

Opening remarks to
“Plugging in the International Northeast”
by AIMS President Brian Lee Crowley

Ladies and Gentlemen,

Please allow me to welcome you to this conference, “Plugging in the International Northeast: A Canada-US Dialogue on solving this region’s electricity challenges”. This is the second major electricity conference co-organised and hosted by AIMS, Atlantic Canada’s Public Policy Think Tank, and ECANS, the Electricity Consumers Alliance of Nova Scotia. I am Brian Lee Crowley, the President of AIMS, and my colleagues, John Woods, the Executive Director of ECANS, is also with us here today.

At our first electricity event three years ago, “Plugging in Atlantic Canada”, we were concerned to put before the people of Atlantic Canada the very best thinking then available about the issues surrounding restructuring, competition and market opening in the electricity industry, and what that might mean for us here. This was a time when power reform was very much in the air. Nationally, Ontario and Alberta were embarking on ambitious reforms, and in the US, FERC and a number of state and regional power authorities were pushing exciting new ideas. Electricity deregulation and competition had been hugely successful in the UK. Even here in the region, we had the NSP privatisation, the Hay-Savoie report, the beginnings of restructuring, discussions about market opening, and some of the reforms

then mooted have been pushed forward, much of that policy influenced by what was said at our conference.

Then came California, Ontario, the Enron collapse, the recent blackout and a host of other bumps in the road that made many question the desirability of this direction for electricity policy. We thought that the time was ripe to look both at what went wrong, as well as at what has gone right in other places, so the policy makers, utilities, regulators and consumers might arrive at a judicious appreciation of where we might go from here based on lessons learned to date.

The other thing that motivated us to put on this event was a growing realisation at my Institute that Atlantic Canada is no longer the relevant region for dealing with many public policy issues that we face. Those of you still struggling with the idea of whether we should co-operate across the Maritime provinces in many fields, I have bad news for you. You're at least 20 years out of date. The problems that we face, and the solutions appropriate to them, spill for over the borders of our little local jurisdictions.

In fact, one of the realisations that have dawned on me personally over the past two or three years is that we have not been thinking about this region's economic challenges in the right framework. We are not, contrary to what many of us believe, a poor region within Canada. We are one half of a poor region within North America. And the existence of the border is a major explanation of why our economic performance is lagging that of other places.

Under the old dispensation, Northern New England was the end of the line in the US, while Atlantic Canada was the end of the line for the Canadian transport system. But in an era of continental integration, such as we have now entered, both are on the road to the main partner in a continental relationship that we are in the early stages of building.

Now this is probably pretty unexceptionable in say, transportation terms. Just look at the US high priority corridors map, and the decision recently made by the US congress to fund a multimodal transport study for the region we call Atlantica.

But not nearly enough attention is being paid to the implications of this for power markets in this corner of North America. There is still far too much talk about each jurisdiction moving to solve its little piece of the puzzle in isolation from the decisions of consumers and producers in neighbouring jurisdictions, still too many people believing that they can dictate local prices, for example, in defiance of surrounding economic realities.

Yet it seems clear to me that electricity is increasingly being transformed into a commodity, and the costs of trying to pursue a local isolated policy in defiance of the economic forces shaping the emerging regional and continental energy market are going to keep rising and will, sooner rather than later, become prohibitive. Even today, utilities on this side of the border are only too aware of how policy made in Washington by FERC, for example, is setting the rules for interconnections and access to our own markets because of reciprocity considerations. This is another sign of the increasing integration of markets and institutions on a continental scale.

I have just returned from a conference in Bangor Maine about regional coherence in the International Northeast (Atlantica). The focus of that event was largely transport infrastructure, but a host of topics was raised, including electricity. There was discussion of the proposed new 345 KV AC high voltage transmission line, which as I understand it will only be the second such connection between the Maritimes and the US. This project is expected (subject to FERC approval) to be treated as a “regional reliability project”, so one with benefits to consumers and utilities throughout New England. It will increase the capability for electricity flows in both directions across the border – a powerful thing in the wake of the blackout where the Bangor Hydro representative said had they not been able to send power across the border during the fluctuations leading up to the blackout that it would have hit them as well.

Other potential benefits of just this one cross-border project include line loss reduction which can lower the cost of import and export delivery, general access to more generation spread across a wider range of fuels, more competitors in the electricity market, new market options to generators on both sides of the border that may now or soon be underutilised, provides northern Maine with access to new supply options, it allows better balancing of peak demand between winter and summer, etc., etc.

Whether these claims on behalf of this individual project are correct or not is not the issue here. Rather this particular project’s arguments illustrate perfectly the logic of where we are headed in field after field: the benefits of regional coherence in an era of continental integration and global

competition can scarcely be overstated. And those regions that do not achieve the needed degree of coherence will simply forgo economic opportunities and investment, that will flow to regions that present a profile of efficient infrastructure and institutions.

So in addition to bringing to bear on the discussion the latest thinking on where we are across the continent in bringing the discipline and choice of markets to bear on electricity, we are also here to look at where we are in regional cross-border co-operation and collaboration, and to see if there are strategies that we might pursue to deepen and broaden those relationships for the benefit of all participants in the marketplace. That is why much of the day is structured as a cross-border dialogue between Canada and the US, and we will wind up the day with a presentation by Gordon Weil about a strategy for achieving the kind of regional coherence in electricity matters which is a building block of regional prosperity. In the final half hour I hope that we will have the chance to exchange concrete ideas about how we move forward with this agenda for more cross-border regional coherence.

So let's open today's proceedings with a presentation by Ken Malloy, President of the Center for the Advancement of Energy Markets in Washington DC.