



## Electronic Media Analysis and Archiving



The Moncton Times and Transcript  
News, Thursday, November 13, 2003, p. A3

Provincial News

### **Meeting sparks debate on power deregulation**

N.B. in good stead to take advantage of trend toward interconnected systems

JAMES FOSTER Times & Transcript Staff

NB Power is too tiny to thrive on its own in an increasingly deregulated and interconnected North American electricity market, says the corporation's president and CEO.

"New Brunswick needs a bigger, level field on which to play," Stewart MacPherson says.

MacPherson made the comments in Moncton at a conference on the future of competition, deregulation, market-opening and integration of northeastern North America's electrical grid.

The consensus of the meeting seemed to be that deregulation and interconnections between electricity markets is the way to go for stable supplies at a reasonable cost to consumers, but that the path to get there is fraught with pitfalls. The key is to examine those pitfalls that have befallen those who have led the charge in the deregulated electrical marketplace and learn how to avoid them.

Projections say New Brunswick will face an energy shortfall as early as 2007, Prince Edward Island in 2005 and Nova Scotia in 2008.

Building generating capacity to meet those demands will cost money, which means higher costs to electricity consumers. Opening up electricity supply to the private market would see more power generated with private investment taking more of the risk. However, it remains to be seen what is the best way to lure private investment into the generating and transmission ends of the business, MacPherson said.

On the other hand, forming alliances with other nearby power companies is an option for increasing the supply of electricity. Interconnection is actually sweeping the industry, with most northeastern U.S. utilities aligning themselves with one another and trading with other interconnected systems.

New Brunswick is in good stead to take advantage of that trend because it is known as a reliable supplier that others can depend on, MacPherson said.

The province plans legislation that will see NB Power break up into a number of smaller companies yet remain under public ownership. Under that law, large electricity users will be allowed to opt off the grid and find a private supplier of power.

While that's bad for a utility that might not want to lose customers, it would, on the other hand, free up some capacity and help open the marketplace overall.

Debate at the sessions ran the full gamut of "what-ifs" and "how-tos."

What would be a fair penalty for large users who decide to seek a private source of power?

What's a fair market price for electricity to the consumer?

How do you attract private investment to build power plants and power lines?

What level of government regulation should remain in place as electricity markets become more free?

The conference comes at what some will see as a bad time for those favouring free-market forces when it comes to electricity, with a massive blackout this fall that affected most of eastern North America for days, the disaster last year that was deregulation in California, the Enron scandal and glitches with deregulation efforts in Ontario.

But that kind of thinking is outmoded, says an author who specializes in power issues.

George Spencer, editor of Restructuring Today, says those mistakes made in the early era of deregulation are all there for the rest of the electrical world to learn from.

"California is changing," Spencer said, "and it's changing very fast."

A cautious yet fearless transition to free-market forces get government regulators off the playing field and learn from the mistakes of others - is the way to go to achieve reliable supplies and low prices, Spencer contended while pointing to the United Kingdom's deregulation process that has worked well and saved consumers millions of dollars.

"Don't make all the mistakes we've made south of the border."

Like in many provinces, NB Power is a Crown corporation, and that's something Spencer was not keen on. He suggests getting politics out of the electrical business, where they can't pressure corporations to keep prices artificially low - with the true price of power to be paid later - or trumpet mega-projects like generating stations because they are politically convenient.

Better to let the marketplace find the lowest sustainable price for electricity, as it does in other commodities, he contended.

The conference was sponsored by the **Atlantic Institute for Market Studies**.

**NEW BRUNSWICK  
TELEGRAPH-JOURNAL**

The New Brunswick Telegraph Journal  
News, Thursday, November 13, 2003, p. D1

Provincial News

**NB Power official pushes for pooling of resources in face of energy crunch**

BY TALI FOLKINS Telegraph-Journal

FREDERICTON - An energy crunch looming over the Maritimes should be spurring utilities in the region to pool their resources for new generation possibilities, NB Power's acting president said Wednesday.

