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Results Based Plan 2007-2008

Ministry Overview

Ministry Vision, Mission/Mandate, Key Priorities & Results

Reliable, affordable and sustainable energy supply is vital to the quality of life and well being of all Ontarians as well as to future generations. Through its energy policy, the Ministry of Energy continues to play an important role in making this province one of the best jurisdictions in North America in which to live, work, invest and raise a family.

Mission/Mandate

The Ministry of Energy's mandate is to support the development of a cost-efficient, reliable and environmentally sustainable energy supply, while at the same time creating a culture of energy conservation.

The ministry develops and advises on all aspects of energy policy for Ontario. Through its oversight of the Ontario Energy Board (OEB), the Ontario Power Authority (OPA) and the Independent Electricity System Operator (IESO), the ministry is responsible for setting the legislative policy framework to assure safe and reliable supply and delivery of both electricity and natural gas to the province's consumers. The ministry also represents the shareholder in dealings with Hydro One and Ontario Power

Generation (OPG).

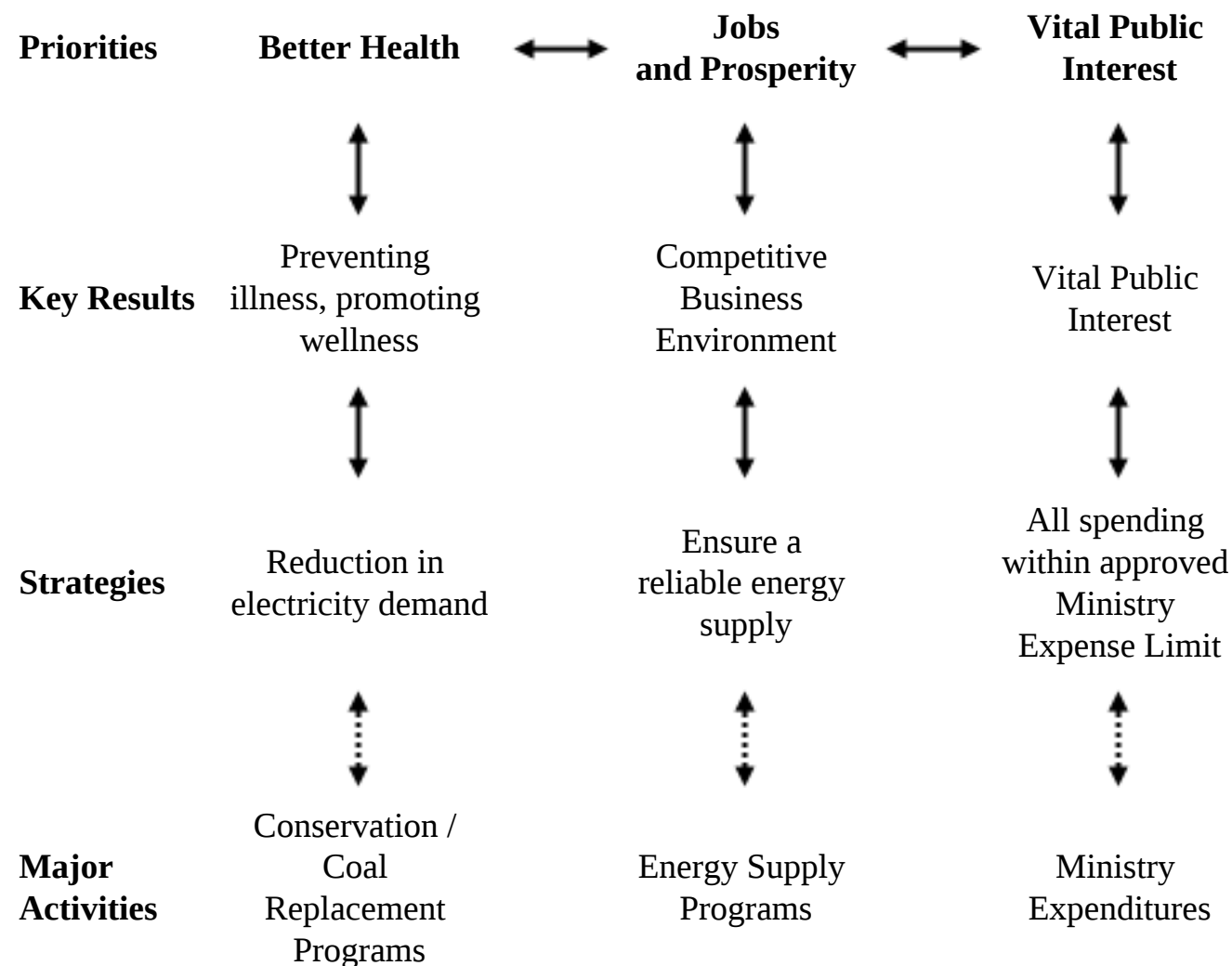
Ontario remains committed to developing a cleaner electricity system by replacing coal-fired generation and encouraging conservation and cleaner generation.

