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# Introduction Session 7: Canada and U.S. Approaches to the Evolving North American Energy Relationship in the Aftermath of the 2003 Electricity Blackout: Market Forces vs. Government Regulation

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## SESSION 7: CANADA AND U.S. APPROACHES TO THE EVOLVING NORTH AMERICAN ENERGY RELATIONSHIP IN THE AFTERMATH OF THE 2003 ELECTRICITY BLACKOUT: MARKET FORCES VS. GOVERNMENT REGULATION.

### INTRODUCTION

*James McIlroy*

Thank you. Good morning. My name is Jim McIlroy. I am an international trade lawyer. I am based in Toronto, Ontario, and congratulations on being here bright and early on a Saturday morning. I think we can all agree that our next topic is quite a mouthful. It is called “Canada and U.S. Approaches to the Evolving North American Energy Relationship in the Aftermath of the 2003 Electricity Blackout: Market Forces versus Government Regulation.”

When I read this title, a couple of things jumped off the page. First of all, I think most of us will remember in 2003 there was a blackout in the middle of a long and hot summer, and this blackout was transnational. It leaped across the national boundary between Canada and the United States. It was not a local event. Ontario, being good neighbors of Ohio, immediately blamed Ohio. Our friends in New York, Governor Pataki, immediately blamed Ontario. The bottom line is that it was an event that affected everybody equally. The lights went out.

The second thing that jumps off the page when I look at this title, is the concept of “market forces versus government regulation,” and this raises interesting ideological and political questions because if you are right of center, markets equal good, and government equals bad, and visa versa if you are left of center. And you can’t ignore the fact that these ideological and political influences do have a role to play in energy policy.

Now, before I introduce our two speakers, I want to commend Dr. King for including such a timely topic on this year’s program. You may recall that in the good old days, energy was taken for granted – at least it was in Canada because we had abundant, reliable, and low-cost energy. In Ontario, the government’s minister of energy did not have a whole lot to do. Typically, it was a senior minister. It was a low profile portfolio because basically the system worked. But things have changed, and that’s why this morning’s topic is so timely, I think.

In Ontario, energy reliability and energy costs have become an election issue.<sup>1</sup> And it is now a measure of a government's management skills – how it manages this energy portfolio. And it is also a litmus test on where a government stands on issues such as free enterprise, the role of private capital and market forces, and the role of government in the public good. Now, energy in Ontario, at least, is becoming a highly political and emotional issue. Let me just illustrate what I mean. This is a full-page ad. It was recently taken out in the *GLOBE AND MAIL*, our national newspaper, and it says “A Message from the Power Workers’ Union: The Liberal Electricity Plan is Too Expensive.”<sup>2</sup> We have a Liberal government now; the premier is Dalton McGuinty.<sup>3</sup>

And then this is what the Power Workers Union says: “Since the McGuinty government came into office, electricity prices have jumped more than 25% for many customers. The government’s plan to shut down Ontario’s coal-fired generating stations by 2007 will cost another \$10 billion that will have to be recovered through our electricity rates. It will also eliminate a quarter of Ontario’s electricity – creating an electricity supply crisis. We will definitely see dramatic increases in electricity prices. Ontario could face brownouts, or even blackouts, in the near future.”<sup>4</sup>

And then they go on and say rather subtly, “With a provincial election in 2007, the current government might not even be around to fix the problems their coal shut down policy would cause. Send them a message now...”<sup>5</sup>

Basically what you are seeing – I mean, that’s a rather veiled threat that these folks aren’t actually going to work very hard for this government to get reelected in 2007 if they do what they propose to do, but it illustrates to you that electricity is a very hot topic.

Allow me to conclude my introductory remarks by highlighting a few concepts you should keep in mind when you are listening to these two speakers. I am a simple person. I don’t really understand energy as well as my two friends beside me do, but there are three things that go on. One, is there is electricity generation. Then you have a big fight over which sources you should be using to generate electricity. Coal, we just saw the workers that work in these coal plants don’t think they should be shut down; nuclear, a lot

<sup>1</sup> See, e.g., Arthur Weinreb, *Politically Incorrect: Ontario Election Campaign — the First 10 Days*, CANADA FREE PRESS, (Sept. 15, 2003), available at <http://www.canadafreepress.com/2003/weinreb091503.htm>.

<sup>2</sup> Power Workers’ Union, *A Message from the Power Workers’ Union: The Liberal Electricity Plan is Too Expensive*, <http://www.pwu.ca/news.php?c=all&ci=99> (last visited Nov. 17, 2005).

<sup>3</sup> Ontario Liberal Party, <http://www.ontarioliberal.ca> (last visited Nov. 1, 2005).

<sup>4</sup> Power Workers’ Union, *supra* note 2.

<sup>5</sup> *Id.*

of people don't like nuclear; natural gas; and then, of course, there are the renewables: wind, solar, whatever. So generation is a key issue.

The second key issue is transmission. That's what screwed up in 2003. That's why we had a blackout as the transmission system wasn't working very well. That takes the electricity or energy from its source, and brings it to where you need it. And, the third thing, of course, is local distribution, which is really what you and I see as consumers, is somebody brings it into our house, and we use it there.

I'm going to introduce both of our speakers now because what they will do is they will both speak for twenty minutes, and then we are going to open things up for a good question and answer session.

And on my right and on your left is Garry McKeever. He will be first. On my left and on your right is David Manning. I will introduce Garry and David now so I can bow out and let them enlighten you.

Garry McKeever is Coordinator of Energy Economics in the Ontario Ministry of Energy. Dr. McKeever holds a Master's Degree in Economics from the University College in Dublin, Ireland. In addition, he holds a Doctorate Degree in Economics from McGill University in Montreal. He is trilingual. He speaks English, he speaks French, and he speaks Irish.

In addition to his strong academic background and public sector experience, he has held senior positions in major Canadian financial institutions. Like David Manning, we will see that Garry McKeever's multi-disciplinary experience provides a unique perspective on the topic of energy.

David Manning, I will have to confess, is a Canadian. We have loaded the dice. We may have lost softwood lumber, but we are going to win this panel because we have all three positions.

David Manning is Executive Vice President of Corporate Affairs of Keyspan Energy, and Keyspan Corporation is one of the United States' largest distributors of natural gas in the United States. And, Keyspan is also the largest electric generator in New York State.

In addition to his extensive hands-on energy experience at Keyspan, Mr. Manning was formerly President of the Canadian Association of Petroleum Producers, and he was the senior official responsible for energy in Canada's most energy-endowed province, Alberta, where he served as Deputy Minister of Energy in the mid 1990s.

The bottom line is that David Manning also brings a unique perspective to this conference because he has extensive high-level experience in both Canada and the United States, and because he understands how the public sector works, how the private sector works, and how the two interact.

So please join me in welcoming our two very outstanding speakers this morning.

(Applause.)