"New Brunswick, like every other jurisdiction in this region, is facing a shortfall in electricity generation within the next few years," Stewart MacPherson said in notes for a presentation he was to give Wednesday evening. "In the interim, we suggest that Maritime electric utilities co-ordinate their efforts to meet new generation needs.

"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," Mr. MacPherson said. Investment from the private sector should also be welcomed, he said.

Mr. MacPherson was in Moncton on Wednesday to deliver a presentation at an energy conference. The conference, Plugging in the International Northeast, was put on jointly by the **Atlantic Institute for Market Studies** and the Electricity Consumers Alliance of Nova Scotia.

Two weeks ago, the institute, a Halifax-based think tank known for advocating free-market economic policies, issued a report critical of NB Power and of attempts to restructure New Brunswick's electricity market. The report's author, Thomas Tucker, called NB Power "the least competitive major utility in the country," saddled with a burden of "crushing debt."

The only hope for the utility, Mr. Tucker said, is to be privatized, since privatization would lead to a more efficient organization.

But in his presentation Wednesday, Mr. MacPherson said critics calling for the privatization of NB Power are "missing the point." The ownership of utilities, he said, is less important to consumers than the creation of viable, competitive markets for the energy utilities produce. And the province's soon-to-be-implemented Electricity Act, he said, represents a first step to the creation of a competitive market in New Brunswick.

"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," Mr. MacPherson said. "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."

# The Evening News

The Evening News (New Glasgow)  
News, Thursday, November 13, 2003, p. A7

## **Maritime power utilities should pool their resources, NB Power boss says**

New Brunswick Telegraph-Journal

FREDERICTON, N.B. - An energy crunch now looming over the Maritimes should be spurring utilities in the region to pool their resources, says a senior executive with NB Power.

"New Brunswick, like every other jurisdiction in this region, is facing a shortfall in electricity generation within the next few years," said Stewart MacPherson, acting president of the Crown corporation, in notes for a presentation he was to give Wednesday evening.

"In the interim, we suggest that Maritime electric utilities co-ordinate their efforts to meet new generation needs.

"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," MacPherson wrote.

Investment from the private sector should also be welcomed, he added.

MacPherson was to deliver his presentation Wednesday night at an energy conference entitled, "Plugging in the International Northeast: A Canada-U.S. Dialogue on solving this region's electricity challenges."

The conference was jointly hosted by the **Atlantic Institute for Market Studies** and the Electricity Consumers Alliance of Nova Scotia.

# THE CHRONICLE~HERALD

The Chronicle-Herald  
Business, Thursday, November 13, 2003, p. A20

## **Power competition in Atlantic Canada ranks poorly in study**

Judy Myrden  
Business Reporter

Moncton - The Atlantic region's electrical utilities are among the least competitive in the world, according to a recent study by an American energy institute.

The Centre for Advancement of Energy Markets, which tracks retail energy competition around the world, ranked 67 jurisdictions in Canada, the U.S., the United Kingdom, New Zealand and Australia.

The institute, based in Washington, D.C., released its findings Wednesday at a power conference in Moncton.

Nova Scotia, which has a privately owned, regulated electrical monopoly, ranked 62nd and the other three Atlantic provinces tied for last because their utilities are Crown-owned, said Ken Malloy, chief executive officer for the institute.

He said breaking up the electricity monopolies and offering customers choice in Atlantic Canada will happen.

"This is an inevitable trend, it's just a matter of time," Mr. Malloy said at the one-day conference, organized by the **Atlantic Institute for Market Studies** and the Electricity Consumers Association of Nova Scotia, both of Halifax.

"We have broken up telephone, natural gas, airline, trucking and railroad monopolies over the last 25 years and consumers have received spectacular benefits in terms of price and technological product and service innovation," he said.

"I know that I will hear carping about how even these deregulation policies were not perfect and we get squeezed like sardines on airlines, called at dinner by long-distance telephone companies, and natural gas prices are higher. Nevertheless ... you would not want to trade the good for the bad."

Mr. Malloy, a former U.S. energy official, said Canada's electrical utilities have traditionally been government-run but Crown-owned monopolies must be privatized to open up the market.