Priorities/Results and Strategies

The government has assigned the ministry a pivotal role in delivering results. The new initiatives announced in the 2007 budget in the areas of energy conservation, renewable and community energy, and energy technology research and development support the vision for the energy sector.

In 2007-08, the ministry will continue to strike a balance between the need for clean, reliable, sustainable and affordable energy and the need to build a culture of conservation in this province. It is about managing demand, and ensuring supply.

Ministry Contribution to Key Priorities & Results



Priorities

Reliable Energy Supply

By 2025, Ontario will need to refurbish, rebuild, replace or conserve approximately 24,000 megawatts (MW) of generation, representing approximately 80 percent of Ontario's current capacity, to meet the province's demand. Reliability has always been the ministry's top energy priority.

The ministry's supply efforts will focus on addressing issues related to nuclear energy, new renewables, and bringing new clean energy supply projects on line. The nuclear stations will meet baseload electricity requirements but will be limited to a maximum of 14,000 MW through 2025 by a combination of refurbishment and replacement of nuclear units.

In response to direction from the Minister of Energy, the Ontario Power Authority is now preparing the Integrated Power System Plan for the province, which will ensure that Ontario's electricity needs are met well into the future through a combination of clean energy sources, nuclear power and conservation. The plan will be filed with the Ontario Energy Board for review in summer 2007.

Work in bringing new energy on line through partnerships with Manitoba, Quebec, and Newfoundland and Labrador will be continued.

The transmission system will be strengthened, while promoting system efficiency and congestion reduction in a manner consistent with the need to maintain system reliability.

New supply projects will be brought on-line through the Renewable Energy and Clean Energy Supply procurement processes administered by the Ministry of Energy. Additionally, new capacity will be added through completed and ongoing competitions for gas-fired and CHP contracts and through Standard Offer Contracts for renewable energy supply, as executed by the OPA.

Conservation

Conservation efforts will focus on empowering consumers through tools, information, and incentives to develop a culture of conservation; leading by example in reducing energy consumption within government; and, building the institutional and regulatory framework for conservation.

The ministry is also committed to:

- Fostering energy conservation practices within government and other public sector agencies.
- Expanding the coverage of products and raising energy performance standards under the Energy Efficiency Act.
- Further directives to the OPA to fast track conservation programs as necessary.
- Continuing with powerWISE advertising to encourage the practice of conservation.
- Encouraging grassroots community conservation initiatives.
- Investments in home energy audits to encourage homeowners to support energy efficiency.
- Oversight of IESO as project manager for smart metering design and delivery of the data management function.
- Full communication/consumer education program on smart metering.

Replacement of Coal

The government remains committed to replacement of coal-fired electricity generation. As part of its development of the Integrated Power System Plan (IPSP), the OPA is working with the IESO to develop a schedule for the earliest practical replacement of coal-fired generation with cleaner sources, subject to maintaining adequate generation capacity and reliability.

The OPA anticipates that coal units can begin to come off-line by 2010. They suggest that for prudent planning purposes, some coal stations be maintained beyond 2011 to ensure grid reliability. Based on current information, the remaining coal plants will be gradually replaced by cleaner generation between 2011 and 2014.

