

## Chapter 7

# Encouraging the Development of Renewable Energy

At the present time, there are 18 hydro-electric generating plants on the main Trent-Severn system with an additional three plants on reservoir rivers. Additional new plants are under active consideration and at least two operators have indicated that they plan to expand the generating capacity of existing plants, subject to approvals.

The generating capacity of current operations is approaching 100 Mw and provides approximately \$2 million in revenue to Parks Canada. This revenue helps cover some of the operating costs of the vast water management system that furnishes hydro-electric generation operators with a relatively reliable year-round source of water. The Ontario Water Power Association has suggested to us that the production potential of existing plants can be improved by 20 per cent with changes in water management practices and a further 50 Mw of generating capacity could be added through new plants and upgrades to existing facilities.

Mr. Stanton's Parliamentary Motion asked that the potential of the Trent-Severn Waterway as a source of clean, renewable energy be evaluated. Many of the submissions we received commented on the potential for additional hydro-electric generating capacity to serve as a source both of "green" energy and of additional revenue to help fund maintenance and new initiatives along the system.

We believe that the development of renewable energy resources is a sound public policy goal. We support a vigorous effort to pursue green energy generating potential along the waterway.

Unqualified support for additional hydro generation on the waterway was by no means universal. A number of presenters expressed concern about the environmental and heritage impacts of hydro development. We agree that caution is necessary to ensure that development doesn't occur at the expense of natural and cultural values. The Canadian Environmental Assessment Act provides the process and regulatory instrument to ensure protection of these values if applied knowledgeably and rigorously.

Others expressed concern that water used for hydro generation might come at the expense of other users. Citizens in Minden, for example, noted the negative impacts of variable flow from an upstream power plant on the Gull River.

Although the practice is prohibited in most hydro licenses, we are aware that the current approach to marketing power encourages companies to accumulate water through the day so that electricity can be generated in the later afternoon or evening when prices are higher. We believe that hydro development on the waterway should be operated on a "run of river/no ponding" basis to ensure that use of the water for hydro generation does not come at the expense of other uses or of natural and cultural values. Severe financial penalties should be embedded in licenses to ensure compliance.

#### **RECOMMENDATION 15**

**Support Canada's goal of increasing the supply of renewable energy by facilitating the development of additional hydro-generation capacity along the waterway with due regard for its important natural and cultural values.**

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We do not believe that Parks Canada should be in the power generation business. Its primary role to protect important heritage and ecological resources is in direct conflict with a role as promoter of hydro generation opportunities. We are convinced that Parks Canada's reliance on hydro generation fees as a source of much-needed revenue furthers that conflict. Furthermore, we believe that Parks Canada does not have the expertise or policy capacity to properly administer hydro-electric generation development and operation.

We have considered the governance options for hydro generation on the waterway and believe that there should be a separate hydro division created within the proposed water management agency. This division, as with the water management agency, should report to the federal Minister of Natural Resources, the key federal ministry responsible for renewable energy technologies. We suggest this reporting relationship to reduce the potential for regulatory conflict with the Federal Minister of Environment who is responsible for both the Parks Canada Agency and the *Canadian Environmental Assessment Act*.

#### **RECOMMENDATION 16**

**Administer the allocation and management of hydro developments on the Trent-Severn Waterway by establishing a hydro-electric generation division of the independent water management agency reporting to the Federal Minister of Natural Resources.**

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Existing legislative enablers for federal engagement in waterpower are woefully inadequate. The *Dominion Water Power Act* and particularly its regulations urgently require modernization if they are to serve as a useful tool for managing the development of hydro generation capacity on federal waters. A modern Act and associated regulations should streamline application and licensing processes; reconcile requirements with those of other legislation such as the *Canadian Environmental Assessment Act*; and provide for harmonization with provincial legislation and processes.

Fees returnable to the Crown for the use of water, a public resource, should be a reasonable measure of the value of that resource to both citizens and developers. Currently, six of eighteen producers along the waterway, publicly-owned corporations among them, benefit from huge public expenditures to maintain a water management system, yet pay little or nothing for the use of the water.

We understand that this is, at least in part, the result of ancient lease and license arrangements. However, it is also a reflection of the absence of a clear and assertive federal policy toward water use fees, a situation dating from an era when the government was seeking to encourage the development of generating facilities in isolated areas. Not paying their fair share may be legal for these producers. It is clearly not in the public interest, however, and should be rectified.

#### **RECOMMENDATION 17**

Encourage development of new hydro generation facilities along the waterway by modernizing the *Dominion Water Power Act* and Regulations to provide for:

- (a) **Enhanced efficiency in the new site allocation and development process;**
- (b) **Consistency with other related legislation such as the *Canadian Environmental Assessment Act*; and,**
- (c) **A license fee regime that recognizes public ownership of the water and the public investment in managing water supplies used for hydro generation.**

## **Hydro Revenues**

As noted above, Parks Canada currently receives about \$2 million in revenue from hydro licensing annually. There is some potential for these revenues to increase as new and upgraded plants come on stream. We also see additional potential revenue through a review of the tenure and licensing arrangements for those hydro operations that currently do not pay any water rental fees to support operation of the system.

We have proposed that Parks Canada get out of the hydro business, and that revenue from hydro help support the operations of the water management agency. As such, this revenue would be lost to Parks Canada. However, it is important to stress that the revenue would not be lost to the federal government, and in fact that this arrangement should help Parks Canada's balance sheet.

While Parks Canada will continue to own the dams under our proposed scenario, the costs of their maintenance, repair, and recapitalisation should be funded through the water management agency. We would expect that details associated with this approach, including division of funds, would be worked out as an implementation detail should our recommendations in this regard be accepted.

#### **RECOMMENDATION 18**

**Ensure hydro producers contribute appropriately toward maintenance and operation of the water management system by reviewing the tenure and licensing instruments of all existing hydro generation facilities within the watershed.**