Results-Based Plan, 2008-2009 (Energy)

Ministry Overview

Ministry Vision, Mission / Mandate, Key Priorities & Results

The Ministry of Energy is committed to providing leadership and support for a reliable, affordable and environmentally-sensitive energy supply.

Mission / Mandate

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, including electricity, natural gas, oil and alternative energy. 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 and policy framework to assure safe and reliable supply and delivery of both electricity and natural gas to the province's energy consumers. The ministry also represents the shareholder in dealings with Hydro One and Ontario Power Generation.

To help keep Ontario's economy strong, the ministry's policies and programs:

- Refine and put in place the structures, legislation and regulations necessary for a cost-efficient, reliable and environmentally sustainable electricity system
- Protect energy consumers while promoting a culture of conservation
- Encourage the development and use of more energy-efficient or alternative energy supplies and technologies
- Maintain existing and develop new electrical generation capacity
- Help ensure electricity delivery through a strong, stable transmission and distribution system.

The ministry works with several agencies and other partners to reach its goals.

The ministry oversees:

- The Ontario Energy Board (OEB), which regulates the natural gas and electricity sectors and protects the interests of consumers with respect to prices and service
- The Ontario Power Authority (OPA), the province's energy planner
- The Independent Electricity System Operator (IESO), which manages the reliability of the power system and forecasts the demand and supply of electricity.

The ministry also works with two provincially-owned corporations:

- Hydro One, which operates most of Ontario 's transmission lines and distributes electricity in some areas of the province
- Ontario Power Generation (OPG), which generates about 70 per cent of Ontario 's electricity at its hydroelectric, nuclear and fossil fuel stations.

Ministry Contribution to Key Priorities & Results

Priorities	**Better Health**	**Jobs and Prosperity**	**Vital Public Interest**
Key Results	Preventing illness, promoting wellness	Competitive Business Environment	Vital Public Interest
Strategies	Reduction in electricity demand and ensuring a clean supply of energy	Ensure a reliable, affordable supply of energy	All spending within approved Ministry Expense Limit
Major Activities	Conservation / Coal Replacement Programs	Energy Supply Programs	Ministry Expenditures

Key Priorities and Results

The ministry's top priority has long been to ensure a reliable, affordable and environmentally-sensitive energy supply. But the infrastructure required to provide that stable supply is aging. By 2025, Ontario will need to refurbish or replace more than 20,000 megawatts (MW) of capacity – about 70 per cent of the province's capacity today. It must also add new supply and introduce innovative conservation and demand management programs to help ensure demand is met. Ontario has developed a plan to maintain adequate supply, replace outmoded capacity with cleaner sources of energy and help foster a culture of conservation in the province.

In June 2006, the ministry directed the OPA to prepare an Integrated Power System Plan to meet those priorities through a combination of:

- Conservation and demand management
- Renewable energy sources
- Refurbishing or replacing Ontario's nuclear fleet
- Developing a role for gas-fired generation, including high efficiency and high value applications
- Phasing out coal-fired generation
- Strengthening the transmission system.

The OPA gave its proposed plan to the OEB for review in 2007. The OEB is holding discovery sessions and hearings throughout 2008.

The proposed IPSP plays a pivotal role in the government's Go Green climate change action plan, by closing the supply gap in a way that reduces Ontario 's carbon footprint.

In 2008-09, the ministry's key priorities continue to be reliability, affordability and sustainability.

In 2008-09, the ministry will work on those priorities by:

- Continuing to foster a culture of conservation and demand management
- Continuing to support the development of new supply projects, especially from clean and renewable sources
- Moving ahead with plans to refurbish existing reactors and build new reactors to maintain current nuclear capacity
- Working toward our commitment to cease coal-fired generation in Ontario by 2014
- Continuing to improve transmission, so new supply can flow to consumers.

Priorities and Results

Since October 2003, close to 3,400 MW of new supply has come on line, and another 4,600 MW is expected to come on line between April 2008 and September 2009.

Conservation and Demand Management

The Ministry of Energy is committed to fostering a culture of conservation in Ontario. The ministry directed the OPA to plan for a total peak demand reduction of 6,300 MW by 2025 and has set three targets to meet that goal:

- A 1,350 MW reduction by the end of 2007
- Another 1,350 MW by the end of 2010
- An additional 3,600 MW by 2025.

In mid-2008, Ontario's Chief Energy Conservation Officer is expected to report on whether the 2007 target has been met.

