TINKER, TORY, WOBBLER, WHY?
The Political Economy of Electricity Restructuring in Ontario, 1995-2003

by

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ABSTRACT

The Ontario Tories' 42-year hegemony in government (1943-1985) was wrought through clever policies which often utilized Crown institutions to promote prosperity or to oblige or mollify vying interests. Ousted in 1985, though, they used their time in opposition to revise the Tory doctrine. In the 1995 election, the Tories emerged a tougher, more truculent group quite unlike their predecessors. Campaigning on their Common Sense Revolution (CSR) platform, they promised to eliminate red tape and vowed to obliterate all ostensible economic barriers which were impeding commerce in the province. In the CSR, the Tories identified Ontario Hydro (OH), the province's lauded publicly-owned power monopoly, as a troublesome and inefficient Crown entity which required fundamental reform. Portions of OH, they hinted, would likely be sold. Once elected, the Tories worked hurriedly to demolish OH and destroy public power in Ontario.

For nearly 100 years, OH proved a pivotal component within the province's political economy for its provision of affordable, reliable power and its function as a policy tool to incite and direct development. A Tory government fought to instigate public power in the early 1900s and, in the late 1900s, a Tory government was fighting vigorously to rescind it. Why would they now renounce Crown power?

It is the intent of this thesis to elucidate the Tory government's involvement in the transformation of Ontario's electricity industry from 1995 to 2003. Distinguishing electricity as a special, strategic staple, this thesis uses a pro-state, pro-staples industry political economy approach to discern how and why the Tory government sought to restructure the electricity sector. Essentially, it posits that the onslaught of neoliberalism,
the emergence of novel generating technology, and the faltering of OH's nuclear wing all
had a huge part to play in provoking the Tory government to initiate its reforms. Their
reforms, though, proved too hasty, haughty, and fraught with ambiguity to work properly.
While their open, competitive power market and attempts to privatize Hydro One failed
horribly, the Tories' energy re-regulation strategy did hold promise to allow the state to
retain a prominent role in the power industry.
ACKNOWLEDGEMENTS

One Friday, one winter, after my regular shinny hockey game, after my Mom's fish and chips for supper, but before my lullaby, *Heartbeat*, on TVOntario, I thumbed through a book which would prove to have a very profound effect on me and my ensuing intellectual interests. The book, *The Politics of Development* by H.V. Nelles, proffered a history of the logging, mining, and hydro-electricity industries in Ontario, their differing influences on the province's political economy, and the provincial state's diverging interventionist policies to promote their further exploitation. I took the book out from the library for an essay I hoped to write for an undergrad course on historiography I was taking taught by the urbane Dr. Matt Bray, a historian I admired tremendously. I keenly worked through the book over the weekend. The book proved pivotal to me because it was probably the first time I had read a scholarly analysis about Northern Ontario and, also, it was probably the first time that I became aware of the explanatory power of political economy. I was enthralled with the book. I was captivated by political economy, particularly the staples approach. Its proven tough, though, in the intervening years, to study provincial political economy and to pursue inquiries into provincial resource policies. I am grateful, therefore, to those people who encouraged me to write this thesis and who lent a helping hand in its construction.

Foremost, I would like to thank Dr. Margaret Little for undertaking the task of supervising me and for her steadfast support. Thank you for the mugs of tea, the long talks, and for offering so much of your time to reinvigorate, enlighten, and inspire me. I am truly thankful. Thanks, too, to Dr. Kim Nossal and Dr. Jonathan Rose for offering their counsel throughout. The professionalism, poise, and eloquence they exemplify
impresses me immensely and I try hard to emulate those traits. Thank you to Ms. Barbara Murphy in the Political Studies office for her help getting through all the forms, copy codes, keys, cheques, contracts, and deadlines I got tangled in over the years and for her continuous kindness.

Outside of Queen's, I would like to thank those individuals I interviewed, both named and unnamed in the thesis, for permitting me the privilege of spending time with them to discuss electricity restructuring and for sharing their insights with me. Thank you to the archivists at the Archives of Ontario and the Hydro One Networks Archive for their friendly assistance. Merci to Monique for cheering for me. Thanks to Andy and the boys at Valley for always offering me a shovel and the opportunity to put a few bucks in my pocket whenever I could. Finally, thank you to my family for comforting, financing, and encouraging me to commit, proceed, and complete this project. Our arguing (debating) and laughing together formed the foundation upon which this thesis was built. I am very thankful for all your help and all your love.

CJFM
Hanmer, Ontario
27 August 2007
To my family
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<tbody>
<tr>
<td>AC</td>
<td>Alternating Current</td>
</tr>
<tr>
<td>AECL</td>
<td>Atomic Energy of Canada Limited</td>
</tr>
<tr>
<td>CAN-AM</td>
<td>Canadian-American</td>
</tr>
<tr>
<td>CANDU</td>
<td>Canadian Deuterium Uranium Reactor</td>
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<tr>
<td>CCGT</td>
<td>Combined-Cycle Gas Turbine</td>
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<tr>
<td>CMA</td>
<td>Canadian Manufacturers' Association</td>
</tr>
<tr>
<td>CNPC</td>
<td>Canadian Niagara Power Company</td>
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<tr>
<td>CSR</td>
<td>Common Sense Revolution</td>
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<tr>
<td>CUPE</td>
<td>Canadian Union of Public Employees</td>
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<tr>
<td>DC</td>
<td>Direct Current</td>
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<tr>
<td>EDC</td>
<td>Electrical Development Company</td>
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<tr>
<td>FERC</td>
<td>Federal Energy Regulatory Commission</td>
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<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>HEPC</td>
<td>Hydro-Electric Power Commission</td>
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<tr>
<td>HO</td>
<td>Hydro One</td>
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<tr>
<td>IEA</td>
<td>International Energy Agency</td>
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<tr>
<td>IMO</td>
<td>Independent Market Operator</td>
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<td>IPO</td>
<td>Initial Public Offering</td>
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<td>ISI</td>
<td>Import-Substitution Industrialization</td>
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<tr>
<td>MDC</td>
<td>Market Design Committee</td>
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<td>MPMA</td>
<td>Market Power Mitigation Agreement</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>MPP</td>
<td>Member of Provincial Parliament</td>
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<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<tr>
<td>NEB</td>
<td>National Energy Board</td>
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<td>National Policy</td>
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<td>New Staples Political Economy (neo-Mackintoshian)</td>
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<td>NPC</td>
<td>Niagara Power Company</td>
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<tr>
<td>OEB</td>
<td>Ontario Energy Board</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>OH</td>
<td>Ontario Hydro</td>
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<tr>
<td>OHIM</td>
<td>Ontario Hydro Interconnected Markets</td>
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<td>OPC</td>
<td>Ontario Power Company</td>
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<tr>
<td>OPG</td>
<td>Ontario Power Generation</td>
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<tr>
<td>PC</td>
<td>Progressive Conservative</td>
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<tr>
<td>PURPA</td>
<td>Public Utility Regulatory Policies Act</td>
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<tr>
<td>PWU</td>
<td>Power Workers' Union</td>
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<tr>
<td>QVNFP</td>
<td>Queen Victoria Niagara Falls Park</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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CHAPTER 1
INTRODUCTION:
THE ABDICATION OF CROWN POWER IN EMPIRE ONTARIO

What great rulers cannot do, codes and religions cannot do. Man reads his own nature into every ordinance: if you devise a superhuman commandment so cunningly that it cannot be misinterpreted in terms of his will, he will denounce it as seditious blasphemy, or else disregard it as either crazy or totally unintelligible. Parliaments and synods may tinker as much as they please with their codes and creeds as circumstances alter the balance of classes and their interests; and as a result of their tinkering, there may be an occasional illusion of moral evolution... At certain moments there may even be a considerable material advance, as when the conquest of political power by the working class produces a better distribution of wealth through the simple action of the selfishness of the new masters; but all this is mere adjustment and reformation: until the heart and mind of the people is changed the very greatest man will no more dare to govern on the assumption that all are as great as he than a drover dare leave his flock to find its way through the streets as he himself would.1

George Bernard Shaw, Man and Superman (1931)

Whether approached as a play touting the intimacies and intricacies of the pursuit of love or as a treatise vilifying the prevailing liberalism of late Victorian England, Man and Superman by George Bernard Shaw is intriguing for its wry revolutionary ethos and for its unwavering attack on the institutions of orthodoxy. It is enduring, though, for its ability to remind its readers that the truest inhibitors to positive, progressive political change remain caste, conceit, comfort, and conformity.2 It is this smugness, that Man and Superman aptly depicts, which effectively smothers the fires of transformation in society.3 As Shaw attests, governments might opt to tinker, and their tinkering might produce modest improvements that may mollify the people, but the task of initiating profound transformation is wholly up to the people. Promise for the future ultimately lies in the hands of the people, whether grimy, calloused, fatigued, or unknowing. It is the intent of this thesis to elucidate this promise. This thesis studies the Progressive Conservative (PC) Party's fundamental transformation of Ontario's power sector from
1995 to 2003. It posits the PCs tinkered with power reforms. The PC's electricity restructuring policies were distinguished by inept tinkering not by the prudent, erudite pursuit of change. Their policies ignored the people and the populist history of the power industry in the province. The Tories were smug and Ontarians were not always wary.

In the time that Shaw wrote *Man and Superman* (i.e. 1901), it is tough to imagine that his missive might, possibly, be regarded as anything but unrevolutionary. Promise could not be quelled, it could barely be contained. For the twentieth century unfurled like the flag on a glorious exploring vessel as it set sail: proudly and defiantly, with hope and optimism for the voyage and the adventure that lay ahead. While Shaw wrote of the priggery and prudery of Victorian England, for those in Ontario, for example, the onset of the twentieth century vowed unabashed prosperity for the people, their province, and their government. It was an age of swaggering individualism, wily industrialists, vast frontiers, and staggering resource riches. Technology and good timing turned the trees, rocks, and rivers that had defied exploitation in the nineteenth century into the province's pivotal exports in the twentieth century. Burgeoning logging and mining industries in the North and booming agriculture and manufacturing industries in the South brought an abrupt end to the economic stagnation of the late 1800s and brought in a period of rapid prosperity. As H.V. Nelles attests, by the outset of the 1900s, the ostensibly "barren North" had become "New Ontario" and the province had become an "Empire." Indeed, as H.A. Innis insists, the evolution of Ontario from colonial "outpost" to economic core of the Dominion of Canada was a function not only of the enormity of its resource reserves, but of the willingness of the Ontario government to intervene in its development. Through the Ontario government, impatient entrepreneurs from the South
found an ally with which they would conquer the frontier and foment the exploration and exploitation of the rugged North region. In the early 1900s, the Ontario government did not tinker, nor did it wobble over its intentions, it lunged unrepentantly and rapaciously in the field of resource development.

The ferocious individualism and laissez-faire liberalism of the early twentieth century distinguished the emerging age. Government engendered progress through its development initiatives. The interests of the state embodied the interests of business: unabated prosperity and, eventually, stability. With government at the helm, many thought, the plight of the people would not be ignored. "The duty of the legislature," Premier Sir James Pliny Whitney (1905-1914), decreed, "is to help to show the people what it is right to do in the interests of the people themselves." And invariably, Whitney's Tory government knew what was right for the province and its people. Even against the raging liberalism that battered the floorboards of the legislature, they did not quiver. The Tories remained true to their initial intentions: progress through industrialization, promise through prosperity.

Inherent in this was an abiding amity between the state and business. By retaining its proprietary rights over the province's resources, the government ensured its integral, immutable position in the ensuing exploration, exploitation, and exportation of resources by industry. Industrialists might have thought it obligatory to boisterously espouse liberalism in the papers or in the boardrooms among their peers; at the government's negotiating table, though, they ungrudgingly acquiesced to the interventionist ethos of the government to further their interests and to preserve their contracts enabling them to profit from the resources. Whitney keenly entangled the
government, through its interventions, in the industrialists' development of the province to ensure the "people's share" of the lucrative resource revenues were protected. In promoting mining, logging, or even farming throughout Ontario, Whitney's government did not notably deviate from the level of involvement that previous Ontario governments pursued or, indeed, that industry itself deemed tolerable. It did diverge, though, over the issue of electricity. No other undertaking in the history of Ontario proved as pivotal or as portentous to the interests of the province, its people, or its business elites as the crusade for cheap public power in the early 1900s; that is, until the late 1990s, when the fight for public power would again be waged during the tenure of the Mike Harris (1995-2002) and Ernie Eves (2002-2003) governments.

THE MODIFICATION OF HISTORIC TORY TENETS

It is the intent of this thesis to investigate the efforts of the Harris and Eves governments to liberalize, privatize, and deregulate power in Ontario. Interestingly, the push for publicly-owned power at the outset of the twentieth century and the efforts to reform that principle at the end of the century share curious similarities. They were both business-oriented, elite-fuelled, fervidly ideological, hurried, and pragmatic. Where they differ, however, is in how they thought economic pre-eminence in the province ought to be provoked and preserved. While Whitney's Tories blatantly used the state as a blunt tool for social and industrial policy, the Tory governments of Harris and Eves sought to attenuate the role of the state and, theoretically at least, to defer to market forces as the primary arbiter of policy goals.
As Innis intimates in *Problems of Staple Production in Canada*, government intervention in the field of energy in Ontario in the early 1900s functioned as a "weapon" against the abuses of prevailing power firms and instigated the rapid industrialization of the province through the proliferation of reliable power at a reasonable price to manufacturers and families.\(^{10}\) As a strategic weapon to try to combat uneven development, or worse, underdevelopment, and to coerce the vast resources of the province to proffer even more royalties for the Crown's coffers, the intrusion of the state and the establishment of a publicly-owned power monopoly was vital. Private entrepreneurs were ostensibly not up to the job.\(^{11}\) Their narrow interests in profits and their inability to resolve financing and engineering problems on smaller, simpler projects infuriated the public and the press and raised a glaring red flag regarding their ability to undertake the envisaged province-wide project.\(^{12}\) Possibly, it was a white flag. Given the inherent and enduringly monopolistic character of the electricity industry on the one hand, and the huge arsenals of money required to finance the initial infrastructure on the other hand, Ontario's industrialists were, as Innis politely puts it, "not adequate to the task."\(^{13}\) Interestingly, though, the initial push for public power did begin with business.\(^{14}\) Not with the "haute bourgeoisie," Nelles notes, but with the "petit bourgeoisie," the group of influential town "boosters," prominent shopkeepers, and aspirant, small-scale manufacturers who hoped electricity would provide the promise of prosperity for them, for their town, and its inhabitants. Consequently, the prospect of publicly-owned power forced them into opposing corners: the prophets of Crown power (e.g. manufacturers, merchants, vulnerable ratepayers) versus those looking to profit from the Crown from
power (e.g. industrialists, insurance brokers, bankers, investors). In the 1900s, the Tories rooted for the former, in the 1990s, however, they went with the other side.

While Whitney is often referred to as the "father of progressive conservatism" in Ontario for his propensity to be both vigilant and reformist, to espouse both elitist and collectivist virtues, and to embrace the whims of voters and investors alike, the Progressive Conservative Party of Harris and Eves did not demonstrate the same sort of flexibility. Dissimilarly, they proved combative and antagonistic, renouncing evolution for revolution.\(^{15}\) And, as Thomas Courchene contends, there is no doubt that the Tories under Harris and Eves ushered in a revolution.\(^{16}\) Despite the Tories' tremendously envied tenure in government in Ontario, the forty-two year hegemony of the "Big Blue Machine" from 1943-1985, or the long legacy of Tory initiatives deftly integrating moderation with modernization, the PC Party preoccupied itself in its period of opposition to radically redefine itself, its mandate, or more aptly, its mission.\(^{17}\) During the early 1990s, Tory strategists identified two emerging trends that they were convinced were influencing the orientations of Ontario voters which would be used to craft the PC Party's electoral platform: (1) diminishing confidence in institutions to effectively and efficiently fulfill public expectations (e.g. hospitals, schools, utilities) and (2) growing awareness of globalization and its effects on Ontario industry and on historic state-industry relations that had been the "hallmark" of Ontario's political economy.\(^{18}\)

When the Tories proved victorious in the 1995 election and "reclaimed the Pink Palace," they were a fundamentally different political party.\(^{19}\) Ten years in opposition permitted them the opportunity to rethink the party and their strategy, reorganize their structure, devise innovative policies, and ensure that election planning and campaign
tactics were well executed.\textsuperscript{20} Integral to their ensuing victory were the promises outlined in their \textit{Common Sense Revolution} (CSR) platform which plainly laid out the Tories' intent: vows of fiscal prudence (e.g. balanced budgets, reduced deficits), the primacy of economic policy over social policy (e.g. tax cuts, welfare cuts), and a realignment of institutions away from governments and groups to big business and individuals (e.g. restructuring services, privatizing agencies).\textsuperscript{21} For Tory proponents of the CSR, the document proved revolutionary. For the Tories' opponents, however, as Thomas Walkom avows, the CSR teemed with "right wing zealotry."\textsuperscript{22} The CSR delineated a five point plan to reinvigorate Ontario:

1. cut income taxes (e.g. 30 percent reduction in the first three years);
2. cut government expenditures (e.g. 20 percent reduction in the first three years);
3. cut government barriers (e.g. abolish "job-killing" labour legislation and health taxes, eliminate red-tape and over-regulation, freeze electricity rates for five years);
4. cut government size (e.g. do "better for less");
5. balance the budget (e.g. fully balanced budget in four years).\textsuperscript{23}

The Tories concede in the CSR that, though some observers might regard the CSR as "radical," they are insistent that "when considered in its entirety, this plan is a fair, effective, and common sense way of returning prosperity to Ontario."\textsuperscript{24} The prominence of economic concerns for the Tories is critical to the analysis tackled in this thesis as is the salience of the third point proposed in the CSR, the removal of perceived government barriers to growth and the liberalization of the electricity industry in Ontario. Pledging to eradicate the economic impediments established by "ten years of ideologically-driven legislation and over-regulation" by the preceding NDP and Liberal governments, the CSR
promised to restore Ontario Hydro (OH) "to its proper role, providing reliable and affordable electrical power to Ontario." Ominously, the CSR hinted at a five-year hold on OH rates to give households and businesses guaranteed stability in their budget planning that "may mean more changes at Hydro including some moves towards privatization of non-nuclear assets." Only one terse line in the CSR spoke to the profound transformation of Ontario's electricity industry which was to follow.

Once elected, the Tories proceeded quickly to implement the promises outlined in the CSR. On 9 June 1998, Jim Wilson, the Minister of Energy, tabled Bill 35 to the legislature which proffered the Tories' vision for the future of OH and for the future of the provision of electricity in the province: the immediate divesting of OH and the renouncing of 92 years of publicly-owned power. The objectives of Bill 35 were to:

1. facilitate competition in the generation and sale of electricity and to facilitate a smooth transition to competition;

2. to provide generators, retailers, and consumers with non-discriminatory access to transmission and distribution systems in Ontario;

3. to protect the interests of consumers with respect to prices and the reliability and quality of electricity service;

4. to promote economic efficiency in the generation, transmission, and distribution of electricity;

5. to ensure that Ontario Hydro's debt is repaid in a prudent manner and that the burden of debt repayment is fairly distributed;

6. to facilitate the maintenance of a financially viable electricity industry; and

7. to facilitate energy efficiency and the use of cleaner, more environmentally benign energy sources in a manner consistent with the policies of the Government of Ontario.
On 30 October 1998, Bill 35 was given Royal Assent and Ontarians began bracing for the jolting vicissitudes of a privately operated power system in the province. How could this occur? Why would the Tories, who had fought so fervidly to institute the principle of publicly-owned power in Ontario in the early 1900s fight so vociferously and so urgently to destroy that principle in the late 1900s? Why would the Tories opt to throw out so vital a tool, one that proved so useful in ratcheting up Ontario's economy when it was faltering and, eventually, in tightening its hold on economic pre-eminence within the federation and as a hegemonic region-state within North America? Possibly, the more intriguing question to pose is not whether or not they were wrong in trying to re-regulate energy in Ontario, but how and why they thought energy re-regulation would work, or more boldly, how and why they thought they might get away with it?

TINKERING AND WOBBLING

This thesis responds to those questions through the use of a variant of staples-based political economy to discern the internal and external factors that led to the liberalization of the province's power sector. The Tory victory in Ontario in 1995 was ostensibly based not on the promise of tinkering while governing, but on the promise of invoking revolutionary transformation. Tinkering, though, is precisely what the Tory government did with the province's electricity industry. The Tories insisted in the CSR that they were "not talking about tinkering" and that "tinkering with the system will not be enough," but for all their promises, that is exactly what they did. Thoughts of tinkering often elicit thoughts of ponderously repairing or re-engineering things to ensure
they work right. However, understood in the truest sense of the term, it is insolent and disparaging. It implies that those repairs or improvements are being done in a blundering, bungling sort of way, for example, like tuning the engine of a racy sportscar with a ballpeen hammer. It connotes ineptness and clumsiness and, given the clumsy way the PCs proceeded to fix the problems that manifest in the province's power system, the term "tinker" is undoubtedly the proper one.

Nonetheless, this thesis is not intended to wholly indict the Tories; though, they ought to be impugned for the haughty way they undertook their reforms and their obvious willingness to allow neoliberalism to guide the way they governed. Nor is this thesis entirely a lament for the woes of the former OH. As Ronald J. Daniels observes in *Ontario Hydro at the Millennium: Has Monopoly's Moment Passed?*, given that it was roughly $40 billion in debt, OH was not without its problems:

- the creation of significant cost overruns experienced by Ontario Hydro in bringing new capacity on stream in the last decade (particularly the nuclear assets);
- significant price increases imposed by Ontario Hydro in the last several years (above increases in the consumer price index);
- significant excess capacity (again related to the acquisition of the nuclear assets);
- poor financial performance of Ontario Hydro (high leverage, significant write downs, reliance on a government financing guaranty);
- and a dysfunctional regulatory structure that limits effective public oversight and paves the way for backdoor micromanagement by the provincial government, particularly insofar as provincial industrial policy goals are concerned.\(^{30}\)

Obviously, OH had its troubles and the province's power system was in peril. It was not that the Tories were disinterested in reforming OH or fixing the energy grid, it was the blunt and belligerent way in which they went about it that was worrying. By abdicating Crown power and ceding historic rights and privileges in the provision of power in the province, the PCs were ostensibly giving up on roughly 100 years of history and the basis of Ontario's unabashed prosperity in the 1900s: reliable power at
reasonable rates. What is equally intriguing, though, is not only how fast and effortlessly they did it, but how quickly and very publicly it all fell apart. Just when it looked like the PCs, clutching their CSR manifesto, might be about to embark on something truly novel, they began to vacillate over their reforms. Wobbling indignantly, the PC's promised improvements to the province's electricity industry proved a calamity. Fearing that their abhorred liberalization agenda was hurting them in the polls prior to an expected election call, the PCs pulled the plug on their open, competitive power market. The Tories then shifted to a programme of energy re-regulation that promulgated much more government involvement in the market to thwart volatility, monitor market stakeholders more strictly, and stabilize rates. However, they did not have enough time to see these reforms through. Voters ousted the Tories from office at the first opportunity.

So, tinkering and wobbling are the two traits that have come to embody one of the boldest undertakings by the state in Ontario's history. It is the intent of this thesis to explore the internal and external factors that provoked this wavering and wallowing. The failure of the Tories' reforms, ultimately, were the result of the failure of the Tories themselves. The Tories went too far, too fast and thus their efforts to "sell" to the people the prospect of rescinding the principle of Crown power were ineffective. Though torrid, the Tories' reforms lacked the tact of the former NDP government's furtive privatization efforts or the wile of the presiding Liberal government's neoliberal agenda. Abrogating the notion of fully privatizing the electricity industry, the advocacy of "re-regulation" rather than "deregulation" upholds the possibility of the state retaining vital regulatory rights over this pivotal industry, managing it more equitably, and procuring a fair share of
the profits generated. Energy is too valuable an engine of growth to give away to avid rivals. How and why did energy emerge into a mere commodity?

THE URGENCY FOR TRANSFORMATION

This thesis argues that the onslaught of neoliberalism globally, the creation of an overarching "supraconstitution" of inhibiting trade rules, technological innovations in electricity generating equipment, ongoing grid integration with the U.S., investors' lust for prospective profits, and the increasingly poor performance of OH's facilities all triggered energy reform in Ontario. Throughout its history, Ontario has benefited (though these benefits were often unevenly distributed within the province) from the fortuitous intersection of the essential elements of prosperity and opportunity. A diverse hinterland of vast and valuable resources, an industrial heartland, proximity to export markets, good transportation linkages, cheap power, and interventionist governments willing to pursue policies promoting the proprietary rights of the Crown to reap a fair share of the royalties from development helped to propel Ontario to its enviable position within the federation.

Renouncing public power, the historic component underpinning Ontario's prominence, only to give in to neoliberal principles and the whims of investors, was a risky divergence from previous policy. While it points to the glaring pragmatism intrinsic to Ontario politics, it belies the principle of statism and the persistence of Crown ownership that are at the core of the province's political culture, a political culture which a long line of Tory premiers helped to inculcate.31 The profundity of economic concerns

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in Ontario politics and the enormity of the role of government in the province's political economy are both key to understanding why the Tories thought that dismantling Ontario's electricity industry would work and how it might be done without risk. This thesis not only follows the transformation of the concept of Crown power during the Harris and Eves regimes, it also analyzes how and why energy, as a strategic staple, has become compromised as a mere commodity in the present epoch. In its analysis, this thesis uses a staples-based political economy approach.

STAPLES POLITICAL ECONOMY RESHARPENED

As Björne Hettne attests, political economy is both illustrious and elusive. It is, Hettne insists, both holistic and precise. It is an "ideological battlefield" that is "compatible with widely differing ideological and theoretical perspectives or paradigms." While this diversity undoubtedly contributes to its complexity, the fundamental goal of political economy is understanding the interaction of states and markets. As Robert Gilpin argues,

[w]ithout both the state and the market there would be no political economy. In the absence of the state, the price mechanism and the market forces would determine the outcome of economic activities; this would be the pure world of the economist. In the absence of the market, the state or its equivalent would allocate economic resources; this would be the pure world of the political scientist.

Political economy explores how the state and its concomitant political processes impact the production and distribution of wealth, as well as how political decisions and diverging interests influence the manifestation of economic activity and the distribution of the ensuing costs and benefits of this activity. Conversely, political economy explores the
effects of markets and other economic factors on the distribution of power among state
and non-state political actors.  Political economy, therefore, refers to "the reciprocal and
dynamic interaction of wealth and the pursuit of power." Identifying the collision of
political and economic forces is thus crucial to elucidate an understanding of the re-
regulation of energy in Ontario.

From the 1920s to the 1940s, the writings of scholars such as W.A. Mackintosh,
H.A. Innis, D.G. Creighton, and A.R.M. Lower garnered enormous notoriety for their
pioneering work in the field of staples political economy. For them, "staples," or
resources exploited for export (e.g. beaver pelts, cod, rough hewn timber, wheat, nickel,
hydro-electricity), have had a unique, profound effect on Canada's political economy. By
the 1960s, though, most of the tenets promulgated in their formerly lauded writings were
rejected and the staples approach had been abandoned by many Canadian scholars.

Following the publication of the findings of the federal government's task force
on foreign ownership, the 1968 Watkins Report, and the publication of Kari Levitt's
influential Silent Surrender: The Multinational Corporation in Canada in 1970,
however, interest in indigenous political economy re-emerged. In an academic climate
affected by the Vietnam War, anti-establishment civic activism, anti-colonialism in
Africa, the proliferation of multinational firms, and a growing disillusionment with the
explanatory abilities of the reigning liberal and socialist paradigms, the staples approach's
comeback during this "cycle of protest" period proved a function of the growing
nationalism and cynicism engendered during that age.

By the end of the 1970s, proponents of the "new" staples approach were
vigorously building upon, or retooling, those theories posited by the initial founders of
the staples approach, namely, Innis and Mackintosh. Though distinguished by their diverging opinions on the part played by staples in Canada's development, Innis and Mackintosh were both chided for their predominantly descriptive, deterministic, and atheoretical analyses. New proponents were wary not to reify the faults found in the writings of Innis and Mackintosh while trying to venerate their legacies. Eventually, these proponents broke off into two schools: "neo-Innisians," or pessimists, who thought that a reliance on staples exploitation for exports had a negative effect on the country's political economy and "neo-Mackintoshians," or optimists, who thought that it might have a positive impact. The neo-Innisian stance is called the "new political economy" (NPE) while the neo-Mackintoshian outlook is termed the "new staples political economy" (NSPE).

In his essay "Whither the New Canadian Political Economy?," Wallace Clement claims that the new political economy improved on the old political economy through interdisciplinary exchanges and its ensuing polemics, its augmented class consciousness, and its reform of the staples approach to avoid overtly deterministic or wholly descriptive analyses. The new political economy eludes the faults of the old political economy because it is more focussed on, and is more informed by, human agency, that is, the choices and decisions made by political, social, and economic actors and their consequences. Human agency is defined historically and territorially and is mediated through social, cultural, ideological, and technological factors. The new political economy's emphasis on the concept of human agency conveys the belief that consequences are not predetermined or inevitable. The definition and mediation of these choices and decisions indicate that political, social, and economic factors considerably
structure these consequences.\textsuperscript{47} Divergent views within the new political economy (e.g. NPE versus NSPE) give varying value to the weight of agency and structure in determining phenomena.\textsuperscript{48} As Neil Bradford and Glen Williams assert, one of the fundamental flaws of the old political economy was that it was insufficiently informed by considerations of the political and social forces that influenced economic consequences, that is, those forces influencing state and business policies.\textsuperscript{49} The goal of the new political economy, therefore, is to ensure that the influences of political and social factors are not marginalized from interpretations following strictly economic logic, thus encouraging more thorough and rigorous analyses.\textsuperscript{50} The new political economy aspires to tell the story of the political agendas underpinning economic processes and to re-assert the importance of the social.\textsuperscript{51} As Clement contends, the economic might create the context, but the political, social, cultural, and ideological write the text of history.\textsuperscript{52} In \textit{The New Canadian Political Economy}, Clement and Williams avow that the new political economy involves historic, holistic, nationalistic, materialistic, and macro-level analyses of society which expose the political, social, cultural, and economic ties that inexorably link that society.\textsuperscript{53} Like the old political economy, the new political economy is spatially sensitive; it pinpoints the subject under study territorially through relational linkages with other territories.\textsuperscript{54} Similarly, it situates the state internationally within a system of international trade and points to the distortions prompted by a staples-based economy, such as boom and bust cycles, dependency, and uneven development.\textsuperscript{55} Increasingly, it is becoming comparative in its methodology and being integrated within the wider international political economy perspective.\textsuperscript{56}
The study of staples is fundamental to the study of the Canadian political economy. Yet, "[s]taples are no longer the explanation, but the object of investigation."\textsuperscript{57} Present studies using the staples approach, unlike those of the past, focus on the social relations of production and the power relations of political actors and it is more rigorous as a result.\textsuperscript{58} According to Wallace Clement and Leah Vosko, political economy today may embody "uncommon sense," because it rejects the common sense belief that certain institutions (e.g. the market) and social and economic systems (e.g. capitalism) are irreducible rather than relational and invariably in a state of flux.\textsuperscript{59} Thus, it aims to "trouble" the prevailing paradigms, notably, the neoliberal paradigm and its project.\textsuperscript{60} Notwithstanding, the goal of staples-based political economy remains the same: understanding the state and the market so that political and social aims may enlighten economic targets.

The staples approach, as Gordon Laxer argues, posits four formative analytical assumptions: (1) that the key to unlocking the history of Canada's evolution is discerning the export commodity that the economy depends on (e.g. the abiding staples saga ranging from fish, to furs, to lumber, to minerals, and finally, to energy); (2) that the history of Canadian political life is influenced by its economy because power and wealth are concentrated in the hands of the industrializing and governing elites who serve as envoys in the periphery for foreign interests in the centre; (3) that its inductive historicism is integral to understanding the uniqueness of Canada's development which liberal and socialist theories cannot account for; and (4) that geography, or more precisely, the way in which federal and provincial governments intervened throughout history to overcome geographic constraints, is a determining factor in Canada's formation as a nation.\textsuperscript{61}
Students of the NPE or NSPE schools, however, have disparate interpretations of these analytical assumptions.

Proponents of the NSPE approach, or neo-Mackintoshians, are cognizant that some staples linkages\(^62\) (e.g. U.S. investment in the natural resource sector) can cause adverse developments in Canada (e.g. a branch plant economy and a reliance on borrowed technology). Nonetheless, they are optimistic that through government intervention the worst effects of these linkages (e.g. distortions such as uneven development) can be mitigated and that staples can still form the basis of prosperity.\(^63\) NPE theorists, though, do not share this opinion. The pessimistic perspective of the neo-Innisians derives from their efforts to coalesce the writings of Innis with the agenda of Marxist dependency scholars, most often working in the field of Latin American politics, who argue that imperialism has perpetuated the uneven development of core and periphery countries.\(^64\) Borrowing from the writings of Andre Gunder Frank and of Fernando Henrique Cardoso and Enzo Faletto, notions of underdevelopment and of periphery dependency proved useful for those recasting Innis' theories. Neo-Innisians, however, tend to reject these Marxist predilections. As Clement and Williams concede, "unlike dependency theory, the staples approach was not rooted in neo-Marxist models of socio-regional explanation."\(^65\) Given the divergent, dependent development that Canada experienced compared to other countries, neo-Innisians argue that indigenous analyses require unique, indigenous insights which, though not overtly Marxist, are concerned about socio-economic cleavages. In forming these understandings, proponents of NPE manifest the following four traits: (1) the advocacy of economic nationalism and the fostering of advanced manufacturing in Canada; (2) that foreign investment, from the
U.S. especially, has truncated Canada's evolution as an export trader; (3) they forecast a rather gloomy ideology suggesting that this truncated trade and subsequently stunted economy has created a climate of acquiescence in Canada; and (4) they retain an abiding fear of American dominance of Canada and assimilation. Fundamentally, NPE affirms that dependency on the exploration, exploitation, and exportation of staples inhibits the independent development of Canada.

The NSPE, conversely, contends that a reliance on staples is merely one rung on a long ladder that a relatively young country like Canada must grasp if it is to reach the loftier goal of full industrialization. They insist there is nothing wrong with relying on staples because staples industries would eventually bring in enough people, money, technology, and spin-offs for Canada to begin building its own independent, indigenous industries; it is simply one step towards a larger, long-term goal. The optimism of the NSPE enticed nationalistic, liberal political economists, particularly those working within the federal government, who were insistent that politicians and policy-makers could pull Canada out of a perceived "staples trap" through various interventionist policies, including the creation of Crown corporations, regulations, subsidies, tariffs, and taxation. Proponents of the NPE perspective, though, reject the notion that the state has the capacity, or even the inclination, to rescue Canada from the staples trap. They differ over the prospective efficacy of the state and its mechanisms to correct the "malfunctions" intrinsic to capitalism and the staples trade. While its possible to pit neo-Mackintoshians against neo-Innisians, it ought to be noted that NSPE theory shares many of the same sentiments that the NPE endorses. Both are wary of the potentially harmful
effects of relying too long on resources for the basis of the states' wealth and both are wary of the proliferation of foreign, largely American, firms operating within Canada.

Probably the most damaging critique of the old staples theory was that it did not grasp the significance of political factors in its analyses. Development, or lack thereof, was viewed as a consequence of the rugged, unforgiving frontier, the exigencies of the staples trade, or the whims of geography or technology. As Howlett, Netherton, and Ramesh argue, it was negligent in its understanding of the importance of policy, policymakers, politicians, political institutions, political parties, elections, or the potential autonomy of the state in the development process. The NPE theorists sought to fix these defects by ascribing more significance in their analyses to the ability of the state, Canadian capitalists, and the capitalist system itself to thwart Canada's development and further reinforce its dependency. Proponents of the NPE see the state as absorbed by economic concerns and by the interests of business and thus think it is unable to extricate Canada from the staples trap. NSPE theorists, though, believe the state is the only entity strong enough to free Canada from the putative staples trap or to coerce powerful capitalists to pursue objectives that are more aligned with the state's own agenda.

Whether or not the state is, in fact, as potent as the NSPE perceives it to be will be tested in this thesis. Can the provincial state, for example, pursue its own interests while combating against the overarching regional trade agreements (e.g. CAN-AM free trade) or neoliberal organizations (e.g. membership in the World Trade Organization) to which the federal government has signed on?

The NSPE position is used in this thesis because it is the best for an analysis of the transformation now underway in Ontario's electricity industry. As Melissa Clark-
Jones argues, along with mining, arguably, the energy industry is one of the most significant and strategic staples sectors in Canada. NSPE is cognizant of the enormous capacity of governments and its ensuing policies to influence staples dependence. This thesis is focussed on electricity reforms from an institutional vantage and of the Tory government's resolve to overhaul the province's 100 year history of public ownership.

There is an irrefutable tension in opting for the NSPE method. Initially, the liberalization of electricity in Ontario seems an indisputable example of the abuse that NPE theorists are always warning of. The contemporary electricity game is one involving big players and big money. The possibility that some people would inevitably and disproportionately benefit from liberalizing reforms to one of the most lucrative energy markets in North America is not negligible nor is it likely to escape the scrutiny of socialist scholars. NSPE theory is aware of this. As this thesis intimates, however, liberalization was not merely ideologically induced, it was instigated by abrupt changes in the prevailing energy paradigm, technological innovations, and deficiencies rife within the former OH which could no longer be ignored. The ousted Tory government is integral to this staples story and it is where this analysis must be grounded. Further, the thought that government is hopelessly powerless to confront or fix problems popping up in the market is untrue and it contradicts the Tories' decision, as demonstrated in later chapters, to abandon its liberalization initiatives when they did not work. When electricity was ostensibly "freed" from government interference in Ontario in 2002 and the ensuing market "failed" to bring in new investors or to solve the urgent problem of insufficient supply, the Conservatives moved quickly to cap prices and correct the instability they had caused; though, the obligation to ensure good service had all but been
eradicated. Notwithstanding, willing governments do possess the power to enact changes that bring promise to its people. Were the Tories willing? Using NSPE theory, this thesis proffers the option of restoring promise by re-harnessing the province's resources for the benefit of all Ontarians.

CUE THE LIGHTS

This thesis follows the transformation of the province's power industry from 1995 to 2003. Its analysis is based on the prominent literature in the field of energy politics and utility regulation, government reports, technical articles, and archival documents. At the Archives of Ontario, I inspected the personal papers of Sir James Pliny Whitney (i.e. the F5 fonds, boxes MU 3113, MU 3116, MU 3118, MU 3119, MU 3120, MU 3129, MU 3130, 4.3 metres of textual records), as well as his office files while he was Premier pertaining to the Hydro-Electric Power Commission (i.e. the RG 3-2 fonds, files RG 3-2-0-38 and RG 3-2-0-39, 1 metre of textual records). Archival information was also culled from the Hydro One Networks Archives' (formerly the Ontario Hydro Archives) restricted "Demerger Project Collection" (i.e. 2 metres of textual records) which offered some useful insights into the unbundling of OH. Permission to access this archive was finally granted after many months of waiting as legal counsel for Hydro One and Ontario Power Generation considered my research request. The Hydro One Networks Archive was in the final stages of packing up and closing to the public because its board had determined that their holdings were now too sensitive, given the competitive corporate climate within which Hydro One and Ontario Power Generation were now working.
within, to permit researchers to go through them and thus they were now obliged to be more prudent about who precisely they would grant permission to. The analysis in this thesis also draws from ten interviews with former Ministers of Energy, electricity and resource industry officials, provincial politicians, and academics; some of whom are named in the thesis while others opted to remain unnamed.

This first chapter effectively functioned as a blueprint for the thesis by tracing the research problem, outlining the research questions, and delineating the theoretical foundations upon which this thesis will be built. It introduced the notions of "tinkering" (i.e. negative intervening), "wobbling" (i.e. vacillating indecisively), and "re-regulating" (i.e. revised regulatory role for government, and working linkages with industry, within the economy), and discussed the utility of NSPE theory for the ensuing study.

Chapter Two provides a vital overview of the history of the fight for publicly-owned power in Ontario and of the then Tory government's integral role in that campaign. It argues that the fight, rather wistfully, began out of frustration (e.g. dependency on foreign energy fuel, price gouging) and enmity (e.g. government versus entrepreneurs), not out of altruism. Government intervention in the electricity industry came at the urging of business, not originally out of benign interest or deference to populist fervour. The government's promise of reliable power at low rates (i.e. the crusade for cheap power at cost) rallied support for further state interference in the market against the oligopoly of privateers and corrupt entrepreneurs who were preventing the monopolistic tendencies of the industry from prevailing and thus inhibiting the government's perceived progress for the province and its prospective prosperity.
Chapter Three examines the external factors that put pressure on the province to liberalize its electricity industry. The influence of global governance and of the overarching supraconstitution that hangs above the state, created by the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS), and the World Trade Organization (WTO), is considered. The energy market is a big game previously played only by big governments. Liberalization has permitted the entry of big corporations into this lucrative game and the supraconstitution acts as a de facto referee. Chapter Three, finally, delves into the influence of the emergence of novel generating technology (e.g. wind farms, cogeneration gas turbines) in irrevocably changing the rules of the energy game.

In contrast, Chapter Four focuses on the internal factors that provoked power reform in the province. In this chapter, the advance of the public power forces in the early 1900s is contrasted with its retreat in the late 1900s. It argues that the "common sense" Conservatives, like the "public power" Conservatives, were provoked by both frustration (e.g. escalating operating costs at OH) and enmity (e.g. ideological divergence) to transform the electricity industry in Ontario. Both, for example, were reacting pragmatically to changing energy paradigms (e.g. technological innovations in power generating prompted the rethinking of the government's role in the electricity industry) and economic crises (e.g. rising energy costs threatened the province's economic competitiveness). But, while the Tories of the early 1900s tactfully tapped a "bottom up" undercurrent to protect small businesses, please consumers, and promote its own involvement in the very lucrative electricity industry, the Tories of the late 1900s
initiated "top down" reforms to promote the interests of big business which infuriated Ontarians. The "common sense" Conservatives' power policies represented a dramatic departure from traditional Tory thinking. Nonetheless, when they realized that their harsh reforms would not work, they quickly espoused re-regulation which involved further liberalizing of the market while simultaneously re-asserting statism to manage it.

Chapter Five explores the PC's privatization scheme, its collapse, its repudiation, and then its alteration and revival as re-regulation. It argues that the Tory government's torrid programme of power reforms proved too hasty, too haughty, and too fraught with ambiguity to sway Ontarians. Too fervid in their efforts to hand over OH's profitable infrastructure and lucrative market to investors, the Tories' reforms lacked the tact of the privatization attempts of the preceding NDP government or the prevailing Liberal government. Unsure how to do it properly, they relied on the counsel of Tory cronies and industry insiders who advocated a free power market. But power competition in the province proved unstable and untenable. When the volatile free market failed to live up to its promises, the Tories changed gears and, in their infamous "Remembrance Day reversal," pursued a policy of re-regulation.

Chapter Six examines the 2003 blackout. It zeros in on "the moment" that most Ontarians eventually understood the urgency of the problems in their electricity industry. Within mere minutes, the lights went out throughout the northeast region of the continent and more than 50 million people soon learnt that they had the same problem: neoliberal-inspired power reforms. In Chapter Six it is argued that the growing frequency of power outages ought to be expected for the future. Liberalization has helped to overburden the energy grid through rapid energy trading and, also, has reduced the impetus to invest in
other sectors (e.g. transmission line maintenance, infrastructure repairs) that are not as profitable as the generating business.

