

Guest Commentaries

NB's power opportunity

For the record, a viewpoint

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(Editor's note: Stewart MacPherson, NB Power's acting President and CEO, is speaking today at the **Atlantic Institute of Market Studies** conference "Plugging in the International Northeast" in Moncton. This article is based on his presentation.)

The debate is heating up in New Brunswick on increased competition in the electricity market. The new Electricity Act hasn't been implemented, yet already some critics are going much farther in calling for the privatization of NB Power and a quick end to government involvement in the industry. These critics are missing the point ownership is not the most important issue, rather it is establishing viable, competitive markets that work to benefit the energy consumer.

New Brunswick has been aggressive and prudent in approaching electricity market restructuring. A tremendous amount has already been accomplished - public consultations, a new Electricity Act, and thorough debate before the legislation was passed. NB Power has been preparing as well. Following implementation of the act, we are ready to restructure into separate operating companies.

There will soon be competition in the province's wholesale and large industrial electricity sectors but no customer will be forced into a volatile market as in Ontario. Long-term power purchase agreements between new NB Power operating companies will be set with standards that drive efficiencies. In short, energy consumers will be protected and provided the opportunity to pursue market advantages in a controlled fashion.

Just as changes to the electricity market forthcoming in New Brunswick are more progressive than any other jurisdiction in Atlantic Canada, so should our next steps be equally as far-sighted and focused firmly on a long-term goal: a well-functioning regional electricity market.

New Brunswick, on its own, is too small to function efficiently as a stand-alone electricity market in the North American context. Our small size limits the ability of a market to function competitively and efficiently. New Brunswick needs a bigger, level field on which to play. And with the movement under way in New York and New England to combine their markets, an expanded north-east market is forming quickly.

New Brunswick has an opportunity to strike out in pursuit of the next phase of market restructuring. We have the opportunity for a broad, integrated electricity market that stretches across borders to include all three Maritime Provinces and become a functioning part of the developing regional market. Players in this expanded market territory could enjoy important advantages like harmonized transmission tariff rate structures and a common set of environment goals.

The Electricity Act is a first step to align New Brunswick with surrounding jurisdictions, while ensuring our customers enjoy a balanced, measured transition to a deregulated environment. Implementation of the Act alone will not overcome the barriers to creating a market that spans the

Maritime region, but it will get the dialogue started. This can't happen soon enough because an energy crunch is looming.

New Brunswick, like every other jurisdiction in this region, is facing a shortfall in electricity generation within the next few years. All possible generation alternatives - fossil fuels, nuclear, hydroelectric or renewable wind - are fraught with uncertainty. If we are not part of an expanded market, there will be less opportunity to shelter ratepayers from the investment risks. In the interim, we suggest that Maritime electric utilities co-ordinate their efforts to meet new generation needs. The private sector can also be part of this development, thus creating opportunities for new players in the energy sector.

The public has a right to expect government and utility leaders to get on with transforming our approach to electricity. Rather than have each utility in its isolated jurisdiction incur the debt to meet their generation needs, we can pool our resources and share the risks and benefits.

We need reliable power that is environmentally acceptable and competitively priced. Despite all of the criticism levelled at utilities regarding costs and inefficiency, Canadians in general and New Brunswickers in particular enjoy secure, affordable and competitively-priced electricity. To keep it that way, utilities need new operating rules to attract investment, renew facilities, and successfully compete to the benefit of customers.

The starting point can be the implementation of the Electricity Act in our province.