Electricity Canada | Électricité Canada

October 31, 2022

Standing Committee on Law Amendments
Office of the Legislative Counsel
CIBC Building
802-1809 Barrington Street
PO Box 1116
Halifax NS B3J 2X1
(Via email)

Re: Electricity Canada Concerns Over Bill 212, *Public Utilities Act (amended)*

Dear members of the Standing Committee on Law Amendments,

I am writing to you today to voice our industry's concerns over Bill 212, *Public Utilities Act (amended)*.

Electricity Canada is the national voice of Canada's evolving and innovative electricity business. Our members generate, transmit, and distribute electrical energy to industrial, commercial, residential, and institutional customers across Canada. Members include integrated electric utilities, independent power producers, transmission and distribution companies, power marketers, and system operators, who deliver electricity to all Canadians in every province and territory.

Our members focus on ensuring Canadians have access to safe, reliable, affordable electricity. Electricity utility members must be able to invest in and appropriately maintain electricity infrastructure to do this. Accordingly, our electricity members must be able to charge rates that are sufficient to fund such infrastructure and maintenance. The Nova Scotia Utility and Review Board is an independent agency that transparently weighs this requirement along with a multitude of other factors, carefully considers the evidence and submissions of proponents and interveners and applies its expertise to establish just and reasonable rates for each rate class and a just and reasonable return for a local electricity utility. Instead of this contextual approach, which is the norm in Canada, Bill 212 fixes a single multi-year fixed increase cap for all rate classes without a transparent balancing of factors that can provide residents of Nova Scotia and investors confidence in the result.

Also, based on Electricity Canada's experience across the country, Bill 212 sets the fixed rate increase cap so low at 1.8% that it will hinder the ability of electricity companies to meet the evolving energy needs of Nova Scotia.

Electricity systems across Canada are undergoing a period of rapid transition. Nova Scotia is no exception. The province's commitments to close coal-fired power plants and have 80% of electricity supplied by renewable sources by 2030, in addition to the federal government's commitment to a net zero grid by 2035, are significant drivers of this transition and require immediate investment. The Federal Government's *Healthy Environment, Healthy Economy* plan estimated that economy-wide decarbonization will require double or triple the amount of electricity by 2050. Demand will grow dramatically as transportation, home heating, and industrial processes are electrified. All this requires investment now to be ready to deliver the electricity Nova Scotians will need.

Electricity operators must also invest in climate adaptation to prepare for more severe and frequent extreme weather. More and more, "extreme" no longer means "rare." Hurricane Fiona is the most recent reminder of this in Nova Scotia. Elsewhere in Canada, severe windstorms, blizzards, and wildfires require infrastructure hardening to minimize damage. Extreme weather also drives electricity demand. High heat and extreme cold put additional pressure on the grid's capacity, as seen with record demand in Quebec and western Canada during recent periods of deep cold or high heat.

Despite increased transmission and distribution of electricity, greener generation and increasingly extreme weather, customers expect the electricity system to remain reliable and have a very low tolerance for power interruption. All this requires increased investment, and a 1.8% increase to rates, apart from fuel costs, over the next three years will not be sufficient.

The requirement for substantial electricity investment is not confined to Nova Scotia. Indeed, for Canada to achieve electrification on the scale required to meet Canada's 2035 goals, we will need hundreds of billions of dollars – and for the 2050 goal, likely more than a trillion dollars – in investment in generation, transmission, and distribution. This requires a regulatory and policy environment that encourages investment in a system that is reliable. It must be balanced against other interests, which is the core task of electricity regulators, including the Nova Scotia Utility and Review Board. That Board should hear the evidence (including the appropriate timing of the needed investments), apply its expertise and issue a decision. It is only based on that decision and the fact that it was arrived at transparently and independently of the day's politics that creates the confidence necessary for electricity investment to be made in Nova Scotia.

Expanding the grid needs to be done purposefully and methodically. This cannot be done through efficiencies alone and delaying investments will increase costs later. As we saw in Texas last year, avoiding investments today by a low rate increase cap creates situations where a system failure becomes more likely. There is also a false economy in delays: waiting will only increase the cost and urgency of future investments.

Thus, the bottom line is we need to make urgent investments in new infrastructure, refurbishments and maintenance operations to meet expected demand growth and decarbonize the electricity system. These requirements must be weighed transparently by an independent regulator in which customers and investors have confidence – not undermined by government fiat. The latter approach, adopted by Bill 212, puts the evolution and reliability of its electricity system at risk and should be left aside.

We encourage Nova Scotia to re-evaluate Bill 212 and leave the making of just and reasonable rates to the Board entrusted with that complex task.

Regards,

Francis Bradley
President and CEO