

SALE OF POWER TO B.C. HYDRO

## SFU study slams Energy Plan as inefficient

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A new study by a Simon Fraser University economist criticizes the province's 2007 Energy Plan, which promotes the sale of electricity to B.C. Hydro by small-scale, private firms, as expensive and "fundamentally flawed."

Marvin Shaffer, who specializes in energy and natural resource economics, yesterday presented the results of the five-month-long study, called *Lost in Transmission: A Comprehensive Critique of the BC Energy Plan*, at the university's downtown campus.

In the study, Dr. Shaffer looks at how the province exaggerated the need for new sources of electricity; the impact of buying high and selling low on the utility which, he says, denies the utility millions in revenue; and the current Energy Plan.

The plan sees expensive Independent Power Projects, such as wind power, pushed by the Campbell government despite the fact they are inconsistent providers of energy and therefore of "low value" to B.C. Hydro, the study says.

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Dr. Shaffer said Hydro customers were effectively subsidizing the dozens of small-scale IPP hydroelectric, wind and run-of-river projects around the province.

He said the utility purchased IPP power at \$88 a megawatt hour, over twice the average industrial rate of \$36. This, he said, meant subsidies to the IPP sector worth at least \$160-million.

"The bottom line is that this plan is fundamentally flawed if the goal is the efficient use and development of electricity resources. It is really more designed to provide a market for IPPs than it is to conserve on energy and ensure we develop the most efficient sources of energy," he said.

"No question, the independent power producers are the winners. The policy could have been written by them."

The 55-page study was commissioned by the Canadian Office and Professional Employees union. COPE's initial interest in looking closer at IPPs stemmed from concerns over how its members were affected by legislative changes since the Campbell government took office in 2001, said union president Andy Ross.

The NDP's energy critic, John Horgan, said his party had no involvement in the study.

"It is a complicated subject and that is probably why public debate on it is just starting now. There hasn't been an academic response to the energy plan until now, and Dr. Shaffer's credentials give it a lot more weight than others who have made one-off shots saying that the government is misguided and so on," said Mr. Horgan.

Energy Minister Richard Neufeld gave a response to the study from Rome, where he is attending the World Energy Council's 20th international congress. He said he "disagreed fundamentally" with the findings of the paper and considered it politically driven. And he added that the average cost of purchased IPP power was around \$72 a megawatt hour.

"B.C. Hydro is excellent at running huge transmission and distribution systems... but you need the private sector to go out there and be able to build those [smaller]

projects," he said. "The people who don't like IPPs don't like them because it's private. It's that simple."

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