As they have in past years, the ministry's conservation efforts in 2008-09 will continue to focus on:

- Empowering consumers through tools, information, and incentives
- Building an institutional and regulatory framework for conservation.

Just a few examples:

Consumer tools: By the end of December 2007, more than one million homes and small businesses had smart meters installed, exceeding the target of 800,000 for that date. The goal is to have smart meters installed across the province by the end of 2010. Time-of-use pricing is being rolled out in phases over the coming years and has already been implemented in some areas.

Building an institutional and regulatory framework: The government introduced regulations under the Energy Efficiency Act in 2006-07 that set efficiency standards for nine products, which saved residential and commercial energy users more than $2 million in the first year. In 2008-09, the government will introduce standards for additional products.

The ministry is also committed to:

- Fostering energy conservation practices within other public sector agencies
- Further directives to the OPA to fast track conservation programs as necessary
- Encouraging grassroots community conservation initiatives
- Investments in home energy audits and retrofits to encourage

homeowners to support energy efficiency

- Full communication/consumer education program on smart metering.

New supply projects – Renewables and natural gas

The ministry directed the OPA to double the amount of renewable energy in Ontario's system from about 7,800 MW in 2005 to 15,700 in 2025.

A target of 1,350 MW of new contracted renewable energy was set for 2007. That target was met and surpassed. To date, contracts for more than 2,400 MW of capacity have been signed – from large wind farms to municipal biogas digesters to solar installations.

The ministry is now looking forward to a new contract target of 2,700 MW by 2010.
It will continue to focus on developing new clean energy supply projects through its Renewables I and II RFP and Renewable Energy Standard Offer programs.

Since 2003, more than 500 MW of new renewable energy has come on line, and more is on the way in 2008-09. For example:

- Almost 100 MW of new and upgraded hydroelectric power is expected to come into service by early 2009
- There are plans to bring more than 600 MW of wind power on line by the end of 2008.

Work also continues on other fronts:

- Construction is underway on the Niagara Tunnel project, which will add the equivalent of 200 MW to the grid
- The stage is set to bring 1,250 MW of new interconnection capacity with HydroQuebec's clean renewable electricity supply
- The ministry continues to work on an agreement to buy hydroelectric power from other jurisdictions.

Achieving these renewable energy supply targets will require focus on not only the supply projects themselves, but also on the infrastructure required for system reliability.

The province is also planning on the timely introduction of new gas-fired generation as it continues to move toward a coal phase out.

The first RFP launched by the government in its first term led to several new projects now well underway.

Part of the new supply added to the grid since 2003 includes about 100 megawatts in Mississauga from the Greater Toronto Airport Authority gas-fired co-generation units.

More than 3,000 MW of new gas-fired supply is expected to come into service between April 2008 and September 2009. That includes about 550 megawatts of capacity from the Portlands Energy Centre in Toronto, more than half of which is expected to be on line by the end of June 2008.

Nuclear build and refurbishment

The ministry has directed the OPA to maintain Ontario 's installed nuclear capacity of 14,000 MW in its plan for the province's 2025 supply mix. The province's nuclear fleet is aging, and a number of reactors will need to be refurbished or replaced to maintain the current nuclear installed capacity.

The government and the province's nuclear operators have each commissioned independent studies to give advice on which nuclear technology would be best for Ontario and the government has been briefed on the draft reports.

Meanwhile, the regulatory approval process for the potential construction of new plants at the Darlington and Bruce sites is on-going.

Over the next year, the ministry will:

- Select a reactor technology through a competitive commercial process that is fair and transparent and led by Infrastructure Ontario
- Enter into a Preferred Vendor Agreement with the proponent of the selected technology
- Recommend strategies to move the regulatory approvals process along to meet its target of obtaining a construction license for the first new plant by 2012
- Select the site and operator for the new nuclear build.

Coal Phase Out

The government remains committed to replacing coal-fired generation, which contributes to greenhouse gases. As part of its development of the IPSP, the OPA has identified 2014 as the earliest possible date coal-fired plants can be removed from the system and replaced with cleaner sources.

To give its phase-out commitment the force of law, the government has passed a regulation that says coal cannot be used at existing stations after 2014.

Since October 2003, close to 3,400 MW of new and refurbished capacity has been added online to help replace coal-fired capacity in Ontario 's supply mix. The government has set the wheels in motion to add a total of 10,000 MW by 2011. That new supply will help the province use less electricity from coal-fired plants, and close them entirely by the end of 2014.