The concluding chapter, Chapter Seven, recaps the thesis. It contends that though the Conservative Party, the old Big Blue Machine, is one of Ontario's most illustrious and most victorious political parties, they made a huge mistake in opting to turn against nearly 100 years of party policy and provincial history. This is evident in their incessant tinkering and wobbling. The Harris-Eves PCs might not have been characteristic of preceding Tory governments, but they were presented with a choice and they chose unwisely. Chapter Seven concludes that a strategy of re-regulation offers the Ontario government the chance to retain some clout and control in the electricity sector in a neoliberal era.


3 Morgan, 77


8 Charles W. Humphries, "Honest Enough to Be Bold": The Life and Times of Sir James Pliny Whitney (Toronto: University of Toronto Press, 1985), 126

9 Nelles, 155-181

10 Harold A. Innis, *Problems of Staple Production in Canada* (Toronto: Ryerson Press, 1933), 72-81

11 Ibid, 81


13 Innis, *Problems*, 81

14 Nelles, 248, 304

Ostensibly, the Tories' revolutionary run was in trouble by the time Eves took the baton from Harris. The Tories' fast start and initially prodigious strides undoubtedly impelled Courchene to offer this warning hinting that their pace might be tough to maintain: "The fact that, at the time of writing, the Conservatives are only two years into their mandate obviously complicates the analysis." Thomas J. Courchene and Colin R. Telmer, *From Heartland to North American Region State: The Social, Fiscal, and Federal Evolution of Ontario* (Toronto: University of Toronto Press, 1998), 169, 173


Ibid, 389

Ibid, 365

Ibid, 388

Courchene, 169-171


Ibid, 4

Ibid, 14-15

Ibid, 14

Walkom, 402-403

Ontario, *Bill 35: An Act to create jobs and protect consumers by promoting low-cost energy through competition, to protect the environment, to provide for pensions and to make related amendments to certain Acts*, 2nd Session, 36th Legislature, 47 Elizabeth II (1998), 2-3

Ontario Progressive Conservative Party, 1-2

31 As Sid Noel attests, the five operative norms that typify Ontario's political culture all relate to economic concerns: (1) the imperative pursuit of economic success (e.g. ensuring the province as a whole benefits from development); (2) the assumption of pre-eminence (e.g. coalescing provincial and national aspirations); (3) the expectation of reciprocity in political relations (e.g. clientelism); (4) the requirement of managerial efficiency in government; and (5) the balancing of interests. Sid Noel, "The Ontario Political Culture: An Interpretation," *The Government and Politics of Ontario*, Fifth Edition, Graham White, Ed. (Toronto: University of Toronto Press, 1997), 53-65; S.F. Wise, *God's Peculiar Peoples: Essays on Political Culture in Nineteenth Century Canada* (Ottawa: Carleton University Press, 1993), 219


33 Ibid, 2

34 Ibid, 2


36 Ibid, 8-9

37 Ibid, 9

38 Ibid, 11


40 Ibid, 3


42 Howlett, Netherton, and Ramesh, 83, 89

43 Ibid, 89

Clement and Williams, "Introduction," 10-11

Ibid, 11

Ibid, 11

Ibid, 11


Clement, "Introduction," 5

Ibid, 5

Ibid, 5

Clement and Williams, "Introduction," 10-11

Ibid, 10-11

Clement, "Introduction," 3-8

Clement and Williams, "Introduction," 10-11


Ibid, 41


Ibid, xiii

Howlett, Netherton, and Ramesh, 82

One of the most authoritative, veteran figures of the NSPE school is Mel Watkins. Watkins identifies three integral linkages: 1) forward linkages (e.g. investment in further processing of inputs for the staples sector, such as, lumber into pulp and paper); 2) backward linkages (e.g. investment in further "production of the inputs" for the staples
sector, such as, machinery for mining or railways to move minerals); and 3) final demand linkages (e.g. further expenditure of revenues generated from the staples sector). Ibid, 93-95; Mel Watkins, "A Staple Theory of Economic Growth," *Canadian Journal of Economics and Political Science*, 29:2 (May 1963), 141-158; Mel Watkins, "The Political Economy of Growth," *The New Canadian Political Economy*, Wallace Clement and Glen Williams, Eds. (Montreal & Kingston: McGill-Queen's University Press, 1989), 16-35

63 Ibid, 93-95

64 Ibid, 89

65 Clement and Williams, "Introduction," 8

66 Howlett, Netherton, and Ramesh, 89-90

67 Ibid, 93

68 A pragmatic tinge might have coloured Mackintosh's portrait of the federal government too, just as it might have for other political economists working at Queen's University during the interwar period (e.g. O.D. Skelton, W.C. Clark). They often took on work for the federal government. The federal government, happily, used the analyses that they produced to respond to prevailing economic and political problems. While Innis felt they "fell prey to the flattery of governments desperate enough to listen to experts," it is more likely they simply found the federal government a more agreeable and generous employer that helped them to pursue their research agenda. As Barry Ferguson attests, the university was "barely tolerant" of their abilities and it was "unable and unwilling to support their research and their salaries were too low to subsidize it." These political economists, Ferguson notes, were adamant that practical, public policy research "was their mission" which would lead to the political, social, and economic restructuring that they thought was imperative if Canada was "to achieve its promise as a liberal-democratic society." As Ferguson affirms, "[t]hey turned to government only after encountering unending obstacles at the university." Notwithstanding the Queen's-Ottawa legacy, neo-Mackintoshians maintain a qualified faith in the federal government to mollify or fix outright any problems that may pop up. Barry Ferguson, *Remaking Liberalism: The Intellectual Legacy of Adam Shortt, O.D. Skelton, W.C. Clark, and W.A. Mackintosh, 1890-1925* (Montreal & Kingston: McGill-Queen's University Press, 1993), 37-41; Ibid, 93-95, 98-99

69 Howlett, Netherton, and Ramesh, 98

70 Ibid, 97

71 Ibid, 97-98
CHAPTER 2

THE MARCH OF THE KILOWATT ARMY:
THE FIGHT FOR PUBLIC POWER IN ONTARIO

Packing power in the most literal sense and spanning the length and breadth of Ontario, with spearheads reaching to the 52nd parallel of north latitude, a tireless army is on the move day and night... this is the army of kilowatts, kilowatts of electric power, lightening man's burdens and contributing perhaps more than any other factor to the material welfare and progress of the people of Ontario. One has only to press a button or flip a switch and those kilowatts are there, marching with the speed of light along the conductors of thousands of miles of transmission line built and maintained by Ontario Hydro to link its sources of power with the municipalities, industries, and rural areas of the province.¹


Armies may march by their bellies, but it is their governments' directives which provoke their hunger. It is this hunger which ostensibly wins wars. And, it is also this hunger which may lead to desperate deeds. The march of the kilowatt army in Ontario, that is, the proliferation of electricity throughout the province through government interventions, is indicative of this voracity. The history of the fight for publicly-owned power in Ontario is unique in its evolution and in its underlying intent. It is intriguing, but it is tremendously troubling too. It is entangled in the barbed wires of jingoistic politics and bogged down in the mire by rucksacks heavy with myths.

The history of the march of the kilowatt army in Ontario was as wilful, obstinate, and undertaken with the same sort of pomp, as a real military march. Its contrived discipline and precision helped to instil among its onlookers an abiding pride in the institution, much to the joy of those in command. Ensuing writings on the history of Ontario's electricity industry have subsequently reflected either an intense loyalty or intense hostility towards the institution. Indeed, the literature on the history of Ontario Hydro (OH) is noteworthy. Owing to the undeniably omnipotent and omnipresent role of
the former OH within the province's political economy, there are many disparate
interpretations of the history of the institution. For example, while Merrill Denison
eloquently wrote of the triumph of the "people's power," James Mavor wholly deplored
the inception of this principle:

[s]uccessive governments have remained tied to the hydro-electric enterprise, with
very inadequate control over it, yet full responsibility for it to the people, bound to
bid whatever extravagant amount its administration demanded and hoping for
some miracle by which they might be relieved from what had become an almost
intolerable incubus. There are many complications and several unexplained
mysteries in Ontario's hydro-electric history, but the fact is indisputable that
because of its policy, the Hydro-Electric Power Commission of Ontario [HEPC]
has from the beginning of its history been a menace to the financial credit and to
the liberties of the people of our province. The Chairman of the [HEPC, i.e.
Adam Beck] has for the past twenty years been the Dictator of Ontario.

Likewise, while Paul McKay referred to the former OH as an "out of control" juggernaut
plagued by professional hubris and poor planning that ripped through the political, social,
and economic fabric of the province, Howard Hampton, leader of the provincial NDP,
opted to champion the collectivist virtues of the former monopoly. As Hampton asserts,

[t]he people of Ontario... decided that public need must trump private greed. History proved them right. The founding of the [HEPC] in 1906 quickly led to
dramatically lower energy costs in the province and the rapid expansion of what
would soon become one of the world's largest, lowest-cost and most reliable
power systems. While not without its problems, public power is arguably the
single most important factor in Ontario's remarkable and sustained economic
growth throughout the twentieth century.

Therefore, in determining the rationale for government interference in the electricity
industry in Ontario, both in the past and at present, it is integral to rethink the lulling
writings of those who were quick to deify the former OH or ennoble the principle of
public power or, obversely, those who were inclined to hastily denounce it. Indeed,
electricity in Ontario, it is conceded, has always been about more than mere light bulbs
and OH has always been more than an obliging and objective player in the province's
political economy. For the electricity industry itself functions as a sort of dynamo for the state that converts abstract thoughts about what society may want into perceptible policy or tangible goals. As a hefty policy tool, the electricity industry proved pivotal in the government's pursuit of further promise, prosperity, and development in the province. However, as a powerful Crown corporation, the former OH has not been bereft of accusations of scandal or allegations of the foisting of graft. Electricity and the principle of public power possess a curiously prominent position in Ontario politics and in the consciousness of Ontarians. Why is this so? Why is it so prominent? Furthermore, why did Ontario opt for publicly-owned power? What prompted Ontario to uniquely espouse the notion of public power at the outset of the twentieth century when other jurisdictions in Canada, as well as those in the United States (U.S.), were content with private power? Finally, if the concept of public power was so deeply ensconced in the Ontario psyche and in its political economy, why did the Conservative Party try to rescind it by the end of the twentieth century? To respond to these questions, this chapter traces the historic march of the kilowatt army in Ontario, that is, the progression of the principle of public power from its inception at the outset of the twentieth century to its undisputed entrenchment in the province's political economy in the post-World War I period.

Chapter Two contends that the Tory government's involvement in the fight for publicly-owned power in the early 1900s, as well as its eventual retreat from it in the late 1900s, was borne out of frustration, pragmatism, and enmity. First, the Tories reflected the frustrations of small business owners from strategic Southern Ontario ridings who were infuriated by the way in which their interests were being rebuffed by an oligopoly of private power firms which hindered their economic potential. The disgruntled public
were exasperated with the private power companies who gouged them with high prices and gave them poor, unpredictable service in return. Yet, despite their hostility, there were few others capable of undertaking the enormous cost of developing the power grid and competing against the privateers. The public were eagerly willing, therefore, to listen to and to be swayed by the government's persuasive proposal for cheap, plentiful, publicly-owned power.

Second, the Tories tactfully captured public sentiment and support for government intervention in the electricity industry while pursuing their pragmatic targets of ensuring the province's energy security following a regional energy crisis, protecting domestic economic concerns, and promoting industrialization. The ensuing transformation of the prevailing energy paradigm from coal to hydro technology augmented not only Ontario's energy security, but gave it a valuable comparative advantage over its nearby economic rivals which the Whitney government was keen to encourage. The persistence of the principle of statism among a long string of Ontario governments and the legacy of pragmatic interventions in resource industries where the Crown retained ownership rights was a vestige of Ontario's history of development and it provided a precedence for the Whitney government to get involved in the province's burgeoning power sector.

Third, while prior governments refused to get involved to defend the public from this price gouging and, instead, persistently defended the interests of the privateers and their futile efforts to develop a power grid for the province, the Whitney government recognized the enormous prospective importance of electricity for Ontario and thus sought to defend the public's interests against the unpopular privateers. Wary of the aims
of the privateers, particularly those from the rival United States, and of their tightening
grip over the vast, and more and more vital, profitable portions of the province's hydro
resources, the Tories opted to intervene. By the early 1900s, the Tories determined that
the development of the province's electricity industry was taking too long and they
decided they ought to get involved by waging war against the plodding privateers.
Championing the merits of monopolistic "public power" and promising "power at cost,"
the creation of the HEPC in 1906, the forerunner to the former OH, effectively eradicated
the nascent private power firms and ushered in an era of affordable and abundant
electricity in Ontario. In the following years, Ontario enjoyed unrivalled optimism,
expansion, and prosperity which was built upon the foundation of cheap power. By the
late 1970s, however, the edifice began to shift and the foundation was blamed. In the
1980s, costly over-expansions based on over-estimations of demand and costly nuclear
reactor construction and repairs prompted some observers to ponder the longevity of the
principle of public power. The perceived viability of emerging rival energy generating
technologies, like combined-cycle gas turbines (CCGTs) utilizing relatively inexpensive
natural gas, encouraged further revision of the principle of public power. By the late
1990s, the Tory governments of Mike Harris and Ernie Eves were intent on abdicating
the "electric empire" that their Conservative Party predecessors had established during
their reign. By 1996, plans to repeal the concept of public power and privatize portions
of the old OH were devised. However, even these plans would prove vulnerable to
amendment.

Chapter Two is not intended to re-write the entire history of the electricity
industry in Ontario. Nor is it intended to give a glib or terse overview. Portions of its
history have been expertly and exhaustively written by prodigious scholars like H.V. Nelles in *The Politics of Development* and N.B. Freeman in *The Politics of Power*. The purpose of Chapter Two is to explore those periods of "benign intervention" and of purported "benign neglect," to invoke Robert Gilpin's terminology, in the hopes of identifying those factors that promoted the advance of state intervention in the electricity sector in the early 1900s. Consequently, it is the framework constructed in this history of the transformation of public power in Ontario upon which the ensuing thesis will be built using the neo-Mackintoshian staples approach as its tool of analysis. This historical analysis is thus crucial to the bigger argument being constructed because it demonstrates how the re-regulating efforts of the "common sense" Conservatives of Harris-Eves differed profoundly from preceding Conservative Party efforts to promote and protect the concept of public power. Indeed, in its analysis of the Tories' role in the public power crusade of the early 1900s, Chapter Two provides the pivotal backdrop to comprehend the Tories' efforts to abdicate the Crown's position in the provision of publicly-owned power in the late 1900s. Chapter Two provides the critical historical context to understand how and why the efforts of the Harris and Eves governments to revise or repudiate the principle of public power represented so profound a divergence in Tory governance.

**STAGNATION AND STATISM**

Though infuriating for most observers, Ontario's innately ostentatious view of itself and of its inimitable position within the federation was forged long before 1867 by
its embellished Loyalist history, its faith in England and Empire, and its persistent Toryism. But if its obstinate belief in its own eminence was forged before Confederation, it was wrought, toughened, and tested in the ensuing years. In the 1870s and 1880s, Ontario endured one of its worst economic recessions. One of the reasons why Ontario lagged the bordering American states in its economic output in the late 1800s was that, in a period of rapid, steam-powered industrialization, it found it difficult to compete because it lacked domestic coal deposits and thus had to rely on costly foreign imports for most of its energy requirements. By the 1890s, technological innovation and entrepreneurial vigour had allowed even the most modest, yet modern, towns in Ontario to develop some form of electricity infrastructure involving a rough grid and a crude hydraulic or coal generating plant that provided power for lighting lamps for streets, factories, and prominent buildings, for electric railway lines, and for an emerging range of newly designed electrical devices. Most notably, Nikola Tesla's work on the advantages of alternating current (AC) over direct current (DC), which enabled electricity currents to alternately flow back and forth along a common electrical circuit and solved the mystery of how to facilitate high-voltage, long-distance transmission, was being disseminated. However, for Ontario, reliance on erratic, exorbitantly priced coal imported from Pennsylvania in the United States and from Wales in England ensured that the benefits of electricity were not widely extolled. As a result of its fragile, fledgling electricity industry and the inability of other industries to efficiently and profitably exploit the benefits of electricity, Ontario's economy began to lag in relation to other jurisdictions, namely New York and Michigan, which worried industrialists and politicians who were fearful that Ontario was losing its lauded economic competitiveness. Power from private
firms was unaffordable and unreliable and derived mostly from polluting coal power plants billowing smoke and soot. Moreover, the privateers aimed all their efforts at the compact, crowded metropolitan Toronto market and deliberately avoided the sparsely populated outlying regions, neglecting once thriving towns and businesses. Integral to the proliferation of electricity in Ontario in this early period was an appreciation of the virtues of hydro-electricity which fortuitous timing and technology had now made viable on a larger scale and, also, was enabling longer distance transmission. As the _Globe_ enthusiastically reported in 1905,

> [t]he presence of waterpower in any country thus becomes the assurance of its ability to compete in the future struggle for eminence. No land on earth has been so richly endowed in this respect as Canada. Her resources in available waterpower are practically illimitable and exhaustless. Whether Canadians as a nation or individually will rise to the speculation of this feat will decide the place which Canada must take in the next century. Canada may sit on the throne of the Electric Empire.\(^\text{13}\)

Unfulfilled assurances by privateers that rates would be lowered and reliability would be augmented once hydro-electric resources at Niagara were harnessed proved infuriating to government, industrialists, investors, and the newspapers who were increasingly unremitting in their critique of the construction delays, contract extensions, and cost overruns which plagued the privately sponsored hydro-electric projects. Ontario's proximity to the United States, furthermore, did not help to mollify feelings of frustration. While the United States progressed and prospered, and the factories, foundries, and infrastructures of border towns like Detroit and Buffalo boomed, those in Ontario languished.\(^\text{14}\) As Denison alludes, "the United States exerted a mingled attraction and repulsion that grew into a neurosis in which envy and repudiation of the neighbouring republic were equally combined."\(^\text{15}\)
To try to quell this envy and fend off the sluggishness of not only the Ontario economy, but that of the nascent nation too, the federal Tories under Sir John A. Macdonald introduced the "National Policy" (NP). The federal Conservatives' protectionist NP unfolded from 1867 to 1885. The NP had four objectives: (1) integrating the former British colonies into the new federal state of Canada with enough legislative powers to finance and plan for their own development; (2) subsuming and developing the western territories under the auspices of the federal government; (3) constructing a transcontinental railway; and (4) implementing a protective tariff to promote east-west trade within the new federation and domestic industry. For Ontario, however, the protective tariff proved the most pivotal in its evolution in the post-Confederation period. The tariff guarded inefficient industries in Ontario against foreign competition through a strategy of import-substitution industrialization (ISI). Following ISI, the federal government instigated duties on foreign goods for which there was already an established market (e.g. farm machinery), raising the price of imported goods relative to indigenous goods, and thus raising demand for them and reviving the domestic economy. Ontario benefited from the NP, furthermore, by the building of the Canadian Pacific Railway which, literally, unearthed the North's mineral wealth and revealed the vastness of its natural resource riches. Through the NP and its preferential protectionist policies, the province of Ontario acquired not only its own natural resource hinterland and a reliable transportation link to reach it, but a revived industrial base capable of exploiting it to its fullest. Hence, though it exacerbated regional cleavages, the NP permitted Ontario to thrive and to become, as Janine Brodie asserts, the "fat cat" of Confederation.
The emergence at the turn of the twentieth century of what Harold Innis had termed "Empire Ontario" hinged on this renewed optimism and prosperity. Upon the discovery of the enormity of the North's natural resource potential, the re-discovery of the entrepreneurial vigour to develop it, the propagation of new technologies to exploit it more efficiently and effectively, and the enactment of encouraging federal and provincial policies hung the hopes for the future industrialization of the province. Under the protectionist banner of the federal NP and the province's own mini-NP (e.g. the "manufacturing condition"), Ontario boomed. The boom seemed unstoppable until a U.S. government embargo against American coal exports to Canada as a result of a coal miners' strike in Pennsylvania in the early 1900s brought industry in Ontario to a grinding and perilous halt. The infamous "Coal Famine" which ensued from 12 May 1902 to 23 October 1902, when roughly 147,000 workers from the newly formed United Mine Workers of America abandoned their jobs to fight for higher wages and recognition of their union among mine owners, had a devastating impact on Ontario industry and Ontarians. In 1901, over 1.9 million long tons of coal were exported to Canada from Pennsylvania, most of it intended for Ontario. In 1902, production dropped to 53,569,901 long tons from 31,200,890 long tons in 1901; 22,369,011 long tons, or over 41 percent, less in only one year. In Toronto, for example, E.B. Biggar notes that in 1901 coal cost $5 a ton while in 1902 the price rose from $10 to $15 a ton. Coal was so scarce in 1902 that two boatloads of Welsh coal from England had to be bought at $10 a ton and brought to Toronto to prevent people from perishing.

The impetus for the transformation of the electricity industry in Ontario in the early 1900s and the province's ensuing intervention in its development, however, did not
derive wholly from the province's obvious dependence on foreign energy. As Innis states, the people were fed up with the entrepreneurs who proved inadequate to the task of providing electricity reliably and at fair rates. While sooty streets and grimy buildings were bothersome, the volatility of the cost of coal, the impracticality of boiler technology, and the maze of wires in the streets which frequently malfunctioned really irked people and prompted them to question, along with industrialists, investors, and journalists, why the plentiful, clean, and cost-effective "white coal" of Niagara Falls was available to those on the American side, but not to those on the Canadian side.

FURY BEFORE THE FALLS

The Niagara Power Company (NPC) was the first firm to harness the hydro-electric energy of Niagara Falls. The NPC began generating hydro-electricity in 1895. The NPC was owned by four influential New York City entrepreneurs (i.e. E.D. Adams, F.L. Stetson, W.B. Rankin, and E.A. Wickes) and operated on the U.S. side of the Falls. The effects of the NPC on the formerly quaint town of Niagara Falls, New York were enormous. Once the NPC power plants were operational, a host of electro-chemical companies (e.g. aluminium, carborundum), and many ancillary companies, opened up and the town prospered. The owners of the NPC then founded the Canadian Niagara Power Company (CNPC) and began negotiations with the Ontario government through the Queen Victoria Niagara Falls Park (QVNFP) Commission to construct power plants on the Canadian side of the Falls to provide power to Niagara Falls, Ontario. The QVNFP Commission was created in 1887 by the Liberal government of Sir Oliver
Mowat to combat complaints about the pestering hucksters, rampant gambling, offensive intoxicification, and the "gaudy commercialism that blighted the beauty" of the Falls.\textsuperscript{30} However, in fulfilling its mandate through self-sufficiency, without legislative grants, and without enacting an admission fee to the Park, the QVNFP was obliged to be creative in its efforts to find the money required to revive the tourist attraction. The QVNFP Commission's only sources of revenues were from souvenir, service, and transportation concessions, however, as Nelles asserts, technological innovations in the field of electricity had transformed the Falls "into the most lucrative concession of all."\textsuperscript{31} In 1892, the CNPC approached the QVNFP and obtained a lease that permitted it the "exclusive right" to produce power on the Canadian side of Niagara Falls for 100 years for a rent of $25,000 per year, a pledge that a minimum of 50 percent of power would be sold in Ontario at a maximum price of the lowest U.S. price, and a promise that the construction work would be completed by 1 November 1898.\textsuperscript{32} Though the QVNFP Commission was harshly criticized for effectively giving the CNPC a monopoly on energy generating at Niagara Falls, the deal did help it to substantially augment its revenues to finance its vital work of reviving and revamping the Park and, also, it assured the provincial government, the public, and the press that the region and, indeed, the whole province, would benefit within six years from a hydro-electric power plant built by the most capable, reputable, and experienced entrepreneurs in the world.\textsuperscript{33} Further, it ought to be noted that in opting to lease the land at the Falls to the CNPC rather than selling it to them outright, the QVNFP, as an agency of the provincial government, duly followed historic protocols concerning proprietary control over development of the province's resources by the provincial state.\textsuperscript{34} To provoke development the provincial
state endeavoured to permit business to absorb the cost of the development work without relinquishing control over the natural resource before it intervened. The retention of Crown rights at the Falls would prove pivotal later as a disciplinary device when the privateers were unable to meet the work targets outlined in the contracts.

On 15 November 1896, a high-voltage, long-distance transmission line carried hydro-electricity from the NPC's power plant at Niagara Falls to Buffalo. The event, however, was endured with tremendous envy by Ontarians. The economies of the towns on the U.S. side of the Falls were thriving because of the cheap, plentiful power provided by the NPC which raised the ire of many Ontarians who felt that the province was losing out. The NPC were exporting power exclusively to the lucrative U.S. market while ignoring the Ontario market entirely. From the moment it acquired its monopoly in 1892, the Niagara Power Company's affiliate firm, the CNPC, had not done any development work. Nonetheless, in 1894, it dutifully submitted its plans and proposals, its blueprints and construction schedules, to the QVNFP Commission for their "technical and aesthetic approval" and they were duly approved. But, no work was done. In 1896, the CNPC appealed to the QVNFP for a one year extension to the clause that construction work would be completed by 1898 which the Commission granted, despite fervent opposition from residents of the Niagara region, citing that sufficient demand for hydro-electricity did not yet exist in the vicinity and, also, that the techniques of high-voltage, long-distance transmission were not yet fully refined. But, still, no work was done. In 1898, when it became clearly evident that the CNPC would not fulfill its contract, the CNPC and the provincial government, through the QVNFP Commission, re-negotiated the terms of their development deal. The CNPC agreed to relinquish its monopoly on the
The CNPC pledged to the Ontario government that it would work on building an even larger hydro-electric power plant than was previously planned and the province gave it an extension on its lease to January 1905. The CNPC’s dawdling permitted the province to pursue other development opportunities.

With the grip of the CNPC loosened, the Ontario government sought to bestow other franchises to other firms for the building of power plants at the Falls to try to instigate further development work. In 1900, the Ontario Power Company (OPC), owned by a group of prominent businesspeople from Buffalo (e.g. J.J. Albright, F.V. Greene), was granted permission to begin building a generating station and, in 1902, both the OPC and the CNPC finally "broke ground" on their distinct power plant projects. With the granting of two franchises at the Falls, the QVNFP Commission convened in December 1902 and January 1903 to determine whether or not more water could be diverted and more franchises given without detracting from the scenic cascade. The ensuing inquiry intensified interest in the province's power problem. Neglecting the vociferous opposition of the public and the press over the prospect of future monopolies at the Falls, the QVNFP Commission resolved that there was enough water and enough land to support the operations of one more firm. Disregarding the objections of the CNPC and the OPC, in 1903 the government, through the QVNFP Commission, granted a third lease to the upstart Electrical Development Company (EDC) which was owned by three Toronto entrepreneurs (i.e. William Mackenzie, Frederic Nicholls, and Henry Mill Pellatt). By 1904, the EDC had begun excavating.
As the first Canadian firm to acquire a franchise at the Falls, the EDC was praised by financiers and the financial press, but curiously, not by the public. The ease with which the EDC obtained its lease was regarded as suspicious among the public power campaigners and the directors of the EDC were portrayed in the press "as a band of robber barons" intent on binding Ontario "in a state of perpetual economic bondage." Their suspicions were well founded. The directors of the EDC were good friends with Liberal Premier George Ross. As C.W. Humphries avows, while he was Premier of the province, Ross was also the president of the Manufacturers' Life Insurance Company, while Pellatt, who was also the president of the Toronto Electric Light Company, was the vice-president, and Mackenzie, who was president of the electrically-powered Toronto Street Railway Company, was on the board of directors. Furthermore, Humphries notes that given that the insurance firm purportedly "dabbled" in EDC stocks, the Premier and the government were therefore unlikely to be hostile to the interests of the EDC.

Obviously, the EDC contract infuriated Ontarians. As Denison alludes,

why, it was demanded, should a handful of avaricious men, notorious for their insolence in public dealings, reap unwarranted profits from the exploitation of a great natural resource which belonged rightly to the people? And how long, it was asked, would the politicians at Queen's Park... continue to deny the demands... for a share of the water power that had been given away so casually to a group of greedy, predatory, and parasitical promoters? Thus in the public mind was created an image of a few privileged men, vigilantly and with great cunning and resource, holding the mass of ordinary citizens under tribute by arbitrarily supplying very poor service at very high cost.

While the Monetary Times was apt to boast in 1905 that the EDC was an example of how Canadian capital was now a "power in the world which has to be reckoned with," as Nelles states, the ambitions of the promoters of the EDC were invariably tied to their own existing light utilities and electric railway ventures in Toronto, not to pursuing some sort
of altruistic cause for the people of the province.\textsuperscript{48} For them, the EDC was merely "a business and a speculative proposition," but for the people of the province, harnessing Niagara Falls meant reining the future of Ontario and they were not willing to have their futures ruled by the whims of the EDC.\textsuperscript{49}

In opting for the EDC, however, the QVNFP Commission rejected the proposal of a "hive" of manufacturers led by D.B. Detweiler and E.W.B. Snider representing a few municipalities from southwestern Ontario who thought that the government ought to get involved to procure hydro-electricity for them and to protect the Falls from monopolists as they feared the power interests of those towns in the periphery would be lost to the metropole, Toronto, where profits would be easier to obtain in the denser grid and the monopolists would inevitably flock.\textsuperscript{50} In the fall of 1902, in the midst of the coal famine, Detweiler and Snider met with Premier Ross and urged the government to get involved in the hydro-electricity business before the United States totally monopolized the Falls and, if it was not willing to intervene, they proposed the possibility of having the government "preserve a waterpower privilege for a manufacturers' co-operative power company."\textsuperscript{51} But, the government thought that this was a rather high price to pay to help only a few manufacturers and refused the concession. Nonetheless, the seeds of a public power movement were sown. Once Detweiler and Snider fused the interests of manufacturers with those of the municipalities within which they and their workers resided, the benefits of a publicly-owned power system were quickly evident and fuelled fervid public support.

As Nelles avows, the huge furor manifest over the Ontario government's capitulation to the defiance of the CNPC, despite its inability to fulfill its contracts, as
well as the awarding of a contract to the EDC, demonstrated the emerging profundity of electricity policy in the development of the province. These firms were only interested in the profitable export of power to the U.S. and ignored promoting its proliferation in Ontario. As Karl Froschauer affirms, firms like the CNPC and the EDC were inhibiting industrial growth in Ontario and helping it in New York state. Electricity was now a vital element for the economic advancement and evolution of the province and no longer a mere novelty. It needed to be handled differently. While financiers in Toronto were elated with the EDC's deal, the public, the press, and the opposition Tories were quite displeased. The directors of the EDC were renowned for their "brusque habits" and quarrelsome personalities and the EDC just promised more of the same expensive, poor service that Pellatt's Toronto Electric Light Company and Mackenzie's Toronto Street Railway were well known for.

Thus, frustration, pragmatism, and enmity were the three underlying factors which provoked the public's furor for transformation in Ontario's burgeoning electricity market and provided the impetus for the Tory government to intervene in the electricity industry in the early 1900s. First, the Tories responded to the public's frustrations with the poor performance of the oligopoly of power firms, particularly the raging hostility against the EDC and the CNPC. Second, they responded to the changing energy paradigm from coal to hydro, and the ensuing spike in coal prices, by reasserting state control over the now lucrative and crucial hydro staple which the power firms could not effectively exploit. Third, the Tories responded to fears that the province might lose out on one of its most vital resources to foreign or elite interests. Previous governments were overly obliging to the entrepreneurs and they refused to intervene to ensure that the
public's interests were protected and promoted against the gouging power firms. The Whitney government, however, was wary of the intentions of the power firms and of the tight grip they held over the province's pivotal hydro resources.55

The Tory government's decision to intervene in the province's electricity industry is entirely consistent with a neo-Mackintoshian analysis as it proves the state sought to use its power sector staple for the benefit of the province and for the promotion of subsequent economic spinoffs or linkages. Ensuring the province had a reliable supply of power at reasonable prices was integral to the overarching goal of improving Ontario's economic competitiveness. Electricity, in this instance, quite literally "primed the pump" to use Mackintosh's phrase, for the province's impending prosperity.56 Only the province possessed the wherewithal to compete with the independent power firms in the costly provision of electricity; they only required convincing.

PUBLIC POWER BECKONS

The fight for public power was a pragmatic fight which progressed slowly, but prudently towards its intended objective. It involved tremendous organizing, individual lobbying, a huge rally at Queen's Park, and a massive letter campaign. In Toronto in the late 1890s, however, the thought of a publicly-owned electricity system was bandied about as a response to the pricey, poor service provided by the private utilities working within the city. Torontonians were infuriated by the erratic service, the exorbitant rates, and the way in which the utilities put in poles and strung wires wherever they wished, entirely indifferent to the uttered protests of the public or the urgings of Toronto city
council. To try to undermine the efficacy of the private utilities, in 1899 the Toronto city council submitted a proposal to the provincial government to establish its own electricity utility. Not only did the province reject Toronto's proposal, caving to the private power lobby, it promptly enacted the "Conmee Clause" of the Ontario Municipal Act which "forbade competition" between public and private companies and insisted that before Toronto could create its own public utility it would have to buy out the existing very profitable, very powerful private utilities which, not unexpectedly, were very resistant to this proposal. Nonetheless, on 9 July 1900, Toronto city council passed a resolution to inquire into the price, per horsepower, which electricity could be brought to the limits of Toronto from Niagara Falls or from other hydro-electric works nearby, the cost of constructing the required infrastructure for receiving and distributing electricity within the limits of Toronto, and the possible price to distribute electricity to users within Toronto. Following its inquiries, later in 1900 Toronto city council submitted a second proposal to the province for a publicly-owned municipal electricity utility and was rejected.

Bruised, but not defeated, the city council formed a committee to inquire into the power problem further with the help of its new ally, the Toronto Board of Trade, with W.E.H. Massey, the prominent farm implement manufacturer, as chair of the committee. Their report, Denison contends, hinted at how publicly-owned power would "revolutionize" industry in Ontario. Now with the Toronto Board of Trade on its side, in 1902 the Toronto city council applied to the province for permission to create a municipal electricity company, however, it was rejected for the third time. The efforts of city council to try to institute its own electricity utility which would ensure abundant
and affordable hydro-electric power for Torontonians and Toronto industry found an even more influential ally in the Canadian Manufacturers' Association (CMA) who wrote to express "its appreciation" for their efforts to "obtain the authority to bring in cheap electric power for the city." Buoyed by the support of the CMA lobby, later in 1902 the city council submitted a fourth proposal to the province, but was refused. Though refused four times, Toronto's publicized, persistent appeals to the province only fuelled Ontarians' "obsession," as W.R. Plewman refers to it, with the power problem and with repudiating the monopolists who were providing poor service at excessive cost and "displaying atrocious manners."

The fight for publicly-owned power initiated in Toronto in 1899 provoked a parallel campaign in the periphery for province-wide public power among a "hive" of business owners and a group of town "boosters" from the southwestern Ontario region which was historically Tory territory. They feared that as Toronto's hold on the Falls tightened, whether through the efforts of its city council to found its own electricity utility or through the work of the EDC, Toronto would loom even larger in the economy of the province and they would definitely lose out as no private firm would feel obligated to provide them with the cheap hydro-electricity they believed their prospective prosperity depended. "Frustrated envy," Nelles insists, drove the towns from the periphery together to try to thwart the overt intentions of the Toronto interests for control of the Falls. Those boosters and businesspeople from the periphery were well aware that they would be overlooked as no firm would find it profitable to provide hydro-electric service to their towns scattered across the Southwestern Ontario landscape. Yet, the future was electric, therefore, their futures depended on ensuring inexpensive hydro-
electricity quickly found its way to their towns. Otherwise, they would not survive. They were still wincing from the stagnation or recession of the late 1800s and, as the infamous Coal Famine of 1902 revealed, their reliance on outmoded boiler technology had gravely compromised their competitive capacities. If they were to continue to compete, they could not knowingly allow what was then the most momentous and elaborate hydro-electric undertaking in the world to proceed without a fight to procure some part of the benefits to be obtained from the Falls. To do this they turned to the state; who better to turn to in a dispute than the one who defines the rules of the game.

Thus, the key to economic survival for industrial firms reliant on electricity at the turn of the twentieth century was assuring reliable access to inexpensive hydro-electricity and thus escaping the steam age intact. By tying their interests to those of the province and persuading the provincial state rather than pleading with them, these individuals effectively used the provincial state to satiate their own interests while permitting the government the perfect opportunity to fulfill its own interests: providing a door for the government to get involved in regulating and participating in a lucrative industry vital to the further industrialization and advancement of the province. If the people on the whole benefited, even better. What was important, however, was convincing the government and the public that the debt to be inevitably incurred from undertaking such a huge project would be worth it in the end. Few entities other than the provincial state possessed the finances to take on the affluent private firms, therefore, the pitch for government intervention involved not only capturing the public's wilful desire for inexpensive, plentiful hydro-electricity, but convincing them to permit the province to open its pocketbook to pay for it.
From the outset, Nelles contends, the crusade for public power in Ontario was a businessperson's campaign, given that they instigated it, they comprised its most devout "hard core" factions, and they provided its "brilliant leadership." By "the people's power," Nelles continues, these businesspeople were referring to cheap power for them primarily and the spinoff of this, they believed, would benefit the towns and the townspeople where their businesses were based. Exploitation of the Falls promised the provision of cheap, plentiful hydro-electric power. Two of the three firms operating at the Falls at the turn of the twentieth century were U.S. firms, the CNPC and the OPC, who were intent on servicing the United States with its surpluses, while the third firm, the EDC, had its sights on Toronto only.

The fight for public power began in earnest at a meeting of the Waterloo Board of Trade on 11 February 1902 when Snider proposed in a speech that the various Boards of Trade throughout the region ought to join together as a "hive" of industries "to create an attractive, co-operative market" to lure in and convince an electric utility to provide it with hydro-electricity from the Falls. From discussions in ensuing meetings, three possibilities emerged: (1) persuading one of the two existing utilities (i.e. the CNPC or the OPC) to build a transmission line to their towns from the Falls; (2) forming their own utility, obtaining their own franchise at the Falls from the government, and building their own transmission line to procure their own power; or (3) convincing the government to do it and to sell the power "at a trifle over cost." As previously stated, in the autumn of 1902, Snider and some of his colleagues from the "hive," reeling from the effects of the Coal Famine, met with Premier Ross to propose government intervention in the hydro-electricity industry and, were the government unwilling to agree to that, to set aside a
franchise for a prospective manufacturers' co-op power company at the Falls. However, Ross explained that the government would not be able to justify such a large and expensive proposition for the sake of such a small group of businesspeople. Undeterred, Detweiler proceeded to bicycle from town to town urging politicians and industrialists within the region not to give in to one of the firms and uniting them so that the region as a whole would be able to bargain as a unit for the best rates and the best terms to obtain hydro-electricity from the Falls. However, they were devastated when the province signed a deal with the EDC in 1903 despite public indignation in the hope that a municipal co-op might be created. Enduring tremendous denouncements in the press, the Ross government soon relented to public pressure and conceded the possibility of municipal co-ops at the Falls as long as the province did not go into debt as a consequence. The public power campaign was back on track.

On 17 February 1903, 67 delegates, among them the mayors from all the major towns in the region, assembled at the Berlin (i.e. now Kitchener) YMCA to discuss the prospects of public power in Ontario and eventually agreed to form a committee of mayors to present a report to the government on the power problem in the province. As Nelles attests, "the delegation of authority marked a distinct advance for the public power movement" as responsibility was passed from the rather informal "hive" of boosters and businesspeople that Snider and Detweiler represented to the formal hierarchy of politically savvy mayors who represented the majority of the province's population. The public power forces, Nelles states, "officially surmounted their mutual metropolitan suspicions and coalesced into a powerful pressure group whose opinion... Premier Ross could ignore only at his peril." On 27 February 1903, the Ross government received the
Berlin committee. Once more they insisted the Liberal government get involved to provide the province with hydro-electric power or to permit the towns to try to do it themselves. But, once more, the Liberal government reiterated that it refused to go into debt for a handful of towns. Ross, though, did indicate that his government no longer objected to the towns trying on their own and promised to enact legislation which would facilitate their efforts.  

On 12 June 1903, the legislature passed "An Act to Provide for the Construction of Municipal Power Works and the Transmission, Distribution, and Supply of Electrical and Other Power and Energy," or more tersely, the "Ross Power Act," which enabled municipalities the right to acquire or build the works necessary to procure and disseminate electric power. To investigate the viability of its proposal and to report to the participating municipalities with its findings, the Ross Power Act provided for the formation of the Ontario Power Commission. The Power Commission, chaired by Snider, consisted of an engineer, R.A. Fessenden, and a few prominent politicians, P.W. Ellis, W.F. Cockshutt, J.C. Haight, and Adam Beck, an aggressive new Tory legislator. While the Power Commission commenced its work in the summer of 1905, engineers from the EDC discovered that the potential of the firm's holdings at the Falls would produce more power than they had previously thought. The EDC were quick to go to the QVNFP Commission to try to re-negotiate the terms of their deal and Premier Ross himself got involved in the new negotiations and the ensuing imbroglio when it was learned that his government had prepared legislation which would have given the EDC rights to all remaining waterpowers at Niagara Falls. While the Ross Power Act and the Power Commission did appeal to the burgeoning throngs of public power proponents, it
did not go far enough. Furthermore, the fact that Ross himself was entangled in negotiations with the despised EDC which would have enlarged the firms' holdings at the Falls and given it the rights to all new waterpowers there did not engender the confidence of most Ontarians. Nor did it do much to subdue the blustery objections of the opposing Tories, led by J.P. Whitney, who now embodied the public power crusade at the political party level. Thus, the notion of state intervention was an important issue in the imminent election.

Evidently, 1902 was a rather momentous year in the evolution of the electricity industry in Ontario. While Ontarians fought through the tough Coal Famine and grappled with the shift in the regional energy paradigm, the QVNFP Commission began its inquiries into the prospect of issuing a franchise to the abhorred EDC and the government repelled unrelenting pleas for its direct involvement in the electricity industry. In 1902, while the Liberals were avowedly pro-private and pro-export in their approach to power development in the province, the Tories under Whitney were busily devising, testing, and publicizing their own divergent power policy which shrewdly tapped public sentiment at the time. On 5 February 1902, two Tories, Andrew Miscampbell and Henry Carscallen, proposed the following plan during the debate of the speech from the throne in the legislature:

[i]n all future agreements made between the Commissioners of the Queen Victoria Niagara Falls Park and any other person, or persons, power shall be reserved to the Provincial Government to, at any time, put a stop to the transmission of electricity and pneumatic power beyond the Canadian boundary; and that in the opinion of this House, the waters of the Niagara River and its tributaries, as well as the waters of other streams, where necessary, should, at the earliest moment and subject to existing agreement, be utilized directly by the Provincial Government, in order that the latter may generate and develop electricity and pneumatic power for the purpose of light, heat, and power, and furnish the same to municipalities in this Province at cost.82
Though the Liberal government defeated it, the Conservatives' power policy was resolutely pronounced: the use of state intervention to ensure reliable power at low rates, or, in the terse terminology of one of the most "bumptious" of the Whitney Tories, Dr. Beattie Nesbitt, "the Government at the switch, not the corporations." The Tories' power policy was well evinced and its proclivity for publicly-owned electricity worked like a magnet to pull in support. On the hustings for the 1905 Ontario election, Whitney urged voters that, if the Tories were elected, his government would work to ensure the power generated from the Falls would be "as free as air." Or, more precisely, that the people ought to be free to procure this power and, if elected, a Whitney government would work on behalf of the people to proffer it. It is likely, though, that only a few people noted this tiny proviso offered by Whitney from his rostrum over the ensuing hurrahs. How the Whitney government would go on to do this, however, remained a glaring ambiguity for years following the election.