"Then that puts you in a position to start down the path of customer choice, competition and deregulation."

In Nova Scotia, the largest electrical utility is Nova Scotia Power, which has 450,000 customers and was privatized in 1992.

Last month, the Hamm government released a report on deregulation that recommends gradually breaking up NSP's monopoly and offering the six municipal utilities around the province the choice to buy power from other suppliers.

NSP now sells electricity to those municipal utilities at a wholesale price of about 6.2 cents per kilowatt hour, compared to 8.9 cents per kilowatt hour for residential customers.

In Canada, there are two provinces that have introduced deregulation. In Alberta, the average wholesale price of electricity more than doubled in the first three months after market deregulation was established in 2001. In Ontario, the government brought in deregulation but then introduced price caps because of skyrocketing prices.

The New Brunswick government plans to implement legislation to split the Crown-owned NB Power into five companies that would remain under public ownership.

Prince Edward Island now buys most of its electricity from NB Power.

Jim Connors, vice-president of regulatory affairs for Emera, NSP's parent company, said deregulation in Maine in the late 1990s has resulted in higher prices for customers of Bangor Hydro, one of Emera's subsidiaries.

"Maine's power market ... has been restructured, so our efforts there focus on making it function as well as possible. The reality, though, is that electricity pricing is very high in Maine, to the point where it is stifling the economy," Mr. Connors told the conference.

"The bottom line is restructuring can be great for some customers and it can be really bad for other customers. That's why you have to take the time and do it right."

John Woods, executive director of the Electricity Consumers Association of Nova Scotia, which represents many of NSP's largest customers, asked Mr. Connors if those high power rates in the U.S. could enter the Eastern Canadian market.

"I don't think so," Mr. Connors replied. "I think that you may look at the New England experience but there obviously isn't one price all over New England. There are a whole variety of prices."

Mr. Connors said electricity rates in Nova Scotia and New Brunswick are competitive by North American standards.

NSP was granted a three per cent rate increase last year, its first increase since 1996.



L'Acadie Nouvelle

Nouvelles générales, jeudi, 13 novembre 2003, p. 7

### **Le projet regrouperait l'Atlantique, le Québec et la Nouvelle-Angleterre**

Les entreprises énergétiques invitées à créer un marché libre

Ricard, Philippe

Moncton - L'Atlantic Institute for Market Studies (AIMS) demandera aux provinces de l'Atlantique et aux États de la Nouvelle-Angleterre de créer un système de transmission de l'électricité indépendant et intégré.

Actuellement, l'exportation ou l'importation de l'électricité entre les différentes juridictions nord-américaines est complexe et nuit à la compétitivité, affirme Gordon Weil, l'un des conférenciers invités par l'AIMS, hier, à Moncton.

Selon M. Weil, les États de la Nouvelle-Angleterre et cinq provinces (le Québec et l'Atlantique) devraient mettre sur pied un système de transmission indépendant qui permettrait de créer un marché libre dans lequel la vente ou l'achat d'électricité deviendraient plus faciles.

"Les provinces auront la possibilité de vendre leur électricité dans un marché plus grand", explique M. Weil.

Pour le moment, la transmission d'électricité d'une juridiction à l'autre entraîne des coûts.

"Ce qu'on essaie d'éliminer, ce sont les barrières tarifaires entre les différentes provinces ou États en ce qui a trait à la transmission d'électricité. Nous croyons que, dans l'avenir, nous allons acheter beaucoup d'énergie de la Nouvelle-Angleterre. Si nous faisons ça dans le moment, nous devons payer des frais à chaque fois que nous traversons une nouvelle juridiction", explique le président-directeur général par intérim d'Énergie NB, Stewart MacPherson.

Aux yeux de Gordon Weil, ce système de transmission devrait être géré par une société privée. Cette société privée devrait préalablement faire l'acquisition des différents systèmes de transmission (des différentes sociétés de la Couronne ou des actuels propriétaires américains). Les compagnies publiques comme Énergie NB pourraient toutefois devenir actionnaires de cette société, sans en devenir les gestionnaires. M. Weil est lui-même propriétaire d'une compagnie qui voudrait gérer un tel système.

