

# BRIEFING NOTE

**To:** OEA Board of Directors

**From:** Vince Brescia

**Date:** September 20, 2016

**CC:**

**Subject:** OEA BOARD OF DIRECTORS ISSUES FOR DISCUSSION WITH MINISTER THIBEAULT

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## BACKGROUND

On September 22, 2016 the OEA Board will be having a roundtable discussion with the Minister of Energy, the Honourable Glenn Thibeault. Minister Thibeault replaced the Honourable Bob Chiarelli as Minister of Energy on June 13, 2016. Prior to his appointment as Minister of Energy, Minister Thibeault was the Parliamentary Assistant to the Minister of Environment and Climate Change from 2015 to 2016, so Minister Thibeault has arrived well briefed on Ontario's Climate Change Action Plan, a new key driver of energy policy in Ontario. As discussed previously, below is a summary of the issues we will be raising with the Minister.

## LONG TERM ENERGY PLAN

OEA members are keenly interested in the pending Long Term Energy Plan (LTEP) 2017 and view it as a critical component of the policy development process in Ontario. Our primary point of emphasis for the Minister is that we need the LTEP to be fully costed. By fully costed, we mean that all costs, including the elements of the Climate Change Action Plan (CCAP), and their full implications from generation through to distribution, should be costed out in the plan. This costing should include all infrastructure costs necessary to manage the load implications of the CCAP. In addition to our core message, we will also be relaying a number of the key messages we have received from the OEA membership through our own internal LTEP consultations, including the following:

- The CCAP needs to be fully integrated into the LTEP;
- LTEP should focus on optimized CO<sub>2</sub> reduction strategies, considering all possible options, not predetermined approaches;
- We would like clarification on how current conservation programs and policies will interact with CCAP;
  - Provincial policies and programs should avoid cannibalizing current programs;
- For cost effectiveness, the plan should optimize use of existing infrastructure;
- We need processes to allow for better coordination between government, regulators and industry on incorporating innovative technology effectively;
- Better use of Demand Response should be made going forward;
  - Help "green the grid";

- Compare cost-effective strategies to reduce demand on an equal footing with procurement;
- Reaffirm Conservation First Framework and 2015-2020 Natural Gas Framework;
- Ontario's regulatory framework needs to evolve to allow utilities to adapt and meet government objectives like climate change and more consumer options;
  - Our current regulatory system does not reward innovation;
- Natural gas will be necessary for peak demand management for foreseeable future, therefore LTEP should have plan for natural gas heating of buildings;
  - The load profile of increasing use EVs is quite favourable and can be done with relatively low new infrastructure costs if the load profile (when people charge, and in some cases where) can be managed properly;
  - However, moving to the electrification of buildings will have massive infrastructure implications;
- In LTEP planning, Ontario should keep in mind that what it does could have impacts beyond Ontario. For example, Quebec currently plans to make greater use of natural gas going forward as part of its energy/climate strategy. A significant move towards policy driven natural gas reductions in Ontario would result in a significant increased price in Quebec, Manitoba and Saskatchewan as well.

### **ELECTRICITY PRICING / RATES / COST**

The OEA understands that there is growing public attention to the issue of electricity rates, and we appreciate the challenge that the government faces in responding to such concerns. However, it would be regrettable if these concerns lead to any sudden policy shifts that have not been well thought-through, with stakeholder feedback on the full implications. While rates have risen, Ontario has benefited from tremendous investments in our system which have made it significantly greener, and more stable. In addition, through increased availability of conservation tools, many consumers have been able to offset these rate increases through conservation measures.

Related to concerns about costs, the province should think very carefully about the number of smaller measures being introduced through policy mandates that increase costs, with sometimes limited benefits. While often the cost impacts of these new initiatives are smaller in scale, they begin to add up when you put them all together. All measures that add even relatively small cost increases should be scrutinized carefully.

### **POLICY CONSISTENCY AND TRANSPARENCY**

The OEA appreciates the government's efforts to manage energy costs in Ontario. However, we believe there should be policy consistency and transparency when it comes to the presentation of information to consumers. There was virtually unanimous feedback to the OEB that cap and trade costs should be transparent and readily available to the consumer. Yet an early determination has been made that they will be buried in the delivery line on natural gas bills. This is in spite of the fact that the cap and trade program is supposed to incent consumer



behavioral changes. In contrast, the recent announcement of an 8% electricity bill reduction will be given its own line on the bill. We believe there should be consistency and transparency in disclosure of these types of costs and benefits.