The election on 25 January 1905 confirmed the electorate's loss of faith in the Liberals, ousting the Ross government by giving the Whitney Tories 69 seats in the 98 seat legislature and ending 34 years of Grit hegemony in Ontario. As Plewman explains, "voters had swept away nearly all supporters of Ross" and made it apparent it wanted no more "shilly-shallying," corruption, or "truckling to vested interests." Following the election, Whitney repeated his infamous "as free as air" pledge and added that power "shall not in the future be made the sport and prey of capitalists and shall not be treated as anything else but a valuable asset of the people of Ontario, whose trustees the government of this people are." In the first few months of its tenure, Whitney's Tories worked swiftly to instigate their power policy. They immediately cancelled the
contract that the EDC had negotiated with the Ross government that gave away all remaining rights to hydro-electric developments at the Falls to the EDC and, on 5 July 1905, the Tories created the Hydro-Electric Commission of Inquiry, with Beck as its chair, to thoroughly inventory all of the province's waterpowers, to find out the true cost of producing hydro-electricity and possible rates, and, finally, to inform the government of the most efficient method of distributing hydro-electricity. As Humphries asserts, by opting for Beck, the de facto leader of the burgeoning, but unorganized public power movement (not to mention a member of the previously formed Ontario Power Commission), as chair of the Commission, the Tory government effectively proffered a warning to the privateers that the Commission's inquiry was unlikely to be impartial; indeed, they were investigating and gathering information to help the Tories formulate their own optimal public power policy.

With two prominent commissions now working on the power problem and Ontarians piqued, lingering was no longer an option. Obligingly, the Tory government got to work too. For Whitney, though, only a few months into his first mandate, the task of trying to resolve the power problem without isolating public, corporate, or cabinet support would prove tremendously onerous. Humphries intimates that the stress of this situation helped to further form Whitney's reputedly brusque disposition as he too often resorted to wielding a "battleaxe" on his opponents "when a smaller blade would have served the purpose." In the ensuing months, however, his motives and his movements would become much more strategic. And, as the provincial government advanced against the privateers and the campaign for government intervention in the electricity industry gained ground, the fight for public power in Ontario would become increasingly personal.
By 1906, the Tory government could no longer ignore contending with the province's power problem. The Tories were under fire from the EDC, from other influential financiers in the province who were fearful that the government would be gunning for their industries next, and from the financial press, particularly those from England, to retreat from any prospective interventionist initiatives. As Nelles asserts, during this time England endured as the foremost source of funding and financial capital for Canada. In 1906, for example, English investment in Canada amounted to more than £3 million, primarily in railways, though a growing proportion of their investment was in large industrial undertakings like electricity generating stations and grid development by firms like the EDC. Thus, as Nelles avows, given that England remained so essential a source for borrowing, for both governments and individuals, the Conservatives were obligated to work harder "to counteract the alarmist propaganda being circulated in London by the private power interests." On the homefront, however, Whitney's Tory government was being persistently urged by the people to proceed quickly with a publicly-operated power system. While the Canadian Manufacturers' Association wrote tactfully worded letters to Whitney pleading that the government ought not to delay dealing with the power problem in Ontario, the *Globe*, for example, opted to try to provoke the government into a battle against the EDC through its aggressively worded editorial pages. As the *Globe* reported on 27 April 1906, the province's "urgent need of a power policy" is, of all problems, "the most pressing." The "power and light question," it proclaimed, is "past the acute stage" and it "cannot afford to wait." On 10 May 1906, the *Globe* pronounced that there is at this moment no problem before the public so vitally important to this Province as is the problem of the production and transmission of electricity... The
future of Ontario is, to a degree, bound up with the solution of this problem. Every great industry is interested in it. In the race for manufacturing pre-eminence the handicap will be serious if the supplies of electric energy which Nature has stored up in Ontario's widely-distributed waterpowers are not made available for public uses or are held at exorbitant rates by private monopolies... For this reason it is the bounden duty of the Government and the Legislature to act wisely, strongly, and in absolute devotion to Provincial interests in the matter of utilizing for public purposes the electrical supplies in the different districts of Ontario.98

The *Globe* goes on to quote Sir Henry Pellatt, one of the directors of the EDC. On 8 May 1906, Pellatt, at the laying of the ceremonial cornerstone at the EDC's first powerhouse at Niagara Falls,99 stated that Ontarians "are on the eve of one of the greatest revolutions the world has ever known," however, the *Globe* retorted by promulgating that

> the prospect of such a revolution lays on the Government and the Legislature a great obligation to see to it that the strategic points are not surrendered to private corporations or alienated under such conditions that in the day of its need the resources of the Province will be out of the Province's reach and the public interest sacrificed to private gain. What is needed, and what the public is right in demanding from the Legislature, is that action be taken such as will secure the supply of cheap power... [its] necessary for the Legislature to step in and save the public from private rapacity.100

Indeed, the time had come for the Conservatives not only to step in, but to step up. Despite growing tensions within the Whitney government concerning the degree of interventionism of the province's prospective power policy, by the spring of 1906, the Tories were obligated to finally get involved. Through his work on the two commissions, his lectures advocating the province's involvement to assure cheap power, and his ensuing constant coverage in the newspapers, the "spectacle of Beck," to invoke Nelles' idiom, had escalated and a vociferous circus of enthusiastic public power proponents had emerged, with Beck as its unabashed ringmaster, which could no longer be quelled.101 Nelles notes that the overwhelming outpouring of support for public ownership in the spring of 1906 coincided with a declining deference for the financial community in
Ontario as the findings of the Royal Commission on Insurance revealed that some of the
directors of Canada's foremost insurance companies were diverting funds from premiums
into their own firms, such as Sir Henry Pellatt of the EDC.\textsuperscript{102} The publishing of the
findings of the two commissions investigating the power problem in the province thus
provided even further momentum for the carousel of enthusiasm for public power in
Ontario.

Though its requests for information pertaining to annual power production figures
were repeatedly ignored by the EDC and the OPC, on 28 March 1906, the report of the
Snider Commission, appointed in 1903 by Premier Ross, was published.\textsuperscript{103} The Snider
Commission essentially proposed four points: (1) it advocated the creation of a
municipal co-operative which would construct and manage a transmission system linking
the towns within the "hive" with Niagara Falls; (2) it contended that the municipalities
could not afford to construct their own generating system, therefore, they ought to simply
purchase power from existing electricity companies and supply it at cost to customers on
their own distribution system; (3) it recommended that the notorious "Conmee Clause"
preventing competition between public and private utilities be repealed; and, finally, (4) it
called for the creation of a permanent commission to be managed "as a purely business
institution and absolutely divorced from politics" to regulate the entire electricity
industry.\textsuperscript{104} The following week, on 4 April 1906, the Beck Commission, appointed in
1905 by Premier Whitney, published the first of its five reports.\textsuperscript{105} The EDC and the
OPC again tried to thwart any ostensibly "inquisitorial investigation" into its affairs by
refusing to release information relating to the costs of its power production or the extent
of its power produced to the Beck Commission.\textsuperscript{106} Their defiance, however, simply
provoked Whitney to decree an order-in-council demanding they comply with the Beck Commission. As Humphries avows, at the last possible moment the EDC and the OPC eventually complied with the order-in-council and provided a small sample of their power production figures to Whitney only, preventing Beck from using them in his pivotal first report. Predictably, the Beck Commission endorsed public ownership too, though it differed from the Snider Commission in its insistence that the provincial government ought to form its own organization to regulate the electricity industry, not the municipalities, and that the province ought to intervene to provide power to the municipal utilities with the ultimate goal of eventually generating its own electricity.

The findings of the two inquiries only further reinforced the beliefs of those fighting for the espousal of the principle of public power as government policy, and they were willing to protest for it. For most of them, though, the report by Beck extolling the benefits of government ownership of the province's power resources was the proposal they preferred because the Crown was perceived to be the only entity wholly capable of financing the huge undertaking and ousting the privateers. Preference for Beck's position had emerged, however, long before the findings of his inquiry were published. Politicians from the influential "hive" region had previously responded to Beck's exhortations to organize for the purposes of agitating for cheap power by forming the Municipal Power Union of Western Ontario on 23 March 1906. On 11 April 1906, one week following the publication of the first of the Beck Commission's reports, roughly 2,000 delegates sporting "Cheap Power Convention" buttons and representing the Boards of Trade of Ontario, the Canadian Manufacturers' Association, the city of Toronto, and
29 municipalities comprising a population of over one million people descended on Queen's Park under the banner of the Power Union to rally support for public power.

The protestors gathered to persuade the Tory government to adopt Beck's proposals to form a permanent provincial government organization to construct, purchase, or expropriate the infrastructure required for the generation, transmission, and distribution of electricity and, also, to provide for the regulation of electricity and its subsequent sale at reasonable rates to municipal, industrial, and individual consumers. \(^{110}\) While "Beck's Power Union" were effective in their efforts to raise awareness of the public power message (e.g. a flamboyant rally at Queen's Park involving the leaders of the most influential towns and firms in Ontario was unlikely to go unnoticed), proponents of Beck's plan for publicly-owned power often resorted to less overt and more tactful methods to garner support for government intervention. \(^{111}\) From February to May of 1906, for example, the Premier's office was inundated with hundreds of petitions decreeing that only a government organization, operating without thought of profit, could possibly provide reliable power at reasonable rates for the people. \(^{112}\) Whether earnestly written on what appeared to be salvaged scraps of paper by the council clerks of rural farming villages or primitively typed on elegant letterhead by the secretaries of the Boards of Trade of prosperous manufacturing towns, every petition bore the same precise words:

That whereas the power of Niagara Falls is the natural heritage of the people of Ontario and as such should be conserved to the people as a whole. And whereas the success of our industrial enterprise depends upon cheap power in those parts where coal is dear. And whereas the present regulations are unsatisfactory in that power cannot be obtained from existing owners of franchises at reasonable rates. Therefore be it resolved that this meeting express its desire that the Ontario Government immediately take such steps as may be necessary to develop power at Niagara Falls and distribute it to municipalities within a reasonable distance
from that place, and that a copy of this resolution be forwarded to the Honourable Premier of this Province.113

Bombarded by these many letters from towns and business alliances urging the government to push on with Beck's proposals on the one hand and, on the other, with appeals from Pellatt and Nicholls for the opportunity to finally and fully elaborate on the position of the EDC on the conflict, Whitney was obviously caught in the crossfire of promoting public interests while protecting those of the private firms. While Whitney was known more for his aggressiveness than for his grace, Nelles intimates that, in plodding his way through the "surrounding dangers," Whitney demonstrated a degree of tact that most observers thought he simply did not possess.114 All that plodding, though, took time. Whitney was aware that he would not be able to just surrender to one side without serious reprisals. Indeed, the papers, politicians, and voters may have supported Beck's rather revolutionary proposals, however, the power companies were "the most capital-intensive enterprises" in the province and "no Premier could stand aside and watch the collapse of one with equanimity."115 To opt for the proponents of public power over the entrepreneurial elites, therefore, would have proven difficult. As both the spectre of Beck and support for government intervention became enlarged, Whitney grudgingly and tacitly crept to the pro-public power camp.

Suspecting this, Pellatt wrote to Whitney on 5 May 1906 to persuade him to uphold their interests instead and to refuse legislation which would undermine the work of the EDC. In his letter, Pellatt thought it prudent to remind the Premier that, though he knows Whitney is "being pressed very hard for power legislation before the close of the present session," the financial interests involved are "very large" and, for the EDC, those interests affected are among the largest in Canada and England.116 But, Whitney would
not be bullied. Humphries notes that the Premier's response to Pellatt's implicitly threatening letter intimating that the province's position in England's money markets would deteriorate if the Tory government failed to protect the entrepreneurs or if it compromised their interests with its prospective public power legislation was wily and intentionally insulting.117 After he had finished reading the letter, Whitney wrote to Pellatt to tell him that the public power question would be debated by cabinet on that day (i.e. Saturday, 5 May 1906) and that Pellatt ought to telephone him on Monday, 7 May 1906 to arrange to talk to him personally.118 Later that Saturday, Whitney's secretary telephoned Pellatt and left a message informing him that the government would be pleased to "hear any representations you may desire to make" concerning the public power question on Monday between 12:30 and 13:00.119 This effectively forced the president of the EDC, while cabinet continued to discuss the public power question, to cobble together a case against the government on Sunday and to argue it convincingly, in less than thirty minutes, the following Monday. Learning that Monday morning that government legislation on the matter was already written, Pellatt again wrote to Whitney to complain that the facts that he had hoped to present could not be forthcoming in the time permitted to him and that it was thus "useless" for him to take up their time.120 In response, Whitney promptly retorted to Pellatt,

I have your letter of this morning. I regret to observe the tone in which it is written... I have all along felt, and still feel, that it is quite possible to have this matter brought down to a reasonable conclusion, one which will satisfy all reasonable men, but such a conclusion will not be hastened by the display of a spirit on the part of the companies such as is indicated by your letter of today.121

Humphries willingly divulges that Whitney was arrogant in his fight against, and in his government's ensuing victory over, the privateers.122 Whitney was a tough, gruff,
small-town battler who would not "knuckle under" to those used to "deference and preference." The overwhelming groundswell of support for his government's public power policy undoubtedly bolstered Whitney's resolve. Though, in the beginning, he sought compromises with the entrepreneurs to try to solve the province's power problems, but his hopes for finding an optimal solution soon diminished. While the entrepreneurs were, probably understandably, guarded of their corporate affairs given that after investing so heavily in so risky an undertaking they were now poised to lose out on tremendous profits, their continually antagonistic conduct towards the government and the investigations of the two inquiries troubled Whitney immensely. Governments in Ontario were not known for inciting or prolonging hostilities with business. The government's interests seldom diverged from those of Ontario's business elites. Government interventionism in Ontario, for example, persisted throughout this period primarily because business found it useful and a patron-client relationship proved effective in promoting development and prosperity. Thus, it is tremendously intriguing not only that the leaders of the EDC clung to the notion that they could unilaterally construct and uphold a worthwhile and well-functioning provincial power grid, but that the Whitney Tories were willing to go against these powerful antagonists to pursue the principle of public power. Obviously, the Whitney government possessed enormous foresight of the prospective importance of electricity for the province and its people.

While most Ontarians were enthralled with Beck's ideas and with the thought of a future made brighter, quite literally, by the proliferation of cheap power, the government could not neglect to help protect and promote the future of its entrepreneurial elites or of the workers and subsidiary firms that relied on them. Regardless of the mythology of
pioneering entrepreneurs and unfettered economies, in Ontario, a firm as large and as financially fragile as the EDC not only looked to government for help, it expected it. When it was not swiftly on its way, however, the entrepreneurs guiding the power utilities did not hesitate to taint potentially beneficial relations with the government with a two-pronged campaign against Whitney's Tories in the English money markets and in the pages of the financial press. This undoubtedly hurt Whitney as Ontario's enviable progress in the early 1900s had been fuelled by investor optimism deriving from resource discoveries in the North and, also, by a reliance on British capital for its exploitation which was not about to be abated. Thus, when Whitney told Beck to introduce the Tory government's proposed power policy to the legislature, the victory over the ravenous privateers probably proved a bit bittersweet. The bill provided the underpinning for the province's unprecedented public power scheme and was based on three pivotal points: (1) the creation of a permanent hydro-electric commission (i.e. the HEPC), consisting of a three person governing body, one of whom must be a cabinet minister, as well as a support staff (e.g. engineers, clerks); (2) the capacity to negotiate contracts with any power company for the provision of power; and (3) the ability to acquire any lands, waters, or water power infrastructure through lease, purchase, or controversially, through expropriation, to ensure a reliable supply of power at reasonable rates (i.e. at cost). The bill went through swiftly. Within a week, on 14 May 1906, it received Royal Assent and within weeks, on 7 June 1906, the membership of the HEPC was officially pronounced and ready for work with Beck, a minister without portfolio, as its first chair. Following the victory of the hydro bill in the legislature, the HEPC got to work in the ensuing months ensuring voters would support the Tory government's public power
policy. Before the HEPC could begin building the electricity grid, voters would have to ratify the hydro bill by endorsing a by-law enabling their municipal leaders to begin negotiations with the HEPC for the provision of power to their municipalities. The vote on the hydro by-law was slated for 1 January 1907. As Beck and the HEPC began campaigning throughout the province in the summer of 1906 giving lectures and passing out pamphlets at events organized by the Power Union, the privateers began a parallel propaganda campaign to convince voters to reject the public power scheme. Whitney travelled to England during this time to combat the "alarmist propaganda being circulated in London" by the private power companies.127

THE PROPAGANDA ATTACK BEGINS

As stated, at the outset of the 1900s, Ontario's dependency on English funding for its development initiatives was immense and Whitney would not allow the privateers to risk this. Whitney was insistent that the legislation would not imperil the operations of the entrepreneurs as the legislation stipulated that the power would be bought from the private power firms and sold by the government. He did not expect the expropriation clause to be enacted. The entrepreneurs, though, were rightfully wary of the slippery slope proffered by the legislation and implored the governor general, Lord Earl Grey, and the Prime Minister, Wilfrid Laurier, to help. Learning of this before he left for England, Whitney wrote to Grey and Laurier to allay any fears they may have. In his letters he enclosed copies of the Tories' recent throne speech, clearly marking all of the relevant passages that dealt with its power policy. To Grey, Whitney wrote that, though it is true
that his government had received criticism for its power legislation, "it comes from persons either ignorant of the facts or actuated by selfish motives."\(^{128}\) He maintained that his government would not resort to "expropriation nor development" as they would be able to arrange for the reliable provision of electricity from the private firms at reasonable rates.\(^{129}\) To Laurier, Whitney wrote essentially the same, stating that there was "no justification for the alarm manifested" over the consequences of the power legislation as his government was unlikely to revert to using the expropriation clause.\(^{130}\) While in England, Whitney found out from representatives of the top financial firms in London of the "misrepresentations perpetuated by the power companies" which "disgusted him" and he diligently worked to eradicate distortions and expound his government's position.\(^{131}\) He also learned, from his office in Toronto, that the EDC, through an advertising agency, was quickly buying up huge blocks in the pages of the letters to the editors and editorial pages of the papers in England and in Ontario in an all-out effort to influence the press and, consequently, the public.\(^{132}\) The ink of the adverts invariably seeped into the words of the editorialists. When the American-owned OPC opted to co-operate with the Whitney government in the fall of 1906, determining that it would undoubtedly benefit from a privileged position for the purchase of its power if it abandoned its armaments and defected to the pro-public power camp, the EDC's propaganda efforts intensified as it was now alone in its fight against the Tories.

As Denison alludes, the propaganda campaign of the privateers ultimately proved ineffectual.\(^{133}\) Only a few outlier papers refused to support the public power initiative and most of the privateers' claims, or those of its purported experts, were discounted as those of the "interested or disgruntled."\(^{134}\) In the end, voters throughout the province
overwhelmingly approved the power by-law enabling their respective municipalities to enter into negotiations with the HEPC. Victory again for the proponents of public power, however, the battle had not been won. On New Year's Day 1908, the government determined that voters would again go to the polls to decide whether or not their particular municipality could sign an exclusive contract with the HEPC for electricity.

Nonetheless, in 1907, the HEPC began working on establishing the energy grid in earnest and sought prices from both the OPC and the EDC for the provision of power at the Falls. Though the OPC tendered lower power prices than the EDC, the Whitney government nonetheless tried to involve the EDC in its undertaking, given its Canadian lineage and its increasingly precarious financial position, by requesting that the EDC resubmit its prices and imploring the OPC to split its contract with the rival EDC. But, both were obstinate. The EDC insisted it submitted its best price and the OPC insisted they ought not to be penalized for submitting a competitive bid and being continually co-operative with the government when the EDC obviously had not. On 30 April 1907, the Whitney government grudgingly endorsed a deal between the HEPC and the OPC. The EDC retaliated to the OPC deal by persisting in its propaganda campaign to discredit the Tory government and forcing Whitney to, once more, travel to England to quell the rumours of his government's and province's dwindling reputation in this critical financial centre. Whitney found himself not only having to defend himself and the efforts of his Tory Party, he had to defend the struggling EDC too. Choosing the foreign-owned OPC over the Canadian EDC confused the fickle London financiers whose declining confidence in the province's politicians and economic prospects consequently caused its reputation and its credit rating to plummet. Whitney would undoubtedly have been
horrified upon his return home to witness the unrelenting hammering of Beck's propaganda machine as it pounded the EDC whenever it could. On the strategic battleground of Toronto, where the Toronto Electric Light Company, a subsidiary of the EDC, possessed a power monopoly in the largest and most lucrative market in Ontario, the pounding worsened. When city council in Toronto confirmed that they would not pursue expropriation and intended to form their own utility to compete against the EDC's firm, Beck, the HEPC, and the Power Union hit even harder.

In one pamphlet that circulated, entitled *Catechism on the Power Question*, the proponents of public power evoked the righteous religiosity of the ordinary, orderly individual and proselytized that through public ownership of the province's power resources, the people would benefit from more numerous, more prosperous industries, brighter homes, lighter burdens, and safer streets, all at a low, low price.\(^{138}\) For Beck, the enduring fight was one of good versus evil. As Nelles avows, through the fastidious manipulation of emotionally laden rhetoric, Beck and his allies were able to influence the masses by substituting "a confusing, complex maze of ambivalent technical arguments with a simple world of heroes and scoundrels. In Beck's exciting fictional world it was so much easier to choose sides."\(^{139}\) On 1 January 1908, voters throughout the province unsurprisingly sided with Beck, thus permitting their municipalities to sign a contract with the HEPC.\(^{140}\) The first of the contracts were signed on 4 May 1908. The contracts indicated that the HEPC would provide the municipalities with the power they required and it would build the transmission lines and transformer stations from the Falls, while the municipalities promised to purchase power from the HEPC only.\(^{141}\)
Evidently, 1908 proved a prodigious year for the advocates of public power. Buoyed by immense popularity and the confirmation of the HEPC contracts, the Tories seemed to be unsinkable as they sailed on a sea of support for public power into the polls on 8 June 1908 and were re-elected with a majority. Reports that the rival EDC ship was sinking due to the fiscal imprudence of its directors elated Beck. However, knowing Whitney persistently intervened to try to save the EDC undoubtedly troubled him. In late 1907, the bondholders of the EDC informally took control of the firm and approached Whitney about the possibility of the government acquiring the company or of a merger with the OPC. Through Whitney's involvement, in late 1908, the EDC and the OPC engaged in secret merger negotiations. They ended within weeks, though, when the counsel for the OPC learned that it was financial improprieties that had sunk the firm. Funds intended for power infrastructure work at the Falls were furtively diverted. If word eventually got out of the EDC's indiscretions, it would prove ruinous. Therefore, the OPC refused the partnership offer and the government refused to expropriate the firm. With no group willing to save the ship, on 14 February 1908, William Mackenzie, one of the formerly quiet directors of the EDC, began reorganizing his financial affairs to allow the EDC to drift into his own utility holdings. The OPC may have already won the generation contract and the EDC may have been a bit humbled, but Mackenzie was optimistic that the EDC could win the transmission contract. Interestingly, though the Tories were then the only political party espousing the concept of public power, prior to the 1908 election, neither the Premier nor the HEPC had actually committed to public
ownership of the transmission system. As Nelles argues, this ambiguity allowed voters waiting to go to the ballot boxes the belief that the Tories would inevitably pursue public power if they were re-elected, while it provided the privateers the perception that it was unlikely that they would be ousted from this profitable undertaking, given that the Premier and other top Tories, behind Beck's back, secretly pursued possible options with the EDC to try to find a solution which would be of benefit to both of them. No solutions, though, emerged from these negotiations. When the Whitney government advised the HEPC in August of 1908 to just hire a construction company to construct the transmission lines on its behalf, the EDC was hit hard. The failure of its petition to the federal government to disallow as ultra vires the Tories' ensuing 1909 legislation validating the might of the HEPC and of its contracts proved to be the knockout punch.

With no opponents now impeding their progress, the Whitney government and the HEPC could devote themselves entirely to the task of finishing the first part of the public power system. From 1909 to 1910, most of the transmission lines linking the Falls with the towns in Southern Ontario that had signed on with the HEPC were erected. For its pivotal role in initiating the public power campaign in 1902, Berlin was chosen as the community where electricity from publicly-owned wires would first flow. By 6 September 1910, Beck was able to telegram to Whitney, who was again travelling in England trying to mollify the worries of nervous British investors, the terse message that: "Test line far as Berlin most satisfactory, Beck." By 12 September 1910, Beck telegrammed again to tell Whitney that all was ready in Berlin and that the government ought to begin preparing for a "switching on" ceremony as soon as possible. On 11 October 1910, public power electrified Berlin.
Elaborate bunting, ubiquitous strings of lights, and throngs of eager onlookers greeted the trainloads of dignitaries who disembarked in Berlin and proceeded in elegant open cars to the skating rink for the ceremony that afternoon where roughly 11,000 waited eagerly in the dark. Persistent in its capacity for the dramatic, the ceremony commenced with a little girl wearing a crown of tiny lights walking towards Whitney with a garlanded tray on which was the button to turn on the lights. Piercing the silence, Whitney spoke to the spectators and explained that though he would be pleased and proud to push the button on behalf of the province, he proposed using a "tried and true instrument" and, spinning round, grabbed Beck's hand and used it to push the button. As the crowds cheered, the rink was flooded with the flow of electricity from the Falls, illuminating lights of all shapes, sizes, and colours, the crown of bulbs and the girls' gown lit up, and exhibits of electrical equipment throughout the rink lit up and noisily whirred and whirled. At a gala banquet that evening, aptly cooked by electricity, Whitney divulged that, in its pursuit of the principle of public power, his Tory government was attacked, vilified, and slandered. Large sums of money [were] expended in creating and fomenting prejudice and ill-feeling against us, and still larger sums [were] expended in conducting a campaign against us in the press outside, I am happy to say, of Ontario. Our opponents left nothing undone which could be done and men and influences from the humblest man... to the Prime Minister of Great Britain were approached in the endeavour to destroy our power legislation and render it impossible for this wonderful new force to be used and employed by the people except on the terms laid down by individuals. Further we were told that our actions in this matter would destroy the financial credit of Ontario, and indeed of Canada, and men who held themselves out as friendly to our electric policy made strenuous efforts in secret to induce the Ministers at Ottawa to disallow our legislation. Later, Whitney further intimated that,
[w]hen, if ever, the secret history of the fight of the corporate electric interests to destroy the [HEPC] project is made public, the people will indeed be amazed. The unfair and dishonest methods against this legislation prove clearly that when men's pocketbooks govern their actions they are not as a rule particular as to the nature of the means they are willing to adopt. From the beginning, the electric interests in Toronto and elsewhere were the bitter opponents of this legislation... An emissary was sent over to England and the so-called financial journals there blossomed out with editorials made up very largely of misrepresentations and frigid, calculated falsehoods... Emissaries were sent out among the farmers owning land over which a transmission line was to pass, loaded up with all manner of falsehoods by means of which to spread anxiety and alarm among the people. Last, and also least, the opposition in the legislature... settled down alongside the electric interests and has... [done] all in its power to destroy the hydro-electric power scheme.  

Indeed, the Tories endured tremendous opposition. The integrity of the undertaking itself could not ensure its triumph. The victory of the public power forces in Berlin, therefore, proved decisive for the HEPC. Reporting on the lighting up of Berlin, however, the Globe lamented that, though the inauguration of the HEPC's transmission lines was undeniably a "great event in the history of Ontario," it was a "disappointment" that the power derived from a privately-owned generating station rather than a publicly-owned one.  

The Globe keenly noted, though, that in its inception, the public power project was not political, "it went up to Queen's Park from the people, not down to the people from Queen's Park."  

Obviously, the provision of power in Ontario was never devoid of political interference, interest, or conflict. The prospects of the HEPC in 1910 were boundless, but they were bound to be political. Provincial politicians and voters would work vigorously over the coming years to define its directives and influence its development.

POWER FOR THE PEOPLE
In similar towns, uttering similar speeches, to the ovations of similarly enthused spectators, the kilowatt army moved onwards and the hegemony of "the Hydro," as it was known to Ontarians, surged. As more and more transmission lines and towns enlisted in its ranks, the practicality and perceived morality of its mission (i.e. reliable power for the people at reasonable rates), the monopolistic proclivities of the electricity industry (e.g. prohibitively expensive), and the unremitting ambitions of its leadership (i.e. Beck), prompted people to begin thinking that the government ought to get involved in the generation of power too. The HEPC was both profitable and popular and, within only one year, the Ontario government owned the longest and highest voltage transmission system in the world.\textsuperscript{159} While the HEPC progressed with its good infrastructure work, Beck devised and instigated his inimitable "Hydro Circus" program. Beck's circus was basically a convoy of HEPC promoters who would travel from farming counties to country fairs endorsing the benefits of electricity and the Tories' rural electrification initiatives and demonstrating various electrical devices which promised to reprieve farmers and their families from the toil of household chores and the drudgery of farming life.\textsuperscript{160} The convoy itself consisted of two covered trucks, one with motors to tap into the closest electricity line and the other with transformers to convert the electricity into a safe and useful voltage which would power the varying electrical gear, gadgets, marquees, and any other ancillary electrical equipment the convoy vehicles could carry.\textsuperscript{161} As a promotional tool the "Hydro Circus" quickly emerged as more than a mere gimmick. It ingeniously promoted electricity usage and electrically-powered devices produced in the province while simultaneously promoting rural electrification, further government regulation (i.e. to overcome the poor logistics and economies of scale to do so), industrial
diversification and decentralization, improved farm productivity, and the infrastructural and institutional growth of the HEPC as top priorities for the Tory government following its re-election in 1911.162

In the final years of the Whitney government, electricity demand doubled and the might of the HEPC rose congruently. At the start of World War I in 1914, prior to Whitney's death that autumn, the HEPC reacted to experts' projections on the probable increase for wartime demand for power and found its opportunity to get into generating. In the summer of 1914, it bought a generating station on the Severn River near Barrie and, before winter began, it had built its first generating station further downstream and its second generating station on the Beaver River near Meaford.163 "Just let anybody try to stop us," Beck taunted Hydro's rivals at its inauguration.164 In 1916, the Tory government of W.H. Hearst bought out most of the EDC (i.e. the EDC retained rights to a single generating station at Niagara Falls, though the government bought it, too, in 1922) when the firm became incapable of providing enough power for the homefront war effort because of neglected and outdated infrastructure.165 In 1917, the government bought out the OPC and then began building a huge generating station at Niagara Falls, a mega-project comparable to the construction of the Panama Canal.166 In 1918, HEPC construction crews descended on Northern Ontario to tap its waterpowers. At the end of World War I in 1918, as factories, farms, mills, and mines shifted gears from the full throttle production of munitions and other war materials, electricity demand had tripled.167 The prescience of the Whitney government's electricity policies were evinced during the war years under Hearst as the Hydro worked vigorously to ensure demand did not outpace supply and emerged as the definitive key to the province's future promise and
prosperity. And, when the work of "the Hydro" was not proceeding fast enough or thoroughly enough, as voters reminded the Tories when they were dawdling with their rural electrification efforts and briefly elected E.C. Drury's United Farmers of Ontario in 1919, the demand for public power intensified.

CONCLUSION

The objective of this chapter was to expound upon how and why the Tory government of James Whitney pursued a publicly-owned power system in Ontario. This chapter traced the onslaught of the kilowatt army in Ontario, that is, the proliferation of the principle of public power, from its inception at the outset of the 1900s to its undisputed entrenchment in the post-World War I period. The Whitney government's decision to wholly endorse the concept of public power and, consequently, to capture control of the province's burgeoning power grid proved unique among all provinces and states throughout North America.\textsuperscript{168} Yet, it is typical of the province's political economy and of the historic propensity of the Crown to hold on to control of the province's strategic staples sectors to prod or steer development and to procure royalty revenues. Ensuing government interventions in electricity during the 1900s provided for the further growth of the former OH into power generation and, for some of the more rural and remote regions of the province, power distribution. Ontario Hydro loomed like an unruly leviathan by the late 1900s, growing into one of the biggest, yet most ingenious, of all utilities, in all jurisdictions on the continent. Throughout the history of Ontario, governments routinely intervened in the lucrative resource-reliant industries in which
Crown ownership rights persisted to ensure the developments were consistent with the perceived goals of the province, to control the type and intensity of the development work undertaken, and to procure a fair portion of the profits generated for the province's coffers. While intervening governments were nothing new, the Whitney government's decision to reassert its statist abilities in the power sector and defend Crown ownership of the province's hydro resources against influential financial elites for the purported benefit of the people of the province, was unprecedented.

Frustration, pragmatism, and enmity were the three groups of factors which provoked people's furor for transformation in Ontario's emerging energy market and provided the impetus for the Tory government to get involved in the fight for publicly-owned power. First, the Whitney government responded to the people's frustrations with the oligopoly of privately-owned power firms, particularly the EDC and its defiant leaders, who gouged them with high prices and gave them lousy, erratic service in return. Moreover, they were only really interested in servicing the populous metropolitan Toronto region and ignored the less populated, though thriving, periphery region. The benefits of electricity and of using electric devices in industry were proving integral to the emerging economy and thus the government and the people were mutually enthused by the prospect of low-priced, plentiful, publicly-owned hydro-electricity for everyone.

Second, the Whitney government reacted pragmatically, as was the proclivity of previous governments, to the volatility of coal markets during the paradigmatic shift to hydro technology in the early 1900s by reaffirming Crown rights over the province's more and more lucrative hydro resources to protect and promote the emerging hydro-electricity industry when the independent power firms proved incapable of effectively
exploiting it. Building a power grid from the ground up in the early 1900s, though, was neither an easy or inexpensive undertaking. The power firms genuinely found it difficult to do so and only the government possessed the political, financial, and legal wherewithal to go against them and tactfully approve grid sitings, negotiate rights-of-way with landowners, finance the construction of the infrastructure, and guarantee the province's energy security.

Third, the Tories intervened to try to allay concerns that the province was losing what was emerging into one of its most strategic economic sectors to foreign or elite interests. Ontario governments tended to be obliging to business, but the Whitney government was wary of the intentions of the privately-owned power firms given their past performance records and, also, of the tight grip they were unwilling to relinquish on the province's pivotal hydro resources. The Tories understood the enormous promise of electricity for the future of the province. Electricity exemplified the future and, if the province was to thrive in the future, it had to facilitate the invasion of electricity into every home and industry in Ontario. Pronouncing the virtues of public power, the province eradicated the rival power firms, established OH as a Crown entity devoted to the mandate of providing power at cost, and ushered in an era of affordable and abundant electricity for Ontario which, evidently, reinforced the province's envied development in the twentieth century.

The fight for public power proved a tough, though quite proficient, campaign. The initial hive of interests endured tremendous defeats while trying to persuade the government with their proposal, as did the Whitney government while trying to persuade influential financiers, for example, that the public power scheme would not be injurious
to the province's economy. The campaign consisted of extensive organizing, lobbying, a huge rally at Queen's Park, and a massive letter writing drive involving hundreds of farming villages and manufacturing towns. For the Whitney Tories, it involved two royal commissions of inquiry, going against the prominent, truculent leaders of the independent power firms, prevailing in a legal skirmish against the federal government of Wilfrid Laurier, assuaging unrelenting public pressure, and defusing a potentially damaging Anglo-Canadian propaganda attack against them.

The incursion of the Whitney Tories into the province's nascent power sector is entirely consistent with the neo-Mackintoshian or new staples approach as it proves that the state sought to use its statist abilities for the simple benefit of the state and for the promotion of subsequent economic spinoffs or linkages, to use M.H. Watkins' terminology. Ensuring the province's energy security and providing consistent power at cheap prices so that businesses in Ontario could compete with, or prevail over, their competitors from rival jurisdictions was integral to the government's overarching goal of promoting Ontario's promise and prosperity. The Tories defended the Crown's rights over its hydro resources to ward off the envoys of foreign interests and to use this tactical staples sector to spur and then oversee development in the province which is the same strategy that any proponent of the neo-Mackintoshian approach would have recommended. The Whitney government chose to use its clout to champion public power and to promote policies which would encourage indigenous industrialization and economic growth.

The Tories' intervention in the electricity industry had an inimitable and irrefutable effect on the province's ensuing eminence throughout the 1900s. Yet, the
lingering, enduringly wistful thought that the Tories' espousal of public power came, fundamentally, from an attempt to mollify the frustrations of a hive of small town leaders and small industrialists, to overcome the province's reliance on volatile foreign energy, to reinvigorate the province's frustratingly sluggish economy and contribute to its coffers, and to quell the public's frustration with a coterie of quarrelsome entrepreneurs who were gouging consumers is intriguing, though nonetheless, a tad troubling. The fight for public power might have manifest from benign, noble, populist origins, but it was prolonged by strict, tacit economic imperatives. The creation of OH and the march of the kilowatt army was integral to Ontario's resultant economic success because of its commitment to cheap power at cost. Electricity policy, evidently, underwrote the cost of the province's envied development. Chapter Three divulges that paying for that commitment had a price of its own.


5 Hampton, 16

6 Though the HEPC was long referred to as "the Hydro," its official designation as "Ontario Hydro" began in 1973. Ontario Hydro, 1, 19-24


10 Nelles, 216

11 Denison, 20-22

12 Ibid, 14-17, 283

13 "The Electrical Empire," *Globe* (5 August 1905), 1

14 Denison, 7-8

15 Ibid, 8

The lauded "manufacturing condition" was an amendment to the 1849 Crown Timber Act which was "timidly" introduced to the legislature by Liberal Premier A.S. Hardy (as he astutely feared reprisals from the US) which forced foresters who chopped timber on Crown lands to process it into lumber prior to export to increase its value and thus increase government royalty revenues, as well as promote economic growth and diversification in the province. Though a "qualified failure," for the government found it difficult if not impossible to extend the principle to other natural resource industries outside of forestry, the manufacturing condition proved defining legislation in that it demonstrated the new vigour of the provincial state and manifest a divergent government attitude towards the development of the province: an interventionist government that was willing to initiate demands as easily as it was willing to engage in negotiations. The manufacturing condition was enacted on 30 April 1898. Ibid, 51, 73-74, 309-310


In 1905, the *Globe* reported that prior to "the invention of the steam engine coal was not a factor in the production of power and was not, therefore, the element in human progress which it has become in the last century." However, the "use of coal is a robbery, and the thieves as usual have made little comparative advantage of the swag." The *Globe* noted the "obvious" dirt created by coal and its suspect climatic and meteorological impact and it conceded that "it is to the energy derived from coal that are due the advances of modern times." While "it was the coal of Britain that gave her commercial supremacy," the *Globe* optimistically reported that, "as though by a law of compensation, those countries which have hitherto suffered from a lack of coal will now benefit from the possession of water power." "Electricity VS Steam," *Globe* (5 August 1905), 2

29 Nelles, 223

30 Ibid, 32

31 Ibid, 33

32 The first lease was for 20 years, however, a clause in the contract enabled the CNPC the option to renew the lease for four further 20 year periods thus constituting a 100 year monopoly. Ibid, 34; Denison, 25

33 Ibid, 35

34 Ibid, 335-36

35 Denison, 27


37 Nelles, 34, 224

38 Ibid, 224

39 Ibid, 225

40 Denison, 25

41 Nelles, 227

42 Ibid, 227, 240

43 Ibid, 227-228
44 Denison, 36

45 Charles W. Humphries, "Honest Enough to Be Bold": The Life and Times of Sir James Pliny Whitney (Toronto: University of Toronto Press, 1985), 85-86

46 Ibid, 86

47 Denison, 36-37

48 Nelles, 229, 232

49 Ibid, 232

50 Nelles, 237, 240

51 Ibid, 239

52 Ibid, 225

53 Froschauer, 60

54 Nelles, 235

55 Ian M. Drummond et al., Progress Without Planning: The Economic History of Ontario From Confederation to the Second World War (Toronto: University of Toronto Press, 1987), 134-135

56 For example, W.A. Mackintosh, "Economic Factors in Canadian History," Canadian Historical Review, IV:1 (March 1923), 14

57 Nelles, 251

58 Ibid, 251; Denison, 29

59 William Rothwell Plewman, Adam Beck and the Ontario Hydro (Toronto: Ryerson Press, 1947), 30

60 Ibid, 30

61 Denison, 29-30

62 Ibid, 30; Plewman, 30

63 Plewman, 31
When Whitney pronounced that the power of the Falls ought to be "as free as air," it implied, he obligingly explained, that "these powers should be as free as air not only to the monopolist or the friend of Government, as it used to be, but every citizen under
proper conditions should be free to utilize the powers that the Almighty had given to the Province." And, as Nelles explains, Whitney promised that the Tories would not just expand the number of firms exploiting the Falls as the Grits had, but they would "take action to ensure the equitable distribution and inexpensive consumption of the product of those magnificent and publicly owned waterpowers." Ibid, 257

86 The results of the 1905 Ontario election are as follows: Conservatives, 69 seats (53.36% popular vote); Liberals, 29 seats (45.35% popular vote); Other, 0 seats (1.29% popular vote). Humphries, 94

87 Plewman, 45

88 Ibid, 47


90 Humphries, 113

91 Ibid, 153

92 Nelles, 268

93 Ibid, 268

94 Ibid, 268-269

95 Letter, J.F.M. Stewart, Secretary of the Canadian Manufacturers' Association, to J.P. Whitney, 15 March 1906, F5 James Whitney Papers, MU 3119, Archives of Ontario

96 "Urgent Need of a Power Policy," Globe (27 April 1906), 6

97 Ibid, 6

98 "Ontario's Interest in Electricity," Globe (10 May 1906), 6

99 On 2 May 1906, Frederic Nicholls, one of the directors of the EDC, wrote to Whitney to invite him to the cornerstone ceremony. However, possibly as proof of the growing enmity between the Tory government and the EDC, Whitney promptly replied on 3 May 1906 to decline the invite. Whitney wrote that it was "utterly out of the question" and "impossible" for him to "leave the public business at that time" despite Nicholls' promise that the "most prominent bankers, financiers, and merchants," as well as provincial and municipal politicians, would be present. Letter, Frederic Nicholls to J.P. Whitney, 2 May 1906, F5 James Whitney Papers, MU 3120, Archives of Ontario; Letter (Reply), J.P.
Whitney to Frederic Nicholls, 3 May 1906, F5 James Whitney Papers, MU 3120, Archives of Ontario


101 Nelles, 259, 261

102 Ibid, 264-265

103 Denison, 48-49

104 Nelles, 263

105 Ibid, 264 ff 9

106 Ibid, 261

107 Humphries, 151-152

108 Denison, 264

109 Ibid, 260


111 Nelles, 264

112 Ibid, 264

113 For example, Letter, The Board of Trade of the Town of Berlin to J.P. Whitney, 4 April 1906, F5 James Whitney Papers, MU 3119, Archives of Ontario

114 Nelles, 266

115 Ibid, 265

116 More precisely, and possibly more edifyingly, Pellatt's typewritten letter to Whitney states that "[t]he financial interests are very large, and in the case of the Electrical Development Company, some of the largest financial interests in Canada, as well as in England, are affected." The words "in England" are underlined twice in pen. Letter, H.M. Pellatt to J.P. Whitney, 5 May 1906, F5 James Whitney Papers, MU 3120, Archives of Ontario

117 Humphries, 152
The HEPC figured it required roughly 25,000 horsepower of electricity. The OPC presented a bid of $10.40 per horsepower per annum while the EDC tendered a bid of $12. The OPC tendered one more bid when it was discovered that power could be more advantageously handled at a very high voltage. The OPC agreed to provide up to 25,000 horsepower for $9.40 or for $9 if more horsepower is purchased. In its first year, the

136 Nelles, 273

137 Ibid, 274-275

138 Ibid, 277

139 Ibid, 277

140 The first towns to sign on with the HEPC included Berlin, Galt, Guelph, Hespeler, London, New Hamburg, Preston, St. Thomas, St. Mary's, Stratford, Toronto, Waterloo, and Woodstock. Technical considerations still constrained the limits of the HEPC's reach at this time. Denison, 70

141 The price of the power was based on the total amount purchased by the municipality and the distance it had to be transmitted. Toronto, for example, requested the most, 10,000 horsepower at a cost of $18.10 per horsepower per annum, while New Hamburg requested the least, 250 horsepower at $29.50 per horsepower per annum. The average rate in 1908 was $22 per horsepower per annum. Ibid, 70-71

142 Nelles, 282-283

143 Ibid, 284

144 Ibid, 285-286

145 Ibid, 287

146 Ibid, 287-288

147 Humphries, 176-177

148 Plewman, 65

149 Telegram, Adam Beck to James Whitney, 6 September 1910, F5 James Whitney Papers, MU 3130, Archives of Ontario

150 Memorandum, Adam Beck to the Office of the Prime Minister and President of the Council, Ontario, 12 September 1906, F5 James Whitney Papers, MU 3130, Archives of Ontario
While roughly 11,000 were inside the rink, the *Globe* reported that thousands were outside, too, awaiting the procession of cars. "Niagara Power Inaugural Demonstration at Berlin," *Globe* (12 October 1910), 2

Besides being "attacked, vilified, and slandered," and despite dissension within the Conservative Party itself to public power, and to Beck particularly, "Beck's enemies" and other foes of its power policies took to offering bribes and hiring women, for example, in vain efforts to corrupt, seduce, or entrap prominent Tories and HEPC officials. Plewman, 85, 97-98

"Power for the People," *Globe* (12 October, 1910), 5

In 1911, the HEPC had $142,791 of expenses and $168,229 of receipts for a profit of $25,438. Its 110,000 volt transmission system spanned 281 miles using 1,145 miles of wires and 3,094 towers. Pamphlet #84, Conservative Party of Ontario, "Good Work for Ontario: The Splendid Record of the Whitney Government," 1911, Archives of Ontario

For example, food was cooked in electric ovens while cows were milked with electric milking machines and the fresh cream provided, "so long as the supply held out," with complimentary cups of coffee. Ontario Hydro, 28
CHAPTER 3
TRILLION DOLLAR BABY:
EXTERNAL FORCES IN THE FIGHT FOR
ELECTRICITY REFORM IN ONTARIO

Energy is the essence of modern civilization, and as societies and economies
grow, so does energy consumption... The world's energy needs, and their potential effects
on the environment, can hardly be exaggerated. Producing, processing, and transporting
energy costs more than $3.5 trillion every year, more than the U.S. federal budget or the
GDP of most nations. The expense increases significantly every year, as the world's
population and economy grow.1

S.J. Friedman and Thomas Homer-Dixon, "Out of the Energy Box" (2004)

For almost a century, Ontario Hydro (OH) was Ontario's champion. The OH
monopoly and the principle of publicly-owned power was unbeatable. In providing
power reliably and at reasonable rates, the OH monopoly was undisputed. Crown control
of OH proved a useful policy lever for the province in ensuring its unrivalled
development and its ensuing, enviable prosperity. The province and industry had a
reciprocal interest in its triumph. Industry relied on OH for fine service to pursue its
profit motives and the province used OH to pursue its development policies, underpin the
province's economic competitiveness, and contribute to its coffers. Further, the people of
the province irrefutably benefited from the proliferation of electricity and the economic
spinoffs it produced. The notion of a wholly benign or obstinately obliging power
industry, though, is illusory. Ontario Hydro was a strategic invention that was used
strategically throughout its existence by the province and industry. It was Ontario's
champ, yet it was a champ that had no opponents. Other contenders emerged wanting to
join in the energy ring, but only if OH hung up its gloves. The possibility of obtaining a
part of the trillions of dollars of prize money made yearly by global energy firms lured
them in. Ontario Hydro's new Tory managers forced it into retirement. However, even
in retirement, the legacy of OH loomed large. Thus, it is intriguing to ponder, why would the government give up on OH? Why was OH forced into retirement when opponents finally came forward? Why would the Tory government not want to continue to grab a portion of the trillions of dollars of revenue that the energy industry generates yearly throughout the world for the benefit of the province? Why would they want to forfeit such a profitable part of Ontario's fiscal portfolio? Finally, why would the Tories opt to now oppose publicly-owned power, to renounce a principle their Tory precursors fought to promote and ensconce within the province's political economy, a principle that had proven so advantageous to the province, its people, and its industries for nearly 100 years?