Transmission and Distribution/Regulatory Reform

The ministry will proceed with various transmission upgrades and projects, continue discussions with Newfoundland and Labrador, and Quebec over possible power purchases, implement productivity/cost controls to drive efficiencies, and streamline approval processes.

Ministry Activities

By ensuring a reliable, sustainable supply of power at stable, competitive prices, and by creating a culture of conservation, the ministry is delivering, and will continue to deliver, the real, positive change that will keep Ontario prosperous and healthy.

The ministry's key strategies and priorities are implemented and delivered through its two programs:

- Ministry Administration
- Energy Sector Transformation

Ministry Administration

Ministry Administration includes the Minister's Office, Deputy Minister's Office, Communications Branch and Corporate Services.

The Ministry Administration Program provides financial, audit, administrative, corporate policy and business planning, human resources support and systems development services. Legal and communications services are also included in this program.

Ministry Administration supports and facilitates the achievement of the ministry's vision and key priorities by:

- Providing policy direction, leadership and overall management to achieve key objectives and deliverables;
- Providing effective communications management that supports ministry and government policies and programs;
- Providing leadership and strategic advice on financial and strategic planning issues to achieve ministry and corporate objectives; effectively managing resources in support of ministry objectives, including identifying and managing risks, using a modern controllership framework that meets government standards and guidelines, and strategic risk management and mitigation approaches;
- Enhancing customer service through improved quality service; and ensuring that strategic results-based multi-year resource planning and performance management systems are in place.

Energy Sector Transformation

The Energy Sector Transformation program is responsible for developing the energy policy framework of Ontario that is central to the building of a strong and prosperous economy. It provides leadership and support to the energy sector to achieve a diverse, sustainable and competitively priced energy supply. The program supports energy conservation and efficiency, transmission and distribution, and the development of renewable energy.

Energy Policy and Programs develops the structural, legislative and regulatory approaches necessary for a competitive electricity market, maintains shareholder relations with OPG and Hydro One, and

develops mechanisms to protect energy consumers. It encourages the development of environmentally superior energy supplies, the development and implementation of energy efficient and alternative energy technologies, and promotes a culture of conservation while ensuring delivery through a strong, stable transmission and distribution system.

The program ensures the safety, reliability and security of Ontario's energy supply by working with Emergency Measures Ontario (EMO) and the IESO to ensure that the energy system is prepared to respond quickly to public emergencies resulting in supply disruptions. The ministry co-chairs the federal-provincial process on electricity reliability and also works with stakeholders, including the Independent Electricity System Operator (IESO), Ontario Power Generation (OPG), the Ontario Power Authority (OPA), the Ontario Energy Board (OEB), Hydro One, distribution companies, independent generators, large power consumers, environmental groups, consumer groups and other provinces and the federal government to review supply adequacy, transmission and distribution needs, and future outlook.

Ministry Contribution to Priorities & Results – Highlights

The ministry supports the following key government priorities and results:

- Jobs and Prosperity, through ensuring a reliable energy supply.
- Better Health, through reducing environmental pollution.

The ministry continues to foster a culture of conservation in the province through its commitment to encourage conservation and to reduce projected peak electricity demand in the province. A number of initiatives are taking place to promote conservation and energy efficiency in the province. Moving forward in 2007-08, the ministry will:

- Encourage conservation leadership in the public sector and remove barriers to conservation.
- Track conservation projects by the Conservation Bureau.
- Provide funds under the Community Conservation Initiative program to support grassroots-based conservation outreach and incubation projects.
- Ensure Local Distribution Companies remain active as a key delivery agent for conservation programs, and for raising awareness of conservation.
- Provide a rebate program for homeowners to conduct an energy audit to support energy efficiency in the province.
- Move forward with smart meter installations and pilots, and implementation of Meter Data Management/Repository to enable consumers to better understand their electricity use and to enable them to move to off-peak use.

