's estimates, will send rates soaring well beyond the rate of inflation.

Devastating Blow to Industry

The average household in BC Hydro's service area uses about 11,000 kWh per year. A large industrial customer, such as a pulp mill, might use 400 GWh in a year, equal to the consumption of 40,000 households. A typical large office building of 20–25 storeys might consume 5 GWh in a year, equal to the consumption of 500 households. A large "big box" retail outlet might consume 3.5 GWh per year, or roughly the equivalent of 350 households.

Industry currently uses about a third of the province's energy – even modest cost increases for an energy intensive business in B.C. can have a significant impact and change a profitable operation into a closed mill or mine shutdown.

The province has undertaken to develop Site C, a dam and generating station to be located on the Peace River in northeastern British Columbia. It will be one of the largest infrastructure projects ever built in the province and will take an estimated 7 years to construct. It is now in its stage three consultation phase with stage four and five still to come.

The AMPCBC's research suggests that developing Site C hydro project in the Peace River area would be a far more cost effective and reliable source of future energy needs – costing \$85 per megawatt hour as opposed to the \$120 to \$140 megawatt cost of B.C. Hydro's current plan.

And the excess power created in the province under the current plan would be offered at uncompetitive price.

"We are going to produce as much as 15 percent in excess power, and even if potential buyers of that energy are willing to pay a premium for 'green energy' – they can still get it cheaper somewhere else." - Richard Stout, Executive Director of Association of Major Power Customers of B.C.

THE CHAMBER RECOMMENDS:

That the provincial government:

1. direct B.C. Hydro to review its plan for rapid, above inflation rate increases for electricity.

2. Review the deemed equity and debt formula and the allowed rate of return for BC Hydro as part of the rate decision
3. For all types of electrical energy production proposed, conduct an economic cost benefit analysis that will include the social and economic impacts of lost agricultural opportunities, loss of wildlife and habitat, reduction of useable real estate, change to recreational venues and opportunities, lost forest lands, health issues, and any other matters that may be affected by the construction of electric projects and proceed with the construction of the overall most cost effective form of electric power production.
4. Direct BC Hydro to rapidly expedite the development of Site C.

Submitted by Absorbent Products Ltd