Chapter Three explores the external forces which put pressure on the Tories to try to restructure the electricity industry in Ontario. The external factors which proved the most influential in provoking the Progressive Conservatives (PC) to pursue their reforms were: (1) the proliferation of neoliberalism, (2) the predominance of the invasive "supraconstitution," and (3) the emergence of novel energy generating technology. The ascendancy of neoliberalism, firstly, has led acquiescent governments to open previously protected markets, to integrate strategic economic sectors and economic regions to try to promote freer markets, and to initiate an array of neoliberal-based multilateral agreements that prevent its signatory governments from later manoeuvring away from them.

Secondly, whether unwittingly or not, the North American Free Trade Agreement (NAFTA), the World Trade Organization (WTO), the General Agreement on Tariffs and Trade (GATT), and the General Agreement on Trade in Services (GATS) have worked together to establish a powerful supraconstitution that functions as an intrusive form of
global governance that constrains the capacities of sovereign states. The pressure imposed by the supraconstitution might be the most influential, though furtive, of the external factors advancing the energy goals of the U.S. and the ensuing reforms undertaken in Ontario. The supraconstitution thwarts the ability of governments to effectively govern themselves, often permits foreign firms or interests to prevail over indigenous ones in legal hearings, weakens democracy by weakening the authority of democratic state institutions, and cements neoliberal tenets into state structures.

Innovative new technology, thirdly, has proven vital in giving private companies the chance to compete against public corporations using small-scale equipment and comparatively low-cost fuel (e.g. gas, coal, renewables), boosting the prospect of export profits for entrepreneurs, and improving the viability of energy integration proposals. The emergence of ostensibly puny, though powerful and efficient energy generating equipment that may be built more easily, less expensively, and begin contributing to the grid and making money more quickly than comparable "mega projects" (e.g. nuclear reactors, hydro dams) was revolutionary. New technology trounced the notion that bigger was better and it permitted investors the opportunity to recoup their construction costs more promptly than the monopolies could. While the transmission and distribution portions of the grid infrastructure have retained their monopolistic traits, generating and energy retailing could now become competitive enterprises. Appeals by neoliberals to governments for an unfettered energy industry and the integration of energy grids, given its potentially huge profitability, predictably followed.

The onset of novel energy generating techniques in the early 1900s (e.g. harnessing hydro, AC transmission over extended distances) played a pivotal part in the
decision of the Tory government of James Whitney to espouse the principle of public power. Intriguingly, the emergence of new technology in the late 1900s (e.g. relatively tiny, rapidly constructed, reliable, and economical natural gas generators) which permitted the efficient production of electricity played a decisive part in the decision of the Tory governments of Mike Harris and Ernie Eves to try to renounce it. Unlike the Whitney Tories, however, whose opposition to the industrialists in Ontario and the financiers in England only emboldened their efforts to pursue public power, the Harris-Eves Tories could not ignore the overwhelming influence of the exigencies of the global political economy. Along with technological progress, the growing magnitude of the global economy and the onslaught of neoliberal-inspired global governance put enormous pressure on the Harris-Eves PCs to rethink the Ontario Hydro (OH) monopoly and the continuing virtues of public power.

To get an understanding of the advance and retreat of the principle of public power, it is essential to gain an understanding of the unrelenting progress intrinsic to the electricity industry as it evolves, grows, and copes with fluctuations in energy sources, fuel supply, capacity, and demand. The ability of the state to handle this progress and growth ought to be closely examined. Energy is now a global game and the energy ring is now open to all global combatants. It is up to those involved, whether governments, regulators, entrepreneurs, or even end-users, to re-negotiate the rules that they will all abide by. Enduring the bullying of the proponents of neoliberalism, the Tories had the option to fight back against market-based reforms. Given the tinkering and wobbling which ensued, its possible the Tory government did not know its own strength. By pursuing the strategies promoted by the new staples theorists (i.e. NSPE) and using the
strength of the interventionist state, it is posited that the province could have continued to be not only a hard-hitting fighter in the energy ring, but a consistent winner.

As stated at the outset of Chapter One, the theoretical notions upon which this thesis is built are amicable to those articulated by the NSPE theorists. Throughout Ontario's history staples have played an inimitable part in its evolving political, social, and economic pre-eminence and its eventual emergence, as H.A. Innis intimates, from a mere outpost of the British Empire to a modest empire itself within the Canadian federation. In opting to espouse a more positive view of the prospective benefits of staples in the development of the province's political economy (i.e. embracing NSPE precepts), the reforms underway in Ontario's electricity industry do not need to be thought of negatively as an irreversible affront to regulatory governance in the province. Rather, they might be thought of as an opportunity to rebuild some of the state institutions that unfortunately were allowed to degrade through misuse, mismanagement, or neglect. While wary of the often plundering habits of foreign involvement in the economic history of the nation and, also, of government policies promoting the exploiting and exporting of staples, NSPE theory insists that through a strong, willing state, the worst elements of those relations which inhibit the state's abilities might be mitigated and the worst parts of the nation's past will not be repeated. Thus, to try to resolve the problems now replete within the province's vital electricity industry, the authority and ability of the state to function within it ought to be reiterated. Giving up on public power effectively pulls government out of the energy ring and renounces the people's interests in what was, formerly, an unassailable public good. Indeed, if government gives up the ring, it is unlikely it will ever go back in.
Chapter Three begins by identifying the federal and provincial governments' interests in the growth of Ontario's energy industry and its ongoing integration with the United States (U.S.) and the Canadian-American (CAN-AM) grid. The chapter then proceeds to discuss the influence of neoliberalism and of the formidable supraconstitution on the transformation of the province's electricity industry. Chapter Three concludes by describing the recent developments in generating technology and determining whether or not Ontario's energy ring is ready for new competitors.

GOVERNMENT INTEREST IN THE LUCRATIVE PRIZEFIGHT

The electricity industry is immensely lucrative. International revenues total trillions of dollars yearly. The International Energy Agency (IEA), the energy watchdog for those states belonging to the Organization for Economic Cooperation and Development (OECD), notes that the North American electricity industry is the biggest in the world, comprising 30 percent of the world's electricity production and roughly 3 percent of North American GDP. The IEA insists that this GDP contribution is much more than North America's prominent telecommunications, airline, or natural gas industries. Open competition in Ontario's electricity industry would thus unleash huge profits for private firms willing to undertake the risk. With liberalization, however, the advantages of generations of Ontarians' investments in the public power system would be lost forever. Prior to its unbundling and its re-emergence in 1999 as, most notably, Ontario Power Generation (OPG) and Hydro One (HO), OH reported revenues in 1998 of roughly $8.9 billion and a profit of $1.8 billion. One specific sector of OH's portfolio
which recorded a profit during that fiscal year but could potentially procure even more profits in a liberalized electricity market was exports to the United States. In 1998, OH's electricity exports to the U.S. amounted to $148 million. While it is substantially less than the $307 million that OH garnered in 1998, for example, for its sale of isotopes, a recovered by-product from nuclear reactors used for medical and industrial purposes, the amount is not negligible and its prospects for future gains are significant. In 2000, the former OH founded Ontario Hydro Interconnected Markets (OHIM) as a U.S. subsidiary in Delaware to "take advantage of emerging export sales opportunities and to expand its business in the U.S. market." As former OHIM president Dave Goulding divulged, the impetus for creating OHIM was "to help generate substantially more export income, even in the face of increasing competition in the U.S. market." The export potential of electricity represents one of the most formidable incentives to re-regulate the power sector in Ontario. However, it was not only the Harris-Eves Tories who were adamant that this had to happen. Since the 1960s, the federal government has been bent on a strategy which would assuage Canadian-American (CAN-AM) relations and succour U.S. energy interests by promoting the sale of surplus Canadian electricity from the provinces to nearby American states. Through varying international and continental trade agreements, such as NAFTA and the WTO's General Agreement on Trade in Services (GATS), and regional trade pacts, such as those posited by the National Energy Board (NEB) and the U.S. Federal Energy Regulatory Commission (FERC) to promote an integrated energy grid, the concept of public power is becoming obsolete. These agreements, along with the strength of some firms and the prevalence of very profitable energy markets proximate to Ontario, has diminished the provincial state's willingness to
fight for the longevity of public power and its ability to autonomously govern and manage its own power policies.

Unwavering in his allegiance to provincialism and capitalism, Eric Kierans, the eminent economist, polemicist, and politician may prove a useful ally for NSPE analysts. Indeed, Kierans' thoughts on the indefensible intensity of political and economic clout in Ottawa and the apparent inability of the federal government to form policies that protect and promote Canadians' interests against vested, foreign interests are particularly noteworthy. In his seminal study of the Manitoba government's resource policies, Kierans notoriously pronounced that resource policies were invariably dictated by the federal government, not the provincial governments. Kierans' analysis presented three important points: (1) that enormous revenues could be procured from resources; (2) that privateers were appropriating those revenues because provincial government polices were ineffective in procuring a good portion of the revenues for their rightful recipients, the people of the province; and (3) the way to rectify this was to ensure a more prominent role for the Crown in the province's resource industries (e.g. for the Manitoba government, in mining exploration and mineral extraction). Protecting revenues meant protecting the resource industries and thus protecting the state and its democratic ideals. Kierans makes a good argument, however, as Howlett, Netherton, and Ramesh assert, both levels of government are nonetheless restricted in their capacity to fend off attacks to the autonomy of their policies because of the prevalence of global trade agreements, regional trade accords, and Canada's middling ranking in the international political economy which NSPE theorists must not ignore. Unilateral state action may be problematic. Working with the system, within the system, therefore, might be the best
option for the province to try to invoke enduring transformation which will not concede
their interests because they will be able to retain some semblance of control before the
federal government bargains it away in future CAN-AM energy integration negotiations.

The federal government's interest in the export potential of Ontario's electricity is
tightly knit into the historic development of the provincial government's energy policies.
Though energy and electricity remain within the realm of the responsibilities of the
provinces, Ottawa's intentions were nonetheless woven prominently into the pattern of
development that ensued. The federal government tried, futilely, to thwart the Whitney
government from ousting the private power firms from the province and espousing public
power. In the postwar period, though, the federal government aggressively sought to
augment its influence in the increasingly strategically significant electricity industry.
Two of the federal government's most important regulatory organizations relating to
electricity are the NEB and Atomic Energy of Canada Limited (AECL) which was
established in 1954 to regulate the development and ensuing sales from the burgeoning
nuclear industry in Canada. Concerning electricity, the NEB was mandated at its
inception in 1959 to manage electricity exports and the construction, operation, and
abandonment of interprovincial and international power lines. Though the provinces
agitated for a greater, more autonomous role in power exports, the federal government's
interventions in the provinces' electricity policies was emblematic of their mutual pursuit
of prosperity, particularly in Ontario, in the post-World War II period. For example, the
shift from hydro power to nuclear power in Ontario was, as C.D. Howe once contended,
imperative "if the position of Canada was to be held" and was predicated on Ottawa's
interest in redefining Canada in the postwar era as an advanced, innovative nation (e.g.
generous gifts of low-cost nuclear reactors to developing nations) and, as the Cold War commenced, as a good neighbour to the U.S. (e.g. ensuring U.S. energy security goals were met through power exports).\textsuperscript{17}

On 8 October 1963, the Minister of Trade for Lester Pearson's newly elected Liberal government, Mitchell Sharp, pronounced a National Power Policy for Canada. While offering a nod to the integral role that the province's electricity industries were playing in Canada's postwar prosperity, Sharp pointed out the economic potential of electricity for Canada. The technological innovations transpiring in the electricity industry, the abundance and affordability of electricity in Canada, and the construction of big power projects whose output might be passed on to the U.S., would lead to the "strengthening of [Canada's] balance of payments position through the export of power surplus to our own needs."\textsuperscript{18} Sharp intimated that

\begin{quote}
[t]he nature of the power industry is very different from what it was... We are entering the era of large private and public electrical utilities, interlinked with high voltage lines and operated pursuant to interconnection agreements designed to take advantage of the new technological improvements and economies of scale.\textsuperscript{19}
\end{quote}

Thus, the federal government instigated policies which promoted, firstly, the construction of large-scale power plants and, secondly, the integration of CAN-AM grids for power exports. The 1963 National Power Policy also acknowledged that the federal government believed "that it would be beneficial to Canada and to the United States, and not prejudicial to the national interest, to encourage interconnection agreements and inter-ties between utilities in the respective countries in cases where the interconnection agreements suitably protect the Canadian interest."\textsuperscript{20} Power exports to the U.S. were given the green light by the federal government under the following conditions: (1) to
provide stand-by service in emergency situations; (2) to facilitate economic flows between power plants or systems; (3) to provide for sales of surplus interruptible electricity (e.g. exports of hydro in warm months, fossil in cold months); (4) to provide for firm power export commitments to allow for the forecasting of the construction of new power facilities. Following this policy, export profits would effectively provoke even further investment in the electricity infrastructure and thus likely perpetuate the risks involved in that investment for the provinces (e.g. the problems of over-production, over-capacity). Indeed, as Adrian van den Hoven and Karl Froschauer assert, state and sub-state interests, as well as those of the power companies concerned, were pivotal in developing cross-border energy integration policies and encouraging domestic electricity industry reforms. The export potential of electricity was the leading reason why provincially-owned utilities, like OH in Ontario, pursued policies of overinvestment in electricity generation because they were adamant that surplus power could be sold to the U.S. for profit which was encouraged by the federal government.

In Ontario, for example, these risks were minimized by the federal government's willingness to ignite other industrial sectors which were integral to CAN-AM trade and were heavily reliant on electricity. It is interesting to note, for instance, that the federal and Ontario governments and OH reached a deal to build a nuclear reactor at Pickering only months before the Liberals' National Power Policy was presented in the legislature. For the federal government, nuclear reactors in Ontario operated by OH were good for the national interest. The nuclear reactors would demonstrate the competitiveness of the new Canadian-made CANDU heavy water power plants (e.g. to promote the sale of CANDUs worldwide), it would lead to the formation of a highly technological nuclear
energy industry requiring a related highly skilled workforce in the province (e.g. well educated workers and well paid jobs), and the expected output of inexpensive, plentiful electricity would lure business to Ontario (e.g. a critical component of the Autopact). In the immediate postwar years, however, OH endured serious troubles as its infrastructure struggled to provide the electricity demanded during the province's rapid industrial expansion. Postwar CAN-AM pacts promising continental economic integration, like the 1965 Autopact for example, were "a harbinger of not merely better times but of good, very good, economic times for Ontario" and this prosperity was reliant on escalations at OH. Thus, through its policies and a long array of agreements promoting the growth and profitability of OH, the federal government endorsed its persistence as a publicly-owned entity. Given how vital OH proved to the federal and provincial governments as a policy tool in Ontario's development, why would any government opt to relinquish its control over such a profitable and strategic entity?

THE NEOLIBERAL FIGHTERS ENTER THE ENERGY RING

The electricity industry in Canada is distinguished by its regional diversity and is evident in the diverging solutions used by the provinces and territories to respond to unique jurisdictional problems in terms of the fuels used for power generation, varying market structures, and disparate regulatory and pricing practices. Curiously, as a consequence of various federal-provincial and intra-provincial rivalries, Canada never developed a national electricity grid nor significant regional grids which could have taken advantage of the resource efficiencies of some provinces for the benefit of other
provinces (e.g. surplus hydro power from Quebec or Manitoba could have been brought into Ontario earlier to meet its needs, surplus nuclear power from Ontario could have been diverted to Atlantic Canada).\textsuperscript{29} The federal government, evidently, did not intervene to try to develop a robust and independent national energy grid. Rather, though some provinces are not prolific power producers, electricity grids were nonetheless designed for north-south not east-west trade and geared for U.S. trade not intra-provincial trade as every province opted for self-sufficiency and the lure of potential export profits.\textsuperscript{30} Thus, given this diversity in the historical development of electricity systems in Canada it is not unexpected that the push for restructuring in the electricity sector should be so uneven. The intent of the restructuring was, essentially, to "unbundle" the monopolistic electric utilities and separate the generation, transmission, and distribution aspects of the Crown corporation to promote competition in an open market. There are two phases of restructuring: wholesale access and retail access. Simply stated, wholesale access promotes competition among generators and permits competing generating companies entry to the transmission system where they may sell power in a common pool while retail access goes further to allow competing companies entry to the distribution system to sell directly to consumers. In Canada, only Ontario and Alberta allow retail access while most of the other provinces have implemented or plan to implement wholesale access. What would provoke the province to follow through with such harsh reforms?

The internal impetus for restructuring OH derived from its poor performance as a Crown corporation by the late 1900s and its unbearable debt. The decision also derived from an ideological proclivity to reduce the size and status of government, particularly
where it conflicts with commerce and economic opportunities for private firms. The Harris-Eves Tories did not develop these views on their own, isolated from the experiences endured by other governments undertaking similar initiatives in other jurisdictions. They took from the lessons learned by governments elsewhere and tried to apply what they learnt to the Ontario case. Trust in the merits of the free market and its ability to mitigate any problems that might emerge with its liberalizing legislation, though, requires considerable ideological allegiance. The former OH, at the time of restructuring, had operated for nearly 100 years as a pivotal, productive Crown entity within the Ontario political economy. Though OH had its troubles, the notion that it was abandoned just to adhere to ideological doctrine does not tell the whole story of its demise.

While the thrust for reform in electricity industries is usually efficiency, as the International Energy Agency divulges, this is not a novel objective for governments to try to follow, therefore, other factors are probably at play. The IEA insists that, apart from the alleged goal of "empowering consumers" by giving them more choices in the provision of the power they require, globally, the impetus for reforms emerged from an attempt to reconcile the huge gaps in electricity costs and generating costs, from governments promulgating ideologically-driven economic programmes, technological innovations in small-scale gas generating that are eroding historic economies of scale, the supposed success of reform efforts in some states is persuading other states to follow given that the lessons already learnt diminish some doubts, finally, globalization is putting more pressure on governments to be competitive and, also, it has led to the emergence of big energy firms that are eager to champion, and then compete in,
liberalized markets. Reforms in the U.S. and the U.K. have provided the most notorious examples of these liberalization efforts.

The onset of overt neoliberalism in the 1980s and 1990s in the U.S. and the U.K., and the notion of reforming formerly protected state institutions so that they may be subjected to the discipline of the market, enthused some in Ontario who were opposed to OH's ostensibly unruly monopoly. The election of the Conservative Party in the U.K. in 1979 did not initially hint at the landmark liberalization initiatives which they would undertake in their electricity industry and which would prove influential for other governments throughout the world. It was nowhere to be found in their election platform. However, as Thomas Weyman-Jones notes, when Margaret Thatcher's Conservatives were re-elected for their third term in 1987, privatizing, deregulating, and liberalizing energy were integral parts of her electoral campaign. In 1988, they published a White Paper entitled *Privatizing Electricity* and, by 1990, the publicly-owned electricity monopoly in Britain had been ripped down and one of private ownership and competitive markets had been retrofitted upon it. Thatcher's liberalizing agenda, regarded as the "most ambitious attempt anywhere," was provoked by an ideological belief in the need to reduce the role of government in the economy, to trust in the market to reduce electricity costs, to pragmatically reduce taxes and pay off liabilities owed by the government by selling its lucrative utilities, to undercut the efficacy of unions (e.g. forcing the powerful National Union of Mineworkers to pit coal prices and workers' wages against those companies pumping cheaper gas from the North Sea oilfields), not to mention the oft-stated goals of promoting efficiency and lowering prices which the Crown electricity utility was supposedly unable to do. Though prices did begin to drop by the late 1990s
(e.g. 30 percent for industrial consumers and 24 percent for home consumers), this was largely the result of tumbling fossil fuel prices (e.g. decrease of 40 percent for gas prices and 30 percent for coal prices) and major job terminations (e.g. 46 percent of electricity industry workers were fired in Britain during this time of restructuring). Inevitably, instances of "gaming," exploiting loopholes in the established rules for the profit of competing firms (e.g. colluding, price gouging, cheating, lying), were soon evident in the U.K. prompting more regulation than what had previously existed in the publicly-owned system. The ingenuity of U.S. energy traders, though, would bring gaming to a whole other level.

The tenets of neoliberalism were fundamental to Republican Party policies when it took office in the US in 1991. President Ronald Reagan maintained faith in the punitive and facilitative functions of the market. Reaganites, like the Thatcherites, espoused the merits of the unfettered market, rejected the intrusiveness of government in economic affairs, and endorsed loosened government regulations. Given the U.S. electricity industry's long history of private power firm participation, proponents of restructuring focussed on changing the regulatory rules which inhibited the entry of, and potential profits of, firms eager to get involved in the energy game. The 1978 Public Utility Regulatory Policies Act (PURPA) provided the foundation for the ensuing neoliberal shift. The objective of the enactment of PURPA was to provide a legislative push for the development of efficient, innovative energy generating technologies (e.g. cogeneration, renewables) by forcing the existing electricity utilities to get their further generating needs from these upstart generating utilities. Low gas rates at the time quickly gave the new generators an advantage over the older coal and nuclear facilities.
The 1992 Federal Energy Policy Act granted the Federal Energy Regulatory Commission the clout to order the vertically-integrated utilities to allow wholesale power transactions along its lines to large industrial users from local distributors and independent generators. In 1996, a California Public Utilities Commission proposal passed which permitted customers to choose their own power distributor, referred to as energy retailing, whether bought from the generator itself or from an energy retailer. Modelled on Thatcher's power pool experiment in which generators would throw power into a figurative lot which would then be bid on immediately by distributors on a synchronized or "real-time" basis. One of the leading proponents of this restructuring in California was a company called ENRON.

Things worked well in California for the first few years, however, in 2000, the deregulated market began showing signs of chicanery. Prices spiked, peak capacity lowered, yet California was exporting more power than it had in previous years. Oddly, some firms shut down their generating stations for repairs whenever demand rose, thus increasing the price of power from their other power plants. Government and utility regulators often instigated planned blackouts and "rolling blackouts" to dramatically reduce demand and protect the grid on the belief that there was insufficient power in the state, even when they were far from peak levels. Market manipulation and gaming manifest, perhaps inevitably, as the predominating feature of California's failed power pool as there were massive profits to be made for those who could cleverly manipulate the trading conditions and create artificial crises. California had always had enough power on tap. Under ENRON's influence, generating stations were being shut down for "repairs" and permitting only a trickle of the available power to flow through, thus
augmenting prices. In 2001, state authorities dismantled the power pool and the experiment in deregulated energy ended in California. As Jamie Swift and Keith Stewart avow, through deregulation ENRON proved that a firm can earn huge profits trading energy without even owning one energy generating station. In the final two months of 2000, ENRON raked in $1 billion in global trading profit, $440 million just from California. ENRON eventually went down for what it did, declared bankruptcy, and its name endures as one of the most prolific and horrendous examples of industrial fraud. It is truly worrying that the Tories modelled electricity restructuring in Ontario after the flawed California market which the duplicitous ENRON group helped design.

Yet, in the wake of the purported triumph of neoliberal-based power reforms abroad, the Tories became convinced competitive electricity would work in Ontario too. In its 1997 White Paper outlining its proposed plans to restructure the province's power industry, Direction for Change, the Tory government noted that other jurisdictions, like the United States, the United Kingdom, and Australia, and other industries, like the gas and telecommunications sectors, are restructuring their monopolies and moving to lower prices therefore Ontario "must keep pace." "Failure to act now," the report states, "will mean further erosion of Ontario's current electricity price advantage and a loss of investment and jobs." It insisted Ontarians were clamouring for change, that competition would provide options to consumers, and that novel generating technology would allow this competition to occur. Perhaps the most important detail that Direction for Change elucidates is that the push for restructuring is arising from the United States and that U.S. legislators are demanding change which Ontario, evidently, had to respond to. The U.S. has electricity supply and security issues and "what the Americans really
want" is improved access to Canada's electricity infrastructure and reserves. Even the NEB supports those opinions. In the 1980s, the NEB notes, three trends emerged which prompted people to rethink the monopolistic character of the electricity industry: (1) advances in alternative generating technology, such as combined cycle gas turbine (CCGT) cogeneration systems that simultaneously produce heat or power, which are relatively low cost and can be built quickly; (2) advocacy of "non-discriminatory competition" as some U.S. states (e.g. California, New York) looked to nearby jurisdictions (e.g. BC for California, Quebec for New York) to help them fulfill their electricity needs; and (3) lessons from the reform of other sectors (e.g. telephone, natural gas) led some observers to insist that competition in electricity might just work and consumers might just be grateful for more options and, possibly, lower prices.

Evidently, it proved to be a very big gamble. The ideological climate of the time promoted a neoliberal ethos which tried to extricate the state and eradicate state activism to create freer markets which, unhindered by government or regulatory restrictions, could play a more decisive part in determining societal progress. Private interests which were historically excluded from the lucrative electricity industry because of monopoly control were eager to get into the energy ring and the Harris-Eves Tories were glad to oblige. But the Tories did not trigger restructuring on their own. They were just yielding to the globalizing pressures of larger interests rapt on participating in a potentially very lucrative market. That the Tories were either reluctant to contend head-on with these pressures, or reticent in their capacity to protest in opposition to them, possibly says more about the efficacy of these globalizing forces than the Conservative Party's apparent lack of clout. The global energy industry had changed decisively and, despite their slick talk
and overt truculence, the Tories were not capable of fighting for public power. Powerful, profound external forces compelled the province to rethink the longevity and legitimacy of the OH monopoly.

THE SUPRACONSTITUTION AS REFEREE

According to the IEA, increasing globalization has encouraged electricity restructuring. Open economies exposed to competitive pressures forces inefficient industries to quickly become more efficient or risk demise. Globalization puts more pressure on the electricity industry to improve its efficiency. The decision to restructure the electricity industry in Ontario was eased by the prominence of what Stephen Clarkson refers to as a "supraconstitution" which effectively "locked in" these neoliberal values which the IEA also espouses. As Clarkson avows, the WTO and NAFTA are intrusive manifestations of global governance as they constrain the capacity of sovereign states to preside over their own affairs and, therefore, constitute an external constitution (i.e. a supraconstitution) which defines state structure and the limits of statism. This supraconstitution gives WTO and NAFTA principles legal legitimacy and permits foreign firms to press their governments to litigate against other governments when their interests are ostensibly being circumscribed. These decisions are often irreversible. The WTO and NAFTA, moreover, allows its neoliberal proponents to deny not only their present adversaries, but prospective adversaries who have been pre-emptively denied, the opportunity to pursue different legislative goals through democratic means. Essentially, the supraconstitution limits the ability of governments to govern themselves, acting as a referee and defining the rules that constituent governments are obliged to abide by in
their trade dealings and domestic governance. The federal government, fearing that escalating U.S. protectionist policies would adversely affect CAN-AM trade, were keen to allow this to happen. Loosening NEB export regulations so that Canadian rules matched American rules ensured electricity provisions would not be excluded and thus would not restrict Canadian power exports.55

The pervasiveness of the supraconstitution has had a dramatic impact in Ontario as it has provided one more economic incentive to proceed with electricity restructuring. The supraconstitution enabled harsh regulatory reforms in the U.S. to "subvert the public provision of an essential utility" in Canada while allowing the neoliberal tenets bolstering this shift to become cemented in the WTO and NAFTA rulebooks thus facilitating further liberalization, privatization, or deregulation.56 As indicated in the U.S. government's 2001 National Energy Policy Report, the U.S. is intent on forming an integrated continental energy grid to satiate its needs for energy security and to reduce price volatility and supply uncertainty.57 The U.S. spurred this by removing the barriers preventing U.S. energy firms from investing in other electricity utilities throughout the world and by moving towards a system governed by market mechanisms rather than regulated regional monopolies. Orders 888 and 889 from the U.S. Federal Energy Regulatory Commission, for example, removed monopoly protection from utilities and forced the unbundling of generating from other utility functions.58 Consequently, though there was no compelling reason to liberalize its electricity industries, the federal government and the provinces have been prodded into rethinking the monopolistic proclivities intrinsic to the electricity industry and their position on power exports.59

Though the integration of the CAN-AM grid began prior to restructuring in the 1990s,
Canadian utilities, typically Crown utilities, very willingly wrote to FERC to receive the proper licences to compete in the deregulated U.S. market. Indeed, though it only amounts to roughly 9 percent of total power production, Ottawa and the provinces were already intrigued by the possibility of raising revenues through power exports and were supportive of the reform efforts. As the NEB intimates, power exports to the U.S. usually brings in roughly $1 to $3 billion in revenues. Marjorie Griffin Cohen argues that the ensuing push for competition in Canada came from the province's perceived need to conform to U.S. regulations in order to export into the U.S. market. Further, changes affecting the entire electricity industry are being made as a consequence of U.S. policy directives rather than as a result of rational and prudent assessments of Canada's long-term energy interests.

The WTO and NAFTA agreements may not be inciting this to occur, but they have contributed to the restructuring by reinforcing the neoliberal goal of building open, competitive markets and ensuring that any changes towards privatization that are made are permanent. Further, they propagated the belief held by U.S. legislators that any failings within a liberalized electricity industry will be met by market forces and that private firms will inevitably fall into rank and undertake the task of correcting any prevailing deficiencies, such as the scarcity of supply, because of the markets' intrinsic economic incentives. Privateers, however, have been loathe to step forward to redress these deficiencies because of the enormous risks and outlay of capital involved which was previously tackled by the state and the subsequent costs dispersed contentedly among residential and industrial consumers. Unbolting the strategic, societal imperative from the electricity system and replacing it with privateers' profit motives as the neoliberal
manual stipulates only puts the power sector in a situation of further disrepair and a position of disrepute. Long-term stability is ostensibly neglected in a system designed for short-term gain. The supraconstitution might not compel governments in Canada to reorganize their electricity industries given that they are Crown entities, yet, they are lured in by the prospect of the profits to be procured through restructuring. It is this lucrative incentive that enthuses governments and ensures they will comply. To gain access to U.S. markets, the province's power utilities would need to follow U.S. rules which would thus require reciprocal access for U.S. power firms to Canadian markets. The vulnerable Canadian political economy would be even more imperilled as the decisions of U.S. firms would likely subvert national and provincial interests in favour of U.S. ones. American interests in the liberalization of Canadian power is not only targeted towards ensuring the surety and security of its power supply, but promoting the proliferation of U.S. power firms and U.S. ownership of Canada's electricity industry.67

As the United States' 2001 National Energy Policy Report reveals, ensuring energy security is an urgent priority for U.S. trade and foreign policy officials. It urged the U.S. government to use its membership and might in multilateral organizations, like the WTO and NAFTA, to "level the playing field" to assist U.S. energy firms vying in foreign markets and, specifically, to encourage more energy integration with Canada.68 Restructuring in Ontario was undoubtedly provoked by businesses intrigued by the possibility of making huge profits selling power to the United States. Convincing the Tory government to relinquish OH's monopoly was only one element in the need to obey U.S. market rules. The proximity of the U.S., the glaring examples of its re-regulation
efforts, and the demands of U.S. legislators and regulators to expand power trading has put tremendous pressure on the province.

Ontario's power exports have historically amounted to about 9 percent of total power production.\textsuperscript{69} Power exports decreased to 2 percent per annum as the new millennium commenced because of reduced power output due to nuclear reactor repairs and increased demand in the province during the summer months when spare power would typically be sold to nearby American states.\textsuperscript{70} Power usage during the summer has risen in Ontario largely because of the extensive use of air conditioning units. Imports of power to Ontario have usually been negligible and relegated to the winter months (e.g. for home heating). The newly prominent summer peak season and the laying up of some of Ontario's nuclear reactors altered the province's power import/export balance markedly. By 2002, the cost of importing power from the U.S. compared with the revenues received from exporting power to the U.S. were essentially the same.\textsuperscript{71} As the export market moves from one based on long-range estimations and long-term deals to one based on spot-market prices and short-term deals, a vigorous, but volatile energy market is emerging, but it is also one that brings with it the portent of vulnerability.

Nonetheless, the GATS and NAFTA agreements have ushered in a new energy game that governments have not played as prominently or persuasively as they could have. The Harris-Eves Tories, for example, chose to give up their position in the game to private interests rather than challenging them on behalf of the public good.

The manifestation of a neoliberal agenda through ideologically-led trade liberalization and the ensuing formation of the supraconstitution were significant external factors in the promotion of energy reforms in Ontario. The NAFTA and WTO
agreements have ingrained neoliberalism and have assured that any attempts to quash these precepts will prove inadequate. Provisions of the 1995 NAFTA deal, particularly those parts pertaining to energy (Chapter 6), investments (Chapter 11), and monopolies and competition policies (Chapter 15), reinforce the obstinacy of neoliberalism and its insistence on competitive commodity markets by reducing export restrictions and reducing the capacity of governments to introduce new restrictions. Though the federal government may not have formidable regulatory authority in the field of electricity, the NEB remains responsible for managing power exports (e.g. granting or denying export permits). The NEB, however, has been too meek in defending the national interest given that the province's power monopolies tended to define the objectives of their utilities more widely than within mere economic parameters. After agreeing to NAFTA, the federal government has been less rigorous in its oversight and, as a major force in the energy ring, has failed to fully assert its authority (e.g. allocating export permits to public utilities or private firms that have not even entered the trade market yet).

One of the most contentious clauses in the NAFTA deal relates to "national treatment," the provision that requires equitable access to markets for both domestic and foreign firms. Canadian and American power markets are liberalized to varying degrees. This de facto asymmetry allows the provinces to hold on to a very significant advantage in the energy trade game as Canadian companies can partake completely in the American market, but American companies are permitted to participate in the Canadian market only to the extent that Canadian companies are capable. Thus, pursuant to the national treatment principle, if the Canadian electricity market remains principally public, private participation will be constrained. Though the U.S. is insisting on "reciprocity," and
though some provinces have voluntarily agreed to reciprocity (e.g. inviting U.S. power producers to bid on buying power from a regional power pool), NAFTA does not obligate its signatories to provide reciprocity, only to ensure national treatment is preserved so that foreign firms are treated the same as indigenous ones.\textsuperscript{75} However, by denying both indigenous and foreign firms from entering a provincial monopoly's market equally, there is no contravention of NAFTA rules and the province could conceivably retain their regulatory advantage.

Just as NAFTA allows some statism to persist despite ongoing energy integration, Canada's obligations within the GATS regime does not preclude government intervention in the electricity industry. Under the 1994 GATS agreement, Canada's commitments to liberalized electricity markets are, for the moment at least, restricted to construction work on power facilities only. The unabashed objective of the GATS is "achieving a progressively higher level of liberalization" and, through various revisions about how this ought to be done, the GATS has sought to give private companies access to services that are currently in the public sector by sternly restricting the efficacy and capacities of state and sub-state governments to influence trade in services.\textsuperscript{76} Distinguishing what was deemed a "service" and what, therefore, fell within the aegis of the GATS, was extremely difficult as electricity services were woven tightly within the vast quilt of the provinces' monopoly. With deregulation and unbundling, determining what precisely constitutes a service becomes more important, though no less onerous to distinguish, because nearly every facet of electricity production and distribution could be deemed a service.\textsuperscript{77} Inundated with this ambiguity, the U.S. intends to use the inexorable GATS negotiations to push for not only national treatment as previously intimated, but full reciprocity in the
electricity industry to remove barriers, improve market access, and assure its final goal of energy liberalization. Given that the Canadian government seems so willing to give in to U.S. interests, the GATS agreement has tacitly, but systematically, ratcheted up the provinces' requirements to comply to U.S. rules if they would like to export power. In doing so, though, it compromises both the province's and the public's ownership of their own resources, as well as their ability to decide how the resources ought to be used. The supraconstitution limits the ability of the state to govern and to resist the onslaught of the neoliberal agenda. In the case of electricity restructuring in Ontario, however, the prevalence of the supraconstitution has served as the grease that has allowed the gears of technological change to move much more effortlessly. It is the proliferation of new electricity generating technologies which rival the effectiveness and efficiencies of the old systems which are transforming the prevailing energy paradigm because of the lure of profits for willing investors.

TECHNOLOGY PROVES VICTORIOUS

The technology involved in devising a nuclear reactor, designing a CCGT cogeneration system, concocting biofuel, creating coal-based "syngas" (i.e. synthetic gas) which has zero emissions when using carbon sequestration, harvesting methane gas from landfill, or harnessing energy from the wind, sun, geothermal fissures, or hydrogen are not only boggling and impressive technological triumphs, they are allowing imagination and ingenuity to once more guide the growth of the energy industry. This technological progress cannot be abated. If the state is intrigued enough to want to take part in these
ventures, it must keep pace and adapt. Innovative technology has made competition in generating viable (e.g. small-scale power plants), just as improved technology (e.g. computer modelling) and altered perceptions about the provision of power (e.g. neighbourhood based power systems) have allowed energy retailers to emerge. Further, improvements in transmission which reduced high-voltage line losses over long distances have permitted far-flung power plants to compete against one another for electricity sales in distant jurisdictions. While neoliberalism and the supraconstitution both exerted tremendous external force on the Harris-Eves Tories to adopt their power reform policies, the emergence of novel, rival technologies that could challenge and actively compete against the traditional power plants really provoked the Tory government to rethink the OH monopoly. Technological innovations gave these external forces greater legitimacy. Just like in the early 1900s, the propagation of these new technologies in the late 1900s made it rational to think that there may be a disparate, possibly better way to meet society's apparently rapacious power demands.

The development and ensuing evolution of divergent power generating technologies in Canada and America created incentives for energy trade through "energy banking" which promotes stability, security, and also frugality.\textsuperscript{81} In Canada, for example, power utilities can delay depleting their hydro reservoirs by buying low cost, fossil fuel generated electricity from the U.S. and then, when water levels allow, sell low cost, hydro generated electricity to the U.S. during peak periods when export prices are high.\textsuperscript{82} As the commercial value of electricity increases, new technology is permitting privateers the opportunity to compete in the lucrative electricity market and increasing pleas for further utility unbundling. The economics of the electricity industry have been
profoundly altered by new energy technology. Historically, the electricity industry consistently repelled competitive incursions because the optimal organization of the electricity industry was one which was very large, very intricate, and very expensive which prohibited private investors and necessitated state intervention in the form of public ownership and the formation of power monopolies. Monopolies persisted on the presumption that bigger was better. Given the quantity and enormity of the power plants necessary, the huge costs involved in their construction, and the physical constraints of wire networks, economy of scale theory prevailed. New technology, though, undermined this theory and thus the perceived invincibility of monopolies. While a case may be made that the wire infrastructure is a natural monopoly and is still invulnerable to competition, technology has allowed small-scale generation to be more economically viable than ever before. With the exception of those utilities that are heavily reliant on clean, cheap hydro power, the advantages of a natural monopoly in generation degraded in those jurisdictions where hydro-electricity did not predominate. "Where electricity has been generated by thermal or nuclear sources," Griffin Cohen contends, "the impact of technological change has been substantial." In a jurisdiction like Ontario, where non-hydro generation is roughly 70 percent of production, the rush to bring in efficient gas generating systems (e.g. CCGT) was a significant factor in the Tories' decision to proceed with electricity restructuring. For example, projecting power shortages for the summer of 2003 (obviously, not knowing a blackout across the integrated northeastern grid would prove a bigger problem), the province contracted for the construction of a 115 megawatt CCGT power plant that was built and buzzing along without the need for any staff within six weeks.
The generating equipment that presently exists is impressive. They are efficient, environmentally-conscious, high output, and cost-effective. As Harry Linden contends, "technology has indeed been, and will continue to be, an enabling force in the ongoing restructuring and privatization of the power industry." Both the NEB and the IEA are adamant that recent technological changes in the field of electricity generation, most notably in gas systems, have undermined historic economies of scale, encouraged reform, and reinforced the benefits of introducing competition. Further, fluctuating global energy rates have led governments and industries to rethink their reliance on aging fossil fuel-based facilities and to consider rival technologies, like CCGTs or renewable energy systems (e.g. biomass), to reduce vulnerability and assure stability. Cogeneration CCGT systems are much more efficient than traditional thermal generating stations. For example, while older coal power plants reject up to 65 percent of the heat it creates as it operates into its cooling reservoirs (e.g. a lake), CCGT cogeneration systems are designed to recapture this heat and use it for other industrial purposes (e.g. space heating or cooling) all while using less energy and emitting fewer harmful emissions. While 95 percent efficiency ratings are technically feasible, the CCGTs typically reach the 75 to 85 percent mark, far better than the antiquated thermal units. The advantages of CCGT cogeneration units, though, are not only environmental. They fit into "distribution generation" schemes in which power is produced closer to where it will be used, rather from a faraway facility, and requires less of a wires infrastructure, reduces electricity line losses, and enhances system stability. CCGTs reduce costs incurred by industrial consumers because they can continue working during grid failures or power outages, avoiding
unintended downtime, and can help the communities within which they are located, too, as any power surpluses can be sent to the grid when community demand increases.

