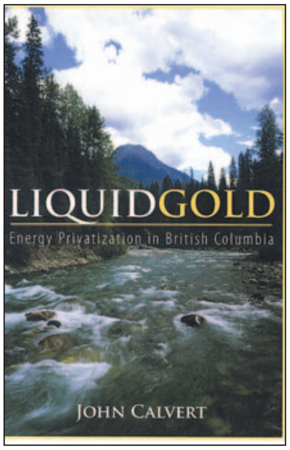
Reprint
Island Tides
Visit www.islandtides.com for more interesting articles on other BC, national & international topics
Reprint from Volume 20 Number 1 January 24, 2008

Book Review by Patrick Brown

Our Wattage Sold For a Mess of Pottage



In *Liquid Gold*, John Calvert's central theme is that British Columbian's birthright, BC Hydro's integrated system of large hydro-electric dams, power lines, and distribution strategies, dating from the WAC Bennett era and charging some of the cheapest electricity rates in North America, is being destroyed.

Liquid Gold – Energy Privatization in British Columbia, is a thorough, well-researched condemnation of the current BC provincial government's electricity policy. Centred on the efforts that the government has made to encourage the development of privately owned electricity generation throughout the province, it makes a strong argument that the government has subsidized these developments, by various means, at the expense of BC's future electricity users (particularly those outside the sheltered rates promised to major industrial users).

The governments new model forces the application of a philosophy that assumes that a competitive market will serve our future electricity needs best, and that the function of publicly owned infrastructure is only to facilitate the profitability of new privatized facilities.

In this the public interest, says Calvert, is not well served, and the integration of this system with the US power grid will eventually expose BC electricity consumers to prices set by a continental market, far higher than those British Columbians enjoy today.

Calvert clearly and systematically delineates the web of policies that have been implemented by the provincial government to make this happen. Some of them go back before the election of the BC Liberal government in 2001, but most are part of a drive by the present government to create a new industry in BC– independent power generation– and to use the considerable assets of BC Hydro—physical, customer base, system, and financial—to subsidize it. This in addition to favourable treatment under provincial policies for water licenses, Crown land grants, environmental reviews, and overriding local representation and bylaws.

Privatization

The first and most obvious provincial government policy change was to require BC Hydro to cease development of new generation facilities, and to purchase all new power from private corporations.

Up to then, BC Hydro had held a virtual monopoly on power generation, transmission, and distribution, and had been completely responsible for future planning to ensure that the lights would not go out. It was permanently and suddenly changed to an organization which still held responsibility for the meeting provincial electricity needs, but no longer controlled new power sources and was required to purchase power from many private corporations.

The transmission arm of Hydro was to be made a separate corporation, a common transportation utility which would facilitate gathering power from myriad new sources and making it available within the province and for export.

Administrative organization was to be 'outsourced' to Accenture.

All the while, the public was assured that cherished BC Hydro was not being sold or privatized.

New Producers Subsidized

The new electricity generation companies have essentially been financed by BC Hydro: create a company and sell initial shares; obtain a water licence for small hydro (most of the projects) from the province at nominal cost; design a project; submit a proposal to BC Hydro, along with a projected price of power (initial only, indexing will apply); and finalize an Electricity Purchase Agreement, which then can be (literally) taken to the bank. Or simply flip the whole thing to a foreign investor.

No wonder it's called 'liquid gold'. It's just like starting a mining company, with the very important exception that there is a firm 20-year-plus customer contract for your product; and because it's renewable, you will never run out. After the contract expires, you still have the generation facility, and you can sell the power to whoever you want for however much you can get. BC Hydro paid for all the startup risks, but you don't owe them anything.

New Power Sources

Calvert describes in detail many of the policies initiated by Hydro and/or the government to make private power investments a 'sure thing'.

Run of river power is seasonal, mostly in the spring freshet—it's termed 'non-firm' power, because it can't be relied on all year round. Wind turbine power is also 'non-firm', varying from day to day and hour to hour.

One of the reasons BC Hydro is such a good customer for 'non-firm' power is because it can 'store' its own power in the form of water behind the big dams. (In the past, this facility has been used for power trading—buy it at night when it's cheap, sell it in the daytime when it's worth more.) Using the the non-firm power preferentially when it is available is yet another subsidy paid for, eventually, by the customers. It is, of course, conveniently invisible.

Industrial Rates Half what BC Hydro is Paying Independents

There are a few complications: Hydro's large industrial customers have always had a cheap rate; this concession was made permanent through a special *Act* which insulated them from the inevitable rate increases that could otherwise result from the fact that Hydro was now charging them less than half what it was paying for new power.

No Going Back?

These changes made in the structure of power production may not, says Calvert, ever be changed, because the presence of US investors among the private power producers meant that no future government could impose (or re-impose) restrictions or new qualifications on them without opening itself to NAFTA Chapter 11 challenges. (Or maybe TILMA?)

Calvert also describes the special history of power generation by Alcan and Cominco; these two companies were given special power generation concessions to develop their smelting industries, but eventually discovered that selling the electricity was more profitable.

'Not So Green'

And demand-side management (known by most of us as Power Smart, a strategy to reduce consumption) seems to lose its point when the outfit proposing it (BC Hydro) is not in a position to save money, since it has contracted to buy the power anyway. The private firms, after all, want to increase consumption.

And given the river works, roads, and powerlines necessary to develop all the 'run-of-river' projects, maybe, as Calvert points out, they are 'not so green after all'.

Besides being an invaluable reference (lots of tables are included) on what has happened to power generation over the last few years, *Liquid Gold* is also a fascinating story, illustrating how the philosophy of privatization can be implemented, mostly below the radar, but irreversibly.

The book is a lesson in the destruction of public policy, and its eventual cost to the public—a mess of pottage indeed.

John Calvert, 'Liquid Gold – Energy Privatization in British Columbia,' Fernwood Publishing, 2007. ✐

'This article was published (January 24, 2008) in 'Gulf Islands, Island Tides'. 'Island Tides' is an independent, regional newspaper distributing 15,000–20,000 copies in the Southern Strait of Georgia from Tsawwassen to Victoria, BC.'

Island Tides, Box 55, Pender Island, BC, Canada. Phone: 250-629-3660. Fax: 250-629-3838.
Email: islandtides@islandtides.com. Website: http://www.islandtides.com