To help Ontarians better manage their electricity use and save money if they use electricity in times of lower demand, the ministry is introducing smart meters into 800,000 Ontario homes and small

businesses by the end of 2007, and all Ontario homes and small business by the end of 2010. The ministry will proceed to:

- Establish a full communication/education campaign on the smart metering initiative.
- Monitor the LDC and Hydro One installation commitments to assist in meeting the government's goal of 800,000 smart meters by the end of 2007.
- Extend smart metering pilots in Ontario.
- Deliver a fully functioning data platform.

The ministry is also increasing new renewable energy in Ontario. In 2007-08, more of the renewable energy projects originally contracted by the ministry will receive environmental and local approvals, and in some cases begin operation.

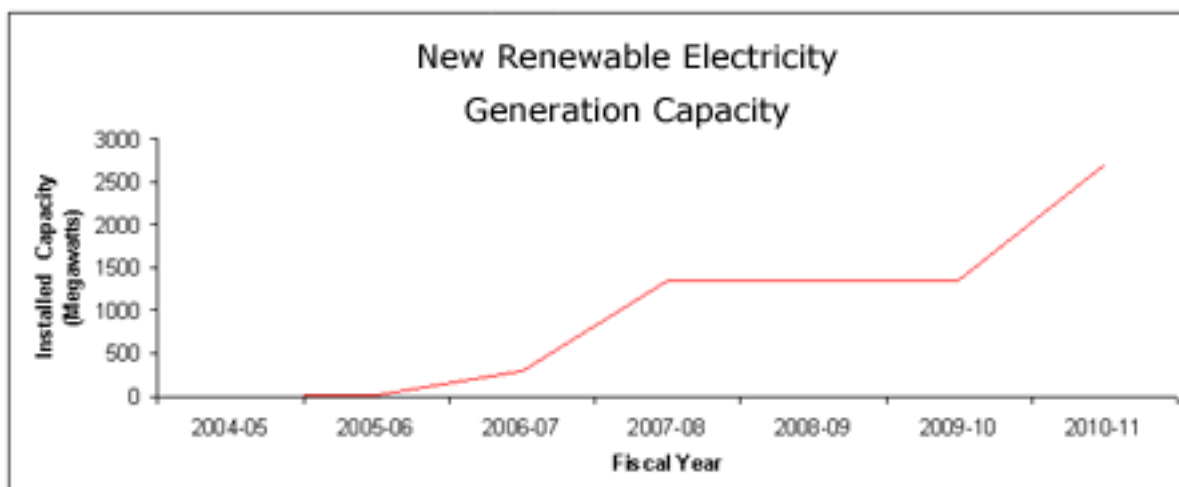
- Ministry directions have led to new contracts for standard offer projects that could result in up to 1,000 MW of additional renewable generation over the next 10 years.
- Various transmission upgrades and projects planned and to be completed.

In addition, the government is also pursuing new clean supply initiatives, including a Clean Energy Transfer Initiative (CETI) with Manitoba. This would see hydroelectric sites being developed early in the next decade in northern Manitoba.