Other innovative power projects made possible by the emergence of new generating technologies include intriguing "district energy P3s." These P3s (i.e. public-private partnerships) are a Scandinavian invention in which energy services (e.g. lighting, heating, cooling) are huddled in community clusters that distribute power to only a group of homes and business and thus evades straining the larger, existing energy grid. Popular in Sweden, Finland, and Denmark, the district energy system uses a centrally-located power plant to provide the energy for a group of buildings, pumping out power, heat, or gusts of cool air, and eliminating their need for individual furnaces, hot water tanks, or air conditioners. The first district energy P3 project in Canada, for example, was the Sudbury District Energy Corporation (SDEC) established between Toromont CAT, Natural Resources Canada, and the city of Sudbury, Ontario.91 The SDEC offers proof of the possible practical benefits that these new technologies permit. The SDEC project, built for $15 million and pumping out about 5 megawatts of power, was instigated as a direct response to deregulation in Ontario with the goal of providing further revenues for the city, reducing demand on the overburdened grid, and in the event of an emergency, acting as a power backup for vital community care centres (e.g. the regional hospital).92

The emergence of novel energy technology had made it hard for OH to repeatedly ward off potential rivals. However, for prominent electricity restructuring researcher Marjorie Griffin Cohen, new technology is only a negligible factor in the urgent push for reform in Ontario. Presenting a largely normative argument, Griffin Cohen claims that though it is true that technological changes in electricity generating (e.g. the propagation
of affordable CCGT systems) have undercut historic economies of scale and made the emergence of rival, privately-owned, small-scale electricity generating stations more viable, the significance of new technology as a factor in the liberalization process is overstated since it applies primarily to those jurisdictions reliant on thermal energy (e.g. fossil or nuclear).\textsuperscript{93} Ontario, though, is one of those jurisdictions. For example, in 2005, 71 percent of the province's energy portfolio consisted of thermal energy from oil, coal, natural gas, and nuclear sources, as well as another 6 percent from U.S. imports which were likely exclusively thermal.\textsuperscript{94} Technological innovations, Griffin Cohen argues, have provided a good leverage for the privateers to try to persuade the government to open up the power market to competition.\textsuperscript{95} Further, she insists that once governments consent to opening up the markets to competition, the privateers will immediately resort to the cheapest, dirtiest electricity production methods possible because they are really the ones pushing for deregulation and they are pushing for deregulation only to procure profits for themselves.\textsuperscript{96} Griffin Cohen alleges that the new technology argument is simply a "convenient excuse to justify the deregulation of markets, but is not the driving force behind deregulation in Canada."\textsuperscript{97} That may be so, prospective revenues may be at the base of the liberalization movement, but it emanates from the propagation of new technology which has made this pursuit feasible. This is a claim that Griffin Cohen herself concedes has made a huge difference in the way in which combatants have competed in the new energy ring.

The possibilities emerging in energy technology are both intriguing and inspiring. The possibilities are boundless and they ought not to be hindered by rigid ideologies or inhibited by insular economic interests. In Ontario, if not globally, the provision of
affordable and reliable energy remains an enduringly public concern and its future must not be imperilled by self-interest. Further innovations in the field of energy technology remain dependent on the rediscovery of ingenuity, the capacity to come up with and implement practical ideas, as Thomas Homer-Dixon asserts.  It is this ingenuity, promoted through the institutions of the state, which will rouse innovators to assume the risks to rethink and improve upon our presiding energy technologies and to encourage cleaner, more efficient, and more respectful use of our energy resources. Obviously, the new generating technologies are poised to help fill in the gaping holes in the electricity industry left by years of neglect, deferred investment, and policy bungling. While they may not be able to work in all situations, in some they work extremely well and do provide a rival generating option to satisfy supply demands. Transmission and distribution systems, obviously, are not as apt to change given their intrinsic natural monopoly characteristics, but it is irrefutable that generation is now increasingly susceptible to competition. It is technology which truly changed the energy game.

CONCLUSION

As demonstrated in this chapter, the onslaught of neoliberalism, the predominance of the supraconstitution, and the emergence of novel energy technology were all influential external factors which prompted the Tory government to rethink the virtues of publicly-owned power and to consider the prospects of a competitive electricity system. First, the proliferation of a neoliberal ethos in the late 1900s and its adoption by the Harris-Eves Tories prompted them to open up the historically cosseted power industry in
the province, to promote the creation of a competitive power market, and to pursue the possibility of further grid integration with the United States all to facilitate the profit motives of the privately-owned power firms and their investors. This neoliberalism, secondly, is ensconced in the overarching supraconstitution which has locked neoliberal tenets into the NAFTA and WTO agreements, such as the GATT and GATS, and has made it difficult for the governments that follow the Harris-Eves Tories to try to turn away from their pledges for a freer power market in Ontario. Possibly the most influential, if not the most furtive, of the external factors pushing the U.S. energy agenda and the reforms in Ontario, the supraconstitution assists in thwarting the ability of governments to autonomously pursue their own indigenous energy policies. Finally, the prominence and proven viability of rival generating technologies have helped immensely in ushering in the transformation to open, competitive power markets. These innovations permitted people the chance to rethink the virtues of power monopolies and to ponder more closely the concept of public power. The emerging new energy technology trounced the notion that bigger was better and permitted investors the opportunity to recoup their costs more quickly than the monopolies could. While the wires portion of the grid infrastructure have kept their monopolistic traits, generating and energy retailing could now become competitive enterprises. Without the emergence of the new generating technologies, whispers of a liberated market would have remained hushed as entering the energy ring was widely regarded as too risky and too expensive. That the rival technology instigated the dissent that finally found a voice in the neoliberal agenda of industry pundits, theorists, politicians, and entrepreneurs is irrefutable. However, the Harris-Eves PCs could not, nor did they choose to even try to, quell this dissent.
As fighters in the energy ring, the Tory government proved quite weak in their opposition to these three external forces. They responded only pragmatically to the evolving energy paradigm. Without ignoring its long and often troubled history, though, as the next chapter affirms, Ontario Hydro had faltered and it had become burdened by a legacy of largesse, a sense of entitlement, and a lack of flexibility. A substantial shift was transpiring in the prevailing energy paradigm and the state should have sought a bigger role in its transformation. By re-asserting a role for the state in the provision of power, a vigilant role in the prudent, thorough transition of its monopolistic system, and re-establishing an exalted role in the regulatory governance of energy, Ontario might have been able to have a bigger role in the burgeoning market. Furthermore, it might have garnered greater political, social, and economic benefits from the renewed utilization and shrewder management of its energy infrastructure. Electricity is a vital, lucrative, bilaterally traded staple. By being a tougher fighter in the energy ring, if the Tory government would have fought harder and not given up, electricity might have once more proven the basis for prosperity in the province's political economy.
1 S. Julio Friedman and Thomas Homer-Dixon, "Out of the Energy Box," Foreign Affairs, 83:6 (November/December 2004), 72-73, 74


6 Ibid, 371


8 Ibid, 32

9 As Robert Bothwell intimates, when radium became either too difficult to produce or too expensive to procure (e.g. in the 1940s, one gram of radium cost $40,000), the production of isotopes as a by-product of nuclear reactors held promise as a way in which to proffer radioactive substances for medical (e.g. for treating cancerous cells), and industrial (e.g. irradiation to eradicate impurities) uses or for experimental research. Ibid, 32; Robert Bothwell, Nucleus: The History of Atomic Energy of Canada Limited (Toronto: University of Toronto Press, 1988), 130-131


11 Ibid


13 Eric Kierans, Report on Natural Resources Policy in Manitoba (Winnipeg: Secretariat for the Planning and Priorities Committee of Cabinet, Government of Manitoba, 1973), 7
14 McDougall, 15

15 Howlett, Netherton, and Ramesh, 98-99

16 National Energy Board, *Canadian Electricity: Exports and Imports* (Calgary: National Energy Board, 2003), 1

17 Bothwell, 209


19 Sharp, 3301

20 Ibid, 3301

21 Ibid, 3301

22 van den Hoven and Froschauer, 1083

23 Ibid, 1086-1087

24 Bothwell, 305

25 Ibid, 308

26 Ibid, 303, 308

27 Ibid, 303


29 Griffin Cohen, "Public Good," 27-28


34 Ibid, 61

35 Evidence from the US, though, proved that public power was just as efficient as private power and, on average, more affordable. Ibid, 61-62; Helm, 1-3; Pollitt, 3-4; Sharon Beder, Power Play: The Fight to Control the World's Electricity (New York: The New Press, 2003), 88; David N. Newbery and Richard Green, "Regulation, Public Ownership, and Privatisation of the English Electricity Industry," International Comparisons of Electricity Regulation, Richard J. Gilbert and Edward P. Kahn, Eds. (Cambridge, UK: Cambridge University Press, 1996), 25

36 Swift and Stewart, 62

37 Ibid, 63-64; Helm, 2

38 Daniels and Trebilcock, 19

39 Ibid, 19-20

40 Swift and Stewart, 106

41 Ibid, 108

42 Ibid, 110

43 Ontario, Direction for Change: Charting a Course for Competitive Electricity and Jobs in Ontario (Toronto: Ministry of Energy, Science, and Technology, 1997), 1

44 Ibid, 1

45 Ibid, 1

46 Ibid, 2

48 National Energy Board, *Canadian Electricity: Exports and Imports*, 3


50 Ibid, 27


52 Ibid, 153

53 Ibid, 155

54 Ibid, 156

55 van den Hoven and Frauschauer, 1090


58 Griffin Cohen, "International," 175, 178

59 Ibid, 175


61 National Energy Board, *Canadian Electricity: Exports and Imports*, 8

62 Ibid, 12

63 Griffin Cohen, "International," 180

64 Ibid, 186

65 Ibid, 187
Griffin Cohen, "Public Good," 8

Ibid, 10

Cheney, et. al., 8-18

National Energy Board, *Canadian Electricity: Exports and Imports*, 10, 30

Ibid, 30

The import/export figures at the start of the millennium were as follows: in 2000, $300 million in exports and $100 million in imports; $200 million in exports and imports in 2001; and, in 2002, $100 million in exports and $50 million in imports. Ibid, 31-32

Griffin Cohen, "International," 187

Ibid, 188

Ibid, 188

Ibid, 189

Griffin Cohen, "Public Good," 11

Ibid, 15-16

Griffin Cohen, "International," 190-191

Griffin Cohen, "Public Good," 46

Syngas is particularly intriguing. Integrated gasified combined cycle (IGCC) coal-fired power plants crush coal and use steam to create a syngas slurry that is devoid of toxic pollutants and releases vast amounts of electric power and hydrogen, but also a lot of carbon dioxide. If the carbon dioxide is safely contained, or "sequestered," through geologic storage, the IGCC systems are zero emission. As Friedman and Homer-Dixon intimate, "[c]oal-power generation has never looked so sexy." Friedman and Homer-Dixon, 79


Ibid, 1469-1470
83 Marjorie Griffin Cohen, *Public Power and the Political Economy of Electricity Competition: The Case of BC Hydro* (Vancouver: Canadian Centre for Policy Alternatives, 2002), 6

84 Ibid, 6

85 Toromont CAT, "Proactive Power... Fast," *Electric Power News: Rental Insert* (Fall/Winter 2003), 1

86 Harry R. Linden, "Technology as an Enabling Force in the Global Restructuring of the Electric Power Industry," *The Electricity Journal*, 8:10 (December 1995), 54-56

87 Natural gas generators have become the preferred power plants of upstart electric utilities because they are reliable, cheap, and relatively clean. As the Canadian Association of Petroleum Producers reports, most of the new electricity generation in North America is powered by natural gas because it is so efficient and may be brought online quickly in growing regions. Consequently, natural gas usage is rocketing. For example, in 1990, North American demand for natural gas was 21 trillion cubic feet per year and in 2004 it was 24.6 trillion cubic feet. Canadian Association of Petroleum Producers, *Natural Gas Prices in the North American Market* (Calgary: CAPP, 2004), 1; National Energy Board, *Canadian Electricity: Exports and Imports*, 3; International Energy Agency, 27; Tyler Hamilton, "Tapping into new energy," *Toronto Star*, (17 September 2005), www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_Pr (website visited 10 October 2006)

88 Bruce Brown and Gordon Robb, "Cogeneration Makes Sense," *Canadian Consulting Engineer*, 16 (March/April 2005), 16-17

89 Michael Devine, "Redefining Cogeneration," *Electric Power News* (Fall/Winter 2003), 7

90 Brown and Robb, 16


92 Ibid, 19

93 Griffin Cohen, "International," 179

94 Independent Electricity System Operator, *Your Roadmap to Ontario Wholesale Electricity Prices* (Toronto: IESO, 2005), 7

95 Ibid, 179
96 Griffin, Cohen, "Public Good," 6

97 Ibid, 6

98 Thomas Homer-Dixon, "Bringing Ingenuity to Energy," Fueling the Future: How the Battle Over Energy is Changing Everything, Andrew Heintzman and Evan Solomon, Eds. (Toronto: Anansi, 2003), 16-17
CHAPTER 4

WHEN HOLDING HANDS IS NO LONGER ENOUGH:
THE INTERNAL LUST FOR
ELECTRICITY REFORM IN ONTARIO

It's an historic time in the province of Ontario as this government moves to open up our electricity industry to competition... This has come about because of Sir Adam Beck's and the former Conservative Premier James Whitney's vision for Ontario Hydro. This vision has essentially been completed and it's time to open a new chapter in the history of our electricity industry, and indeed our industrial policy, in Ontario because so much of what we do, obviously, in terms of attracting jobs depends on our competitiveness.¹

Jim Wilson, Ontario Hansard (17 June 1998)

Throughout the First World War, Ontario Hydro's "kilowatt army" aggressively advanced from merely transmitting the power from the privately-owned generators to the publicly-owned distributors (i.e. the municipal utilities), to building its own power plants, generating its own power, and transmitting it on its own rapidly growing network of power lines. The urgent need for electricity to facilitate wartime manufacturing and the inability of the private firms to hurriedly increase electricity capacity provided the province with the timely opportunity to further its interest in Ontario's evolving power industry. Armed with the financial wherewithal of the provincial state, substantial autonomy owing to its regulatory ambiguity and a general lack of government interference, and the vociferousness of public power supporters, from 1914 to 1920, Ontario Hydro (OH) bought out the private generators and significantly augmented power production in the province.² With the exception of a few mining, logging, and pulp and paper firms in Northern Ontario who independently produced their own power, by the 1930s, OH provided over 75 percent of the power used in the province and was able to boast it was the biggest hydro-electric utility in the world.³ Working together
with industry to encourage electricity usage and economic growth, the prominence of OH within the province's political economy quickly grew.

As H.V. Nelles avows, the proliferation of electricity in Ontario at the outset of the 1900s, or more precisely, the emergence of OH in 1906, evoked a mass, emotional, almost lustful reaction from Ontarians. Indeed, the emotivity of "Hydro," both as a form of power and as a powerful entity itself, manifest from its ability to fuse rationalism and romanticism. By reducing dependency on foreign energy (e.g. American and British coal), by obliterating the smog, smoke, and soot produced by obsolete, coal-fuelled boilers, and by reviving the province's languishing economy, OH promised both prosperity and progress, elegance and gallantry, and it promised to resolve "the paradox of ugliness that had blighted nineteenth century industrialism" in Ontario. For those factory owners, workers, and families in Ontario's industrial towns in the early 1900s, the reprieve from grimy inefficiency and drudgery that the availability of cheap, clean hydro-electricity offered to them was highly coveted, though confounding, and therefore consumed their thoughts. The exploits of OH's engineers, who fought "valiantly against the furious waters" and proved victorious over the "terrifying," invisible forces of hydro-electricity to ensure Ontario's eminence "on the throne of the Electric Empire," obviously enraptured the press, public, and politicians.

The efficacy of the concept of public power, the coupling of state, societal, and industrial interests working together to correct the province's power problems (i.e. its electricity deficiency and, therefore, its lack of economic competitiveness), proved pivotal in the rapid development of the province and in its ensuing prosperity and thus helps to explain the affinity for, or the "sensual appeal" of, the former Ontario Hydro for
many Ontarians. In the genteel Edwardian language of the early 1900s, though, the ostensibly salacious state-societal-industrial relationship that conceived and succoured OH may be more aptly described as "holding hands." For the Tory government of James Whitney who founded OH, as well as for ensuing Ontario governments, holding hands was definitely enough. Working together hand in hand, government and industry jointly used OH to prod development in the province and to promote their reciprocal prosperity.

Ontario defined the concept of public power and it was the first in North America to wholly own and operate the gamut of generating, transmitting, and distributing functions within its jurisdiction (i.e. a vertically-integrated Crown corporation). The growth of Ontario is knit tightly to the growth of OH and the proliferation of its power infrastructure. Public power persevered in Ontario precisely because of the obvious public prominence of OH in the province's political economy. Ontario Hydro permitted the government to espouse a uniquely interventionist position in the economy to guide development and pursue the goal of improving the province's socio-economic conditions. The provision of affordable, abundant, and reliable publicly-owned power proved integral to the province's emerging hegemony in the 1900s.

For the Tory governments of Mike Harris and Ernie Eves, however, when OH began to falter in the 1990s, holding hands was no longer enough. The government would no longer use its pricey policy tool, OH, to work hand in hand with industry to protect and promote development in the province. The Harris-Eves Tories' espousal of a neoliberal ethos assured that the state would not interfere in industry's pursuit of profits. Obligingly, the state opted to step back, let go, and allow industry's priorities the opportunity to prevail. For the "common sense" Conservatives, OH did not elicit
"practical and poetic instincts," instead, they insisted it had faltered, it had intolerable financial performance, it was a liability as a monopoly, and it had to be re-honed by the grind and discipline of the open market.\textsuperscript{10}

Flirting with the thought of reforming OH from the outset, from the launch of its \textit{Common Sense Revolution} (CSR) platform in 1995, the Tory government finally presented its proposed reforms in 1997 in a White Paper entitled \textit{Direction for Change: Charting a Course for Competitive Electricity and Jobs in Ontario}, basically, a blueprint that jotted down the legislative changes required to reduce electricity costs through restructuring. The Tories claimed that competition would inevitably lower electricity costs because nearby "provinces and states are restructuring their electricity sectors and are expecting lower prices" and Ontario, they insisted, needed "to keep pace to preserve its industrial competitiveness."\textsuperscript{11} The Tories' ensuing 1998 Energy Competition Act embodied its earlier ideas in legislative form. Within months they were "unbundling" or dividing OH from its vertically-integrated form into distinct divisions (e.g. Ontario Power Generation was formed to take over the task of generation from OH while Hydro One was founded to look after OH's transmission infrastructure). Within three years the province's power sector was open to competition. Most Ontarians, protective of the concept of public power and likely longing for the good old days of the former OH, denounced the Tories and their efforts to end the province's historic affair with publicly-owned power and for permitting rival firms to vie for its affections as mere consumers.

On 1 May 2002, power competition commenced in the province and prices quickly rocketed. On 11 November 2002, though, the Tory government yielded to the unceasing public pressure to lower the rates and capped prices at the going rate prior to
competition. Incessant criticisms of the Conservative Party, however, could not be abated. The experiment with electricity competition lasted only six months and the Tories were blamed for botching it. Interestingly, their tinkering and wobbling infuriated both of the opposing camps in the restructuring dispute. Anti-market advocates were upset that the Tories' reforms went too far, too fast. They insisted that the Tories were tinkering impetuously with the electricity system rather than fastidiously and prudently trying to fix it. Pro-market proponents, though, were upset that the Tories had not gone far enough, fast enough. They alleged that the Tories were wobbling over whether or not to push ahead or pull back from their reform efforts which was discouraging prospective investors and causing confusion and a loss of faith in the efficacy of the reform initiatives. Nonetheless, in the ensuing provincial election in 2003, the Conservatives were promptly and perfunctorily ousted.

While the previous chapter examined the external factors that triggered the Tory government's efforts to reform Ontario's power industry, this chapter examines the internal factors at work. The four internal factors that proved the most influential in provoking the Tories to undertake their policy reforms were: (1) worsening financial woes at OH largely due to the poor performance of its nuclear wing; (2) the longing to instigate power competition in the province was integral to the interests of the Tories' closest allies and advisors and to the perceived triumph of the Tory government's neoliberal agenda and, intriguingly, was just the progression of the lingering, furtive efforts of the prior NDP government to dispose of the ostensibly obsolete OH monopoly; (3) the emerging viability of low cost co-generation power plants, using low cost natural gas, which undercut the historic economy of scale theory upon which the OH monopoly
was founded; and (4) escalating energy demand in the province and the government's unwillingness to underwrite the cost of constructing new electricity infrastructure.

This chapter contrasts the formation of the principle of public power and the advance of the "kilowatt army" in the early 1900s, with the apparent retreat of that principle in the late 1900s to determine why the Tories were so insistent on renouncing roughly 100 years of history by relinquishing the publicly-owned power utility their Tory predecessors had fought so hard to found. It is thus the intent of Chapter Four to elucidate why holding hands was no longer enough.

ELECTRICITY IS SPECIAL

World War I provided the impetus for the province to further its interests in Ontario's electricity industry. In the interwar era, OH extended its influence through a costly, though critical, electrification campaign. In no other jurisdiction did the state so wholly involve itself and intervene so extensively in the electricity industry. Ontario was unique, as Ruth Dupré and Michel Patry assert, and OH's monopoly was unique among utilities within North America.12 Nelles, in The Politics of Development, contends in extending public regulation to provincial ownership of the means of distribution, Ontario deviated sharply from the North American norm. The building of provincially-owned transmission lines, followed in due course by the nationalization of the privately-owned powerhouses, depended upon no borrowed precedents, either British or American, but was rather a product of the unique social and political environment of early twentieth-century Ontario.13

Government initially got involved in establishing a publicly-owned power system because of the province's history of interventionist development initiatives, the inability of entrepreneurs to provide uninterrupted electric service at fair prices, frustrations over

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Ontario's relative economic competitiveness, foreign energy crises, Adam Beck's inimitable ability to drum up interest in public power and his "Hydro Circus," and worry among a group, or "hive," of busy bee type local boosters and petite bourgeois industrialists from the southwestern Ontario periphery who feared that their towns or businesses might be usurped by Toronto's growing, though tenuous, electrical advantage. Indeed, the persistence of statism in Ontario, the proclivity of governments to repeatedly intervene in the development of the province's proprietary resources, occurred not only because they sought to get some revenues from it in the form of Crown royalties, but because business found it useful and often insisted on it. However, for the Whitney Tories, forming an indigenous electricity industry in the early 1900s was a rather baffling business. There was definitely no previously written handbook to refer to for help. Business believed electricity was "too precious" as a currency of industrialism to be left to chance or to the whims of entrepreneurs who could not provide power "on time and at reasonable rates," therefore, the state was championed to fulfill this critical function. Ontario Hydro, as Nelles attests, was "run by businessmen, for businessmen, in what was always referred to as a 'businesslike' manner." From the outset, the "strongest and most persistent demand for public ownership came from businessmen" and the public power movement was a venture in "state capitalism" whereby the state's abilities would prop up business' apparent inabilities. Unlike the province's experiences with Ontario's other vital resource industries, logging and mining, which were relatively uncomplicated and just land and labour intensive, the financial and technological intricacies of the electricity industry were very complicated (e.g. huge economies of scale, high infrastructure costs, vacillating demand, property rights issues to sort out, inability to store or stockpile
electricity). This dissuaded the lauded privateers because they were, to use H.A. Innis' stinging terminology, simply "not adequate to the task."

As the Executive Director of the International Energy Agency (IEA), Robert Priddle, decrees, "[e]lectricity remains a strategic concern for governments as it is even more essential to economic and social life today than it was in the past. It is not just another commodity." As a strategic staple, electricity has invariably been regarded as "special" given its colossal sunk costs, its essentiality for industry and security, its effects on society and the environment, and its ensuing regulatory requirements and has thus been regarded as a "natural monopoly." Essentially, a natural monopoly exists when one firm produces goods or provides services at a lower cost than any other firm or combination of firms within a market because the one firm's prices will continually undercut the prices of prospective entrants and force them out of the market. As Marjorie Griffin Cohen argues, the electricity industry was historically a natural monopoly because of the practical constraints of transmitting high-voltage power over huge distances and distributing it in low-voltage form to consumers and, also, because of the enormous costs incurred creating a generating power plant. The power monopoly in Ontario proved even more special in that the state intervened early to assure that it was publicly-owned, unlike in other jurisdictions.

It is both illogical and unprofitable to have competing transmission lines and distribution wires running from powerhouses to consumers' homes. Constructing a good infrastructure for transmitting and distributing power is profitable because it reduces total costs, reduces the redundancy of rival line networks, and reduces the chance for line losses over long distances. Constructing a good infrastructure of huge, well-dispersed
power plants is profitable because it benefits from big economies of scale, providing more power, more cheaply than a system of many scrawny generating plants. Novel generating technology emerging in the late 1990s, however, would prompt governments, industry pundits, and curious, potential industrialists to rethink the notion of the natural monopoly. While transmission and distribution are indisputable natural monopoly enterprises, new technology has toppled the natural monopoly defence in generating and retailing.

The emergence of a vertically-integrated, publicly-owned power monopoly in Ontario developed through vigilant government policy. As Paul Joskow explains, vertical integration (e.g. a utility that generates, transmits, and distributes electricity) helps in ensuring the public good by internalizing the relationship between generation and transmission, providing operational organization, balancing energy loads and reserves on a real-time basis, establishing grid protocols and generating limits, engaging in long-term planning to project power demand and identify needed investments in infrastructure in the future.\textsuperscript{23} As Severin Borenstein and James Bushnell assert, electricity is special.\textsuperscript{24} It is a different, difficult case because it is vulnerable to market manipulation and is susceptible to the spectre of volatile prices (e.g. fragility of the grid and of the real-time demand-supply balancing act).\textsuperscript{25} Though it is possible to try to store the energy potential required to create electricity (e.g. damming water, stockpiling coal or liquefied gas, batteries), it is impossible to profitably store power; and, though electricity flashes along a line at lightspeed, it is tough to predict fluctuations and its provision is really an orderly balancing act (e.g. power is provided at one point while it is removed from a different point).\textsuperscript{26} What is definite, however, is that electricity is a lucrative
industry and, for most of its history, the province used OH as a policy tool to try to encourage progress and promote prosperity.

FROM HYDRO TO FISSION: ONTARIO'S NUCLEAR FALLOUT

To understand the problems that manifest at OH and the Tories' ensuing efforts to reform the province's power system, it is integral to understand the growth of the province's nuclear wing. The troubles which hindered OH were a function of the troubles rife within the federal-provincial plot to use OH to promote the development of the profitable CANDU reactors for export and a nuclear research industry in the province to support it. Constant problems with the CANDUs did not help. They broke down often and they were expensive to upkeep. As former Minister of Energy Jim Wilson avows, OH worked well until it undertook its nuclear initiatives and turned into a "great big nuclear shop."\(^{27}\) No other jurisdiction in North America is as reliant on nuclear power as Ontario.\(^{28}\) Ontario uses the most nuclear power in this country and it is one of the biggest users on the continent.\(^{29}\) In 1974, OH flipped the lever on its first, fully-owned nuclear power plant, Pickering A, then its second in 1979, Bruce A, its third in 1985, Pickering B, its fourth in 1987, Bruce B, and, finally, its fifth in the early 1990s, Darlington. Presently, power from Ontario's three nuclear installations amounts to more than 50 percent of the province's entire supply.\(^{30}\)

The seeds for the crop of nuclear reactors that sprouted up in Ontario were sown in World War II, were tended to in a protective Cold War climate, manifest blight in the 1980s, and were ploughed under in the late 1990s. In 1939, a French scientific mission
bought and then brought back to France the whole world's known supply of heavy water, a mere 185.5 kilograms, from Norway, the only place in the whole world where it was produced in any quantity. They hoped to use it in a prototype power reactor, however, they feared it might fall into the possession of the Nazis and used for far more nefarious purposes. Following the Nazi invasions of Norway on 9 April 1940, and then of France on 10 May 1940, the French scientists fled to a Bordeaux port where they sailed, with their valuable heavy water in stow, to England. Working alongside the English, in 1940, the Allies were proffered proof of the fissile, explosive potential of plutonium, extracted from uranium using heavy water (i.e. deuterium), for generating power, or worst, for bombs. Inquiries into where rare uranium may be found or where heavy water may alternatively be made led the Allies to Canada. While the United States remained neutral, in autumn 1941, the Allies determined they would uproot their nuclear research unit and transplant it in Canada. Working with the British government, Canada offered the scientists safe refuge, funding, and facilities to continue their research. When the United States entered the war later that year, they immediately began contributing to the nuclear research already underway. Within one or two months, though, the United States outnumbered, outclassed, and overall surpassed their comrades in the resources they were devoting to their nuclear research division. As the U.S. was fixated on the goal of assembling a nuclear bomb, ostensibly to put an abrupt end to the war, efforts in Canada were also military in their intent, but mostly scientific in its character. When World War II ended in 1945, Canada was already working on ways to use nuclear energy for peaceful purposes and its experimental nuclear reactor at Chalk River was operational. The expanding cost and scope of its research efforts prompted the federal
government to create, on 1 April 1951, a separate Crown company called Atomic Energy of Canada Limited (AECL) to manage it.35

Following World War II, OH was faltering. Power in the province derived entirely from hydro-electricity. Booming families and industries, demanding more and more power, exposed gaps in the OH grid and the limitations of Ontario's power system. In the late 1940s, brownouts and other, less serious, power interruptions were not unknown to Ontarians.36 The electricity deficiency in Ontario forced OH to look for different ways to fix it, fast. Ontario Hydro was failing to fulfill its adage of "reliable power at reasonable rates" as it could not cope in meeting the needs of consumers in the immediate postwar period and it was hindering Ontario's burgeoning economic growth.

While the province had not totally tapped its hydro potential, constructing hydro-electric facilities proved quite expensive. Fossil fuel plants were not costly to construct, however, fluctuating commodity costs could compromise rates and reliability. When vast uranium reserves were found in Northern Ontario in 1955 in response to the U.S. government's Resources for Freedom incentives,37 the thought of constructing nuclear power plants enthused curious OH executives if they could reduce electricity costs and utilize indigenous energy. The thought was that nuclear facilities would allow OH to control its own fuel, procured from mines within its jurisdiction, and lessen its reliance on foreign energy, foreign exchange rates, and foreign governments.38 As Robert Bothwell asserts, it was a way out of Ontario's "energy conundrum."39 For the Ontario government, nuclear power was viewed as a way in which to promote energy self-sufficiency, however, for the federal government, the promotion of nuclear power, particularly the distinct Canadian deuterium-uranium (CANDU) reactors designed by
AECL, was part of its foreign policy hopes to promote peaceful uses for nuclear research and conciliation during the Cold War and, also, its economic policy aspirations of selling CANDUs round the world "to regions where high technology was only a word." In 1952, AECL, along with the federal government's "Minister of Everything," C.D. Howe, met with OH and Conservative Party Premier Leslie Frost entered into discussions on the possibility of founding power plants in Ontario using nuclear energy.

While OH and AECL awaited word from Toronto and Ottawa, perhaps predictably, the disparate governments fought over who would pay for what. Eventually, though, they ratified a deal and work began in 1960 on their first tangible venture together, a 200 megawatt experimental power plant at Douglas Point on Lake Huron. It became operational, or went "critical," in 1966 and began contributing to the grid in 1967. The Douglas Point facility was finicky and flimsy and, though it broke down a lot, OH and AECL learnt a lot from it, most notably, that the reactor needed to be simpler and more sturdy if it was to be reliable, cost-efficient, and thus easier to export. When it did work, however, it worked well and OH happily operated it. Unfortunately, it did not work too often and OH refused to pay for it. In 1986, the problematic Douglas Point reactor was shut down. The ensuing federal-provincial government venture, the building of the Pickering power plant in 1964, proved a huge victory for the future of indigenous nuclear technology. When Pickering finally went "critical" in 1974, it was a costly, yet lucrative flagship for the CANDU package and a source of pride for the programme instigated by the federal and provincial governments, through OH and AECL, in this strategic sector. The Ontario government and officials at OH, though, were soon struggling at the helm of their growing fleet of nuclear reactors. As construction
commenced or continued full-bore on new nuclear reactors the province was contractually bound to build, power demand in the province diminished and problems popped up with the CANDU reactors. While projects in other jurisdictions, like the United States, had mostly halted by the 1980s, the provincial government was obstinate in its faith in nuclear energy. This faith had a high price.

Government investment in OH projects rose from roughly 17 percent of total government spending in 1965, to 39 percent in 1970, 72 percent in 1975, and over 80 percent from 1980 to 1985. Furthermore, the government was obligated to guarantee any money OH owed. While the OH debt definitely did not total the 50 percent of all of Ontario public indebtedness as it did in 1923, by the 1990s, OH's debt amounted to more than 30 percent of the whole province's debt. Ostensibly embodying the people's will in upholding its promise of public power at cost, OH emerged as a goliath in the Ontario political economy. The former OH was an entity unlike any other institution in Ontario's history. It boasted a huge staff of highly paid professionals (e.g. engineers, nuclear technicians, line gangs) and a vast infrastructure of transmission towers, power plants, offices, and research facilities. It also set its own rates for rural and industrial users (i.e. until 1974, when the Ontario Energy Board was advised to evaluate OH's rates and then suggest a rate to OH and the province), it set the rates at which to sell power to the municipalities and approved the proposed power prices of the municipal utilities, and it functioned in a nebulous world of regulatory ambiguity. The old OH was never regulated by any public group, it was guided by legislative authority. Thus, it was always within the grasp of the prevailing government of the day to be used for its own purposes. Varying federal and provincial agencies were involved in OH's affairs, however, no
supervisory or statutory regulatory agency was ever formally in charge. Oversight was given to groups of ad hoc commissions and standing and special committees of the Ontario legislature who were responsible for determining what type of generating OH ought to use, what construction projects to proceed with, or the extent of capacity expansion in the province. As Waverman and Yatchew avow, too often though, the complexity of OH's operations prevented these divergent groups from thoroughly and independently questioning the legitimacy of OH's requests. This further reinforced OH's autonomy and made it tougher to curb its inertial, institutional desire to expand or the Ontario government's propensity to use OH for its own strategic socio-political and industrial programmes.

For example, when U.S. interests in uranium mined in the Northern Ontario were eventually satiated by the beginning of the 1960s, the province stepped up to protect the town of Elliot Lake and its nascent industry. In 1955, $487,054 worth of uranium was mined, only one year later, in 1956, more than $9.4 million was mined, a mere three years later, in 1959, it peaked at $268.5 million, and in 1960, it totalled $212 million. The uranium mining industry in the North was declining precipitously. Uranium was hardly rare and its main buyer, the U.S. military, had enough. The ensuing glut of uranium in global markets, caused prices to plunge. From the outset, though, OH reactors were intended to use uranium mined from the North. In the 1970s, OH negotiated long-term, cost-plus contracts with the two largest uranium mining firms in Elliot Lake, Denison and Rio Algom. The only risk for these firms was the unlikely event that uranium prices might rise during the duration of their contracts. In the 1980s, uranium endured a catastrophic market devaluation. Thus, OH was forced to pay for
uranium which was grossly overvalued. When the chance came to cancel or redraft its contracts, OH was ordered through a directive from the province to renew its contracts until the late 1990s to protect the moribund mining jobs in Elliot Lake and allow the town time to transition. The cost of this tactic, evident in OH's ledger books, totalled $250 million.

THE NDP PRECEDENCE FOR PRIVATIZATION

While the Harris-Tories' longing for power liberalization in the province came primarily from its faith in the virtues of neoliberalism which advanced the idea of eliminating government from profitable economic sectors that might be better managed by business, the idea to topple OH and to fundamentally restructure Ontario's electricity industry initially came from the preceding NDP government. The role of the NDP government of Bob Rae in the Tories' ensuing efforts to destroy OH is intriguing. Not that the NDP government tried to be too intriguing. They were simply swept up in the tempest of neoliberalism which blustered throughout the West towards the end of the twentieth century.

The NDP stunned even themselves when they proved victorious in the 1990 provincial election. The ousted Liberal government, like the legacy of Conservative governments before them, used OH primarily as a tool to ratchet up economic development in the province, doing little to reduce the tension its spending and seemingly unstoppable growth were putting on taxpayers' pocketbooks as power demand diminished. The Rae government, realizing that OH had emerged into "the biggest
construction company in Canada," was fixated on the goal of augmenting supply, and
was hardly one of the most efficient power providers, thought it might be prudent to
restrain OH and halted all further initiatives except for conservation proposals.54 This
infuriated the top officials at OH whom Rae thought were being truculent and
patronizing.55 When the opportunity first arose, Rae responded by appointing family
friend Maurice Strong as chairman and CEO of OH in an effort to reinvigorate the utility
and re-jig it along NDP lines. Rae regarded it as the "smartest appointment" he had made
as Premier.56 Strong took on the task of righting the wrongs of a troubled institution.

One of the lingering troubles with OH were problems and prolonged delays
building the Darlington power plant that totalled billions of dollars because OH could not
charge for the construction costs incurred until the nuclear reactors were working and
providing power to the grid. Darlington began working on the NDP government's watch
during a period of reduced demand due to a sluggish economy. The fact that OH could
now try to recapture its costs constructing Darlington prompted power prices to rocket.57
Obviously, Ontarians were furious. Low gas rates and the emergence of new gas
generating equipment persuaded big industrial users to investigate making their own
power. As Swift and Stewart avow, the ensuing spiral was devastating: essentially, high
prices induced big users to begin producing their own power using gas generators which
reduced OH revenues which, in turn, compelled OH to hike prices which, in turn, caused
more customers to leave and further fuelled the cycle and, finally, made it a lot tougher
for the government and thus taxpayers to repay the money OH owed on its big energy
ventures for power no one then needed.58 Strong retorted by freezing rates and firing
thousands of OH workers to cut costs. Within the NDP government, though, two groups
emerged: one insisting the state was obliged to bail out OH and another advocating transforming the electricity industry, privatizing OH, and ushering in an open, competitive electricity market. \(^{59}\) NDP stalwarts, such as Finance Minister Floyd Laughren and Environment Minister Bud Wildman, insisted the Party would never pursue this latter path, however, both the Premier and Strong were intrigued. \(^{60}\)

In the early 1990s, Strong undertook a study entitled *Hydro 21: Options for Ontario Hydro* which considered electricity competition in the twenty-first century and increasingly viewed competition in the electricity industry as inevitable, while OH Vice President Eleanor Clitheroe sponsored a study, subsequently leading to a seminal book, entitled *Ontario Hydro at the Millennium: Has Monopoly's Moment Passed?* and, in 1992, OH was told to abort a demand-supply study spanning the next 25 years that it had began in 1990. \(^{61}\) Swift and Stewart incisively note that Strong, though hired to run a publicly-owned utility for a socially-mindful government, sought privatization for OH through the backrooms and boardrooms and organized its affairs to ready it for sale. \(^{62}\) Strong hunted down William Farlinger, a prominent Tory fundraiser working on Bay Street and the political mentor of Mike Harris, to lead a committee on the prospective restructuring of OH and hired him to write a report on the future of OH. Farlinger's report, titled *Ontario Hydro and the Electric Power Industry: Vision for a Competitive Industry*, drew on ideas culled exclusively from discussions with pro-privatization power companies (e.g. ENRON), neoliberal academics, and regulators from the U.S. and the U.K., and perhaps predictably, determined that OH ought to be overhauled and then geared up to compete in an open, competitive power market. \(^{63}\) This involved
privatization of even OH's nuclear reactors. When the Tories took over from the ousted NDP government, Harris promptly hired Farlinger as head of OH.

THE TUMULT AT ONTARIO HYDRO

The Tories' CSR manifesto proved pivotal in their victory in the 1995 provincial election as it provided voters with a simple, if not bold, list of their promises and the rationale underpinning their positions which appealed to voters' tastes at the time and was easy to ingest. The Tories got good reviews, enough to form a majority government. They offered no hints, however, of the extent to which they intended to fundamentally transform the provision of power in the province. In his pre-electioneering days, Harris told the Ontario Independent Power Producers' Society that a Tory government would open up "opportunities for private-sector co-generation along with open competition in power generation, transmission, and retailing." To business, privatization was innate to the Tories' electoral mandate. Strong and the NDP government put privatization into gear, now, Harris and his Tories only had to nail the throttle. The thought of privatizing the mighty OH at the outset, though, was a lofty notion. The biggest utility, if not industrial entity, in the country, the former OH had $44 billion in assets and about $9 billion in revenues by 1995, but also had roughly $33 billion in government-guaranteed debt on its books that cost $404,566 an hour to uphold.65

Though the CSR divulged that a Conservative government might want to make changes at OH as a way of "removing barriers to growth," it was very vague in elucidating precisely how it would do that.66 The CSR just noted that the Tories would
freeze OH rates for five years if they were elected to stabilize the power system and that this "may mean more changes at Hydro, including some moves towards privatization of non-nuclear assets." Given that they would go on to privatize the Bruce facility to British Energy and drag Ontario through one of the most belligerent reform efforts in its history involving one of its most revered institutions, the CSR's reticence is quite disconcerting in retrospect. Nonetheless, it is posited that the push for reform emanated, and was sustained by, interests from outside of the elected Conservative Party and its MPPs possessed only a murky notion of OH's troubles and what they might do to try to fix them when they initially took office. For most of them, possibly, their proclivity for truculent, textbook neoliberal initiatives was still somewhat unrefined. Like bolts holding the Tories together, the tensile strength of those proclivities would be tested to their limits with OH.

For Jim Wilson, possibly the most prolific of the Tories' five Energy Ministers from 1995 to 2003, the thought of reforming OH and restructuring the province's power system was a rather nebulous notion at the outset of the Conservative Party's tenure;

I'm not sure anybody, really, prior to 1995, had any clear idea what [the Conservative Party] should do with Hydro. Certainly, by the time I got the portfolio, the idea was in place that we should divide the company up, we should be honest about the debt, we should move towards privatization... and figure out some way to have even a quasi-market so we'd have private sector investment because there was no way we were going to repeat the mistakes of the NDP, guaranteeing the price of power whether or not [Ontario] needed it. Among the Tories, though, a belief emerged that they might be able to "pull this thing off" and disassemble the publicly-owned system and replace it with a privately-owned system. But hesitancy, dissension, and disunity among the Tory ranks, kept hidden from Ontarians, hindered its Energy Ministers. As Wilson states,
it was never clear to me what Mike Harris' intentions were, really. I was going
down one path and I'd get approvals every once and a while from the Premier and
cabinet. They seemed to be buying into where we were headed. But, I never
really knew whether or not [Harris'] heart was really in it and, certainly, I never
knew where [Eves] stood on it. As Finance Minister he was very co-operative,
but this was not a high priority for him [when he was Premier], so I was kind of
left out there, as I think John Baird was.70

Beyond a nebulous belief that reforming OH was "doable," bolstered by a rough belief in
the tenets of neoliberalism among most Tory MPPs, the pragmatic goal of trying to
resolve the province's power problems, as well as a fear that OH was a ticking time-bomb
that might blow up on their watch, prompted the Conservative government to get
organized. The Tories were adamant that the "old way was not working" and that OH
was "a monster unto itself" whose financial woes were dragging down taxpayers and the
government's budgets through untenable debts.71 The seeds of neoliberalism were
already sown in the minds of the Tories' top advisors, now they needed to be cultivated in
their MPPs and the public.

