May 31, 2016

Members, Standing Senate Committee on Energy, the Environment and Natural Resources
The Senate of Canada
Ottawa, Ontario
Canada, K1A 0A4

Dear Honourable Senators:

Thank you for inviting the Canadian Electricity Association (CEA) and our member representatives from Capital Power Corporation and Nova Scotia Power Inc. to provide the electricity sector perspective on the effects of transitioning to a low carbon economy.

I am writing to provide additional clarity and information relating to two inquiries from Senators made during our appearance on May 5th. Specifically, CEA committed to providing further information on the following:

1. Senator Neufeld asked for the average projected impacts on electricity rates that might result from the full investment of the $350 billion that the Conference Board of Canada estimates will be needed between 2011 to 2030 to renew Canada’s electricity infrastructure, and;

2. Senator Massicotte queried CEA on our view of the recent report by the Parliamentary Budget Officer that identifies the electricity sector as one of three likely sources for significant future GHG emissions reductions.

In regard to the first inquiry, I would like to highlight a 2013 National Energy Board (NEB) report: Canada’s Energy Future 2013. In this report, the NEB projects that the average retail electricity price in 2035 will be approximately 20 per cent higher than in 2013 when calculated in real dollars, and that this projection reflects the increasing cost of sourcing new generation, as well as planned improvements to transmission systems. As with any projection, these numbers are estimates, and are subject to unforeseen developments.

I recognize that there will almost certainly be increases in electricity prices as a result of needed investments in the renewal of electricity infrastructure. We are seeing these impacts already in many provinces. However, as I stated on May 5th, I believe that these investments will bring great value to Canadians, and will certainly outweigh the even higher costs of inaction.

In terms of the second inquiry, CEA was asked to respond to a recent report released by the Office of the Parliamentary Budget Officer, titled: Canada’s Greenhouse Gas Emissions: Developments, Prospects and Reductions.

Senator Massicotte advised that the report identifies the electricity industry as one of three sectors likely to contribute the most to future reductions, the other two being: transportation and oil and gas production and distribution. However, it is important to recognize that the report “did not fully address the potential reduction in emissions that will result from the coal-plant regulations that became effective in July 2015,” and therefore, in our view, underestimated the significant emissions reductions already achieved, or set to
be achieved, by our sector. Electricity is the only sector in Canada to achieve significant emissions reductions since 2005 - nearly 30%. It is likely to achieve the same again by 2030. For these reasons, we continue to recommend the federal government focus on economic sectors that can offer the greatest emission reductions and that Canada's electricity sector is better positioned to assist those sectors through electrification.

I hope that this information sufficiently resolves your queries, and I encourage you to use CEA as a resource in the future should you have any further electricity related concerns.

Yours sincerely,

[Signature]

Hon. Sergio Marchi
President and Chief Executive Officer

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