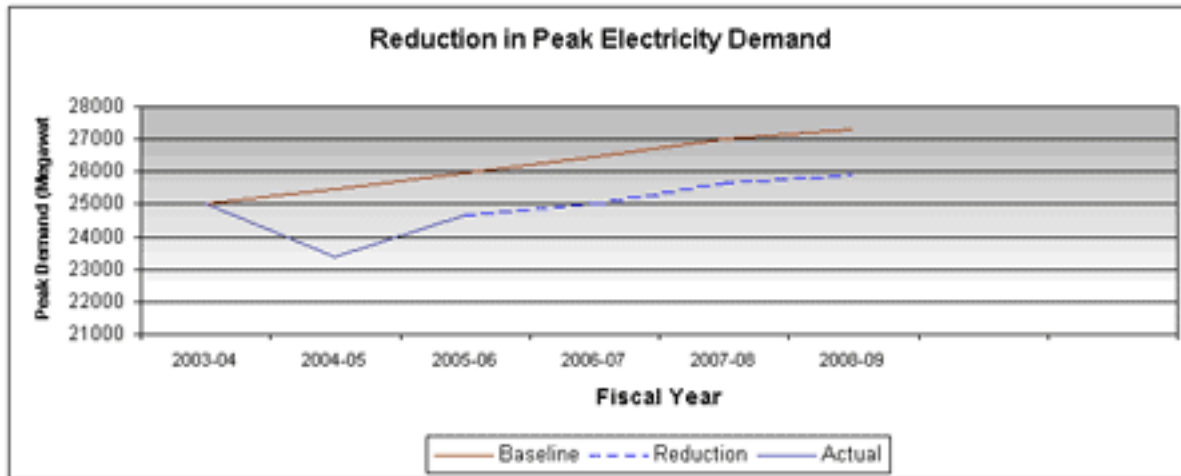
Performance Measures

1. New renewable energy

- Contract for 5% or 1,350 MW of Ontario's electricity capacity from new renewable sources by December 2007 and 10% or 2,700 MW by 2010. Double the amount of electricity capacity from renewable sources by 2025, bringing the total to 15,700 megawatts



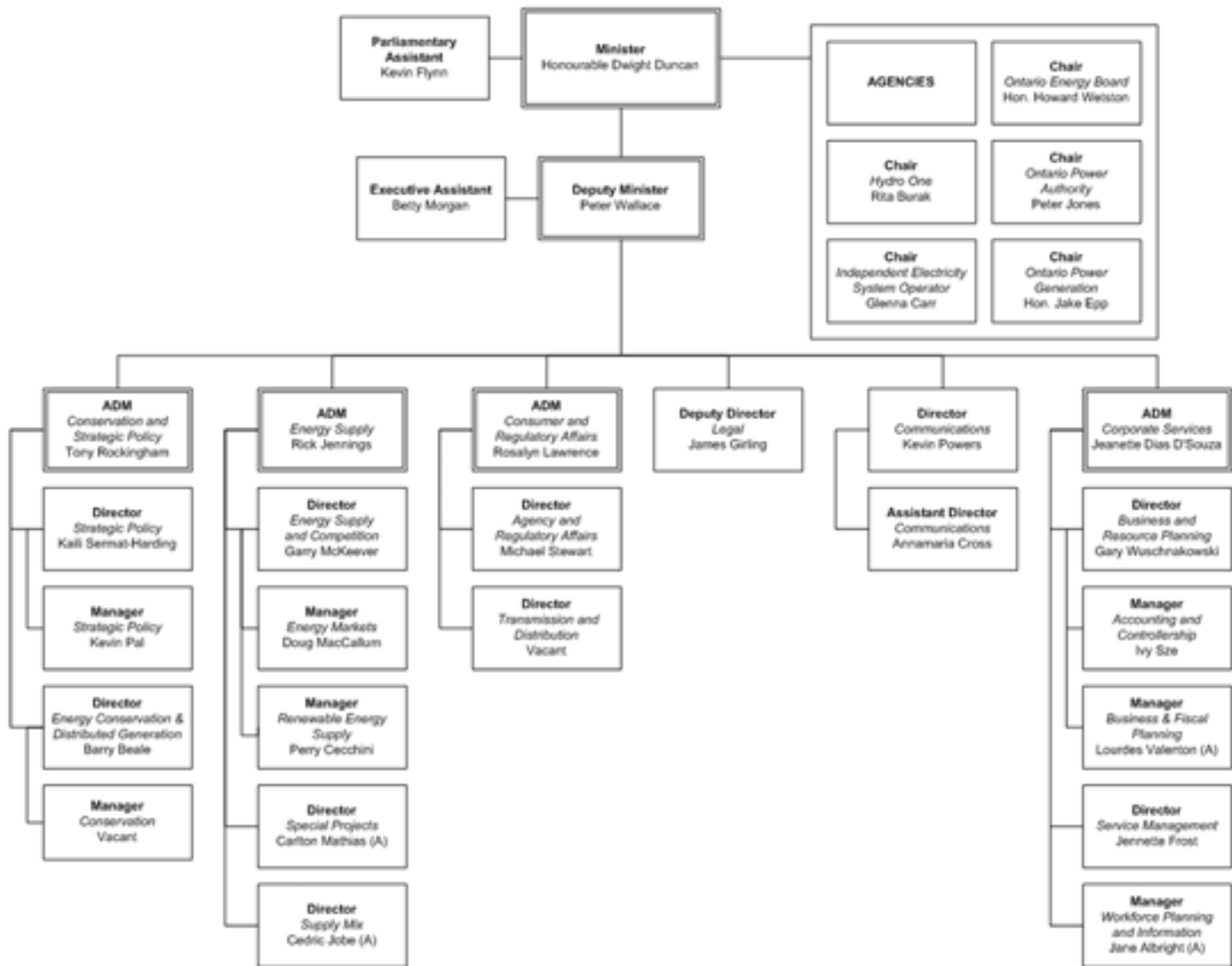
- Through the ministry's Renewables RFPs, the OPA has contracts in place for 18 projects, which total 1300 MW of new renewable supply.
- As of March 31, 2007, nine projects totaling 412 MW had achieved commercial operation.