The tumult at OH in the 1990s was obvious to its observers. The troubles at OH
bothered the Tories immensely. The eight most frustrating issues which riled the Tory
government were: (1) OH had amassed a debt of about $32 billion by 1995 (i.e. growing
to $38 billion by the launch of the millennium); (2) OH had over-expanded, over-
estimated demand, over-spent in its new developments (e.g. glitches during the building
of the Darlington power plant), and had over-supply; (3) its nuclear reactor facilities were
performing poorly and proving very expensive to repair; (4) the onset of recession in
Ontario reduced demand and reduced OH's revenues; (5) rather than raising rates
gradually, OH instigated huge rate hikes that infuriated customers (e.g. 8.6 percent in
1991, 11.8 percent in 1992, and 7.9 percent in 1993); (6) in 1993, it reduced its workforce
24 percent and sustained $3.6 billion in losses, the largest one year loss in Canadian corporate history; (7) OH was inexorably lambasted for its diffuse, fragmented regulatory authority; and (8) low cost energy (e.g. gas) and the emergence of novel generating technology (e.g. gas turbines) which was now affordable to private investors began to rival the relatively pricey nuclear-based publicly-owned power that OH provided.\textsuperscript{72}

Obviously, the urgency to reform the former OH was enormous. Naming Brenda Elliott as the Tory government's inaugural Minister of Environment and Energy, though, suggests that this rookie MPP was either signed on as a promising superstar in the Conservative Party or that they did not expect things in this portfolio to prove as volatile as they eventually were. As David Cameron and Graham White divulge, likely not intending to be disparaging, Elliott's qualification for the portfolio was that she was the former proprietor of a shop that sold environmental products.\textsuperscript{73} Not only new to her government job, new to politics, Elliott also lacked a background managing big organizations.\textsuperscript{74} The Party interfered very little in Elliott's affairs and they made few demands on her as OH, at the outset of the Tories' tenure, "lost [its] urgency for the Premier and his top advisors."\textsuperscript{75} Elliott mostly toiled in her Ministry office, drove home to Guelph every evening, and dutifully devoted time to her constituents, thus reducing her profile in Queen's Park.\textsuperscript{76} Elliott, lamentably, was loyally tending to the storefront while her Tory peers were scheming to sell-off OH from the stockroom door. Elliott lasted only one year on the job and was relieved in 1996 by veteran Conservative Party MPP Norm Sterling who also lasted only one year and was replaced by Jim Wilson in 1997.

The Tories took to government keenly with resolve for their CSR manifesto commitments. In autumn 1995, while the public, press, and its opponents grappled with
Bill 26, the notorious "omnibus bill" which intended to "cut through the red tape" of bureaucratic protocols by imparting more power to the Premier and cabinet ministers and purportedly hijacking democratic discussion in the legislature, prominent Tory Party personnel got to work organizing the Advisory Committee on Competition in Ontario's Electricity System (i.e. the Macdonald Commission). Its findings, entitled *A Framework for Competition,* urged the Tory government to instigate competition in the electricity industry "as soon as practicably possible" and, critically, proposed that the monopoly of OH ought to be abolished. It also proposed privatization, however, unlike Farlinger's report, it did not advocate privatization of the province's nuclear reactors. Given this verdict and the favourable views of some of the industry's pundits giving weight to their thoughts on electricity restructuring, their distrust of OH, and their furor over OH's intrinsic inefficiencies, the Tories proceeded to put together a cogent, compromising plan.

If the Tories felt that OH was good to go for privatization, those at OH were quick to point out its engines were in urgent need of overhauling. Possibly trying to dissuade the Tories, they insisted the timing was not right. In 1997, Ontario Hydro hired an American authority on nuclear reactors, Carl Andognini, to inspect its operations. In fifteen volumes, Andognini's *Independent Integrated Performance Assessment* grimly determined that OH's nuclear power plants were replete with problems. It identified arrogant management (e.g. a refusal to receive criticism), lax safety standards (e.g. nuclear reactors were modified or bandaged without notifying engineering departments), "uncontrolled contaminated material" (e.g. unattended radioactive material was found outside the fence at the Bruce facility), "excessive human error rate" (e.g. workers were
assigned to tasks they lacked training for), and that the touted CANDU reactors were performing poorly (e.g. its was unlikely they would fulfill their 40-year life expectancy). The individual who hired Andognini to give a "brutally honest" evaluation of OH's facilities, the CEO of Ontario Hydro, Allan Kupcis, resigned following the release of the findings. The findings also prompted Farlinger to infamously refer to the nuclear wing of OH as "some sort of nuclear cult" and, within twenty-four hours of its release, to demand the shut down of seven of the most faulty reactors while OH worked on fixing its twelve other CANDU reactors. The withdrawal of these power plants from the grid forced the province to depend on its outdated, dirty coal and oil generating stations to replace the lost output which, consequently, prompted prices to rise along with the regularity of "smog days" in those urbanized regions where the antiquated power plants were positioned. Ontario Hydro was not ready to take part in an open, competitive power market nor was it at all appealing to any prospective buyers.

In autumn 1997, the Tory government released a White Paper called Direction for Change outlining the exigencies for reforming the province's power sector. As Jonathan Erling argues, the White Paper espoused a "big bang" approach to electricity restructuring: the creation of a competitive market in one gigantic and dramatic (and undoubtedly chaotic) attempt. Noting that Ontario had to "keep pace" with other jurisdictions who were restructuring their electricity industries to ensure its competitiveness, thus implying it would falter if it did not follow the others' lead, the White Paper insisted that there was a "compelling" need for change and that the reforms would definitely lower prices, enhance safety, foment investment, and lead to more jobs. Further, it insisted that the OH monopoly was outmoded, it was an inefficient
business with appalling performance, but more importantly, new opportunities were
emerging which might be of profitable benefit only if the electricity industry in Ontario
had a new configuration.\textsuperscript{84} The White Paper proposed a nine-point plan to promote
reform:

1. creating a competitive power market by 2000;

2. establishing an Independent Market Operator to manage the power pool and a
   transitional power market;

3. separating monopoly operations from any probable competitive business
   operations throughout the electricity industry;

4. giving the Ontario Energy Board a greater regulatory oversight mandate;

5. augmenting environmental regulations;

6. encouraging cost reductions in distribution;

7. providing a "level playing field" for taxes and regulations;

8. dividing Ontario Hydro into distinct business units;

9. ensuing new power companies in the open, competitive market are actually able
to compete.\textsuperscript{85}

The CSR hinted that a Tory government might look into privatizing OH, though,
it was vague on how it would do it. Now that they were the governing party, they were
intent on it, yet they truly did not know how they would do it. Again, the thought of
wholly liberalizing the province's power industry was only a nebulous goal at the
beginning of their term and was not initially on the agenda of the Tories' Energy
Ministers. It was, however, a priority of the Tories's top advisors and those business
interests it sought to oblige. Farlinger reiterated that the "investment fraternity" had
given them the green light to privatize, however, they were now wondering why the
Tories were not speeding towards that objective.\textsuperscript{86} Unlike their "public power"
predecessors, the "common sense" Tories chose to concede to those interests because they possessed reciprocal, ideologically-grounded aspirations to reduce the interventionist role of government, limit its expenditures, and realign the polity and economy along market lines. In their espousal of the tenets of neoliberalism, they deviated dramatically from the long-established "red tory" mode of governance in the province. Indeed, the "common sense" Tories proved distinctive from preceding provincial governments in that they sought to totally reinvent governance in the province by transforming the roles of the state, market, and society, and the linkages among them, through their loyalty to a neoliberal ideology. Owing to their ardent devotion to this neoliberal doctrine, they complied and dutifully relented to the pressures imposed on them by outside business interests intent on breaching the profitable power market in the province. As Swift and Stewart wittily term them, these interests might be tagged "users" (e.g. huge industrial users like Stelco, Dofasco, or Falconbridge, now known as Xstrata), "droolers" (e.g. the banks and financial houses that were salivating over the likely profits to be procured from liberalizing power), and "con men" (e.g. ENRON, Direct Energy, or other retailers intent on manipulating markets and customers for profit). Some interests, livid that the Tory government was lingering over whether or not to open up power to competition, organized a stakeholders' group to goad the Tories into moving further and faster with its proposed initiatives. The group, the most prominent among its ranks being the Association of Major Power Consumers in Ontario whose membership represented 15 percent of OH's annual load usage and more than $1 billion of its revenues, expected power prices to drop 10 percent if independent power producers were invited to compete in the province and worried that the government was giving up on a great opportunity.
In 1998, the Ministry of Energy responded on behalf of the Tory government by forming the Market Design Committee (MDC) to find out how to effectively implement competition and fulfill the policy objectives it outlined in its White Paper to restructure the electricity industry in Ontario. Essentially a panel of integral stakeholders in the energy industry who had the most to gain from liberalizing, its membership included pro-privatization companies (e.g. ENRON), academics (e.g. Michael Trebilcock), and environmental (e.g. Energy Probe) representatives. The MDC determined the governance and fiduciary rules that the government, the old Ontario Hydro, the Ontario Energy Board, the Independent Market Operator, and the new private players would follow and how to avoid gaming in the emerging energy market.

Tory electricity policy, embodying both its White Paper proposals and the MDC's recommendations, was pronounced in Bill 35, the 1998 Energy Competition Act, which began by "unbundling" OH into five units: (1) Ontario Power Generation (i.e. power generating); (2) Hydro One (i.e. high-voltage transmission lines); (3) the Independent Market Operator (i.e. power pool regulator); (4) the Ontario Electricity Financial Corporation (i.e. paying down the OH debt); and, finally, (5) the Electrical Safety Authority (i.e. the regulator for those groups hooking-up to the grid). Internally, OH referred to the unbundling process as the "Demerger Project." The Demerger Project's transitional team executed and expedited 800 activities assigned to six working groups. It was the integral bridge that established the financial, governmental, staffing, and regulatory structures of the newly unbundled business entities. To thwart the former OH from using its might to any advantage in the impending competitive power market, the Tories implemented the Market Power Mitigation Agreement (MPMA). The MPMA
forced Ontario Power Generation (OPG) to offer rebates to its users from any revenues it took in if prices went higher than 3.8 cents per kilowatt hour.\textsuperscript{95} The MPMA stipulated that OPG would only be able to earn more money as it sold or leased up to 65 percent of its generating assets within 10 years of the market opening.\textsuperscript{96} However, as Jan Carr, Vice Chair of the Ontario Energy Board, intimates, one of the most intriguing elements of the legislation, given the long legacy of OH in Ontario, was that it

required that every entity that was involved in the electricity industry become a corporation under the Ontario Business Corporations Act which basically meant that it behaved like a business. Electricity would no longer be delivered as a public service, no longer be delivered by a department of the city, no longer be delivered by a commission, or a committee, or a co-operative, or whatever. It was a corporation. Period.\textsuperscript{97}

Carr contends that this transformation in thinking about utilities as corporations is profound because it forced publicly-owned utilities, like OPG, which were previously exempt from paying taxes to begin paying taxes or payments in lieu of taxes.\textsuperscript{98} This ensured "everyone was on the so-called level playing field financially" and "as a policy matter, it became irrelevant, from a financial point of view, whether a [utility] was privately-owned or publicly-owned because the cost of capital, the cost of taxes, the financial cost of operating the entity was the same."\textsuperscript{99} "The point being," Carr concedes, [concerning] the billions of dollars that need to be invested... the government of the day decided in the Act that they were no longer going to do all that on the public purse. It opened up the opportunity for private capital to compete [with] public capital. And, that's probably one of the most significant changes that has been made to the structure of the electricity industry in this province in a century.\textsuperscript{100}

The Tory government pronounced that an open, competitive power market would commence in 2000. Interestingly, though, this would not occur until 2002 as the vestiges of the old OH intimidated prospective firms from investing and the government groped to
find willing investors. If the Tories had, in fact, tuned the electricity industry in Ontario for competition, the prominence and performance of the former OH, however vilified, proved too daunting for the privateers to challenge. For its liberalizing efforts to work properly, the Tories would again have to hastily re-tune things. Re-election to one more majority in 1999 gave the Tory government legitimacy to demonstrate the vigour of its vows to promote power liberalization and the investment interests of business in the province. This vigour is evident in two prominent directives.

Following the rules of the MPMA and the Tory government's directive, in early 2001, OPG began to shake off some of its generating assets to reduce its prominence in the coming competitive market and thus lure investors. The "giveaway" began with the leasing of the Bruce power plant to British Energy for $1.8 billion for eighteen years.101 Usually, yearly revenues were $1 billion at Bruce, but in a liberalized market, it would likely be more. Over the span of its lease, it is estimated British Energy would garner roughly $68 billion, money the province could have collected to pay down OH's debt.102 The power plants' Power Workers' Union (PWU) supported the government's giveaway. The PWU, the rogue group of Bruce workers from Local 1000 of the Canadian Union of Public Employees (CUPE), who fought the Tories' initial liberalizing efforts, were now publicly promoting the deal, likely to protect their jobs, in an elaborate $10 million ad campaign. The Energy Minister who did the deal, Jim Wilson, divulged that it was done "without any hoopla at all" and he was "surprised [the Tories] got away with it."103 Wilson noted, however, that the PWU's efforts were a "big help" and it was their influence "in telling people this will be good for your [power] system" that permitted the deal to get done.104 He postulated that the "intimidating" PWU made it hard for "the
NDP, Liberals, and left-leaning people to say don't do it."105 For observers, the Bruce deal was not only colossal, it was contentious. Handing the keys to a volatile power plant to a relatively unknown foreign energy firm that had formerly had a fling with insolvency until the British government helped them out, verified the Tory government's resolve. Closing the Bruce deal with British Energy was thus integral if the Tories intended to prove that the state and the provincial power market were conducive to prospective investors and to competition. Ensuring the Tory-PWU bond was indissoluble was imperative. As Wilson reveals, the President of the PWU, John Murphy, told him "don't worry, my membership is the same as your membership. We're the guys with the two cars, the family, the boat, the cottage, and we like tax cuts."106 Assured, the Tories moved on to even more massive liberalization initiatives.

The vigour of the Tory government's pledge to promote power competition is further evinced in its pronouncement, in late 2001, to instigate the biggest privatization in the history of the country: the sale of Hydro One. They offered no hints beforehand, however, of their intention to sell off one of the most profitable and strategic staples sectors in the province.107 They persistently refuted the thought. When the Conservative government decreed the 1998 Energy Competition Act, for example, Energy Minister Jim Wilson stated that

one of the reasons we're not talking about privatization is my dream for Ontario Hydro that, once again, it will begin to return a healthy profit back to the shareholder, and the shareholder is the people of Ontario, and that money in the future could be used to either lower electricity rates again or... [used to] support health care and education and other priorities that the government of the day might have. That's one vision of where the money should go once Ontario Hydro is again a major player in the North American market... people should not underestimate Ontario Hydro's ability to be a major player in North America. They clearly have a plan that they're putting in place... they will capture new markets, beginning in the northeastern United States.108
Later in 1998, Wilson reiterated in a letter he wrote to the Financial Post that the Tory government did not intend to privatize any part of OH.\textsuperscript{109} In the background, though, the Tory government was already investigating the possibility of privatizing the newly created Hydro One, a Crown entity whose assets amounted to more than $11 billion.

When the Tory government was finally ready to divulge its privatization plans, it was done deviously. It was sly for three reasons.\textsuperscript{110} Firstly, they announced it on the last day that the legislature was in session in December before its dissolution for the festive season. Secondly, the Premier proudly pronounced that the province would divest itself of Hydro One, he extolled the Tory government's record, thanked his Tory colleagues for their loyalty over the years, then he told the legislature he was resigning as Premier the next day and retiring from the Conservative Party.\textsuperscript{111} Thirdly, the Tory government then furtively filed a prospectus of its intent to sell all shares in Hydro One without the legislature being in session and thus without any legislative debate on the perceived virtues of their privatization initiative. The timing of the resignation and the revelation of Hydro One's impending privatization were obviously intended to truncate democratic discussion, confound the opposition parties, and stun the public to ensure that the privatization would proceed without encountering any serious obstacles.

Through an initial public offering (IPO), the first sale of shares, the Tories hoped to privatize Hydro One to ostensibly pay off what the former OH owed. The IPO promised to be huge, possibly $5 billion or more. The lawyers, brokers, and underwriting banks who would be indispensable in handling the IPO would benefit too from the $300 million or more to be made in commission fees. NDP leader Howard Hampton posited
the Tories proposed the IPO so its "Bay Street friends [could] have some excitement."\textsuperscript{112}

The Tories' Energy Minister, Jim Wilson, retorted that

\begin{quote}
[\text{f}e\text{e}s \text{a}r\text{e} \text{c}h\text{a}\text{r}t\text{e}d \text{f}o\text{r} \text{IPOs}. \text{They} \text{a}r\text{e} \text{p}ublic \text{fees}. \text{They}'ll \text{b}e \text{p}art \text{of} \text{the}\n\text{p}rospectuses \text{f}i\text{l}ed... \text{h}und\text{r}e\text{d}\text{s} \text{o}f \text{p}eoples \text{w}i\text{ll} \text{b}e \text{c}a\text{l}l\text{e}d \text{u}p\text{o}n \text{t}o \text{o}ff\text{e}r \text{sh}a\text{r}e\text{s} \text{t}o\text{ the} \text{p}eoples \text{o}f \text{O}nt\text{a}r\text{i}o, \text{t}o \text{th}ose \text{w}h\text{o} \want \text{t}o \text{b}uy \text{t}hem, \text{a}nd \text{y}e\text{s}, \text{t}here \text{a}re \text{some} \text{fees} for \that. \text{The} \text{f}act \text{o}f \text{the} \text{m}\text{a}t\text{te}r \text{i}s \text{t}h\text{at} \text{thi}s \text{d}e\text{a}l, \text{i}n \text{t}e\text{r}\text{m}s \of \text{fees}, \text{w}i\text{ll} \text{b}e \text{n}o\text{d}\text{i}\text{ffer}\text{e}nt \text{t}han \text{the} \text{t}\text{h}ousands \text{of} \text{de}\text{a}ls \text{t}h\text{a}t \text{h}a\text{p}p\text{e}n \text{e}\text{v}e\text{r}\text{y} \text{d}\text{a}y \t\text{h}\text{i\text{s}c}\text{o}\text{n}\text{t}\text{r}\text{i}\text{y}. \text{I}t \text{m}a\text{k}\text{e}\text{s} \text{t}\text{his} \text{e}\text{c}\text{o}\text{n}\text{omy} \text{w}o\text{r}\text{k}. \text{I}t \text{m}a\text{k}\text{s} \text{the} \text{p}r\text{o}\text{v}\text{i}n\text{c}\text{e} \text{w}o\text{r}\text{k}. \text{I}t \text{p}\text{u}\text{ts} \text{p}\text{e}\text{o}\text{p}\text{l}\text{e} \text{t}o \text{w}o\text{r}\text{k}. \text{The} \text{NDP} \text{is} \text{t}h\text{e} \text{o}n\text{ly} \text{one} \text{t}h\text{a}t \text{d}o\text{e}\text{s}'t \text{u}\text{n}\text{d}e\text{r}\text{s}\text{t}\text{a}\text{n} \text{t} \text{t}\text{his} \text{s}\text{t}\text{uff}. \text{W}\text{y} \\text{a}m \text{I} \text{t} \text{t}e} \text{h} \text{o}n\text{e} \text{g}uy... \text{t}h\text{at} \text{h}a\text{s} \text{t}o \text{e}d\text{u}\text{c}\text{a}\text{t}e\text{e}d \text{t}h\text{e}\m\text{s} \text{e} \text{v\text{e}\text{r}\text{y}} \text{d}\text{a}y.\textsuperscript{113}
\end{quote}

But Bay Street was giddy. The prospective profits from IPO fees, for example, prompted one Bay Street executive to concede that "we're all just trying not to pee our pants with excitement."\textsuperscript{114} Proponents of public power were jumping too, though, for less self-interested reasons.

Following their IPO pronouncement, the Tories confirmed that the market would finally be opened to power competition on 1 May 2002. With that, Harris' mission finished. He walked away from a power sector that was a "madcap amalgam of beneficial and detrimental processes and ideas all running simultaneously," a massacred monopoly and a slaughtered kilowatt army that he had helped to surrender.\textsuperscript{115} He resigned as Premier and Conservative Party leader and hung on as a lowly MPP from Nipissing until a new leader was named a month prior to market opening. The truculent, tinkering Tories would now, quite quickly, become the hapless, wobbling Tories.

CONCLUSION

The Conservative Party's efforts to reform the province's power industry picked up from where the previous NDP government left off. Infuriated with the poor
performance of OH and the escalating cost of its reactor repairs, the Conservatives were obdurate that publicly-owned power monopolies were obsolete and that competition was the only way in which the prevailing paucity of electrical capacity in the province could be overcome. Novel generating technologies now allowed small firms the opportunity to profitably vie against big utilities for the sale of power. The Tory government was notably intrigued by the possibility of divesting itself of OH not only to validate the purported efficacy of their ideological position, but because they could fill in the gaping voids in the province's energy grid without having to pay for it entirely. To the Tories, the electricity that underpinned the province's economy could purportedly be provided for more cheaply and the cash procured from the sell off of portions of the OH monopoly could be put into the province's coffers to be used to fund other policy projects.

As this chapter affirms, the lust for electricity reform in Ontario derived, internally, from four factors. Firstly, prolonged nuclear reactor projects due to the technical intricacies of their construction coupled with earlier than anticipated, yet inevitable, reactor repairs placed tremendous financial strain on the prevailing provincial government to attend to OH's accumulated debt. The ensuing financial woes at OH were entirely the result of its nuclear division, a division irrefutably derived from joint federal and provincial government efforts to establish high-tech industry in Ontario and, ostensibly, to justify its policy in the provision of vital uranium to the United States during the onset of the Cold War.

Secondly, technological innovations involving the use of combined-cycle gas turbines (CCGTs) fuelled by efficient and inexpensive natural gas made it feasible for large industrial power users, or wily entrepreneurs, to unhook from the grid and begin
generating power for their own industrial purposes or, possibly, to lobby the government to gain entry into the lucrative, though previously closed, power market and generate power for sale to the provincial grid. Coinciding with the economic recession of the early 1990s, the untimely rise in electricity rates by OH to try to cover their nuclear construction losses and to offset lost revenues from reduced commercial electricity consumption made the idea of installing clean, cost-effective CCGTs to produce power independently of the grid and of OH's problems quite tempting. Technology defied the historic logic of the monopoly. Technological innovations proved that, in some situations (i.e. the environmental and economic virtues of electricity derived from hydro are undeniable), bigger was not better; building huge power plants that generated huge amounts of power did not diminish the end cost of the power produced. Comparatively cheap, clean, and compact, CCGTs and other co-generation technology proved peerless in their efficiency and permitted non-government entities who were previously excluded from the publicly-owned electricity industry the opportunity to lobby for a spot. Thus, technological innovations offered legitimacy to the notion of power competition and of the possible obsolescence of power monopolies.

Thirdly, once the economic recession in Ontario ended in the mid-1990s, the economy began thriving and energy demand began escalating again. The fact that many of OH's reactors were "offline" or temporarily turned off for repair and mandatory maintenance work precisely when demand was intensifying brought huge problems to the province. Ontario Hydro was forced to run its remaining, functioning power plants at capacity, trusting in mostly older, dirtier, fossil fuel-reliant power plants that put strain on the power system and, most importantly, on the environment and the health of those
residing in the urbanized regions located close to these coal and oil-burning generating stations.

Finally, the Tory government's longing to unbundle OH, divest itself of OH's valuable infrastructure, and instigate a free market for electricity was an integral and emblematic goal of its neoliberal agenda and its allegiance to the goal of reducing the enormity and extent of involvement of government in Ontario. The global onslaught of neoliberalism throughout the late 1900s even besieged the NDP government of Bob Rae and provoked them to look into whether or not "monopoly's moment" had passed and OH had to be dismantled. The ensuing Tory government's overt efforts to demolish the edifice of OH was only the furtherance of the furtive efforts of the previous NDP government to obliterate OH and liberalize electricity during its tenure. While this obviously does little to legitimate the Tories' power reform policies, it does provide evidence of the overwhelming weight of neoliberalism in its inexorable press for transformation.

This chapter demonstrated that the Tories of the late 1900s, like the Tories of the early 1900s, were roused to transform the province's power industry by frustration, enmity, and pragmatic goals. However, while Ontarians lapped up the Whitney Tories' reforms, they were mostly fuming with those of the Harris-Eves Tories. Nonetheless, Harris-Eves Tories were infuriated with the billions of dollars worth of debt OH had amassed and, also, with the institution's ensuing hikes in power prices to try to reduce it because it gouged into industry's revenues, hurt the province's fiscal position, and hindered the province's economic competitiveness. The Tories were upset with OH and were ideologically opposed to the prolongation of the OH monopoly. They were hostile
to those who opposed them and, as a result, they endured tremendous opposition. Yet, lurking within their outwardly ideological and antagonistic agenda, the Tories' proposals had a simple, pragmatic purpose: to repair the problems within the province's power system as cheaply as possible. Obviously, OH was in trouble and needed help. The Conservative Party quite properly pursued electricity restructuring to try to overcome the deficiencies intrinsic to OH and to respond to the changing conditions in the prevailing energy paradigm. Their reforms, though, were not without their problems, both in their form and in their implementation. Efforts to wholly liberalize or privatize power did not work well in Ontario as they essentially obliterated the obligation to ensure good service that the former OH was mandated to fulfill (i.e. to provide reliable power at reasonable rates). Obviously, firms were not obliged to invest in the newly created power market merely because it was freed from government interference, nor were they obligated to fill in the holes in the electricity grid that the monopoly had dug for itself. When the power market in the province was opened and it became evident that few firms were willing to invest, the Tory government pushed their paradoxical, though ingenious, programme of re-regulation even harder: promoting liberalizing reforms while simultaneously re-asserting statism in the electricity sector to manage it. Re-regulation policies pledged that government would work together and hold the hands of prospective electricity industry investors even tighter to ensure not only that its reforms would eventually work, but to allay investors' fears of market instability and assure that profits could be procured. A coinciding change in the prevailing global energy paradigm, brought on by the emergence of technological innovations in generating, permitted big industrial power users the opportunity to disengage from the public grid and begin generating their own
power at competitive prices and, also, allowed intrepid entrepreneurs the chance to compete in power production. To the Tories, the creation of a competitive power market could decrease power prices and increase power capacity in the province without the government having to pay a thing. Government would fix OH and industry would fix Ontario's power problems. The Tories were thus impelled to rethink the notion of the power monopoly in Ontario.


5 Ibid, 217-221

6 Ibid, 217


8 Nelles, 221

9 As Nelles intimates in *The Politics of Development*, the impetus for public power in Ontario originated with a group, or "hive," of disaffected, divergent interests from the middling, fringe towns outside of Toronto, "joining hands with a united effort" to lobby for government intervention in the electricity industry. Ibid, 237


11 Ontario, vii

12 Dupré and Patry, 129

13 Nelles, 222-223

14 Ibid, ix

15 Ibid, 492
16 Ibid, 490

17 Ibid, 493-494

18 Harold A. Innis, *Problems of Staple Production in Canada* (Toronto: Ryerson Press, 1933), 81


22 Marjorie Griffin Cohen, *Public Power and the Political Economy of Electricity Competition: The Case of BC Hydro* (Vancouver: Canadian Centre for Policy Alternatives, 2002), 6


25 Ibid, 47-50


27 Jim Wilson was the Minister of Energy for the Tory government from 10 October 1997 to 14 April 2002. Jim Wilson (Simcoe-Grey MPP, Conservative Party), interview by author, tape recording, Collingwood, Ontario, 22 October 2004

28 Waverman and Yatchew, 373

29 Ronald J. Daniels and Michael J. Trebilcock, "The Future of Ontario Hydro: A Review of Structural and Regulatory Options," *Ontario Hydro at the Millennium: Has*
Presently, peak power capacity in the province is about 24,000 megawatts while peak power capacity from the province's nuclear reactors is about 14,000 megawatts. The province's nuclear power plants, however, provided only 11,400 megawatts to the province in 2005. The provincial government intends to repair or replace its nuclear infrastructure to increase this figure to 13,000 by 2009. Ontario Ministry of Energy, "Refurbishing and Replacing Ontario's Nuclear Facilities," www.energy.gov.on.ca/index.cfm?fuseaction=english.news&back=yes&news_id=1 (website visited 9 September 2006); Ontario Ministry of Energy, "Electricity Information," www.energy.gov.on.ca/index.cfm?fuseaction=english.electricity (website visited 9 September 2006)

Bothwell, 7

Ibid, 7-8

Ibid, 10-11

Bothwell intimates, amusingly, that while the nuclear scientists working out of Cambridge University in England found it difficult to find one mechanic to help them, those in the United States had "platoons" of them and, while the British could not procure even one lathe, in America, "it was a matter of going shopping." Ibid, 14

Ibid, 145


*Resources for Freedom*, often referred to as the Paley Report after the chair of the commission, William Paley, was a five volume tome enumerating the resources deemed vital to ensuring U.S. hegemony and enhancing its security and weaponry throughout the Cold War. Published in 1952, the report identified 22 resources the United States required from foreign states, 13 of which were found in Canada: aluminium, asbestos, cobalt, copper, iron, lead, natural gas, newsprint, nickel, petroleum, sulphur, titanium, and zinc. Further, it identified a relatively new mineral, uranium, as a strategic staple to be procured from Canada. In Volume IV of *Resources for Freedom*, it states that uranium, plutonium, and thorium were for military and energy generating purposes. It alleged that the "field of nuclear energy is in its infancy" and though it might eventually "become an important factor in the economy of the world" its likely "limited to military use." The Paley Report prompted the United States government to pursue resource policies which promised high prices and long-term, privileged, cost-plus contracts. This, consequently, promoted the rapid exploitation of uranium in Northern Ontario which the U.S. military ravenously stockpiled. In 1959, however, the United States government
rescinded its promises and reported it would not renew its contracts, though the Canadian government negotiated a prolonged "phase out" until 1966 to permit time to "rationalize" the uranium mines in the North. The loss of the guaranteed U.S. market and the ensuing glut of uranium on the global markets proved devastating for the uranium mining industry in the North. America, Resources for Freedom: The Promise of Technology, Volume IV (Washington: The President's Materials Policy Commission, 1952), 20; David Leadbeater, "The Development of Elliot Lake, Uranium Capital of the World: A Background to the Layoffs of 1990-1996," Elliot Lake Tracking and Adjustment Study: Final Reports, Volume II (Sudbury: Institute of Northern Ontario Research and Development 1999), 8

38 Bothwell, 281

39 Ibid, 281

40 The reactors were called CANDUs to convey a "can do" attitude and "an intrepid commitment to surmounting obstacles." The CANDU reactors used less expensive "natural uranium" rather than the more expensive "enriched uranium" which competing American and French made reactors relied on, and which gave the CANDU a comparative advantage globally. Ontario, Department of Mines Review 1973 (Toronto: Department of Mines and Northern Affairs, 1973) 39; Ibid, 256, 308

41 Bothwell, 295-297

42 Ibid, xv, 310

43 Waverman and Yatchew, 388

44 Nelles, 401-402; Daniels and Trebilcock, 4

45 Through the promotion of OH as a public good, the government used OH as a lever to pursue its policy goals. The ambiguity of its regulatory governance, or "institutionalized ambivalence," permitted this to happen and it lingered even when the Ontario Energy Board took on the task of evaluating OH's rates in 1974. Neil B. Freeman, The Politics of Power: Ontario Hydro and Its Government, 1906-1995 (Toronto: University of Toronto Press, 1996), ix, 3-9; Waverman and Yatchew, 373-374

46 Ibid, 374

47 Ibid, 373

48 Ibid, 384-385

49 Once known as the "largest single-industry town in Ontario," the now forlorn town of Elliot Lake is more fondly remembered as "a roaring, brawling, booming mining town
that burst overnight on the quiet solitude of the Algoma basin. [AECL] wanted the uranium in a hurry. Men, money, and machinery drove in on a narrow, twisting road, quickly pushed through in 1954... [it was] calculated that in 1955 the big trucks and tractor-trailers that carried in machinery and construction material rumbled along the new road at the rate of one every seventy-two seconds... the road was a sheet of ice in winter, a sea of mud in the spring; drivers swore that it was punched through by a cat skinner chasing a jackrabbit." Earle Gray, *The Great Uranium Cartel* (Toronto: McClelland and Stewart, 1982), 55; Matt Bray and Ashley Thomson, "Introduction," *At the End of the Shift: Mines and Single-Industry Towns in Northern Ontario*, Matt Bray and Ashley Thomson, Eds. (Toronto: Dundurn, 1992), 145


51 Waverman and Yatchew, 390

52 Ibid, 390

53 The victory shocked the NDP as all polls and pundits predicted the Liberals, led by David Peterson, would be re-elected. The Liberals', though, were viewed as arrogant (i.e. opportunistic, early election call) and plagued by party scandals (i.e. the Patricia Starr affair involving illegal party donations) as the campaign progressed and the Conservatives were viewed as disorganized, thus, the NDP were the only option to many voters. Rand Dyck, *Provincial Politics in Canada: Towards the Turn of the Century*, Third Edition (Scarborough: Prentice-Hall, 1996), 354-355

54 Swift and Stewart, 72, 74-75

55 Ibid, 81

56 Ibid, 80

57 Ibid, 81-82
This dissension and disunity, for example, is evident in two distinct incidents. First, in 2002, Elizabeth Witmer, a candidate in the race to replace Harris as Conservative Party leader, trying to put some "fizz in her fizzling campaign," was publicly and incessantly critiqued by her Tory peers for suggesting that they ought to re-think restructuring OH. Second, Wilson intimated that Eves, as a Premier, isolated and irritated some Tories by hitting the brakes on liberalizing energy as he attempted to re-position the Party as a centrist option prior to the 2003 election. Ibid; Swift and Stewart, 157-158; Eric Reguly, "Regulatory Power Real Issue in Electricity Deregulation," Globe and Mail (14 February 2002), B14

Wilson interview

Daniels and Trebilcock, 4-8

David R. Cameron and Graham White, Cycling into Saigon: The Conservative Transition in Ontario (Vancouver: UBC Press, 2000), 126
Ibid, 127-128

Ibid, 126

Michelle Weinroth, "Deficitism and Neo-Conservatism in Ontario," Open for Business Closed to People: Mike Harris' Ontario, Diana S. Ralph, André Régimbald, and Nérée St-Amand, Eds. (Halifax: Fernwood, 1997), 63-64

Advisory Committee on Competition in Ontario's Electricity System, A Framework for Competition (Toronto: Ministry of Environment and Energy, 1996), iii-v, viii

Wells, 36; Swift and Stewart, 125

As The Economist wittily posited in 1997, nodding to television's The Simpsons, that the province's nuclear power plants were mostly dilapidated and its workers were Homer-esque. The Economist reported that the rampant problems at OH would lead to the loss of its "special status as a self-regulating monopoly" as previously concealed problems (e.g. workers playing video games in the control rooms, workers doing lengthy, expensive repairs on the wrong generating units, and OH admitting some of its facilities secretly leaked radioactive tritium-laced heavy water for years) were brought to light following the study by Andognini. The Economist, "Hydrophobia," www.economist.com/business/printerfriendly.cfm?story_id=154776 (website visited 26 November 2006)

Swift and Stewart, 126


Ontario, Direction for Change, vii, 10

Ibid, 1-9

Ibid, 15

Wells, 36


Ontario is often referred to as a "red tory" province, a label obviously attributed to the Tories, given their abiding hegemony in government, their ability to balance the interests of the state with the interests of business, and from their historic tendency to govern in a vigilant, prudent, yet innovative and moderate manner. As Donald C. MacDonald contends, it is intriguing how conservatism, or more precisely "conservatism with a

89 Ibid, 235-236

90 Swift and Stewart, 128-131

91 Wells, 36


93 Swift and Stewart, 134


95 Michael J. Trebilcock and Roy Hrab, "What Will Keep the Lights on in Ontario: Responses to a Policy Short-Circuit," C.D. Howe Institute Commentary, 191 (December 2003), 3-4

96 OPG, as Trebilcock and Hrab assert, were obligated by the MPMA to divest 65 percent of its marginal generating stations (i.e. run sporadically to help with peak demands) within 3.5 years of market opening and 65 percent of its major generating units (i.e. run continuously) within 10 years of market opening. Ibid, 4, ff #15

97 Jan Carr (Vice Chair, Ontario Energy Board), interview by author, tape recording, Toronto, Ontario, 13 August 2004

98 Ibid

99 Ibid
100 Ibid

101 Myron Gordon and John Wilson, "Tories' Electricity Plan Spells Financial Disaster -- Deregulation Would Allow Wealthy Americans to Deplete Ontario's Supply," *Toronto Star* (30 April 2001), A15

102 Ibid, A15

103 Jim Wilson interview

104 Ibid

105 Ibid

106 Ibid


109 Jim Wilson, "Ontario's Plan is not to Privatize Power," *Financial Post* (3 December 1998), C7

110 Shrybman and Wheeler, 5


113 Ibid

114 Ibid

According to Armstrong and Nelles, the phenomenon of public ownership of power in Ontario, or the persistence of "monopoly's moment," emerged and endured as a result of the ongoing fight itself among governments and influential financial interests in the province over the proper regulation of the utility and the uniquely Ontarian conviction that the development of Crown resources ought to involve public-private partnerships. Christopher Armstrong and H.V. Nelles, *Monopoly's Moment: The Organization and Regulation of Canadian Utilities, 1830-1930* (Toronto: University of Toronto Press, 1988), 7, 328
CHAPTER 5

FUMBLING THE LIBERALIZATION BALL:
TORY POWER POLICY AND THE GOAL OF
ENERGY RE-REGULATION

Attention conservatives across Canada! Attention all conservatives! The end is near. The Eves government of Ontario, heir to the modestly conservative Harris Revolution, is desperately blowing up every idea and principle Mike Harris might have had. The national implications of this massive act of destruction, now focused on the province's electricity market, are broad and serious. The Ontario achievement, such as it was, is in flames. The scale of Ernie Eves' retreat from conservative principles of private enterprise, market forces, and less government is so massive and irreversible that it's hard to imagine any segment of the population will again trust a conservative politician. Why cast a vote for a party that claims to back market-oriented economic principles when, ultimately, it will go out of its way to prove the principles don't work and then blow them up?

Terence Corcoran, "The New CEO of Ontario Hydro" (14 November 2002)

When the Tories took to the field of reform to pursue the goal of liberalizing power in the province, there was little fanfare. While some Tory supporters, power industry pundits, and neoliberal groupies looked on intently, few others were aware that the game was already underway. Power reform failed at first to attract the attention of spectators. Once indictments of complicity and wrongdoing manifest from the sidelines, however, the game story was suddenly much more intriguing and people took notice. When the whistle went to kick-off Ontario's open power market on 1 May 2002, Ernie Eves' Tory government were likely overwhelmed with pre-market jitters. Tackled remorselessly by both proponents and opponents of power competition for the past four years, the Tories were, possibly, more relieved that the game had at last got underway than they were worried what its outcome might be. Eves was given the game ball and told to finish what Team Tory's emblematic and recently retired leader, Mike Harris, had started: privatizing Ontario's power sector. To fans of the Tories, the slick rookie
Premier looked promising. He had an imposing record of ruthlessly running the province's economic policies. When he took to the field and finally got the ball, he ran, he ran all over the field, often coming close to irreversibly privatizing power, but he never got near enough to the endzone. To the shock of hardcore Tory fans, Eves fumbled the ball. Intriguingly, though, he intended to. How did this happen?

This chapter argues that the Progressive Conservative (PC) government's torrid programme of power reforms proved too hasty, too haughty, and too fraught with ambiguity to win over Ontarians. Too fervid in their efforts to divest the former Ontario Hydro (OH) of its profitable infrastructure, rid themselves of its problems (e.g. OH had amassed billions of dollars of debt), dispose of its monopolistic prominence, and privatize power in the province, the Tories lacked the tact of the privatization attempts of the preceding NDP government or of the ensuing Liberal government. They worked slyly and swiftly, they were on the offensive in the press, they were belligerent in the legislature, they were resolute in the corridors with their cronies, and they were obstinate that OH had faltered. They were adamant that a free power market was preferable because it would promote efficiency, competition, consumer choice, opportunities for investment in the province, and most importantly, lower power prices. Yet, they were unsure of how to properly do it and they offered no proof whether or not it would honestly work in Ontario. In the end, the Tories espoused re-regulation, though, they would not prove victorious with their reform efforts.

This chapter posits that with no one on the field bothering to block them, the Tories hurriedly and imperceptibly rushed to privatize power in the province. They were able to do this initially as no one was really interested in what they were doing; not the
opposition, the press, the power workers' unions, or ordinary Ontarians. Indeed, the energy game is a very intricate, technical industry. It is hard to understand. It obfuscates and thus isolates itself from observers or simple oversight. For as long as the lights go on when the toggle is flipped, few worry and even fewer hold interest in how it works. However, when troubles emerged with the Tory government's transition to a neoliberal-inspired free market for power in Ontario, people were worried and quite interested. The troubles which were emerging were worthy of the big game's time slot (e.g. corporate scandals) and prompted people to rethink the PC's power liberalization plans. The Tories, therefore, altered their gameplan and embraced energy re-regulation which involved substantial state interference in the market, rather than an unadulterated free market, to push the liberalization process forward. Tumbling rapidly in the polls, though, the Tories opted to give up the ground they had gained towards the goal of privatizing power to try to retain office. On 11 November 2002, in their notorious "Remembrance Day reversal," they pronounced that they would cap power prices at pre-competition levels and close the free market they had established a mere six months before. However, voters perfunctorily punted the Tory government out of office in the 2 October 2003 election.

Chapters Three and Four pinpointed the forces from within and without which divulged why the Tory government opted to pursue power liberalization. The purpose of the present chapter, therefore, is to identify what the Tory government did and did not do given these diverse indigenous and exogenous forces. Fundamentally, it is the intent of this chapter to examine how the Tories effected their reforms and to investigate how their
liberalization programme went wrong and how their reversion to a re-regulation strategy might have eventually worked.

This chapter begins by distinguishing the notion of re-regulation from deregulation and discussing the changes currently taking place in energy regulatory governance. It then describes how the Tories' privatization attempts were thwarted at the goal line and how they changed their gameplan to re-regulation. It picks up from when Harris confirmed the opening of the competitive market, pronounced Hydro One (HO) would be sold off through an initial public offering (IPO), and then promptly resigned. It then reviews the decisive verdict that prevented the Tories from selling off HO. It concludes by inquiring into the Eves government's decision to cancel the province's experiment with a neoliberal-based competitive electricity market.

