

NATIONAL POWER POLICY

The following statement was made in the House of Commons on October 8 by the Minister of Trade and Commerce, Mr. Mitchell Sharp:

It is my privilege today to announce, on behalf of the Government, a national power policy. I do not think that I have to emphasize the vital role the power industry is playing and must continue to play in the development of our nation.

The story of the electric-power industry of today is one of constant evolution as it strives successfully to reduce costs. Canada must provide the climate in which we can take advantage of these technical break-throughs. Our policy places particular emphasis on:

- (a) the desirability of Canada taking fullest advantage of the evolutionary changes that have taken place in the nature of the power industry, including technological improvements in generating and transmission facilities, and the reduced costs of power associated with these;
- (b) the provision of abundant supplies of electrical energy to consumers throughout Canada at the lowest possible cost to encourage and accelerate economic development and growth;
- (c) the need for Canada to have a flexible export policy which, *inter alia*, would permit the export of large blocks of power to the United States for a relatively long period of years to assist in the immediate development of certain large-scale Canadian power projects, particularly undeveloped hydro resources which might not be viable in the near future unless provision were made for the marketing in the United States of a significant portion of their output; and
- (d) the strengthening of our balance-of-payments position through the export of power surplus to our own needs.

The policy now being announced reflects important changes which have taken place in the circumstances affecting export of power. The Government is fully aware of the body of public opinion that has been opposed to export of power, in the first instance because of events which occurred over 50 years ago.

CONDITIONS OF EXPORT LICENSING

The National Energy Board Act now provides that all exports of power must be licensed by the National Energy Board with the approval of the Governor in Council. Licences may not be issued for a term in excess of 25 years. The National Energy Board is required to certify that the power to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeable requirements for use in Canada — this has been interpreted to mean surplus to Canadian requirements which can be supplied economically from the generating facilities producing the power for export. Further, the Board must satisfy itself that

the export price of the power is just and reasonable in relation to the public interest.

From 1907 until the coming into force in 1959 of the National Energy Board Act, the export of power was subject to licence under the Exportation of Power and Fluids and Importation of Gas Act. By regulation under that Act, the term of a licence was limited to one year. This was intended to prevent permanent alienation of Canadian power capacity which, though surplus when installed, would be required in Canada as time went on. It was realized that, if an industry or a community in the United States became dependent on a Canadian power supply, it would be difficult, if not impossible, to withdraw that supply.

DEFECTS OF ORIGINAL CONTRACTS

Such difficulties as have occurred in respect of the recapture of power exports arose, in part, because over 50 years ago long-term contracts (up to 85 years) were made by Canadian power producers with specific industries in the United States. The contracts contained no provisions for the repatriation of the power. The Canadian supplier, in effect, had taken on within the United States the responsibility of a public utility to maintain continuity of supply for its customers. As a result, the protection of the one-year limitation on licences was illusory.

The nature of the power industry today is very different from what it was in 1907 and in most of the intervening years. It is now unusual for the capacity of a large, modern electric plant to be dedicated to a single industry or for a large utility to be dependent on one source of power supply. 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 the economies of scale.

A public utility, whether in Canada or the United States, now takes it as a matter of course that it must contract for or install capacity to replace a portion of its total power supply when the contract covering that portion runs out. The old aphorism that an export sale, once established, cannot be terminated without hardship in the export market and danger of international friction is no longer valid if the export contract is made with a public utility in the United States under reasonable terms and conditions.

When the National Energy Board Act came into effect in 1959, power export licences which had been issued under the Exportation of Power and Fluids and Importation of Gas Act were continued in effect for some time so that the Board might apply to each case (with minor exceptions) the procedure of application, public hearing, detailed analysis and recommendation to the Governor in Council.

REDUCTION IN POWER EXPORTS

In 1959, actual total exports, as distinguished from licensed authorizations, were 4,582 million kilowatt hours. In 1962, exports had declined to 89 per cent of the 1959 total.