- The target for 2007 is a peak electricity demand of 25,650 MW (5% below the projected peak demand of 27,000 MW).
- The ministry is on its way to meeting this target. The Chief Energy Conservation Officer's 2006 annual report estimates that projected peak demand had been reduced by 963 MW as of summer 2006.

Ministry Organization Chart

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Legislation

Electricity Act, 1998, S.O. 1998

Energy Efficiency Act, R.S.O. 1990

Hydro One Inc. Directors and Officers Act, 2002

Ministry of Energy Act, R.S.O. 1990

Ontario Energy Board Act, 1998

Toronto District Heating Corporation Act, 1998

*Energy Conservation Leadership Act, 2006***Agencies, Boards and Commissions (ABCs)****Ontario Energy Board**

The Ontario Energy Board (OEB) is a quasi-judicial body that operates outside the Consolidated Revenue Fund. It is a corporation without share capital and is a crown agency classified as a regulatory agency. The OEB's expenditures and revenues are amalgamated with the Ministry of Energy in the government's financial statements with no net impact on the fiscal position of the province, as its operating expenditures are fully recoverable from the industry.

2007/2008 Estimates		2006/2007 Interim Actuals	
Expense	Revenue	Expense	Revenue
31,363,000	32,000,000	29,892,000	30,400,000

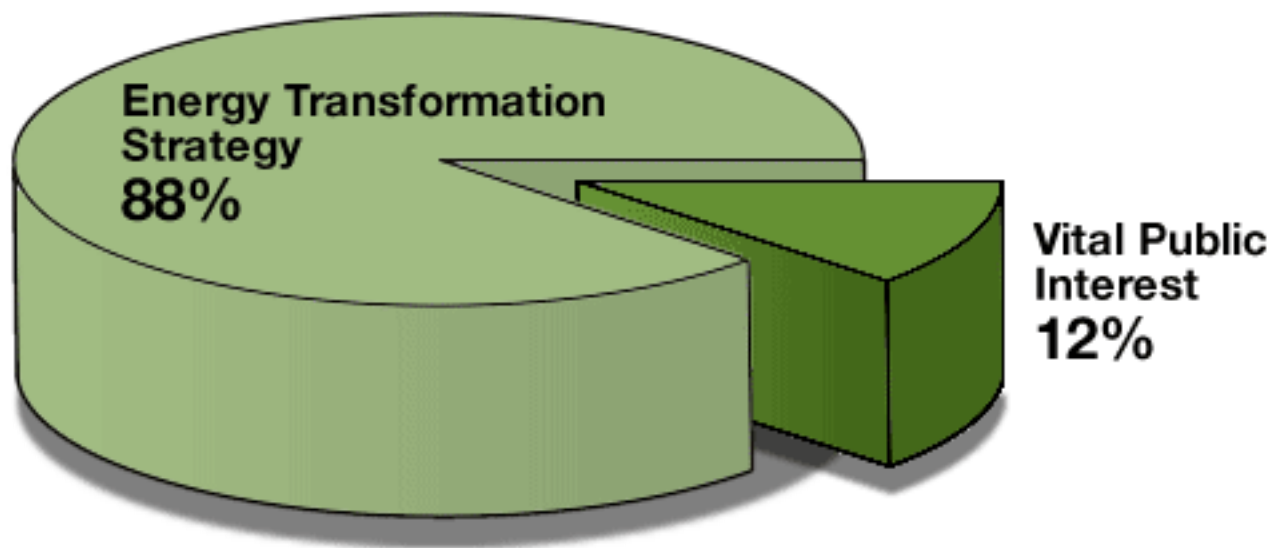
The OEB is responsible for economic regulation of the energy sector through licensing, establishing and enforcing codes and guidelines, and setting rates for energy utilities. The OEB also reviews energy issues that may be referred to it by the Minister of Energy and the Minister of Natural Resources.