ENERGY RE-REGULATION AND GOVERNANCE STRATEGIES

As previously asserted, electricity is special and it is a complicated enterprise. Efforts to try to graft competition onto formerly government-regulated or wholly government-owned electricity industries have proven horrendous because of the intricacies of the industry, the present limits of technology, and the limits of the principles of physics involved. Unlike other industries (e.g. gas, telecommunications) which were restructured relatively easily and which informed the restructuring of the electricity industry, competition in electricity has been hard to induce. Essentially, the nonstorability of electricity, the immediate, real-time estimation of usage requirements (i.e. supply/demand fluctuations) to ensure grid stability, and the susceptibility of the
While innovations in technology and a period of favourable gas prices precipitated the possibility for power competition to occur, the promised short-run benefits (i.e. lower prices) are small or non-existent and the long-run benefits (i.e. improvements in grid investment and energy efficiency), while theoretically compelling, might be impossible to achieve in practice. Thus, the only feasible way in which governments and aspirant entrepreneurs have found to facilitate power competition is through modified regulatory governance. Either through explicit or implicit recognition of the vulnerability and volatility of electricity markets, nearly every organized or transitional electricity market throughout the world operates with some form of government regulation in place. As Severin Borenstein and James Bushnell avow, "the dirty secret of restructuring is that it is replacing old forms of regulation with new ones." Essentially, while the intent of deregulation is to remove impediments which would otherwise inhibit the establishment and subsequent operation of free markets, the objective of policies promoting re-regulation is not simply to reduce regulations, but to point out where aspects of statism and more regulation might benefit markets. Simply stated, re-regulating energy obviates total privatization and involves state intervention to retain vital regulatory rights within the industry and to aid, and thus assure, the survival of an ostensibly free market. Even in liberalized markets the state plays an important part in assuring that the market is working properly (e.g. thwarting price manipulation) and that market participants are behaving appropriately (e.g. upholding contracts). Obviously, for proponents of the new staples political economy, re-regulation may be seen as a positive ploy if it permits the
state to involve itself in managing the way in which commerce is conducted and
mitigating market abuses and, also, it may allay its reliance on staples products.

The emerging form of energy regulatory governance is hastening re-regulation.
As G.B. Doern and Monica Gattinger argue, energy regulatory governance is evolving in
four different ways. First, no longer do only a few regulators oversee the work of a few
big energy firms; now, responsibility is diffused and many regulators oversee the work of
many big energy firms. Second, it promotes competition, yet it promotes more regulatory
oversight. It is unwise to think of electricity like it is just one more commodity. It is
special. It is essential. And, as Doern and Gattinger allege, its oversight ought to involve
"managed competition rather than competition per se." Further, Doern and Gattinger
envisage a "world of workable competition," not only due to the likely enduring vestiges
of the Crown power monopoly, but because fallible regulatory agencies, not to mention
new investors, need to work hand in hand with flawed governments and flawed markets.
The "perfectly competitive world," they insist, "is an illusion." Though the emergent
regulatory paradigm encourages competition,

it is still not a regulatory realm that can easily be encompassed by conventional
notions of full competition. Rather, it is more accurately seen as a system of
ordered or managed competition. Nor does it evoke a clear separation between
the role of the state and the role of markets or conventional notions of selling
products and services.

Third, owing to the work of non-governmental organizations and the unfortunate reality
that exhortations are not enough to induce compliance, environmentally aware energy
regulations, varying from command and control regulations to incentive-based
regulations, have been "stacked" to ensure their effectiveness rather than replaced
outright. Fourth, energy regulatory governance now involves "regimes of regulators"
working within "opaque institutions" which has a detrimental impact on public perceptions of accountability. Doern and Gattinger agree that these changes have been brought on by the emergence of new technologies (e.g. combined cycle gas turbines) that have upset historic economies of scale on the supply side, the espousal of ideologies advocating globalism and a neoliberal agenda (e.g. reforms in the U.S. and the U.K. influence other governments), conflicting intergovernmental and inter-regional policies (e.g. provinces pursue power exports rather than national grid integration), and the present esteem for the notion of sustainability that simultaneously promotes conservation and competition. In Ontario, the ideological impetus is tough to ignore. Given the unfavourable timing of the Tory government's reforms (e.g. the growing OH debt, the ENRON imbroglio, the California electricity fiasco), though, the practical, pragmatic problems of ensuring the surety and security of the province's power supply might be more salient in understanding why the Tories' re-regulation programme did not work as well as it might have.

The notion of energy re-regulation gained global notoriety in the 1980s as a way of re-asserting the state's regulatory authority to facilitate the transformations underway in those jurisdictions having difficulty going from a monopolistic, publicly-owned system to a privately-owned system based on the precepts of neoliberalism. Neoliberalism insists that the state is a poor player in the economy and it instead ought to permit more proficient market forces to predominate in the economic arena. But, re-regulation does not necessarily promote a laissez-faire approach for the state. It urges the state to use regulations to develop and guide markets because regulatory governance has the potential to purportedly allow for the promotion of private and public interests.
While the onslaught of the neoliberal agenda in Ontario intoned the virtues of unfettered markets, deregulation, and the rapid privatization of previously invulnerable state assets, competitive markets revealed serious perils: price volatility (e.g. market manipulation or gaming) and power scarcity (e.g. privateers refusing to participate in markets they perceived to be too precarious). By demolishing the monopolies, government unwittingly destroyed the obligation to provide an integral service. Government could not coerce investment when power supply slumped. In Ontario, the remains of the former OH (even unbundled), enormous investment costs, and erratic prices and power policies made the prospect of investing a rather risky or possibly unprofitable proposition. What investment in generating is emerging, just as Marjorie Griffin Cohen warned, is inevitably huddled round "dirty energy" (e.g. oil, coal) as it provides the lowest entry points for privateers to enter the competitive market, as compared to the cost of financing cleaner and more efficient "mega projects" (e.g. hydro, nuclear). Re-asserting statism assures that an assortment of fuels are found within the state's energy portfolio to promote efficiency (e.g. dam waters for hydro power during rainy months) and to avoid over-reliance, vulnerability, and rate volatility.

Energy and any ensuing electricity policy has an inescapable socio-political aspect. Economic efficiency is not, nor should it be, the sole objective of power policies. In determining its policies, governments are obligated to weigh the interests of the whole (e.g. environmental degradation) against those of its entrepreneurial suitors (e.g. dirty, fossil fuel generation). Governments, as Dieter Helm indicates, must do this because markets are unable to do this. The politics of power remain risky. The infamy of the California electricity crisis and the ENRON scandal, for example, made governments
more wary of the vulnerability of power markets to manipulation and of the market-led reforms that neoliberal theorists and many power industry analysts had advocated. The electricity industry is too vital to people's lives to be left to market forces alone. Only governments have the legitimacy to confront and enforce the individual and group rights that energy infringes on (e.g. enforcing the sanctity of contracts and environmental protections). Government regulation, therefore, is invariably indispensable in assuring the stability of the power supply and of markets, regardless of how liberated they might be. Only governments, Helm insists, may assure this stability.

Thus, the espousal of re-regulation as a form of regulatory governance is ushering in an era of more rules, not fewer rules, and it is not only pro-competition, it urges the government to get involved to oversee this competition. It is not without its problems, however. One of the most glaring problems that manifest in Ontario in its electricity restructuring experiment, for example, was inadequate power supply and inadequate investment in new power plants. Liberalization removed the obligation to provide power, that is, to ensure reliable service at reasonable rates, that OH was mandated to fulfil. The Tory government hoped investors would fill in the void left by OH, but the business proposition proved more complicated than initially presumed and that put off investors. The putative failure of the market to lure in new investment was integral to the Tory government's decision to promulgate its paradoxical re-regulation programme advocating liberalization while simultaneously re-asserting statism. As Jan Carr, Vice Chair of the Ontario Energy Board, argues, Ontario is now reliant on "the attractiveness of the business proposition itself to attract investment [as] there's no law or any way of forcing investment." Carr claims that companies are choosing not to invest in new generating
facilities in Ontario because of the risks involved, for example, political risk (e.g. governments and energy policies change, global strife), financial risk (e.g. rising global energy prices), and the dominance of a government-owned generator in the existing marketplace (e.g. OPG).\textsuperscript{21} It is this risk that the Tories' re-regulation strategy sought to attenuate by re-asserting a role for the state in planning, pursuing investors, and providing financial guarantees for firms that do decide to invest. Substantial statism may also attenuate risk by assuring that the province has a diverse energy portfolio. This helps to promote surety and security of electricity supply and helps to protect against devastating price shocks resulting from fluctuations in global energy prices. While the notion of risk in an essential service sector is an adjustment in this post-monopoly period, what may be more disturbing is the OEB's equanimity when bandying this term about and their belief that risk is simply an inexorable and unavoidable reality of any electricity system. As Carr explains, "someone is always at risk" the task is to find a "balance between the investor being at risk and the public being at risk... you can't get rid of the risk, all you can do is allocate it in a fair fashion."\textsuperscript{22}

THE RE-REGULATION GAMEPLAN

Unlike the populist "bottom-up" fight for public power of the Tories in the early 1900s, the Tories of the late 1900s abandoned this promise to the people and adopted a "top-down" approach to power reform in the province. While the Tories were outwardly persistent that the old OH needed to be knocked down and, with it, the edifice of public power, they were unsure how it ought to be done when they got elected to government.
As former Tory Minister of Energy Jim Wilson avows, "I'm not sure anybody [in the Conservative Party], prior to being elected in 1995, had any clear idea what we should do with Hydro." Though their *Common Sense Revolution* manifesto hinted they might look into reforming OH, it did not intimate that they intended to destroy it and build a competitive electricity industry in its place. They abruptly learnt that the task was overwhelming. It was a task, therefore, that was left to trusted Tory cronies, close allies, and amiable stakeholders who would gain greatly from the dismantling of OH.

Obligingly, the Tory government just funneled the neoliberal-inspired ideas generated by these groups into their power policies. For example, one of the first purportedly expert reports given to the PC government when it took office in 1995, authored by a prominent pro-privatization figure from Bay Street, William Farlinger, limited its interviews to pro-privatization groups (e.g. power firms, academics, banks, and regulatory agencies from privatizing jurisdictions), and ignored any potentially opposing consumer, union, local utility, municipal, and environmental groups. As Swift and Stewart assert, given the ideological predilection of those involved in writing the report, it is not surprising that it supported privatization and lauded the "inevitability of increased competition" in electricity in Ontario. Likewise, when the influential Advisory Committee on Competition which wrote *A Framework for Competition* was formed in 1995, the squad was captained by Donald Macdonald, a friend of Farlinger's from Bay Street, who sat on the boards of various firms who had a lot to gain from liberalizing (e.g. Siemens Electric), and who was widely known for his pro-privatization views given his previous work on the federal government's 1984 Royal Commission on the Economic Union and
Development Prospects for Canada in which he championed free trade and the prompt sale of Crown corporations.\textsuperscript{26}

The Tory government's "top-down" methods worked well initially. The tedious, technical nature of the industry itself relegated interest in the reforms to government officials and industry insiders.\textsuperscript{27} Though the PC's reform policies implied huge political, economic, and environmental implications for the province, intriguingly, they initially "failed to resonate" with the press, public, interest groups, or the opposition parties.\textsuperscript{28}

One of the Harris regime's harshest foes, the unions, were indifferent at first to the reforms. As Josh Greenberg argues, unions in Ontario were not well organized over whether or not, or even how, they would fight the neoliberal-based reforms.\textsuperscript{29} For example, the Power Workers' Union spent $1 million in 1996 on a big publicity blitz to persuade people to help them to resist the liberalizing initiatives underway in the industry.\textsuperscript{30} They were the voice of opposition for the province's unions. In 1998, however, the Power Workers' Union stunned the other unions when they opted to support the Tories when transformation in the industry seemed unstoppable. Thus, it took some time for Ontario's unions (i.e. led by CUPE) to get organized on the issue and emerge with a united front to fight the Tories' reforms.

Running up the field of reform without interference throughout this formative policy phase, the PCs were able to rapidly advance their neoliberal agenda. Their timing, though, eventually proved grievous. As Greenberg argues, the shift to neoliberalism is an often fragile venture and it is not inevitable nor a \textit{fait accompli} as many of its advocates allege as it is apt to be halted by unanticipated procedural problems, legal disagreements, government squabbling, advocacy and activism, or derogatory reporting.\textsuperscript{31} Only when
the folly of their reform efforts proved newsworthy did people really pay attention. Obviously, news of the troubles in California in its efforts to liberalize, the ignominious downfall of ENRON, the reports of price gouging, rocketing prices, and rolling blackouts no doubt influenced the outlook of those living in other jurisdictions. In Ontario, news of Crown firms rife with greed, government complicity, conflict within the PC ranks over the party's decision to renounce public power, a landmark court case championing the concept of public power, not to mention government disorganization during the SARS outbreak and a massive power outage that impacted more than 50 million people throughout the northeastern portion of the continent, prompted people to look more closely at what was transpiring in the province. Fretful observers responded to these reports by informing themselves more thoroughly of what precisely was going on, what were the prospective consequences of the reforms, and whether or not the Tories were proficient enough to protect their interests and those of the province throughout the liberalization process.

TACKLING THE TORIES IN THE COURTS: THE HYDRO ONE IPO

Possibly the most important event which thwarted power liberalization in the province was the proposed sale of Hydro One (HO) and the subsequent court case on the validity of the sell-off. The event vividly highlighted the Tories' hasty, haughty style and their ignorance of the legality of their reform efforts.

Only two years into his second contract as Premier, Harris stood up in the House, stated that the Tories intended to privatize HO through an IPO which was already in the
works, then told the legislature he was retiring immediately. Having brought the Tories big back-to-back election wins, 82 of 130 seats in 1995 and 59 of 103 seats in 1999 (i.e. over 45 percent of the popular vote on both occasions), Harris' resignation did not bode well for the remaining Tories. Harris' resignation hardly evoked the glitzy leadership renewals which the Big Blue Machine were famous for throughout the Tories' 42 year hegemony in government from 1943 to 1985. Instead, it proved quite unexpected. His quick exit, however, permitted the "common sense" Conservatives' alternative captain, former Minister of Finance Eves, to return to politics from a brief stint as a Swiss banker. Public profile notwithstanding, he was unquestionably the most prolific of the post-Harris Tories. Following the requisite leadership contest, Eves was confirmed as the Conservative Party's new leader and the province's new Premier. Eves grabbed the ball and got into the game with a lot of pressure on him. Getting through the IPO dominated the Tories' early gameplan.

Working corporate boardrooms and the corridors of power, Tory envoys kept prospective investors and keen financial interests updated on the Hydro One IPO. Though HO toiled along as one of those elusive natural monopolies, earning $978 million over three years as an unbundled entity, as Swift and Stewart avow, its privatization would do nothing to promote power competition as no one was going to build a rival grid to compete against it. Hydro One was a lowly, albeit profitable, transmission business. The rationale for the IPO was thus rather dubious. One firm would take over Hydro One, Ontario's treasury would get a big, one-time injection of cash, and a gaggle of bankers, brokers, and lawyers would be better off financially too. The IPO was projected to top $5 billion.
Oddly, though most Ontarians objected to the IPO, they generally ignored it. Unlike the populist fight for public power in the early 1900s, few were willing to get involved and enlist in the fight to preserve this principle in the late 1900s. ³⁷ For those on the left, the paucity of opposition or public comment was worrying. Unions and other organizations on the left, like the newly emergent Ontario Energy Coalition (OEC), thought that if nobody else was going to organize against the Tories, they ought to get involved. ³⁸ Union involvement would not only help to protect and to promote the concerns of the workers they represented, it would ensure the social costs of the Conservative Party's plans would be duly considered. Working with the Canadian Union of Public Employees (CUPE), the Communications, Energy, and Paperworkers Union (CEPU), and the NDP who tagged along and made the defence of public power integral to Howard Hampton's ensuing electoral platform, they managed to get a bit of money together to mount a court case against the government and the Hydro One IPO. ³⁹ Nobly, they determined that fighting against the proposed privatization was not only in their own collective interests, but in the interests of everyone in Ontario. The NDP retained the help of Steven Shrybman, an affirmed left-wing lawyer and a foe of bullying governments trying to "get away" with neoliberal reforms "without a fight." ⁴⁰ Shrybman was brought in to give the group a report on the legality of the Hydro One IPO. He reported to the group that a court challenge could be made against the IPO. Retained by CUPE and the CEPU, Shrybman filed the complaint. CUPE and the CEPU were now working together. To the revulsion of CUPE leaders, however, the influential Power Workers' Union opted to endorse the Tories' initiatives. The PWU thus retained their own lawyers and intervened in favour of the Tory government. ⁴¹
In court, the pro-public power unions contended that in circumstances where other governments chose to privatize other Crown corporations (e.g. CN Rail), they passed legislation that gave them the authority to do so. They argued that the legislation that unbundled the former OH did not give the Ontario government the right to then unilaterally sell-off the varying entities which were formed. Conversely, lawyers for the Tory government argued that "the unions should mind their own business" about matters that do not involve them and, as the province was the owner of all of HO's shares, it had the right to sell them.42 The unions contended that the proposed IPO contravened the 1998 Energy Competition Act that unbundled OH because there were no provisions in the legislation, nor did the province possess the authority, "to dispose or otherwise alienate the shares in issue."43 The province vied that the unions' case, firstly, violated the "Rights of Labour Act" that stipulated that unions had the right to sue only in instances "relating to labour relations" and, secondly, that the case was not justiciable because it did not impact the unions' private rights as "no public interest issue is engaged or could be advanced" and the unions "do not have any experience in the subject matter of the IPO."44

On 19 April 2002, the Ontario Superior Court rendered its verdict. The presiding judge, Justice Arthur Gans, began by noting that the former OH was one of the province's defining institutions, "one with which its residents could identify and one by which the province was known internationally."45 Justice Gans determined that, though the people of the province "do not have shares as such" in its Crown corporation, "they have a public interest in requiring that the corporation conduct its affairs in accordance with the constitution of the corporation."46 Crucially, in forming his judgment, Justice Gans
referred to former Tory Energy Minister Jim Wilson's pronouncement of the

[as a shareholder in Ontario Hydro, we don't talk about privatization because, first of all, that company needs a number of years, and the successor companies will need a number of years, to get their value back up, to enhance their value. Ontario Hydro is a badly devalued and demoralized entity right now. We do not want a fire sale so we are not talking about privatizing. We are talking about introducing competition and commercializing, making sure that the new successor companies have to, by law, act in a prudent manner and in a business-like manner. But one of the reasons we're not talking about privatization is my dream for Ontario Hydro that, once again it will begin to return a healthy profit back to the shareholder, and the shareholder is the people of Ontario.]

Suspicious of the tacit intent of the Tory's power policies, Justice Gans queried why the Tories were now rushing through their Hydro One IPO. He then retorted that Wilson's pledge to the legislature that the Tory government was not "talking about privatization" was now quite telling. He stated that

I would have thought that the notion of privatization should have been set out in clear and unequivocal terms in [the Act] as were a whole range of other important social and economic matters. Privatization of a long-standing important public institution, such as Ontario Hydro, is not something I would have thought would or should occur without addressing the issue head-on. The fact that it wasn't... is consistent with the conclusion that [the Act], as comprehensive a piece of legislation as it is, is not intended to deal with privatization.

Justice Gans' legal analysis only reinforces the arguments put forth in this thesis that the PCs provided no resounding evidence at the outset of the tenure of their intent to privatize power; in fact, they publicly refuted it. Thus, their reform efforts amounted to nothing more than hurried, inept tinkering. Justice Gans found Wilson's words "telling" as they "do provide insight into the context and purpose of the legislation at the time of its introduction to the House." He insisted this interpretation is equally consistent with the government's White Paper [i.e. the Tories' 1997 White Paper entitled Direction for Change: Charting a Course for Competitive Electricity and Jobs in Ontario]... Nowhere in the White Paper is there anything
more than an oblique reference to privatization... [the White Paper] does not conclude with any form of statement that privatization is a viable option or at least an option that could [be] introduced without public discussion.52

In his verdict, Justice Gans ruled that the IPO was invalid and that the Tories did not possess the right to privatize HO. The provisions outlined in the legislation, Wilson's pledge to the legislature, and the ambiguity of the White Paper's proposals provided evidence that the PCs, initially, did not really intend to pursue privatization. Obviously, the Gans ruling infuriated those groups that had the most to gain from the sale of HO. As loyal agents of a larger neoliberal agenda, the Tories wasted no time in modifying the wording of their IPO legislation to try to circumvent the Gans ruling and made an appeal, though they were conspicuous in their unwillingness to enunciate why they were so urgent to do so.53 On 4 July 2002, Justices Armstrong, Doherty, and O'Connor unanimously ruled their appeal moot. Eventually, Eves rescinded the IPO. In 2002, he stated that they would sell only 49 percent of HO. In winter 2003, he relented to public pressure and pronounced that no part of HO would be sold under the PC's watch.

GREED AND GRIME: THE DIRT ON POWER PRIVATIZATION

The Tory government had a lot of mud flung their way throughout their time on the field of energy reform. The humiliating Gans ruling put more grime on their uniforms. A spate of scandals at OH and within the Tories' own Ministry of Energy added even more mud and undoubtedly hurt their efforts to liberalize the electricity industry as it quashed Ontarians' trust in the integrity of the Tories and, also, their trust in the integrity of the proposed competitive power market. The dispatching of Conservative
Party cronies to OH for brief, but very profitable, stints as advisors was particularly devious.\textsuperscript{54} As the collapse of ENRON dominated the media, Eves undertook a vital, if not opportunistic, pre-election purge of greed and sleaze within the province's power portfolio. The case of former Hydro One CEO Eleanor Clitheroe was one of the worst. As part of her annual compensation, Clitheroe received a $2.2 million salary, a $174,000 car allowance, and a chauffeured car costing $330,000.\textsuperscript{55} Hydro One gave Clitheroe $174,000 for a vacation and, given her affinity for yachting, sponsored a racing yacht for $360,000.\textsuperscript{56} Jim Wilson, former Minister of Energy from 1997 to 2002, divulged that the Tory government was livid over the "bad management practices" at HO and "felt badly betrayed by Eleanor Clitheroe and company."\textsuperscript{57} In 2002, following news of the hefty remuneration agreements that Clitheroe and other officials had signed, the entire HO board resigned in protest against the perceived politically-motivated decision by the Eves government to violate the province's long-held pledge not to interfere in the utility's affairs.\textsuperscript{58} A new board was then established and swiftly ordered to fire Clitheroe for "putative violations of fiduciary responsibility."\textsuperscript{59} In 2003, Wilson's successor, Chris Stockwell, was forced to resign as Energy Minister a mere five months into the job when an investigation revealed that he had violated the Members Integrity Act when he went on a "working vacation" with his family in Europe, billing over $24,000 to his riding association and $10,000 to Ontario Power Generation.\textsuperscript{60} Following these fiascos and the ENRON imbroglio, it was integral that the Tories get tough, or seem to be getting tough, on the profligacy within its own power portfolio. Though the Eves government tried to rid itself of greed and grime, reports of various wrongdoings inundated the new market when it was eventually launched.
The Tories kept tinkering with their power policies and postponing the opening of the competitive power market until they thought it would work. The Tories now tinkered with the notion of re-regulation rather than outright deregulation or pursuing further privatizations. However, urged by pro-competition proponents to speed up and implored by its opponents to slow down, the Tories had few fans. Wilson notes that just prior to competition commencing, the Conservatives were being tackled from all sides, from their supporters and from their adversaries. When the market was launched on 1 May 2002, prices spiked and the bleachers of pro-privatization fans emptied. The notion that the market would inevitably bring in lower prices and huge profits had proven illusory.

Now, former opponents pushed the Tories to intervene to stop the volatility, stabilize power costs, and protect consumers. The Tories thought the open price might be roughly $29 a megawatt hour. From 1 May 2002 to 30 April 2003, the rate averaged at about $48 a megawatt hour, 64 percent higher than the price the province had predicted. During the long heat wave that precipitated the 2003 power outage, real power prices topped $200 a megawatt hour and once hit $400 a megawatt hour. As Wilson divulges, "greedy" investors engaging in "gaming in the market" proved harmful:

> there may have been a little gaming in the market among [stakeholders]... They're more co-operative now, they've learned their lessons, you'll see a more honest response now... Everyone was new and everyone was trying each other out.

Responding to enormous public pressure, the PCs soon opted to "pull the plug" on open power competition. On 11 November 2002, Eves pronounced that his Tory government would cap prices at 4.3 cents per kilowatt hour (i.e. the price prior to market opening) and freeze rates for four years. The abandonment of their own lauded market initiative, a mere six months after it was inaugurated, was the ultimate wobbler. The
"Remembrance Day reversal" confirmed that the tinkers were now wobblers. This pragmatic gesture cost them politically and economically. The Tory government was now obliged to underwrite the difference between the capped price and the rocketing market price. It would cost the province hundreds of millions of dollars. As NDP leader Howard Hampton explains,

when the Conservatives brought in the price cap, [they were] really hitting the panic button. They had no intention of keeping the price cap, it was just there to try to hide the issue until after the election.

Eves' flip-flop on the Hydro One IPO and, now, his affirmation that the power market never worked as well as they thought it might, prompted a rift not only within Tory ranks, but between the Tories and the business community. Eves was "lurching leftwards," had "panicked," and his U-turn seriously upset Bay Street. However, the liberalized market had failed them and, as Wilson avows, the Tories were "floundering to fix it... we trusted the private sector would do its part."

THE TORIES SCORE SOME LATE POINTS, BUT LOSE

The closure of the competitive power market provided overt evidence that the Eves government was faltering. In his efforts to redefine the Tories after Harris' resignation, Eves proved unwilling to go further with the neoliberal reforms instigated by the previous regime and, in doing so, isolated former supporters to gain votes. The Tory government's final Minister of Energy, John Baird, conceded that the other parties knew not to bully Harris, but with Eves, when they "blinked and backed down" with the Hydro One IPO then closed the competitive market, their opponents came at them "with new
zeal" because they knew the Tories were by then a weakened party.70 It was at its worst, he states, in the autumn of 2002 "when people were getting their electricity bills from the summer and were seeing the prices."71 Baird divulged that the Eves government "didn't have a compelling agenda of [its] own at that time, so the opposition were really setting the agenda."72

Vilified for his wobbling over energy reform, Eves hit the bench for a breather.73 He would not remain there for long, though, as he was dragged out into the spotlight in spring 2003 to sort out the SARS crisis in Toronto. The SARS pandemic permitted the PCs the chance to catch some good press after dropping the ball on liberalization. Fear of infection from SARS made Toronto an "international pariah" as the World Health Organization and governments throughout the world advised against travelling to Toronto, resulting in a loss of roughly $1 billion to the city's economy.74 Though some doctors contended that "the most contagious part of SARS was public fear, not the virus," the panic provided the Tory government with the opportunity to demonstrate their leadership ability.75 They emerged in good form, if not a tad disorganized at first. The SARS scare siphoned off substantial funds from the province's financial reservoirs, however. This prompted the PCs to implement more cuts to the province's expenditures and effectively nixed Eves' hopes for a springtime election call which would allow him to take advantage of the good press he got during the emergency. The province's next emergency, the August blackout, kept the Eves government in the spotlight and nixed any thoughts of a summertime election. Though the PCs again garnered good press for their ability to manage under adversity, and this translated to a positive blip in the polls, the Tories were inundated with allegations of wrong doing within the former OH which they
could not effectively deflect. The province's power sector was rife with problems and, predictably, these problems dominated the ensuing run up to the autumn ballot. Voters, though, yanked the Tory government out of office in the 2 October 2003 election.

CONCLUSION

The thought of liberalizing power or, possibly, privatizing portions of HO, was likely only a tenuous notion for the Tories when they were elected in 1995. It was not a central part of the Common Sense Revolution platform upon which they campaigned and it was not initially a pivotal concern of Conservative MPPs. Once ensconced in Queen's Park, however, the politics of power became a priority for the Tories because it was a priority of their peers who pressured and prepared them to pursue a neoliberal-inspired programme of privatization. They were trying so urgently and so desperately to tackle OH, Ontario's big, but beleaguered all-star, that they were penalized in the polls. Even if they thought OH had to go down, a gradual and thorough programme of re-regulation might have proven the more politically optimal and economically prudent option. But, by the time they established their re-regulation-based liberalization strategy it was too late.

The onset of the open, competitive power system was probably not the big victory the Tory government thought it would be. They took too long to instigate the market, however, and this lingering eventually dissuaded investors as it exposed hidden doubts and, even worse, likely market volatility. Once power prices rocketed and only negligible new investment emerged in the competitive market, thoughts of improving
efficiency, promoting competition, and procuring huge profits turned to mitigating this volatility and allaying investors' worries. Though the Tory government initially hinted it might rely on a strategy of re-regulation to reform the province's power sector, privatization predominated its liberalization plans. In their hasty, haughty efforts they refused to look away from that goal. They trusted their advisors, they trusted their allies on Bay Street, they trusted in the putative triumph of competitive ventures elsewhere (e.g. UK, US). They were convinced it could work. However, for the market to work properly, the Tory government was obliged to get involved in its functioning to entice new investment, prevent price volatility, and protect consumers.

Imperceptibly and initially unimpeded, the Tories rushed to privatize power in the province. The electricity industry did not elicit interest at the time and neither the opposition parties, the press, nor ordinary Ontarians were interested. Once reports of problems with power competition in California and stories of scandals at HO surfaced, their reform efforts were now newsworthy and the PCs were forced to play defence. However, the Tories were pummelled publicly and in the courts. The Tories promised not to privatize HO, but the onset of their neoliberal-inspired open power market manifest many abuses and much avarice among its participants. Ontario's market was volatile and vulnerable to manipulation. Tinkering throughout this period with their power policy, the Tories by then were pursuing a re-regulation gameplan which would allow them to go on with liberalizing, albeit with much more government involvement. This strategy, though, happened too late in the game. Grudgingly, to try to hold on to government, the Tories halted their tryout with the market.
In sum, this chapter elaborated on the downfall of the PCs in the field of energy reform and explained how the Eves' Tories fumbled the ball on liberalizing power in the province. The Tories' truculent, yet clumsy, efforts to privatize one of the most profitable parts of the province's political economy were flawed from the outset. The Tories thought the market would work without them. They proved too impetuous. In trying to knock down OH, the PCs took on a huge opponent. While their fervour was irrefutable, their ineptitude and inexperience was also apparent. They did not dig in their heels properly and, consequently, they were the ones who were brought down. The Tories' had instigated a partly liberalized, partly privatized power system in the province which was inadequately re-regulated. A pragmatic Eves disappointed his pro-privatization fans when he opted to lunge for the goal of retaining his premiership rather than persevering with privatization. Grippingly, just as Team Tory was about to give up the ball on their own goal line to their Liberal opponents, a huge electricity outage cascaded across Ontario and the northeastern United States and interrupted the game. This timeout forced people in the province to ponder who were the true winners and losers in this risky game of power reform. Just after four o'clock in the afternoon on 14 August 2003, the ineptitude of the Tories' power policies and the precariousness of market-motivated power reforms were both suddenly quite perceptible.
1 Terence Corcoran, “The New CEO of Ontario Hydro,” National Post (14 November 2002), FP 15

2 Severin Borenstein and James Bushnell, "Electricity Restructuring: Deregulation or Reregulation?," Regulation, 23:2 (2000), 46, 48-49

3 Ibid, 50

4 Ibid, 51

5 G. Bruce Doern and Monica Gattinger, Power Switch: Energy Regulatory Governance in the Twenty-First Century (Toronto: University of Toronto Press, 2004), 3-13, 46-49

6 In Power Shift, in their analysis of Ontario and the regulatory role of the OEB, Doern and Gattinger evoked a lovely, enduring image of the abiding transformation when they wrote: "If power switches and competition were analogous to traffic lights, the new regime could be cast as living in a yellow-light district of managed competition rather than a green-light district. The new regime is one intended to ensure managed competition in a networked essential service political-economic context." 5-6, 131-132

7 Ibid, 6

8 Ibid, 6

9 Ibid, 40

10 Ibid, 7

11 Ibid, 8, 46-49


13 Anil Hira, David Huxtable, and Alexandre Leger, "Deregulation and Participation: An International Survey of Participation in Electricity Regulation," Governance: An International Journal of Policy, Administration, and Institutions, 18:1 (January 2005), 54

14 Ibid, 54

15 Marjorie Griffin Cohen, "From Public Good to Private Exploitation: GATS and the Restructuring of Canadian Electrical Utilities," Canadian American Public Policy, 48 (December 2001), 6

Hira, Huxtable, and Leger, 55

Ibid, 11

Ibid, 12

Jan Carr (Vice Chair, Ontario Energy Board), interview by author, tape recording, Toronto, Ontario, 13 August 2004

Ibid

Ibid

Jim Wilson (Simcoe-Grey MPP, Conservative Party), interview by author, tape recording, Collingwood, Ontario, 22 October 2004

As Swift and Stewart attest, labelled "privileged and confidential," *Ontario Hydro and the Electric Power Industry: Vision for a Competitive Industry* was remarkable in its recommendation of radical reform for the province's power industry, its glaring lack of research to prop up those recommendations, and the limited range of individuals it sought to interview in preparing the report. Jamie Swift and Keith Stewart, *Hydro: The Decline and Fall of Ontario's Electric Empire* (Toronto: Between the Lines, 2004), 93-94

Ibid, 94

Ibid, 122


Ibid, 237, 251

Ibid, 252-253

Ibid, 252-253

Ibid, 254

Just prior to the election, the Tories cunningly changed the Election Act and election financing laws for their own political gain. They reduced the number of seats in the legislature from 130 to 103, increased the size of ridings, and cut the election campaign


34 Swift and Stewart, 154

35 Eves was named leader of the Conservative Party on 23 March 2002 and was sworn in as Premier on 15 April 2002.

36 Swift and Stewart, 149


38 Ibid, 16

39 As a university student, Hampton spent his summers working for an OH contractor constructing power lines in northwestern Ontario. Interestingly, as a university student, I spent my summers working for a Bell Canada contractor constructing and repairing telephone lines in northeastern Ontario. Perhaps a book on telephone politics or a stint in politics is in my future? Howard Hampton (Kenora-Rainy River MPP, NDP), interview by author, tape recording, Queen's Park, Toronto, Ontario, 8 September 2004; Howard Hampton, *Public Power: The Fight for Publicly Owned Electricity* (Toronto: Insomniac Press, 2003), 13; Swift and Stewart, 158-167

40 Ibid, 164

41 The Power Workers' Union decided to back the PCs because they believed that liberalization within the industry was now unavoidable and that they might receive some residual goodwill from the government if they worked with them. It proved contentious as the Power Workers' Union is an ostensible subordinate under the wing of CUPE.

42 Swift and Stewart, 167-168


54 Some of Harris' former advisors (e.g. Paul Rhodes, Leslie Noble, Tom Long) were well rewarded: HO paid Rhodes $335,237 for 18 months of advisory work; a three page memo and a slideshow earned Noble $250,000, and a few memos on the sale of HO shares netted Long $1.3 million. Swift and Stewart, 148

55 Ibid, 171

56 Ibid, 171

57 Wilson interview

58 Greenberg, 237

59 Ibid, 237

60 Robert Benzie, "Stockwell Quits Cabinet," Toronto Star (17 June 2003), A1

61 Wilson interview

62 Ibid


64 Prices were capped at 4.3 cents per megawatt hour, the pre-competition price. Ibid, 11
65 Wilson interview

66 Swift and Stewart, 182-183

67 Hampton interview


69 Wilson interview

70 John Baird (Nepean-Carleton MPP), interview by author, tape recording, Queen's Park, Toronto, Ontario, 21 October 2004

71 Ibid

72 Ibid

73 Richard Brennan, Theresa Boyle, and John Spears, "Tories Scrap Hydro Sell-Off," *Toronto Star* (21 January 2003), A1, A17

74 Brad Mackay, "As SARS Toll Climbed, So Did Economic Cost To Toronto," *Canadian Medical Association Journal*, 168:11 (27 May 2003), 1456


Ernie Eves says that decent people ought to stow away their backyard barbecues and eat Swiss Chalet instead. This will save the environment, and also help forestall the chance of rolling blackouts in power-short Ontario... Eves has another strategy to save energy, which involves praying to the weather gods for a cold snap. "If everybody continues to be energy-conservation-conscious [and] the individual up above gives us a little help," he said the other day, "I'm confident everything will work out." In fact, divine intervention may be what's needed to save the Premier's political career. The power supply in Canada's industrial heartland is so fragile that even the Americans have begun to worry about it. By the end of the summer, BBQ Ernie could be known as Blackout Ernie.¹

Margaret Wente, "Blackout Ernie Versus Your BBQ" (26 June 2003)

Internationally, 2003 proved worrying for the proponents of electricity utility restructuring. Power failures in Europe (i.e. Italy, Switzerland, Sweden, Denmark, and London, England) and in North America (i.e. Ontario and the northeast region of the United States) extorted a grim toll on the political economies of those jurisdictions. Over 100 million people were impacted.² For example, for the United States (U.S.), the power disruption cost $100 billion in economic losses, 1 percent of its GDP, and exacted an incalculable political cost.³ Fears of an imminent, massive power failure in North America, however, were prevalent well before the 14 August 2003 blackout.⁴ The restructuring of electricity utilities in the United States and Ontario in the late 1900s had put the integrated Canadian-American (CAN-AM) grid in a compromised position. While CAN-AM power swapping was not unusual, the confluence of a number of unique factors related to power trading led to one of the most extensive power failures in the continent's history.
In this chapter, it is posited that the power outage occurred because (1) the integrated grid is neglected (e.g. repairs are put off in favour of profits) and overworked (e.g. it is now functioning in a way it was not designed to); (2) various regulatory organizations in the U.S. which were given the task of safeguarding the grid failed; and (3) the grafting of a neoliberal-based regime onto the grid has led to massive utility deregulation and the formation of an energy market which is worried more about revenues than reliability. Lucrative, open power markets are enticing rival generating utilities and energy retailers to engage in rapid power trading on a fragile, often derelict networks of wires that are struggling against scorching operating and climatic conditions to work properly. Power failures manifest when the juggling of demand and supply, and greed and public good, goes horribly wrong.\(^5\)

Though the Tory government did not instigate the blackout, they did instigate power policies that mimicked and thus bolstered the neoliberal-based transformation which was transpiring when the outage was triggered. And, though they insisted they were not culpable, they ought to take some of the blame for the blackout because they sought the same policy goals which were hurting the grid, hindering regulatory oversight, and thus strengthening the neoliberal project emerging in the energy industry in North America.

The fundamental task of this chapter, therefore, is to elucidate how and why the blackout happened. It begins by investigating the political, economic, and environmental milieu within which the outage occurred. It then vitally ticks through the events of the day, noting how the bungling, from the initial tripping of the line in Ohio to users' light switches, might have been prevented. The chapter concludes by contending that the
incidence of electricity outages will likely become more frequent if neoliberal-inspired policies continue to influence power reform efforts and slapdash, competitive markets continue to be spliced onto the deficient infrastructures of former publicly-owned power monopolies.

FADE BACK TO BLACK

Do you remember Thursday, 14 August 2003? Many Ontarians probably remember that it was a warm day. For those who were lucky enough to see through the smog, it was also a sunny day. It was the fifth warmest summer on record. It was also the hottest on record in Europe. Over 35,000 Europeans died as a result of the heat; 14,802 just from France. The warm weather was overwhelming. In Ontario, though, most things tend to work well in warm weather: vehicles turn over easily, builders relentlessly slap up houses, verdant gardens grow, and Ontario's economy buzzes from the drone of busy industries, workers, and families on the move. However, following the unbundling or splitting up of the old Ontario Hydro (OH) into its diverse, ensuing entities (e.g. Ontario Power Generation, Hydro One), the summer months proved quite grim for the province's electricity industry.

A rise in ambient heat prompts power lines to droop and, possibly, to come into contact with trees and short out. Without gusts of cold air flowing over the high-voltage power lines, insulators, switches, and transformers, the equipment cannot cool completely. Consequently, an already intensely hot activity is made even hotter which can cause components to overheat and stop functioning. As demand for power increases,
the flow of power increases and, with it, the temperature of the power lines and thus the potential for failures. Further, with over 30 percent of its nuclear reactors in some stage of repair that summer, the province was relying more heavily on its five antiquated coal power plants for the provision of power. While they worked well enough in providing power, these generating stations emitted a lot of smog and other noxious pollutants. The worst offender, the Nanticoke coal power plant located outside of Hamilton on Lake Erie, is one of the biggest coal-fired generating stations in North America and it is reputed to be Canada's biggest single polluter.8 For example, in 2002, Nanticoke spewed 7,767 tonnes of soot and 30 different types of toxic effluence (e.g. hydrochloric acid, hydrogen fluoride, nitrogen oxide) into the air or about 13 percent of the observed airborne pollutants in the province.9 The severity of this effluence was reinforced in 2003 through regular "smog alerts" and health advisory warnings from the province. Responding to the people's angst about the smog that summer, the Tory government informed Ontarians they ought to simply use their lawnmowers less, restrain themselves from using their fireplaces or woodstoves, cut back on cigarettes, and, possibly most oddly, to refrain from igniting their barbeques.10 They insisted reducing barbeque usage would help to subsequently reduce smog and that the province's wheezing coal power plants were only a "small part" of the pollution problem.11 The new Premier, Ernie Eves, told Ontarians he was helping out himself by ordering out for dinner from Swiss Chalet rather than barbequing.12 Not known for their tact or wit, the Tories were promptly derided by the opposition parties, press, and public for their "grill gaffe."

Do you remember where you were when the power went out at 16:11 that Thursday? The Tory government, evidently, was on the verge of ignominy. Though the
Eves government's tinkering was intended to undo the tinkering of the prior Harris government's furtive efforts to privatize power in Ontario, the onset of the biggest power outage in North American history brought the issue of energy liberalization to the unlit thresholds and porches of more than 50 million people. Extending from the northern states of Connecticut, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Vermont to Ontario, the loss of 61,300 megawatts of power from the grid was immobilizing. For Ontario, for example, the power outage resulted in the loss of 18.9 million work hours and $2.3 billion in shipments to the United States in August, as well as a 0.7 percent drop in the national GDP. Proponents of public power were definitely not smug. Like other Ontarians, they were now fully aware of what was at stake. Nonetheless, it took some time for that awareness to trickle out. Indeed, the initial equanimity of Ontarians was quite intriguing.

Most Ontarians were likely just finishing with work and thinking about their trek home when the power outage began. Once they were cognizant of what had happened, though, many intuitively rolled up their sleeves to help out. Traffic lights might have dangerously failed, yet groups of office workers throughout Ontario felt obliged to loosen their ties and walk into the throngs of confused drivers to direct traffic. People politely knocked on the doors of their aged, disabled, or neglected neighbours to ensure they were okay. People peered over their fences and finally talked to their neighbours. Other people spoke to strangers. Civility was revived. But, there were troubles: people who were overwhelmed by the heat once their air conditioners cut out were taken to hospital; care facilities (e.g. retirement homes) clung fretfully to their emergency generators; people were stranded in subways or trapped in elevators for hours; and, inevitably, there
were incidents of looting and price gouging. For most Ontarians, though, the power outage will probably best be remembered as a prolonged and welcomed summer sigh, passed happily on porches or in backyards with family and friends. They will fondly remember the popping of corks or bottle caps, the improvised feast of thawed food, and, yes, the barbeques, as they sat, and talked, and listened, and stared at a starry sky by the flickering glow of candles or the faint beam of a failing flashlight on a warm evening one August. While the grid or generators were damaged in places, and it was impossible to restore power to some parts of the province for up to seven days, the power was back on for most of Ontario within 13 to 30 hours.

THE GRILLED GRID: OVERDONE AND OVERLOADED

Technically, the 2003 outage was triggered when a high-voltage power line in Ohio got hot, sagged, and then snagged on unpruned trees in its right-of-way which shorted the line. The short sent a warning signal to operators toiling in the offices of the affected utility to notify them of the interruption. From there, human, digital, and diagnostic errors allowed the surge to short more lines along the grid while other lines went into defensive mode and disengaged.

