Taming B.C. Hydro: Site C and the Implementation of the B.C. Utilities Commission Act

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ABSTRACT / Public policy making in resources management is greatly influenced by the institutional arrangements that arise out of the legal powers, administrative structures, and financial provisions of the decision system. In British Columbia, the institutional arrangements for energy planning in the province have been greatly altered by the passage of the Utilities Commission Act in 1980. This act redefines the policy implementation process for energy in British Columbia and provides for the regulation of the province's power utility, B.C. Hydro. This is the first time that the hitherto autonomous utility has been subject to regulation and the Utilities Commission Act represents a major reform in the institutional arrangements for energy planning in the province. The article evaluates the effectiveness of the 1980 B.C. Utilities Commission Act and assesses the impact of the legislation upon the institutional arrangements for energy planning in the province. Data for the article were derived from written sources and a series of personal interviews with key participants involved with energy planning in B.C.

It is shown that the act represented a major departure in the management of energy resources in B.C. Moreover the implementation of the act's provisions, particularly in regard to B.C. Hydro, had a dramatic impact on the development of new energy projects in the province. It is suggested that while the political and economic climate during the period also favored restraint, the major influence on "taming" the utility was passage of the Utilities Commission Act. The article concludes by exploring the implications of policy changes that have occurred as a consequence of the act's impact on B.C. Hydro.

In 1980 the province of British Columbia passed the Utilities Commission Act (S.B.C. 1980, c. 60) which established the B.C. Utilities Commission (BCUC). This new body was given authority to review major energy projects in B.C., to regulate the petroleum industry in the province, and to regulate the province's public utilities. Included in this mandate was the power to regulate the provincial electricity utility, the British Columbia Hydro and Power Authority (B.C. Hydro): the first time that the utility had been subject to regulation.

The B.C. Utilities Commission Act represents a major attempt to reform the institutional arrangements for energy regulation and planning in the province of British Columbia. A key element of this reform is the regulation and accountability of the province's electrical utility, B.C. Hydro. The impetus for this reform, and the desire to increase public control over a utility, is not confined to British Columbia. Indeed, throughout Canada, the provinces have been seeking ways and means by which to alter existing institutional arrangements for energy planning that tend to concentrate responsibility for, and control of, electric power planning in the hands of the provincial electrical utilities.

Electricity represents approximately 23% of Canada's domestic energy consumption and 44% of the total primary energy supply produced in Canada (Energy, Mines and Resources 1987). Moreover, 67% of Canadian electrical generating capacity is hydroelectric. Canada has emphasized hydroelectric development in the provision of electric power, and it is the world's largest producer of hydroelectric energy. This emphasis is shown further by the fact that of the over $87 billion in assets employed by the provincial power utilities in 1986, over $74 billion are held by Ontario Hydro, Quebec Hydro, B.C. Hydro, Manitoba Hydro, and Newfoundland and Labrador Hydro, the five provincial utilities with a high hydroelectric component in their power generation profile. Led by these five utilities, the provincial power utilities predominate in the production, control, and planning of Canada's electricity: accounting for 84% of the electricity generated, with combined revenues in excess of $16 billion and nearly 76,000 employees in 1986 (Energy, Mines and Resources 1987).

The history of development of electric power is similarly dominated by the provincial power utilities. From the formation of Ontario Hydro in 1907 onwards, electric power in Canada has been developed by provincial power utilities which were given broad discretion in the production of abundant, low-cost electric power. The broad mandate and autonomy of
the utilities stems from founding legislation that not only confers wide-ranging powers, but also has vested in the utilities considerable freedom from regulation by government. In the words of Vining (1981), "provincial legislation has virtually provided the hydro with carte blanche on major policy issues." Moreover, in their quest for continued inexpensive power, provincial governments have been content to insulate the utilities from broader political policy issues. As the 1979 Trischler Commission of Inquiry into Manitoba Hydro stated,

The influence of Government on Hydro ... was one of omission rather than commission. In view of the fact that the Hydro investments are supported by provincial guarantees ... the relative ignorance of the Government concerning the affairs of Hydro has been inexcusable. The information provided to Government has been so limited as to preclude any meaningful check on whether Hydro was departing from its mandate (as cited in Vining 1981).

It is only in the last decade that the autonomy of control enjoyed by the provincial power utilities has been challenged and scrutinized. The utilities became the target of public concern owing to the confluence of several factors (Smith 1982a), namely:

1. The growth of the environmental movement, with its concomitant rise in public awareness and increased demands for public involvement in resource decision making.
2. A questioning of the need for further expansion as planned by the utilities: questioning prompted by the serious decline in load growth rates, demand for electricity declining from the traditional average of 7.1%/yr in 1970 to below 3%/yr by the end of the decade.
3. Concerns regarding the financial integrity of the utilities, caught between the slowing of consumer demand and the rising costs wrought by inflation and increasing interest costs associated with the utilities costly capacity expansion programs.
4. A rising awareness of the environmental and social impacts associated with electric power ranging from construction impacts, through land-use impacts due to flooding and/or transmission lines, to concern over the environmental hazards posed by nuclear waste and acid rain.

These factors created a wave of public attention to the actions of the provincial power utilities throughout the past decade and prompted government scrutiny, usually by a commission of inquiry or by a legislative committee (Smith 1982b, 1983a). Greater public awareness of utility actions also created political pressure for institutional reform manifest in the creation of provincial agencies mandated to review environmental impact and others given a portfolio in the energy field.

The B.C. Utilities Commission Act is a major piece of legislation in Canadian resources management and it has radically altered the institutional arrangements for energy planning in the province of British Columbia. The intent of this article is to (a) assess the effects of the 1980 Utilities Commission Act upon the institutional arrangements for energy planning in British Columbia, and (b) to evaluate the impact of the legislation in "taming" the province's electrical utility, B.C. Hydro.

Framework for Analysis

This study adopts an analytical approach developed by Sabatier and Mazmanian (1981) that explicitly recognizes the ability of a statute to "structure" the policy implementation process. Public policy is viewed within four broad categories (Sabatier and Mazmanian 1981):

1. The tractability of the problem(s) being addressed by the statute: problem solutions being influenced by uncertainty, the extent and diversity of behavioral change required, and the nature of the "target group."
2. The ability of the statute to favorably structure the implementation process: a statute's effectiveness being dependent upon clear objectives consistent with causal theory, adequate institutional arrangements, and good implementation.
3. The net effect of "political" variables on the balance of support for statutory objectives.
4. The implementation process itself.

In the analysis that follows, the Mazmanian and Sabatier framework is used as a basis, and the influence of the 1980 B.C. Utilities Commission Act is assessed in three phases. First, the tractability of the issues is reviewed by outlining the need for regulatory reform. Second, the Utilities Commission Act is described to demonstrate its restructuring of the institutional arrangements governing the implementation process. Lastly, the effects of the legislation (as accentuated by prevailing political and economic changes) are shown through a review of the policy implementation process following passage of the act.

To operationalize the framework, data were collected from written materials and through interviews with key participants. The most immediate source of