"Nous avons fait une proposition à Énergie NB pour voir s'il était possible de gérer ou d'acheter leur système de transmission. Jusqu'ici, on n'a pas eu de réponse favorable", précise-t-il.

De plus, dit M. Weil, chacune des juridictions devrait adopter une loi sur l'électricité uniforme. Cela aurait pour but d'harmoniser les prix, mais aussi les lois environnementales entre les provinces ou les États. De plus, les tarifs de transmission seraient déterminés par les provinces et les états.

### **Propositions**

Malgré le fait que le président-directeur général d'Énergie NB n'ait pas voulu se prononcer sur le projet de création d'un système de transmission proposé par l'AIMS, il semble d'accord sur l'idée maîtresse, soit celle de créer un marché commun.

"La nouvelle loi sur l'électricité est un premier pas, mais nous croyons que la prochaine étape est de mettre en place un système de transmission commun pour étendre notre marché. Le marché du N.-B. est très petit et, si on veut acheter et vendre plus d'électricité, être plus efficace et compétitif, il sera plus facile de le faire avec un système de transmission commun", dit M. MacPherson.

Quant au porte-parole de l'AIMS, **Brian Lee Crowley**, il promet que son organisation fera une proposition en bonne et due forme aux différents gouvernements.

"La prochaine étape sera de soumettre de façon officielle le texte de M. Weil au Conseil des gouverneurs de la Nouvelle-Angleterre et des premiers ministres de l'est du Canada. On recommandera qu'ils étudient ce texte en vue de collaborer de façon régionale dans la création d'un marché en matière d'électricité", affirme M. Crowley.



The Canadian Press

Atlantic News, Wednesday, November 12, 2003

## **Maritime power utilities should pool their resources, NB Power boss says**

The Canadian Press

FREDERICTON (CP) - An energy crunch now looming over the Maritimes should be spurring utilities in the region to pool their resources, says a senior executive with NB Power.

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"In the interim, we suggest that Maritime electric utilities co-ordinate their efforts to meet new generation needs.

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"To keep it that way, utilities need new operating rules to attract investment, renew facilities, and successfully compete to the benefit of customers."



The Moncton Times and Transcript  
News, Wednesday, November 12, 2003, p. A9

### **Unity needed to meet energy crunch**

**NB Power** official suggests three provinces could share risks and open market to outside and private investment for large-scale energy projects

JORGE BARRERA Times & Transcript Staff

FREDERICTON - The Maritime provinces need to integrate their energy markets to meet energy shortfalls looming on the horizon, says the president of **NB Power**.

"If we are not part of an expanded market, there will be less opportunity to shelter ratepayers," said Stewart MacPherson, in notes from a speech he is scheduled to deliver today during an energy conference in Moncton.

McPherson said the province is too small to meet increasing energy demands and suggested the Maritime utilities need to pool their efforts to avoid being put in a crunch.

It is projected the province will face an energy shortfall as early as 2007, Prince Edward Island in 2005 and Nova Scotia in 2008.

The risks are too high for provinces to develop large scale energy projects on their own and continue protecting their customers from exorbitant electricity rates. The risk needs to be shared, said MacPherson.

"All possible generation alternatives - fossil fuels, nuclear, hydroelectric or renewable wind - are fraught with uncertainty," he said.

In an integrated system, the three provinces could share the risks and open their market to outside and private investment for large-scale energy projects.

In the end, it's the customers who benefit.

"Utilities need new operating rules to attract investment, renew facilities, and successfully compete to the benefit of customers," said MacPherson.

The Maritimes themselves are too small and need to eventually integrate with Quebec and Maine utilities to give them real clout in the energy sector, he said.

"New Brunswick needs a bigger, level field on which to play," said MacPherson.

"And with the movement under way in New York and New England to combine their markets, an expanded north-east market is forming quickly."

