

ONTARIO ENERGY ASSOCIATION

REMOVING THE TIMING REQUIREMENTS FOR RELEASING ONTARIO'S NEXT LONG-TERM ENERGY PLAN: ERO 019-2149 SUBMISSION

SEPTEMBER 10, 2020

To shape our energy future for a stronger Ontario.



Ontario Energy Association

ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

The recommendations contained in OEA papers represent the advice of the OEA as an organization. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of individual members and their organizations may not be reflected in this report.

The Ontario Energy Association is pleased to provide this response to the Ministry of Energy, Northern Development and Mines (the Ministry) proposed regulatory amendments to O. Reg. 355/17 (Long-term Energy Plans) made under the under Electricity Act, 1998.

COMMENTS AND KEY RECOMMENDATIONS

The OEA has reviewed the summary proposal which states that the Ministry is seeking to reform the Long-Term Energy Planning Framework in Ontario, seeking your feedback on the proposal to revoke O. Reg. 355/17 as the first step toward achieving this goal, and the Ministry's next step will be to seek feedback on a proposal for legislative changes to the planning framework that would happen at a later stage.

The OEA does not have significant concerns with the summary proposal.

However, the OEA does have recommendations regarding reforming Ontario's energy planning framework and looks forward to the participating with the Ministry on any proposed changes. At this time, the OEA is making the following initial recommendation in advance of the Ministry's proposal for legislative changes to the planning framework:

1. REFORM THE ELECTRICITY PLANNING PROCESS

A significant driver of past cost increases in Ontario's electricity system has been a flawed planning and decision-making process. Responsibility for electricity planning in Ontario now resides primarily with the Minister responsible for energy and the Premier's office. This structure has seen the advice of system planning experts at the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) often over-ridden by a small group of advisors.

In addition, these decisions get made without transparency. There is typically a lack of information provided to the public as to what underpins planning decisions, and practically never a cost benefit analysis of the impacts of decisions. It is this transparency that is critical to inform good decision-making in Ontario. Without it, all participants and interested parties are not able to provide meaningful feedback into the decision making process, robbing decision makers of all the information they need to make a good decision. It also removes an important check and balance on closed-door decision-making.

As noted by the Auditor General, "...over the last decade, this power system planning process has essentially broken down, and Ontario's energy system has not had a technical plan in place for the last ten years. Operating outside the checks and balances of the legislated planning process, the Ministry of Energy has made a number of decisions about power generation that have resulted in significant costs to electricity consumers." This conclusion applies much more broadly than generation procurement (e.g., Smart Metering Initiative¹), and is shared widely by energy sector participants, businesses, consumers and observers of Ontario's electricity sector.

A top priority for reducing electricity costs in the future should be reforming the planning process. Restoring Ontario's electricity system to a cost-effective footing requires planning and

¹ See: <http://www.auditor.on.ca/en/content/annualreports/arreports/en14/311en14.pdf>

regulatory processes that seek to achieve policy objectives at the least cost to consumers. This will necessitate engagement of the check and balance that regulators perform and a governance framework that reflects the principles of transparency, accountability and integration. An important benefit that will come from such a reform will be restored confidence in Ontario's energy marketplace. Ontario competes globally for access to capital; therefore, in order to get the lowest possible capital cost for future energy initiatives in Ontario, it is important that investors have confidence in the certainty and stability of the electricity planning framework.

The OEA believes that now is an opportune time to significantly improve the electricity planning framework in Ontario. Given that the government has already taken steps to improve the effectiveness, transparency, efficiency, and accountability of the OEB by modernizing the regulator's governance structure, the modernized and improved OEB should be leveraged and given a key role in a revitalized planning framework.

Overall, to achieve a stable and certain electricity planning framework, the OEA believes the following reforms are required:

- a) Set in legislation the government's role in setting broad social and economic goals for the electricity sector;
- b) Require any government guidance and changes to the framework for the electricity sector to go before the legislature for approval;
- c) Leave implementation and oversight of collaborative electricity and natural gas energy system planning to their respective independent agencies like the IESO (electricity only) and OEB (electricity and natural gas);
- d) Ensure the reformed planning framework is integrated, subject to consistent and appropriate oversight, and informed by customers' needs and preferences;
- e) Require full transparency in decision making, including cost-benefit analysis and comparison of alternatives for major systems and regulatory planning decisions; and,
- f) Competitive processes should be used for the procurement of system resources, whenever feasible, in the future.

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Let's unravel complex energy challenges, together.