

Duncan: On electricity file, AG risks short-circuiting credibility

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QP Briefing

By: Dwight Duncan

The following is a column for QP Briefing by Dwight Duncan, the former Ontario finance minister and current senior strategic adviser at McMillan LLP. In this column, Duncan examines the recent auditor general report that was critical of Ontario's electricity sector.

The auditor general plays an important role in our parliamentary democracy and is afforded an extraordinary level of trust by MPPs, the media and the public. In exchange, the auditor has a duty of care to be diligent in his or her research, thorough in her or his analysis and, above all else, scrupulously unbiased.

The last point is particularly important.

Subsequent to the release of Auditor General **Bonnie Lysyk's** last annual report, there was an extraordinary reaction to one of its most important chapters. Stakeholders and industry insiders responded, publicly, to what at least some of them saw as the one-sided, incomplete and politically charged chapter entitled Electricity Power System Planning.

Bob Huggard, president of the Ontario Energy Association, wrote that "the auditor-general's recent 2015 annual report mischaracterizes the facts about a decade's worth of upgrades to Ontario's electricity system."

"Ontarians had a right to cringe when they read the headlines from Auditor General Bonnie Lysyk's annual report ... the AG can do better," said **Dave Butters**, president of the Association of Power Producers of Ontario.

These are not government spin-doctors or Liberal apparatchiks. In fact, they are highly respected industry leaders who are known for their intelligence, insight and independence. Two different and authoritative news organizations, with quite different editorial dispositions, saw fit to publish these points of view.

Energy Minister **Bob Chiarelli**, one of the government's most solid ministers, a man who is not given to anger or impatience, was clearly flummoxed by what he correctly saw as yet another flawed piece of work by the auditor general on the energy file.

So what was the fuss all about?

First, the report did not set the context of what the auditor was looking at. It reads as though the sector was healthy and functioning well when the initiatives being critiqued were implemented.

Nothing could be further from the truth. The auditor need only look at the work done by her predecessors and others to understand this.

Diesel generators in some of our cities, a market-price setting mechanism with only a spot market, an effectively bankrupt OPG, no significant new generating capacity in 20 years, among the highest per capita electricity consumption in the world, an aging nuclear fleet in need of refurbishment, a disastrously overbudget, and not on time, refurbishment of one reactor at Pickering, no conservation programs, virtually no renewables, no significant reinvestment or new investment in transmission in many years, price caps and the very real threat of rolling brownouts or blackouts on our hottest summer days and coldest winter days.

Other than that things were great.

Second, the report's headline number – and it appeared to be designed to capture headlines – was flawed. Butters and Huggard have addressed the report's methodology with respect to how much new renewable energy sources actually cost Ontario ratepayers.

The report goes on to suggest that Ontario paid too much for Metaggami, the last large hydroelectric opportunity in the province. The auditor's comparators are at best incomplete, take no account of the economics of hydroelectric power and ignore the interests of our indigenous peoples.

Finally, the report questions the value of energy conservation programs and argues that they raise the price of electricity by increasing the supply of energy that is exported at a loss.

Excuse me?

Quite apart from the flawed logic, the report overlooks, entirely, the cost avoidance associated with the need for less future generation. Conservation programs also give consumers the tools they need to help manage the costs associated with their own consumption. There are myriad other economic and environmental benefits associated with conservation, including systemic savings and less pollution that get no mention or thoughtful analysis.

Again, others have publicly rebutted the obvious shortcomings in the work.

None of this is to suggest that everything is fine in the sector. There are a lot of issues and significant points of debate and disagreement that will occupy our political discourse for many years to come.

The Star's **Martin Regg Cohn** has done a couple of very thoughtful pieces recently that frame the overall debate well. He too was somewhat critical of the auditor and she, interestingly, felt compelled to respond.

Governments are reluctant to criticize an auditor's report. This is for good reason and it goes well beyond the old "shooting the messenger" concern.

The vast majority of the work that Ontario's various auditor generals, including the incumbent, have done serves the public well. Indeed, the balance of Lysyk's latest effort builds on this tradition.

Moreover, ministers of the Crown and senior public servants, at least the smart ones, recognize that the work done by the auditor can be invaluable in identifying problems within their areas of accountability.

The opposition should be particularly concerned about recent events. The day the auditor general releases the annual report has been properly viewed by all in the legislature as the opposition's day. Reports by the auditor can affect the political debate for months and years to come.

If the neutrality of the auditor is legitimately questioned, or undermined, so too will be her findings and recommendations.

The auditor general - indeed all the officers of the legislative assembly - perform a vital role in our democracy. They need to be above the fray, focused on rigorous analysis and more concerned about the quality of their work than their image in the media.

The setting of policy rightly rests with the elected members of the legislature. When officers of the legislature weigh in on policy choices they have to walk a very fine line less they appear biased for or against one party or another. It is a difficult line to walk and for the most part it is done well by the various officers.

Let's hope that isn't changing.

Dwight Duncan
Senior Strategic Advisor, [McMillan LLP](#)
[@DwightDuncan](#)

Dwight Duncan has been a senior strategic adviser to McMillan LLP, the Toronto-based business law firm, since March 2013. He advises the firm's clients on investing and operating in Canada and abroad. A long-time MPP from Windsor, Duncan became Ontario finance minister in 2005 and held the cabinet post until he left politics in 2013. Duncan was also minister of energy, revenue minister and deputy premier, among other posts in the McGuinty government.