An integrated market could provide some economic spin-offs in the carbon credit trade. Nova Scotia trails New Brunswick in cutting down its green-house gas emissions to meet requirements under the Kyoto Protocol.

The government plans to implement legislation that will see **NB Power** break up into five companies, but still remain under public ownership.

Under this legislation, the smaller companies will be able take on private investors and wholesale electricity purchasers, like large industries, will be allowed to purchase electricity from outside sources.

"Implementation of the (legislation) alone will not overcome the barriers to creating a market that spans the Maritime region, but it will get the dialogue started," said MacPherson.

"This can't happen soon enough because an energy crunch is looming."

## **THE CHRONICLE~HERALD**

The Chronicle-Herald

Business, Tuesday, November 11, 2003, p. C1

### **Regional power market touted; Prosperity depends on it - AIMS**

Judy Myrden  
Business Reporter

Closer ties between Atlantic Canada and the United States would create jobs, provide consumers with choice for electricity and promote prosperity, according to a new study by a Halifax think-tank.

A new **Atlantic Institute of Market Studies** paper says there is a "natural benefit" to the establishment of a regional electricity market.

"The prosperity of Atlantic Canada increasingly depends on how we deal with energy issues," AIMS president Brian Lee Crowley said Monday.

"There is clearly a growing awareness of the importance of regional co-operation. It is vitally important that the people crafting energy policy continue to examine strategies of building markets with our neighbours to the south, building on common interests and exploring our economic potential."

The paper, by U.S. energy consultant Gordon Weil, is being presented Wednesday in Moncton at a one-day conference on solving the region's electricity challenges.

Mr. Weil, who has been involved in national and international energy policy since 1980, proposes the adoption of identical laws in each participating province and state. These laws would set the basic rules for open access to the power grid for utilities.

Political leaders in both Canada and the U.S. often speak of the benefits of closer linkages in the Atlantic region, but little progress has been made so far, said Mr. Weil.

"There has to be commitment at the most senior political level to make this happen. Regional leaders have to sit down and decide how to promote more co-ordination and uniformity among regulatory authorities."

The conference is being organized by AIMS and the Electricity Consumers Alliance of Nova Scotia.

Featured speakers include Mr. Weil, who will present his AIMS paper, and Curt Hebert, past chairman of the Federal Energy Regulatory Commission in Washington, D.C., the body responsible for establishing energy regulatory policy in the U.S., including the electricity sector.

All four Atlantic provinces will face power generation shortages in 2007 and 2008, said John Woods, executive director of the electricity consumers alliance.

"New generation is going to be required in four years and it will require regional co-operation or looking to the United States for supplies," Mr. Woods said.

Electricity customers in Nova Scotia are not getting a good deal and the government must move on deregulation of Nova Scotia Power's monopoly, he said.

In Nova Scotia, a government-appointed committee recently recommended the province start using more alternative energy sources, such as the sun and wind, and introduce competition in the electricity industry.

The Hamm government is still studying the proposals.

"The future of the power industry in continental North America is very important," Mr. Crowley said.

He said many people have become "spooked" by deregulation of the electricity industry because of bad experiences in California, Ontario and Alberta.

But "what happened in California and Ontario was the exception, not the rule," he said.

Power deregulation is a continent-wide trend.

In the U.S., California was the first state to deregulate its electricity market.

But flaws in the state's 1996 deregulation laws, a power plant shortage, soaring natural gas prices and bad weather have caused prices to increase dramatically.

In Alberta, the average wholesale price of electricity more than doubled in the first three months of market deregulation when it was established in January 2001.

Ontario was also heading toward electricity privatization, but last year, in the face of skyrocketing prices and a coming election, the Conservative government imposed a price cap until at least 2006.

The conference will push for deregulation in Atlantic Canada and highlight states where it has worked and lowered consumers' electricity bills.

Karl Pfirman, president of Midwest Region PJM Interconnection of Pennsylvania, will address delegates on opening the market.

PJM operates the world's largest competitive wholesale electricity market and North America's largest power grid.

"It is the model system," Mr. Woods said. "It's a highway that connects all the communities. It is well-run and the prices are lower."



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