

Investment in electricity sector could be just what we need to jump-start economic activity

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CONTRIBUTED TO THE GLOBE AND MAIL

JULY 15, 2020

After a most difficult several months, Canadians are cautiously emerging from their COVID-19 isolation and confronting a struggling economy.

As governments assess the damage, they will consider how best to unleash stimulus budgets to jump-start economic activity.

Provincial and federal policy makers are looking for projects that are “shovel ready” and “shovel worthy” – that is, would provide much-needed jobs and offer long-term value for the postpandemic economy.

Prudent investments in electricity infrastructure would result in a near-term boost in employment, and offer utility-bill savings and improved reliability for the power grid long into the future.

There is widespread recognition of the value an enhanced electricity grid can provide.

The International Monetary Fund and the International Energy Agency have urged governments to allocate stimulus funds to modernize their power grids. Such investments can improve efficiency and reduce costs in the system while adding resiliency and cutting emissions of greenhouse gases.

New York State Governor Andrew Cuomo recently proposed to accelerate approvals for transmission projects, including a 1,000-megawatt line from Quebec to bring power to New York City.

Electricity in Canada has historically been the subject of provincial protectionism. That approach can produce higher costs, and a less resilient and efficient system.

Several studies have concluded that consumers in Alberta and British Columbia would benefit from greater connection, but so far, there is little political support in Alberta for the idea.

Provinces in Atlantic Canada have committed to greater regional integration, and are identifying the most cost-effective and crucial transmission projects to accomplish that.

In Ontario, cross-border electricity trade has traditionally had only a modest impact on the market. Imports provide a lifeline to augment supply and provide resilience to the

system at peak times, when it is under the most strain; exports typically occur when demand and wholesale prices are low.

Access to markets outside the province gives Ontario's Independent Electricity System Operator (IESO) greater flexibility in managing supply and demand. Additional cross-border transmission capacity can eliminate the need for more expensive options – such as building new generating facilities at home – while providing export revenues that can benefit all customers.

In its annual planning outlook earlier this year, the IESO said increasing the capability to import electricity would provide competitive power supply options that would help keep costs down.

One proposed project aimed at accomplishing those aims is the Lake Erie Connector, a 1,000-megawatt transmission line that would run along the bottom of the lake and connect Ontario to the largest electricity market in the world, the U.S. PJM system, which comprises 13 midwest and mid-Atlantic states.

According to a report that the energy consultant the Brattle Group prepared for the developers and submitted to the IESO, the Lake Erie Connector would generate significant savings for Ontarians. That would include more than \$100-million a year (more than \$4-billion over the life of the project) from opening a direct path for Ontario power exports during times of excess supply, importing low-cost power when needed and increasing the efficiency and flexibility of the system.

It would also deliver substantial short-term benefits: more than 380 direct jobs and \$300-million in local economic benefits during construction, plus dozens of new, permanent jobs, the report said.

The project's proponent is ITC, a subsidiary of Fortis Inc., a Canadian utility (headquartered in St. John's), which would fund the cost of building the underwater transmission line.

There will be no cost to Ontario electricity customers or taxpayers during construction of the line, the report said. When the cross-border connection is completed, electricity consumer savings are expected to more than offset its cost, while the company would receive a rate of return consistent with regulated levels in Ontario.

The project has secured all necessary major permits, including approvals from regulators in the United States and Canada, who concluded it would be in the public interest.

But, before shovels can go into the ground, ITC requires a commitment from Ontario's electricity system operator to use the line as designed to drive savings, increase efficiencies and serve future provincial electricity needs.

As governments look for job-creation opportunities that can attract private-sector investment, innovative electricity infrastructure such as the Lake Erie Connector offers numerous benefits.

The right projects provide a unique opportunity to bring savings, efficiency and flexibility to our electricity system for decades, while providing desperately needed economic stimulus right now.

Jim Burpee is a past president and chief executive officer of the Canadian Electricity Association. He consults with leading energy companies across North America and advised ITC on the Lake Erie project in the past.