A model of privatization of electricity in Ontario?

This letter has been edited for length.

To the Editor,

Did you know that both of our neighbours (Hydro Quebec and Manitoba Hydro) could sell us power at roughly half our current cost and still make a nice profit on the deal?

Why don't we take them up on this? Well, the folks in our provincial government, regardless of political stripe, say we must have home grown electricity. What nonsense. Do you know (or care) where your propane or natural gas comes from? Well it's not Ontario, but it heats just fine. More importantly, you have a range of suppliers.

Can privatization work? Absolutely, if handled in the proper way. This year we are celebrating 20 years of a privatized CN Rail. And it is a model of a strong, efficient and competitive company. Was it always so? Let's recall the history.

CN Railways, set up in 1919 as a Crown corporation, over time demonstrated itself to be a truly money losing enterprise. The federal government bailed it out by recapitalizing it, forgiving large amounts of debt or trading debt for stock in 1937, 1952 and 1977. A review of the CNR's financial history from 1923 until 1993 estimated the total amount of federal support for the firm at $96 billion in 1995 dollars. Despite these cash infusions, the CNR had accumulated $2.5 billion in debt by 1995.

In September 1995, all shares in the CNR were sold to the public and it became a private company. The conversion was the largest initial public offering of shares in Canadian history.

What happened in the next 20 years?

Operating Ratio (expenses/revenues) went from 89 per cent to 58 per cent, one of the best in the industry in North America in 2015. Revenue went from $3.8 billion to $14 billion. Employee strength was cut to 24,000, about half what they had when privatized and deregulated. Concurrently freight cost for customers dropped appreciably, 11 per cent in the first five years alone.

Could the Ontario electricity market be made to work for consumers? Of course. CN provides a clear framework on how to do it well ? by privatization and deregulation (bringing in competition). Will it happen for OPG and Hydro One?

Don't bet on it. The share sell-off of Hydro One is only a minority position, the board are still political appointees, and the CEO still marches to the Liberal government tune. In their rate decision of March 2015 the Ontario Energy Board (OEB) said ?Hydro One's plan ? fails to demonstrate value to customers commensurate with the forecasted spending.? Allowing Manitoba Hydro and Hydro Quebec into the market with their low prices for production of electricity would cause cardiac arrest in senior management at OPG. No one is prepared to bell this cat, so sadly we will continue to be gouged needlessly for electricity in Ontario.

Did I mention that in the same rate order quoted above, the OEB directed Hydro One by August 2015 to bring forward a plan to eliminate seasonal rates and treat all customers to a rate structure based on geography and consumption? Still, no plan for eliminating this overcharge of seasonals has emerged from Hydro One

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