Ontario Energy Association

January 10, 2011

Andrea Stoiko
Policy Coordinator
Ministry of Energy
Regulatory Affairs and Strategic Policy
880 Bay Street
Toronto, ON M7A 2C1

Dear Ms. Stoiko:

Re: Draft Supply Mix Directive: EBR Registry Number: 011-1701

The Ontario Energy Association (OEA) has more than 150 corporate members that represent the full diversity of the energy industry in Ontario – power producers, firms that transport, transmit and deliver natural gas and electricity, marketers and retailers, manufacturers, contractors, service providers, and energy consultants.

The OEA strongly supports the government's intent to have the Ontario Power Authority (OPA) prepare a new Integrated Power System Plan (IPSP), as set out in the Minister of Energy's Draft Supply Mix Directive to the OPA of November 23, 2010.

We understand that a final Directive will be sent to the OPA early in 2011. The OPA will then prepare the IPSP and submit it for review by the Ontario Energy Board (OEB). The OEB will hold public hearings on the plan, after which the Board will render its Decision with Reasons.

We urge the government and the agencies to make every effort to ensure that this process move as expeditiously as possible, and that further directives not be issued while it is underway. If the government is to meet its timelines for the new IPSP, it must avoid lengthy processes, interruptions and delays.

Our members have told us that they need stability and predictability if they are to continue to build and invest in Ontario. We therefore recommend that, once the plan is in place, the government keep to it as much as possible and not deviate from the principles of the plan, so that the agencies and the energy sector can effectively and efficiently implement it. This is vital if we are to have a positive environment for energy investment in Ontario. An OEA survey in the fall of 2010 found that 71 per cent of respondents who had been involved in energy projects over the past five years were adversely affected by unexpected changes in regulatory or legislative policy. Of those, 62 per cent felt that it was unlikely that they would have become involved in these projects had they known that policy or regulatory changes were coming. The Green Energy and Economy Act in particular has been a magnet for investment and people in Ontario. We would caution against any precipitous changes in policy direction or arrangements outside established processes that might threaten the climate for energy investment in Ontario.

Demand
While we agree that demand growth is likely to be moderate over the next two decades, it will be less moderate and less predictable in the fast-growing Greater Toronto Area (GTA) and the Golden Horseshoe, especially with the expected increased electrification of transportation. In this regard, the OEA recommends strongly that energy system planning and broader regional, environmental and economic planning be integrated as much as possible. A more integrated planning system would better meet the needs of communities, contribute to increased social acceptance of needed energy projects, and create a more positive investment climate.

Conservation
The draft directive targets for conservation are bold but achievable. However, there appears to be the potential for confusion and conflicting messages, given the introduction of the Clean Energy Benefit and the change in the time-of-use (TOU) pricing schedule. The OEA has long recommended that the government clarify and enhance the role of electricity prices in signaling conservation. The government would better achieve its goals if the roles and capabilities of the various myriad players currently in this initiative were made clear; this would help in ultimately assessing which approaches work best. The integration of natural gas and electricity conservation programs, where possible, should also be encouraged.

Nuclear
The OEA supports a diversified supply mix based on a balance among economic, environmental and system impacts, and on the characteristics and relative costs of the different technologies. Nuclear power is the backbone of Ontario's baseload generation. Moreover, it is a clean technology that will contribute to the government's efforts to reduce greenhouse gas (GHG) and other emissions. In this regard, we support refurbishment of 10,000 MW of existing nuclear capacity at the Bruce and Darlington Nuclear Generating Stations and the procurement of two new nuclear generating units (about 2,000 MW) at the Darlington site.

Given the long timelines required for planning, permitting and approvals for nuclear generating stations, and the history of delays and cost overruns with nuclear projects in Ontario and elsewhere, we are concerned about potential roadblocks. In that regard, the federal government should be urged to move quickly on the decision about the future of Atomic Energy Canada Limited, as further delay could hinder the construction of new nuclear facilities and the retention of our skilled nuclear workforce.

Renewables
The OEA supports Ontario's commitment to increased renewable generation capacity as part of the coal phase-out, as a means of meeting Ontario's GHG reduction targets, and as a way of ensuring that Ontario carves a competitive niche in the emerging "green economy" of the future. We note that the overall target for renewables in the Long-Term Energy Plan is lower than the target in the original IPSP. The IPSP should provide an assessment of the amount of non-dispatchable renewable generation that can be added to the power system, given the requirement to maintain current nuclear and hydro capacity, the need for gas-fired generation to support intermittent resources, the management of surplus baseload generation, imports and exports, the technical issues related to connecting renewables to the grid, and the market clearing price.

Natural Gas
Because of its flexible dispatch characteristics, natural gas will be essential to integrating intermittent, non-dispatchable renewable resources into the system, and will largely replace the coal-fired generating stations when they are eventually shut down. Natural gas-fired generation provides bridging capacity as the nuclear units are refurbished.

Gas also has a role to play in conservation through fuel-switching; the building code and planning policy should accordingly provide for natural gas as an option to electricity in future development.

Finally, we hope the new long-term plan will be flexible enough to adapt as required to the projected long-term supply and price competitiveness as shale gas comes on stream. The robust natural gas supply in North America could moderate the long-term price of electricity.

Transmission
We support the government's decision to move forward on new transmission investments, particularly to accommodate new renewable generation capacity. Given the timelines involved in transmission planning, approvals and construction, it is important that work begin ahead of or in parallel with the construction of new capacity. We would caution that the directive on the Pickle Lake line, and on the development of a plan for remote community connections beyond Pickle Lake, will entail social and economic considerations as well as energy objectives

Smart Grid
We welcome the renewed endorsement of the smart grid. We applaud the recent release of the Request for Expressions of Interest (RFI) and in this regard urge government to move forward as quickly as possible in making the Smart Grid Opportunities Fund operational. It is important that Ontario firms be able to benefit from Ontario's early-mover status on the smart grid. More energy-saving smart grid applications need to be made available to ratepayers to allow increased opportunities to save money.

A key element to the success of the smart grid will be the education and engagement of consumers. We suggest that a focus on informing and educating the end-user be a formal part of the final plan. Clear, factual and sustained communications will be crucial for public understanding and acceptance of every part of the Long-Term Energy Plan.

Impacts of the Plan on Electricity Consumers
We are concerned about bill impacts and thus support the direction to the OPA to consider total bill impacts and the impact on electricity rates generally in developing the IPSP. This issue is of particular concern to our LDC members, who are the primary contact with customers.

We appreciate the opportunity to comment on the Draft Supply Mix Directive.

Sincerely,

Gregor Robinson
Vice President, Policy and Economic Analysis