Prior to power liberalization, utilities like OH were vertically-integrated monopolies that presided over everything from generation, to transmission, to distribution within a given region. While long-distance, high-voltage lines always existed in the integrated grid, they were usually only used when there were spikes in demand or when supply surpluses could be profitably sloughed off to nearby regions. Grid integration
permits nominal power exports, but it also serves as a safety line which hooks up jurisdictions in trouble to those that could help. But, the grid has been gradually deteriorating. The present power grid was grafted onto vertically-integrated utilities' infrastructure which was built up mostly in the interwar years from the 1920s to 1940s. Any generating or transmitting failures were flawlessly and imperceptibly handled by standby infrastructure. Given the infrequency of outages, though, the utilities determined it might be more cost-effective to just hook up lines from one utility to the other to use in emergencies. The old grid of utility interconnections thus served as a form of insurance for firms to share the risk of a potential power failure.\textsuperscript{16} In the deregulated market, though, a bevy of firms are using the grid for extensive power trading and the lack of regulation enforcement is damaging the grid. Investors are lured to the lucrative generating sector, not to transmitting or repairing the grid. Presently, utilities' investment in the wires infrastructure, as a fraction of their total revenues, is only half of what it was at its lowest level during the Depression in the 1930s.\textsuperscript{17}

Used infrequently, cross-border electricity trading along the CAN-AM grid was fine as it assisted utilities in their efforts to ensure reliability. Used frequently, however, problems emerged when power was sent longer distances along lines that were no longer in the regional grid. Deregulation and the emergence of a panoply of avid private power firms in the U.S. led to rapid power trading as companies competed for sales and sent power to newly established open markets. Innovations in generating technology and reduced gas costs coalesced to permit privateers the chance to compete in previously restricted power markets which increased the traffic on the transmission infrastructure and increased the likelihood of a system crash. Indeed, liberalization put tremendous
pressure on grids. This imperilled the provision of power as grids were forced to work in ways they were not envisaged to. Pushed to its limits, problems emerged in some grids. These problems are a function of the alternating current (AC) characteristics of the electricity itself. AC power does not move in a straight, set path. Its intensity and direction varies cyclically; it goes back and forth and to and fro. Just as electricity is a special staple because it cannot presently be economically stored, it is a special staple because its voyage along the transmission lines cannot be easily predicted or controlled. As Eric Lerner asserts,

> [w]hen utility A agrees to send electricity to utility B, utility A increases the amount of power generated while utility B decreases production or has an increased demand. The power then flows from the "source" (A) to the "sink" (B) along all the paths that can connect them. This means that changes in generation and transmission at any point in the system will change loads on generators and transmission lines at every other point.  

Power grids involve the high-voltage, high-wire juggling of physics and economics. It is a madcap circus act. Understanding the blackout, therefore, requires some understanding of the technology underpinning the grid. To begin, power (e.g. 25,000 volts) is generated at a power plant and sent to a transformer where the power is given a good kick to move it along the wire network. The transformation of the power to a higher voltage (e.g. 400,000 volts or 400 kilovolts) is essential to allow it to move farther, faster, and much more efficiently and to reduce the loss of voltage as it endures resistance from the wires themselves. This resistance causes the wires to get warmer as electrical energy changes to heat energy. While the wires are low resistance, typically composed of copper or aluminium, there is still resistance. Strung on poles and pylon towers, and fastened by switches, porcelain or polymer insulators, transformers, and meters, the power is sent to a series of substations where it is eased back to low voltage
for divergent industrial or residential (e.g. 220 volts, 110 volts) users. As The Economist noted, the system is truly unruly:

> [m]ost of the vast area between the Atlantic and the Rocky Mountains is now plugged together in one massive electricity grid, with thousands of generating plants pumping energy in and hundreds of millions of electricity users drawing it out: the grid has been called "the biggest machine in the world." When it works, this hugely complex contraption is highly economic because, at any given moment, the demand for electricity can be matched with the cheapest set of power sources available at that time across the entire region. But when this monster machine malfunctions, as tens of millions of North Americans found out [on 14 August 2003], the consequences can be spectacular.21

The unbundling of vertically-integrated utilities provided for the emergence of viable competition in generating. This proved pivotal for transmitting in particular. While liberalized markets were left to sort out investment and private power companies settled into the markets where they thought they would make the most money, the function of the grid was unwittingly altered. The grid is now the overworked power broker for the market's energy exchanges, but it is a job it never applied for. All deals go through the grid whether it can handle it or not. In its design, engineering, and regulation, though, the grid was never intended to behave like this.22 "Just as a wicker basket can't be used to carry water," Jack Duckworth describes, "a transmission system which was designed to operate in a regulated, vertically-integrated, power market can't be expected to carry power generated in a deregulated, build-it-anywhere-you-like, power market."23 When the CAN-AM grids were originally built, they were designed to move power from a predictable group of generators to a predictable group of locations.24 They were not intended to be yanked into engaging in rapid, vigorous, high-voltage power exchanges over long distances. If this is to persist, the grid needs to be overhauled.
Investment in transmitting, however, is not as lucrative as generating and tends to get ignored by privateers because the work is costly, time consuming, and is typically uneconomic because of prolonged legal problems with governments and property owners to obtain new rights-of-way. No one entity today has the finances, clout, incentive, or the inclination to overhaul the grid. Privateers are not prepared to pay for the repairs, however. It is easier to depend on computer modelling to try to juggle things and to repeat the state's hollow pleas that it is every environmentally-conscious citizen's civic responsibility to conserve power. Given the paucity of investment, huge portions of the CAN-AM grids are now outmoded and overloaded. Important portions of the Ontario grid, for example, were built before World War II while other portions were built before or during World War I. In 1997, OH internally disseminated a report entitled *Transmission Network Asset Condition Assessment*, that indicated that, overall, its 115 kilovolt lines were the worst of any Canadian utility (e.g. 70 percent used wooden poles, over 60 percent were close to 50 years old) and its 230 kilovolt lines were the second worst and could compromise public safety. Tom Adams retorts that investment in transmitting was diverted from repairing the existing lines to constructing new lines (e.g. 500 kilovolts) and new generating facilities (e.g. OH's precious nuclear reactors). Deferring or reducing expenditures on its transmitting systems proved relatively easy for OH and gave the impression that cost-cutting targets were being met and temporarily increased earnings. In deregulated energy markets, governments no longer have an authoritative regulatory role and stakeholders, essentially overseeing themselves, have had little incentive to invest in repairing and upgrading the grid. Transformation founded on the tenets of neoliberalism has obviously destabilized the electricity system.
and has increased the probability of power outages. The grid is overworked and overloaded and it is wholly the fault of governments absorbed with neoliberalism deregulating energy and grafting markets onto inadequate grids.

SUMMERTIME SCORCH: REGULATORY BODIES GET BURNED

The failure of regulatory bodies in the northeastern U.S. to safeguard the electricity system against voltage irregularities also facilitated the power failure. The onset of the summer of 2003, with its unrelenting heat and regular smog warnings, brought with it the spectre of prospective power outages. Power demand in Ontario was high and its existing generating power plants were being pushed to their limits. In the United States, power experts divulged that they were worried that neither they, nor Ontario, would likely go through the summer without enduring a power failure. Three months prior to the power cut, the organization given the job of overseeing the integrated CAN-AM grid, the North American Electric Reliability Council (NERC), notified key industry personnel that the grid in Ohio and in other parts of the Midwest region were vulnerable to a power failure. The NERC is essentially a voluntary regulatory organization that lacks clout and "relies on reciprocity, peer pressure, and the mutual self-interest of all those involved in the production, transmission, and distribution of electricity in North America," to ensure the surety of its security and supply. Analysts at the NERC argued that parts of the grid within the East Central Reliability Council (ECAR) region extending from Michigan to Ohio to Maryland were faulty and therefore vulnerable to a power failure. This was where the power outage eventually began. The
ECAR region is a crucial junction in the movement of power from east to west in the United States, and north to Ontario. The NERC thus informed those firms working within the ECAR zone that they ought to be vigilant as there was a "continuing need for the reliability coordinators, transmission planners, and operators to communicate and coordinate their actions to preserve the continued reliability of the ECAR system."\(^{33}\) The NERC affirmed that, as long as "transmission limitations are identified and available operating procedures are implemented when required, no cascading events are anticipated."\(^{34}\) Obviously, the NERC's notification was ineffectual. Firms in the ECAR region ignored their joint obligation to uphold the integrity of the grid. Further, they did not follow the proper protocols when the power failure started and allowed what could have been a small, isolated incident to morph into a massive one that would involve the whole northeastern United States and Ontario.\(^{35}\)

While ECAR is only one of the jurisdictions the NERC supervises, the ECAR oversees the work of a lot of different firms that have promised to abide by the rules established by the NERC. The NERC is the executive while workers at the ECAR are the junior executives. The "control area" that the ECAR presides over is a demarcated geographic region that links together, through the transmission lines, the operations of power companies, independent system operators (ISOs), and regional transmission organizations (RTOs) as they try to juggle generating, transmitting, demand and economic considerations to get the most from the grid.\(^{36}\) Control areas have disparate control centres that use computers to monitor and model the functioning of the grid. The boundaries of the control areas are defined by the boundaries of the old, vertically-integrated utilities. Following the unbundling of these utilities in the United States, the
ISOs and RTOs were given the job of regulating the emerging generating, transmitting, and distributing firms.\textsuperscript{37} The ISOs and RTOs do not own any assets. They only offer advice, or run on behalf of, the assets of the firms within the control areas. The fundamental task of ISOs and RTOs is to watch over their own zones to ensure the grid is working properly and the grid's gates are open to all power market participants. Five work within the ECAR zone: the Midwest Independent System Operator (MISO), PJM Interconnection (PJM), the New York Independent System Operator (NYISO), the New England Independent System Operator (ISO-NE), and Ontario's own Ontario Independent Market Operator (IMO).

**IF A POWER LINE FALLS IN THE FOREST?**

It is worth noting that the following narrative on the unfurling of the power failure derives exclusively from the official findings of the CAN-AM Task Force charged with investigating why the blackout occurred and how another might be averted. The Task Force was created on 15 August 2003 by Canadian Prime Minister Jean Chrétien and American President G.W. Bush. It was co-chaired by R.J. Efford, Canadian Minister of Natural Resources (i.e. replacing Herb Dhaliwal in December 2003), and Spencer Abraham, United States Secretary of the Department of Energy. The work of the Task Force was broken up into two phases. The objective of Phase One was to "investigate the outage to determine its causes and why it was not contained" while the purpose of Phase Two was to "develop recommendations to reduce the possibility of future outages and reduce the scope of any that occur."\textsuperscript{38} In undertaking these tasks, it established three
working groups: an Electricity System Working Group, a Nuclear Working Group, and a Security Working Group. The CAN-AM Task Force presented its final report in April 2004. It noted that its work reflected the "tireless efforts" of hundreds of individuals including, for example, engineers, electricity industry experts, academics, regulatory agencies in Canada and America, the U.S. Department of Energy and its national laboratories, the U.S. Department of Homeland Security, the FBI, the RCMP, Natural Resources Canada, Ontario's Independent Market Operator, NERC, and PJM Interconnection.39 The final report of the Task Force is used to reconstruct the events of 14 August 2003 because it provides the definitive version of what happened.40

Despite the denials and the ensuing intergovernmental blame game that occurred when the electricity was cut, the outage was technically triggered by incidents in Ohio. Though demand and line loads jumped due to the warm weather, the grid in the ECAR region was working well within its normal range. At 12:15, though, the tool that MISO used to monitor the grid jammed. This vital tool, its "state estimator," could not compute one of its monitoring tests. Trying to fix the problem, a MISO employee pressed a button to stop the state estimator from clicking on every five minutes. When they were done, they forgot to turn the button back on. Thinking the problem was fixed, they "went to lunch."41 Thus, MISO did not have up to date information at hand. At 13:31, the Eastlake 5 generating station in Ohio, on the south shore of Lake Erie, suddenly shut down. The 597 megawatt Eastlake 5 facility is owned by First Energy (FE) and is hooked up to pivotal 345 kilowatt lines also owned by FE. At 14:14, FE unknowingly lost its main and backup alarm functions at its offices that gave the audible and visual warnings that there were problems with the grid. First Energy did not know the grid was
going down. Despite receiving phone calls (e.g. from MISO) throughout the afternoon enquiring into perceived problems with the grid, FE thought the grid was fine as none of its warning alarms were going off.

From 15:05 to 15:41, three of FE's 345 kilovolt lines, humming along at the edge of their emergency ratings, came into contact with neglected, overgrown trees. As the lines failed, they forced their loads onto other lines. The augmented voltage on the other lines made them go down too and a cascade was activated. Up to this point, the only way the blackout could have been prevented was if FE had tried to get rid of some of the power, but no efforts were made. At 15:34, MISO's employees were unable to tell that, with Eastlake 5 down, other lines would overload if FE lost one of its lines and it failed to shout out any warnings or instructions to the other utilities.

Once the cascade commenced it could not be stopped by the operators. It was a battle between physics and the limits of the infrastructure. It was a race between the power and the relays on the line. A cascade causes sequential shorts in the line and at the generators. As a surge of power races along the line, the relays guard against these faults in the grid and disengage to defend the infrastructure. Within three minutes, thousands of these relay switches throughout Ontario and the northeastern U.S. region triggered and sufficiently isolated the faults. Though it did not trigger the outage in any way, the grid in Ontario went down at 16:11 as it was designed to do in the event of an emergency or high-voltage irregularity. The power cut cascaded to the distance it did as the power eventually petered out as it endured resistance from the wires in the dense grid the farther it moved from where it began.
In its final report, the CAN-AM Task Force confirmed that the power failure was not entirely the result of an unusual glitch in the grid, it was also the result of the failure of regulators to defend the grid and of rapacious private power firms for being fixated on profits not system stability. Problems among the regulators exacerbated the conditions that caused the outage. The Task Force divulged that the regulators under review (e.g. MISO) were afflicted with poor management and deficient policies, practices, and equipment. It argued that the regulators failed to provide effective diagnostic support to First Energy. The Task Force contended that ECAR did not conduct close enough reviews of FE's operations and directives from the NERC to FE were deemed to be too vague. Consequently, FE went on with its work without precise operating guidelines. For example, in its real-time efforts to help FE fix the grid, MISO was mistakenly using outdated data which only worsened the problems for FE. The Task Force denounced First Energy too. The epitome of a neoliberal-inspired, profit-motivated power firm, First Energy's antics offer a good example of the behaviour of business in this newly unfettered market. Obviously, FE did not do a good job monitoring its infrastructure (e.g. neglected tree pruning along its right-of-ways) and it failed to recognize and fix the defects endemic within its system (e.g. vulnerability and voltage instability). The Task Force avowed that FE did not possess the proper "situational awareness," nor did it promptly respond to the deteriorating condition of its system. Further, it alleged that FE lacked the proper protocols to ensure its employees knew what was going on outside their offices, whether or not their warning alarms were functioning (e.g. as well as backups), or if their monitoring tools were working well (e.g. to test them more stringently following repairs). Finally, the Task Force determined that there were too few joint protocols
among market stakeholders that would allow them to cooperate and coordinate their activities when they observed violations in other jurisdictions.

NEOLIBERALISM MELTED ON THE GRID

It is likely unjust to lay all the blame on First Energy or the other firms and regulatory groups who were working in that region and bungled that day. The problem was not that a big part of the grid failed, it was that the system failed. The grid was not designed to do what it was being asked to do. The prevailing neoliberal-inspired energy paradigm, though, will not permit the grid to behave in any other way. Neoliberalism was literally melted onto the grid the day of the outage. Every burnt out relay or singed group of wires was the result of the inability of neoliberalism to put system stability ahead of profits. The outage only proved how integral the grid was to the neoliberal agenda. Despite the burnt out mess of mangled lines, fused wires, overheated reactors, and the throngs of infuriated industry leaders that the power failure fomented, the proponents of neoliberal reform were not dissuaded. The power went off, but then the power went on. The blackout that affected more than 50 million people was only a "supply disruption." To the International Energy Agency, power failures are "by no means a new phenomenon, [they] happened in the past before electricity reform." Though opposition to grid integration emerged after the outage and a few jurisdictions hinted that they may want to become more self-sufficient, as Michael Trebilcock and Roy Hrab assert, Ontario ought to find a way to further integrate the grid because "inter-tie capacity will increase system reliability." Evidently, the province ought to not worry
why it might be vulnerable. For Trebilcock and Hrab, the priority is deepening grid integration with the United States. Once workers patched up the grid and repaired the wires and generators, neoliberal reforms could continue. The grid has not lured in the investment required to make it work in a way that would allow a free-wheeling, neoliberal energy market to work.

Though Ontario's portion of the grid disengaged and safely powered down as it was designed to do when the blackout struck, perhaps predictably, the outage raised doubts about interjurisdictional energy integration, its volatility given the bevy of firms and government entities now involved in the grid, and the vulnerability of the province's power sector as a result.49 As former Tory Energy Minister Jim Wilson avows, "the blackout was not our fault... it's a shame that there was even a hint of it being our fault."50 Wilson's avowal, however, is not entirely true. Though the outage did not begin in Ontario, it should not absolve the Tories from assuming some of the blame. Obviously, the Tory government did not trigger the August outage; Tory politicians did not pull the line down in Ohio nor did they bungle the regulators' emergency warning systems. But, the Tories' power policies did promote the same sort of neoliberal-based reforms that put the grid at risk and consequently conspired to instigate the outage. Further, their promotion of those policies gave legitimacy to the deregulation and privatization which was already well underway in the United States. Thus, the Tories cannot simply shrug off some of the blame for the blackout because they supported the same neoliberal agenda that brought about the power failure through their espousal of similar power policies. This is the true shame.
Nonetheless, positive spin permitted the Tories to emerge from the power outage with a boost in the popularity polls. Most Ontarians insisted niggling technological issues provoked the outage and roughly 70 percent of people polled thought Eves had done a good or very good job handling the emergency. As Howard Hampton avows, "as a public relations operation, I think the [Conservative Party] did well." In divulging this, though, Hampton goes on to this witty analogy to explain the Tories' PR strategy and its post-power cut blip in the polls:

If the local hockey team is involved in the national championship, everybody in town will want the local team to win. So, if you're smart, if you're the mayor or some other public representative, you'll go to the game and you'll cheer the home team on, and you'll be seen to be cheering the home team on. When the home team wins, everyone will look at you and say, "hey, isn't this great, you're a wonderful guy." The Conservatives realized that everybody in the province wanted the lights to come on, people were praying the lights would come on, so they marched Ernie Eves out in front of a press conference everyday to [say] this was happening to keep the lights on and that was being done to stabilize the situation. Ernie was there with the rest of the fans cheering for the lights to come on, just as if he would be cheering for the hometown team to win the hockey game. When the lights eventually came back on, everyone was happy and everyone said, "we're happy, are you happy [Ernie]?"

As a PR exercise, Hampton explains, "the way the [Conservative Party] handled it was positive for them, but more and more people were thinking this is insanity, this shouldn't happen... it did not dispel people's sense that they had to go." Riding this high in the polls, the Tories then tried to get tough with the purported propagators of the outage. In its own post-power failure report put out two weeks later, the province reiterated that, though the NERC is very obliging, it does not possess the capacity "to force companies to comply" or the clout "to levy penalties against violators." Further, the province's report stated that

[a] reliance on voluntary compliance with grid standards and courtesy calls from
grid participants to warn of power problems leaves participants somewhat vulnerable. *Ontario may wish to reconsider the nature of our connection...* to protect its electrical system from the significant grid fluctuations from neighbouring jurisdictions.  

Did they think they would just pick up their power toys and go home? Why, or more vitally how, did they think they would do this? Did the Tory government's retort derive from understandable frustrations over the power failure or were they genuinely vexed over the extent of grid integration? Not likely. It is more probable that the Conservative Party was just engaging in a little pre-election posturing by trying to tap into voters' latent worries about the blackout and their "friendly enmity" to the United States (i.e. where the outage began). As Jamie Swift and Keith Stewart avow, the report "proved to be not at all interested in digging too deeply into the policy roots of the collapse." By enlisting neoliberal tenets in its reform of the power industry and effectively giving up on the OH monopoly, the Tories undermined the province's ability to autonomously determine whether or not it would disengage from the grid.

**CONCLUSION**

An overburdened integrated grid, bungling regulators, and the grafting of a neoliberal-based regime of deregulated and privatized power firms onto a grid not designed to handle rapid power transfers were the fundamental reasons why the power outage happened. Though the Tories did not instigate the outage, they did instigate power policies that replicated and thus publicized neoliberal reforms. And, though the Tory government insisted they were not to blame for the blackout, they ought to shoulder some of the blame as their power policies sought the same goals that were damaging the
grid, subverting regulatory oversight, and strengthening the predominating neoliberal agenda.

The power failure was a function of the clash of the onslaught of the neoliberal agenda against the clinging forces of public power. Its impetus was the conflict between physics and economics; between an overwhelmingly technological industry and an enormously lucrative business venture. Power failures are becoming a more common occurrence because of the technical intricacies of the electricity industry and the way in which dynamic power markets have been spliced onto antiquated infrastructures. With states and stakeholders unable to sort out the regulatory arrangements and appropriate market inducements to bring in investment in areas other than generating (e.g. in repairing and restoring the grid), it is quite possible that the confluence of factors that caused the 2003 blackout could prompt more. The 2003 power failure, therefore, must be viewed as a transformative feature of the changing energy paradigm in North America.
1 Margaret Wente, "Blackout Ernie Versus Your BBQ," *The Globe and Mail* (26 June 2003), A17


4 Eric J. Lerner, "What's Wrong with the Electric Grid?," *The Industrial Physicist* (October/November 2003), 8

5 Power systems inexorably operate at tight margins. This means producing and purchasing power to meet demand at the lowest prices and enabling as many power exchanges as possible. Daniel Kirschan and Goran Strabac attest that economic concerns put more stress on the grid because less expensive power from afar is being transmitted over longer distances. "Balancing the greed for profit and the fear of blackouts," they argue, "is thus the essence of operating a power system." Daniel Kirschen and Goran Strbac, "Why Investments Do Not Prevent Blackouts," *The Electricity Journal* (March 2004), 29-30


9 Martin Mittelstaedt, "Nanticoke plant is province's biggest polluter, study finds," *The Globe and Mail* (12 February 2004), A9

Brennan, A1

Ibid, A1


Intriguingly, the most iniquitous cases of looting in Canada occurred, not in the gritty metropolis of Toronto, but the nation's ostensibly staid capital, Ottawa. "The Day the Lights Went Out," *The Economist* (19 August 2003), http://www.economist.com/agenda/PrinterFriendly.cfm?story_id=2001455 (website visited 30 November 2006)


Peter Fox-Penner, "Rethinking the Grid: Avoiding More Blackouts and Modernizing the Grid Will Be Harder than You Think," *The Electricity Journal* (March 2005), 29-30

Ralph Cavanagh, "The Meaning of the Blackout," *The Electricity Journal* (October 2003), 93

Lerner, 8

Ibid, 8; Kirschen and Strbac, 32

The thought of the "grid juggler" is useful, though, the power circus described by White et al. is much more witty. David White, et al., "The 2003 Blackout: Solutions that Won’t Cost a Fortune," *The Electricity Journal* (November 2003), 44-45


Fox-Penner, 31

Ibid, 31

Ibid, 31
Kirschen and Strback, 33


The OH study used eighteen utilities in its survey. Ibid, 3

Ibid, 5

Ibid, 13

"Could It Happen to Us?," *The Economist*, 368:8338 (23 August 2003), 19

Andrew C. Revkin and James Glanz, "Oversight group warned utilities on power flows," *The New York Times* (21 August 2003), A1


Ibid, 16

Ibid, 16

Revkin and Glanz, A1

ISOs may advise utilities about transmission line issues, but they are limited in their ability to follow up on their advice. RTOs work similarly, but they may intervene in the operation of the utilities' facilities. US-Canada Power System Outage Task Force, 11, 215, 218

Ibid, 11

Ibid, 1

Ibid, 177

For a more fastidious analysis of the power outage, the Task Force's final report is peerless. Refer to Chapters 3, 5, and 6, specifically, for a chronological and highly technical account of the cascade. Ibid, 17-22, 45-72, 73-102

Ibid, 48

Ibid, 91

Ibid, 17
44 Ibid, 18


46 The IEA is especially fond of employing the term "power disruption" in its explanations of the blackout. International Energy Agency, 11

47 Ibid, 11

48 Michael J. Trebilcock and Roy Hrab, "What Will Keep the Lights on in Ontario: Responses to a Policy Short-Circuit," C.D. Howe Institute Commentary, 191 (December 2003), 25


50 Wilson interview

51 Ipsos-Reid, National Reaction to the Blackout Poll (22 August 2003), http://www.ipsos-reid.com/media/dsp_displaypr_cdn.cfm?id_to_view=1887 (website visited 9 September 2006)

52 Howard Hampton (Kenora-Rainy River MPP, NDP), interview by author, tape recording, Queen's Park, Toronto, Ontario, 8 September 2004

53 Ibid

54 Ibid


56 Emphasis added. Ibid

57 Jamie Swift and Keith Stewart, Hydro: The Decline and Fall of Ontario's Electric Empire (Toronto: Between the Lines, 2004), 194
CHAPTER 7

CONCLUSION: THE TORIES TURN OVER THE KEYS TO RE-REGULATED ENERGY

There's supply and demand [in the electricity industry], same thing's the case with a litre of milk, an apartment, or shoes. I'm not aware of any huge increases in the cost of dentistry, or a shortage of dentists. They seem to be doing quite well... Rate volatility is a reality. It's a reality for oil, its a reality for natural gas, its a reality for asparagus or broccoli. I think people don't like instability and uncertainty... Because we backed down on our electricity policy it invited people to pick on us.¹

John Baird, Interview (21 October 2004)

Ignorance is a worrying trait in a government. So is smugness. In their efforts to reform Ontario's energy industry, the Progressive Conservative (PC) Party manifest both of these foibles. When the Tories took over the keys to the province's power sector, it is likely they took over a potent political and socio-economic vehicle they did not entirely know how to handle. This thesis has established that electricity is a special industry. Its essentiality, its intricate, technical character, its prohibitive costs, and its provision and vast infrastructure all verify that it is unlike other staples sectors. As a strategic staple, the stability and security of electricity supply is a top priority for every government. Politicians might not put up glossy posters of the latest nuclear reactor, hydro-electric dam, liquefied natural gas tanker, or windmill on their walls, or drool over their performance figures with their pals, but they covet them nonetheless.

Energy is now the engine of humanity. It is the engine that powers promise and progress. When the engine is shut down, the modern world stops. Observe the hysterics following a power failure in any major metropolis. When the lights flickered out on the northeastern seaboard of the United States (U.S.) on 9 November 1965, Cold War paranoia predominated.² On 13 July 1977, a power outage in New York led to "a night of
terror," or as one police officer referred to it "a night of the animals," as a violent looting rampage ripped through the city.³ Ponder the helplessness of rugged farmers and rural folk unexpectedly unplugged from the grid in wintertime as happened in Québec when the ice storm struck in 1998.⁴ Or, think of how long hospitals, nursing homes, food depots, research labs, assembly lines, or resource industries would cope if the power were cut off for a couple days. It might be tough, but we would undoubtedly persevere with some ingenuity.⁵ There is an indomitability or "stiff upper lip" mentality that invariably manifests. However, what if the power was lost for a few weeks or months? How would we manage without water, sanitation, transportation, government, or legal or penal systems working properly? How would we respond to quality of life questions then?

For the "common sense" Conservatives, electricity was merely one more commodity to be chastened by the discipline of the free market. They tinkered with it and wobbled over whether or not to go forward or reverse with their reforms and this imperilled the power system. Like tuning the engine of a rakish sportscar with a ballpeen hammer, the Tories were brutal in their efforts to try to tweak the province's sputtering power system. In their attempt to liberalize power in Ontario, the PCs appeared more like used car peddlers looking for a quick buck rather than concerned aficionados.

In elucidating the Tories' involvement in the restructuring of the province's electricity industry from 1995 to 2003, this thesis has been unabashed in its critique of their conduct. The Tories tried to overhaul Ontario's renowned engine of growth and they failed abysmally to properly put it together afterwards. While there were indeed troubles within the industry, the Tory government's pursuit of privatization and its ensuing efforts to splice a dubious open power market onto Ontario's electrical system
were risky moves given the lack of compellingly triumphant examples of similar initiatives elsewhere. Further, the development of the province's power system was different from other jurisdictions and therefore does not lend itself well to comparisons with other places, particularly where there was traditionally less substantial statism prevalent. As this thesis has verified, the electricity industry evolved in response to the province's unique quirks, power requirements, politics, and historical priorities. The PCs ought to have been more cognizant and considerate of that in effecting their reforms.

The purpose of this final chapter is to recap the thesis. While it reiterates many of the thesis' main arguments, namely that the state ought to retain an integral role in Ontario's energy industry regardless of any liberalizing initiatives undertaken, it finishes with the wistful avowal that neoliberal-based reforms are an abiding goal of the ensuing Liberal government of Dalton McGuinty. The fight for public power, therefore, must be reinvigorated if this principle is to persist in the present era of intensifying neoliberalism.

AN OWNER'S HANDBOOK TO UNDERSTAND TRANSFORMATION

This thesis used new staples political economy (NSPE) in its analysis. Derived from updated interpretations of the writings of W.A. Mackintosh, NSPE puts a positive spin on the usefulness of staples. Essentially, NSPE postulates that enticing and relying on the profits to be procured from the development of staples products to promote economic growth and industrialization is not necessarily a negative thing in emerging economies if the funds generated are dutifully re-invested in the economy. NSPE insists that the promotion of staples industries and of the exploitation of staples products brings
with its expertise, capital, innovative technology, and lucrative spin-offs that can help emerging, promising economies endowed with resource riches to rapidly acquire the funds they require to expand and modernize. Further, NSPE posits that the state ought to get extensively involved in this development either to lend a hand to industries (e.g. more permissive regulations or legal rules to foment investment) or to operate industries that are of vital importance and essential to the overriding goal of promoting growth, but might be prohibitive to most businesses (e.g. Crown transportation or power corporations, basic infrastructure works).

While proponents of NSPE allege that this is a good strategy, their rivals, the pessimistic new political economy (NPE) theorists, claim that this simply perpetuates staples dependency by ensnaring the nascent economy in a "staples trap" from which it cannot easily escape. Drawing from modified re-interpretations of the writings of H.A. Innis, proponents of the NPE perspective reject the notion that the state has the capacity, or even the inclination, to rescue its own economy from the staples trap thus permitting more powerful financial or foreign interests to influence development. Obviously, NSPE and NPE theory differ on the prospective efficacy of the state and the mechanisms used to correct the "malfunctions" intrinsic to capitalism. But, NSPE and NPE often do endorse the same sort of sentiments (e.g. both are wary of relying too long on staples trade and are vigilant of the proliferation of foreign, mostly U.S. interests, in the economy).

Nonetheless, this thesis used NSPE because it proved the most rigorous and informative for an analysis of the transformations now underway in Ontario's electricity industry. NSPE places its priorities on staples and institutions and public power is an
irrefutably strategic staple for the province. Finally, NSPE was preferred as it proved more practical and put a somewhat positive slant on the staples trade. It is not enough to inexorably grumble about the plight of the global energy industry or glumly lament the changes that are transpiring. The onslaught of neoliberalism and, evidently, the willingness of some governments to advance the neoliberal agenda and irresponsibly sell off historic state assets (e.g. power plants, transmission networks) which took years to construct and for taxpayers to pay off are indeed troubling trends. The question, therefore, is whether or not useful transformation can be effected within these constraints that can benefit the people? NSPE stops lamenting and looks forward to try to solve this problem.

THE INTERNAL AND EXTERNAL WORKINGS OF TRANSFORMATION

The perception of good timing among the disciples of neoliberalism directing the Conservative Party from Bay Street board offices and within its ranks prompted the PCs to embark on overhauling and modifying the province's power industry. It was initially not a priority for the PCs until opportunity turned the cogs of greed and the PCs got going as quickly, yet imperceptibly, as they could to renounce nearly 100 years of public power and rip down the Ontario Hydro (OH) monopoly.

This thesis distinguished the different cogs that clunked together to knock power reform into gear and then later brought it to a standstill. The external factors that provoked power reform included: the proliferation of neoliberalism and of landmark market reforms in the United States and the United Kingdom which enticed like-minded
governments to model; an impenetrable "supraconstitution" of trade rules that have locked in neoliberal tenets into NAFTA and GATT/GATS agreements and made it tougher for governments to resist neoliberal-inspired attempts to free markets; and the emergence of efficient small-scale gas generators that have defied the rationale for power monopolies, and the willingness of fervent investors to nudge governments to permit them entry into the profitable and formerly prohibited power business.

The internal factors that provoked power reform included: worsening financial woes at OH which were largely due to the poor performance of its nuclear wing; the longing among the PC's closest allies and advisors and industry stakeholders to privatize so they may procure revenues and, also, to contribute to the perceived triumph of the government's neoliberal agenda (e.g. intriguingly, this interest in privatizing OH began with the NDP government); the emerging viability of low cost cogeneration power plants which have encouraged businesses to disengage from the grid; and government's unwillingness to continue to underwrite the cost of constructing more power plants and upgrading the grid to meet rising demand when it could now be shopped out to private power companies.

An undeniable bout of bad timing, though, halted the Tories' reforms and eventually humiliated them. The factors that stalled reform in Ontario included: the ENRON imbroglio; reports of price gouging, illicit gaming, and intentional power outages in California's deregulated market; political and corporate scandals; the influx of avarice, vulnerability, and rate volatility in Ontario's newly liberalized market when it was opened to competition; and a massive blackout that impacted more than 50 million
people, provoked doubt and distrust in the Tories and led to their defeat at the ballot box in 2003.

Liberalization moves fast and, as the Tories learnt, liberalization is also a vehicle without good brakes. While Ernie Eves' political pragmatism inhibited him from stomping on the throttle as hard as Mike Harris had with the neoliberal-based power reforms, it is likely the Tories would have persisted in speeding towards the goal of a fully privatized power system in the province were they re-elected. While the integrated North American grid was always intended to ensure the surety of power security and supply, throngs of utilities are now using it to engage in enormously profitable power trading. It is not too late, though, for the state to re-assert itself in this burgeoning liberal market. Liberal markets inevitably involve some state intervention to ensure they work properly. While the other utilities would be wary of the move, the lingering vestiges of OH might prove useful for the province to begin reinvesting in the electricity industry. Indeed, Ontario is poised to restore its prominence in the provision of power within the region. Possibly, with Ontario Power Generation's (OPG) power plants all operational, Hydro One's (HO) wires network tended to, and the proper regulatory governance in place, the electricity industry might once more contribute positively to the province's political economy. For example, grid integration might provide the province with useful revenues. Even in its worst years, OH still profited from power exports. In 1998, the year it was broken up into OPG and HO, Ontario Hydro made about $9 billion and about 2 percent came from power exports to the United States which was down $25 million, or 14.4 percent, from the previous year. Power exports were down in 1998 not only because of the ongoing Demerger Project, but because of the major nuclear reactor
repairs which were underway. The province simply did not have enough surplus power to spare.

Ongoing trade negotiations are also engendering inventive interpretations and rulings that invariably promote neoliberal principles. For example, ongoing trade negotiations are trying to subject transmission and distribution businesses to the GATS regulations and thus make them more susceptible to liberalization and privatization. Both NAFTA and the WTO impose tremendous pressure on the province to follow the aims of the U.S. and advance neoliberal-based power reforms. If it relents, the province will give way to the entry of utilities from the United States intent on fulfilling the U.S. government's goal of developing a continental energy grid. Consequently, not only would Ontarians lose control of their own staple resources, they would lose the capacity to control their own electricity policy. Despite this pressure, NAFTA and WTO rules presently allow Ontario to protect its power industry. The Tories' last gasp re-regulation programme, for example, held some promise. If the Tories had triumphed with their deregulation and privatization policies, though, the province would now be unable to re-envision its power industry as a potentially profitable state asset. Controlling access to the grid, therefore, is critical. Thus, given the WTO's ongoing GATS negotiations on energy, NAFTA's abiding attempts to modify regulatory governance in Ontario, and the efforts of big utilities from the United States to agitate for neoliberal policies that would allow them to displace local utilities, the Ontario government ought to rethink its position in giving up on a lucrative economic sector that it had hitherto invested roughly 100 years developing.
It is imperative that the state re-asserts itself if it is intent on holding on to this pivotal and profitable part of the Ontario political economy and not relinquishing it to ravenous American firms with narrow self-interests. Indeed, obtaining a grip on Ontario's energy is integral to the United States' energy strategy. In its 2001 *National Energy Policy*, one of the energy goals outlined is "to expand and accelerate cross-border energy investment... [in] electricity grid connections by streamlining and expediting permitting procedures." Lauding neoliberalism throughout, the report insists that the support of U.S. energy security supports global economic growth and the strategies that confer the most gains are reliant on market forces. Further, it contends that Canada and America have both benefited from an integrated grid and the further reliability of the grid can best be enhanced by closer coordination and compatible regulatory and jurisdictional approaches. The United States promulgates its interests through the WTO and NAFTA pacts. If neoliberal reforms persist, the primacy of WTO and NAFTA governance may eventually make Queen's Park and all Ontarians mere observers to rapacious U.S. power companies. For instance, the province would no longer be able to urge utilities to build or develop more environmentally-friendly power plants using renewables (e.g. biomass, solar), but would encounter strict censure from NAFTA for getting in the way of energy investors. Yet, privateers today have a proclivity for dirty fossil fuel-based generation which allows them to gain quicker entry into the lucrative generating business. Further, if WTO or NAFTA adjudicators vetoed the province's policies to try to diversify its power portfolio or to instigate environmental programmes and insisted instead that the privateers and the market determine the type of generation and energy to be used, it would hinder the province's energy security and would make the province more
vulnerable to market vicissitudes and gaming. Energy security today no longer equates to just energy self-sufficiency, but to the diversity and risks intrinsic to the types of energy utilized in electricity generation (e.g. indigenous uranium versus imported coal). Unlike market stakeholders, the state can pursue long-term, collective goals that promote the public good. Thus, the state still has a substantial participatory and regulatory role to play in the emerging liberalized market.

THE McGuinty LIBERALS TAKE A TURN AT THE WHEEL

The eventual defeat of the Tories, despite the Eves government's best efforts to slow down the speed of the neoliberal reforms transforming the province's power sector through re-regulation, was not a surprise. What is also not surprising is how the ensuing Liberal government of Dalton McGuinty has eased itself behind the wheel of re-regulation to move forward with the reforms. Though every Liberal MPP at Queen's Park voted with the Conservative government on the 1998 Energy Competition Act that precipitated electricity restructuring in the province, they went from side to side like windscreen wipers on the issue of privatizing Hydro One. For example, on the same day that McGuinty was opposing power privatization to a scrum of reporters, the Ontario Liberal Fund were inviting the Liberal faithful to a $350 per ticket "Energy Sector Reception for Dalton McGuinty" and informing them that they were "consistent supporters of the move to an open electricity market in Ontario." Nonetheless, the Tories were ousted and the Liberals were voted in on the promise that the free market for electricity was "dead." However, the wily Liberals'
power policies involved more liberalization through a modified form of state-assisted re-regulation. "I think the McGuinty government is on the right track," admitted Jim Wilson, the Tories' affable former Minister of Energy. Wilson maintained that people are saying [Dalton McGuinty] is just following [my] plan. I don't see him doing much different. He's going down the same road. He's realized that there isn't ever really going to be a free market without rules... Government is forced to get involved because people can't handle the price shocks... There will always be a role for government because it's an essential commodity and you can't store it [therefore] it's hard to have a real market. You're always going to need government intervention in the market. It's always be a heavily regulated industry... there is no free market in electricity.

NDP leader Howard Hampton concurs. The Liberals are "going down the same road as the Conservatives." As Hampton intimates,

whereas the Conservatives went down the road through the front door, they were open, they said we're going to privatize and deregulate, the Liberals now want to do it through the backdoor. In other words, you're going to see a continuing flurry of press releases and propaganda saying we're regulating the system, meanwhile, its privatization and deregulation done covertly.

The McGuinty Liberals, like the Harris-Eves PCs, are interested in luring foreign energy firms to Ontario to invest in generating. Promoting this investment, though, opens the door for these firms to then lure the province's power sector under the rubric of WTO and NAFTA rules. Any disputes that may arise would have to be resolved in closed-door WTO or NAFTA tribunals and the ensuing rulings would inevitably be determined without regard for electricity's prominence within Ontario's political economy. Thus, if Ontarians are truly intent on protecting public power in the province, they must re-invigorate the fight against the onslaught of neoliberalism.
Most of us recall our first car fondly. Knocking engines, wonky gearboxes, and rusty floors are all things that evoke nostalgia. For some observers of the politics of power in Ontario, thoughts of Ontario Hydro evoke thoughts of good times; given the right circumstances, good times that might be recaptured. For other observers, though, monopoly's moment passed a long time ago. This thesis has argued that the future of Ontario's electricity industry likely lies somewhere in between these diverging views. Restoring the old OH might be impossible and going out and buying into a brand new wholly liberalized power industry might be a bit unreasonable, but overhauling the vestiges of the former monopoly that still work while utilizing parts from the private sector that take advantage of innovative technology just might be the answer. Balancing Ontario's engine of growth, electricity, ought to involve both elements in order to drive the province forward and make it competitive.

For the Harris-Eves Tories, their efforts to renounce publicly-owned power for a neoliberal-based privately-owned power system were never intended to evoke emotive, nostalgic feelings. The Tories were belligerent and they reviled intervening groups. They turned on the notion of Crown power, a principle their Tory predecessors invented and invested in for over 90 years. They did it because they were told to do it by powerful firms and financiers and because they thought they might get away with it. However, a landmark court case prevented the Tories from privatizing HO and led to the PCs being ousted and ostracized in the ensuing election. Unfortunately, though, a programme of re-regulation permits this liberalization to proceed unabated, albeit more slowly, as it
enables the state to surreptitiously rip apart Ontario's engine of growth year by year, piece by piece. What machine might be assembled at the end of all this is intriguing, but troubling.

It is unjust, though, to impugn the Tories entirely. The former OH really was faltering. It was a liability, its facilities were either derelict or performing poorly, its safety standards were lax, and OH personnel were unprofessional and brusque with the Ministry of Energy who they were mandated to work together with. The Tories' re-regulation programme thus held some promise as it re-asserted a role for the state in the evolving competitive power market. Faith in market forces alone to look after one of the most vital industries in society is not astute. Evidence of the open, competitive power market's volatility (e.g. price spikes), its vulnerability to manipulation (e.g. price rigging), and its intensification of the likelihood of catastrophic failures (e.g. overloaded grid, poor regulatory oversight, power outages), obligates the government to retain a more integral role in the power industry.

Electricity is a special, strategic staple. It is a technical, very intricate industry that is hard at times to understand. Reflecting on the Tories' tenure, former Premier Ernie Eves conceded that "in hindsight, I just don't think we were ready to make it work." This thesis has intimated that they were not ready, yet, they were never deterred. Sometimes, you need to trust someone to tell you that it is time to pull over. On 2 October 2003, voters told the Tories to pull over and turn over the keys to re-regulated energy in Ontario.
1 John Baird (Nepean-Carleton MPP), interview by author, tape recording, Queen's Park, Toronto, Ontario, 21 October 2004


3 "Night of Terror," *Time* (25 July 1977), 12-13

4 The dairy industry, for example, was quite devastated by the 1998 ice storm. As Roland Beshiri notes, roughly 25 percent of all of Canada's dairy cows were in the affected area. No power meant that farm machinery did not work and cows did not have regular milking, feeding, or plentiful water. This made them susceptible to disease, dehydration, and stress which can cause birth problems and diminished milk production. No power also meant that milk processors were incapacitated and over 5 million litres of milk had to be dumped. Roland Beshiri, "How Farmers Weathered Ice Storm '98," Statistics Canada, http://www.statcan.ca/english/kits/agric/ice/htm (website visited 1 November 2006)


10 Ibid, 8.1
11 Ibid, 8.8


13 Marjorie Griffin Cohen, *Public Power and the Political Economy of Competition: The Case of BC Hydro* (Vancouver: Canadian Centre for Policy Alternatives, 2002), 19


17 Jim Wilson (Simcoe-Grey MPP, Conservative Party), interview by author, tape recording, Collingwood, Ontario, 22 October 2004

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