



APPRO

ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

Presentation to the Ontario Energy Forum

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Association of Power Producers of
Ontario

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Who we are

- APPRO is the leading generator organization in Ontario, and in Canada
- We grew out of the independent power producers but since restructuring and open access have expanded to include the larger generators, e.g., OPG and Bruce Power
- With more than 100 members, we cover the fields of gas, co-generation, small hydro, large hydro, biomass, wind energy, coal and nuclear



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What we do

- Our main function is to address our member's needs through informed and balanced policy advice to government, and to share information and stimulate discussion on issues of relevance to our members
- The advice has to be workable, reflect both economic and technical expertise, and it must take account of the concerns of all stakeholders concerned with the electricity sector



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Our Objective

- A sustainable electricity market that:
 - Provides a healthy and equitable business environment
 - Supports a reliable and secure electricity supply in Ontario
 - Supports all forms of generation technologies
 - Promotes the increasing use of renewable energy generation
 - Leads to lower environmental impact from all electrical generation technologies



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APPRO's top policy issues

1. **Addressing the supply gap** with efficient, economic, environmentally responsible solutions
 - Making sure government-offered RFPs and contracts are well-designed and effectively/efficiently implemented
2. **Creating a sense of stability** in the power sector longer term
 - This includes creating a business climate conducive to investment
 - Mature market rules and stable, trusted regulation
 - Rational systems for emission trading and environmental regulations
 - Building a mechanism for long-term resource adequacy
 - Moving towards a healthy, competitive market

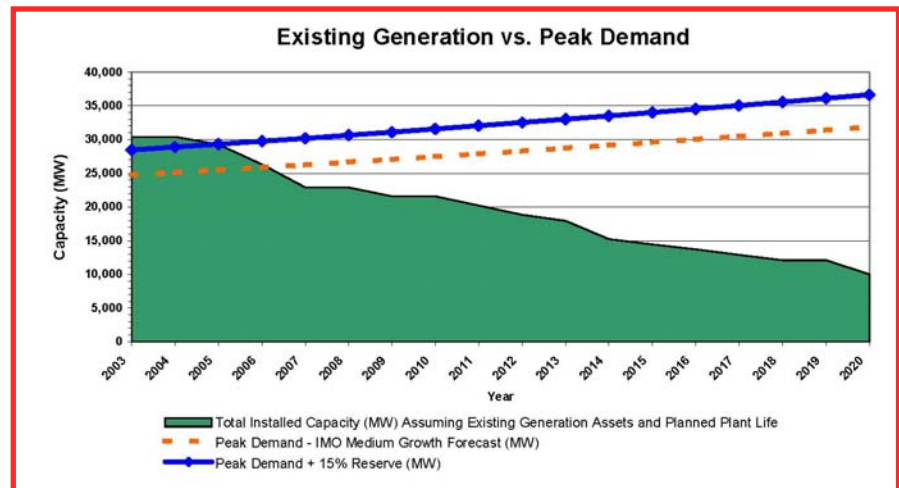


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Where are we today?

- Ontario is facing a critical supply challenge
- Little major new capacity built since the mid 1990's
- Demand growth has continued steadily since then
- Spot market pricing in 2002 resulted in volatility and consumer resistance
- Plans to phase-out coal plants exacerbates challenge
- **Energy has become a serious public policy and political issue**





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Our current solutions

- Proceed with a commercially-focused RFP process for renewables, non-renewables and DSM
- Continue to support market evolution led by the Independent Market Operator towards day ahead markets (DAM), long term resource adequacy (LTRA), etc.
- Keep the competitive part of the market healthy and growing



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APPRO's ideal end-state

- Majority of power bought on long-term contracts
- Wide variety of terms generally available
- Contracts are arranged by, or on behalf of, consumers to manage price and dependability
- Day-ahead market to deal with most short term sale & procurement
- Small amounts of power traded in spot market for short-term balancing and to adjust for weather and operational issues
- Liquidity in forward market means that future costs are manageable



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Closing thoughts...

- Give regulators clear and enduring mandates, and allow them to operate independent of government
- Market-based solutions are the most efficient and ultimately lead to fair and lowest-cost outcomes
- Markets can not determine public objectives or system design - those are the appropriate roles for government and regulators
- Without market priced electricity, you don't get efficiency in the companies who deliver it or appropriate share of global investment



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Thank you!

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