The OEB regulates the natural gas and electric utilities, licenses generators and the Independent Electricity System Operator (IESO) and the Ontario Power Authority (OPA), and approves the IESO's and OPA's annual budget, and licenses natural gas marketers and electricity market retailers and wholesalers, as authorized under the OEB Act. The Board strives to minimize regulatory burden through the use of written proceedings, collaborative alternative dispute resolution approaches and innovative regulatory techniques such as incentive rate-making. The Board also plays a key role in protecting consumers through its enforcement of codes of conduct and complaints resolution processes.

Ministry Financial Information

The following chart depicts the ministry's investment in 2007/08 to key priorities and results.

Ministry Key Priorities and Results



Ministry Planned Expenditures 2007-08 (\$M)

Operating	67.6
Capital	--
TOTAL	67.6

Tables/Charts do not include consolidation adjustments of \$222.8M for the Ontario Energy Board, Ontario Power Authority, and the Independent Electricity System Operator.

Operating Summary by Vote

The Ministry of Energy's mandate includes the creation of an energy conservation culture while ensuring a reliable, sustainable, and diverse supply of energy at competitive prices, with minimal impact on the province's environment. The ministry develops and advises on all aspects of energy policy for Ontario. Through its oversight of the Ontario Energy Board, the Ontario Power Authority and the Independent Electricity System Operator, the ministry is responsible for setting the legislative policy framework to assure safe and reliable supply and delivery of both electricity and natural gas to the province's consumers. The ministry also represents the shareholder in dealings with Hydro One and Ontario Power Generation.

Vote / Program	Estimates 2007-08	Change from Estimates 2006-07		Estimates 2006-07	Interim Actuals 2006-07	Actuals 2005-06
OPERATING	\$	\$	%	\$	\$	\$
Ministry Administration	8,101,400	451,800	5.9	7,649,600	7,798,100	6,195,369
Energy Sector Transformation	59,410,900	40,753,200	218.4	18,657,700	36,834,100	16,717,118
Total Including Special Warrants	67,512,300	41,205,000	156.6	26,307,300	44,632,200	22,912,487
Less: Special Warrants						
Total To Be Voted	67,512,300	41,205,000	156.6	26,307,300	44,632,200	22,912,487
Special Warrants						
Statutory Appropriations	62,699	12,455	24.8	50,244	50,244	46,964
Ministry Total Operating	67,574,999	41,217,455	156.4	26,357,544	44,682,444	22,959,451
Consolidation & Other Adjustments						
Operating	187,865,400	26,265,400	16.3	161,600,000	168,789,900	141,992,859
Capital	34,917,600	(6,482,400)	(15.7)	41,400,000	33,485,100	41,771,276
Ministry Totals Including Consolidation & Other Adjustments	290,357,999	61,000,455	26.6	229,357,544	246,957,444	206,723,586
2007/08 Breakdown of Consolidation Adjustments:						
OPERATING						
Ontario Energy Board		29,563,000				
Ontario Power Authority		56,147,400				

Independent Electricity Systems Operator		102,155,000				
		187,865,400				
CAPITAL						
Ontario Energy Board		1,800,000				
Ontario Power Authority		1,042,600				
Independent Electricity Systems Operator		32,075,000				
		34,917,600				

Note: The Ministry of Energy has no capital allocation or assets to be voted

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