Transmission and Distribution / Regulatory Reform

The ministry will continue to work on strengthening Ontario 's transmission system, especially in places with the most significant opportunities for developing renewable energy sources such as wind, water and biomass.

Ontario will proceed with various transmission upgrades and projects, continue discussions with Newfoundland and Labrador, and Quebec over possible power purchases, implement productivity/cost controls, streamline approval processes and move ahead with various transmission upgrades and projects.

Those projects include:

- Plans to alleviate transmission overloads in the Greater Toronto Area, including northern York Region, and in the Kitchener-Waterloo-Cambridge-Guelph areas
- A number of enabler lines to connect generation from renewable sources on Manitoulin Island , Bruce Peninsula , East Lake Huron, East Lake Superior and Little Jackfish, to be built between 2012 and 2015
- Development work to enhance system reliability between 2012 and 2020
- The OPA has also recommended a number of projects that should proceed before the IPSP is approved, including reinforcements to the Bruce to Milton line.

More Information

More information on the programs and policies in this document can be found online at:

Ontario Energy Board www.oeb.gov.on.ca

Ontario Power Authority www.powerauthority.on.ca

Independent Electricity System Operator www.ieso.ca

Hydro One www.hydroone.com

Ontario Power Generation www.opg.com

Integrated Power System Plan www.powerauthority.on.ca

Go Green action plan www.gogreenontario.ca

Ontario supply forecast January 2008 to June 2009 www.ieso.ca

Ontario's Chief Energy Conservation Officer
www.conservationbureau.on.ca

Smart metering www.smi-ieso.ca and www.energy.gov.on.ca

Energy Efficiency Act www.energy.gov.on.ca

Ministry Activities

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 2008-09, 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.
- OPA ensures 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 and retrofits.
- Move forward with smart meter installations and time-of-use pricing implementation to enable consumers to better understand their electricity use and to enable them to move their electricity consumption to off-peak times.

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

- Work with LDCs, OEB, OPA and the IESO to develop a framework and schedule to phase in time-of-use pricing, including a dedicated consumer education program.
- Monitor LDC installation commitments to assist in meeting the government’s goal of deploying smart meters to all homes and small business by the end of 2010.
- Work with the IESO to deliver a fully functioning data platform.

The ministry is also increasing new renewable energy in Ontario. In 2008-09, small renewable energy projects originally contracted by the ministry through its Standard Offer program are expected to receive environmental and local approvals, and in some cases begin operation.

- Ministry directions have instructed the Ontario Power Authority to begin aprocess to procure the first 500 MW phase of a multiple phase 2,000 MW procurement of new renewable energy capacity

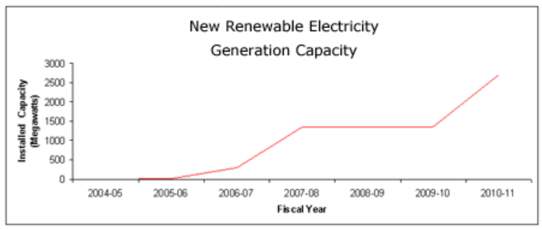
- Various transmission upgrades and projects planned and to be completed.

In addition, the government is also pursuing new initiatives to secure clean, renewable supply from other jurisdictions.

Performance Measures

1. New renewable energy

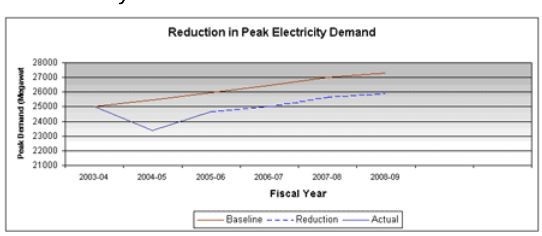
- Contract for 1,350 MW of capacity from new renewable sources by December 2007 and 2,700 MW by 2010. Double the amount of electricity capacity from renewable sources between 2005 and 2025, bringing the total to 15,700 megawatts



- Through the ministry's Renewables RFPs, the OPA has contracts in place for 18 projects, which total 1,300 MW of new renewable supply. As of the end of February, 2008, another 1,105 MW of renewable energy capacity had been contracted through the Standard Offer Program.
- By early March, 2008, 10 of those 18 procured projects, totaling 488 MW, were operating.

2. Reduction in growth of peak electricity demand due to conservation

- 5 per cent or 1,350 MW reduction in projected peak electricity demand by 2007 due to conservation.

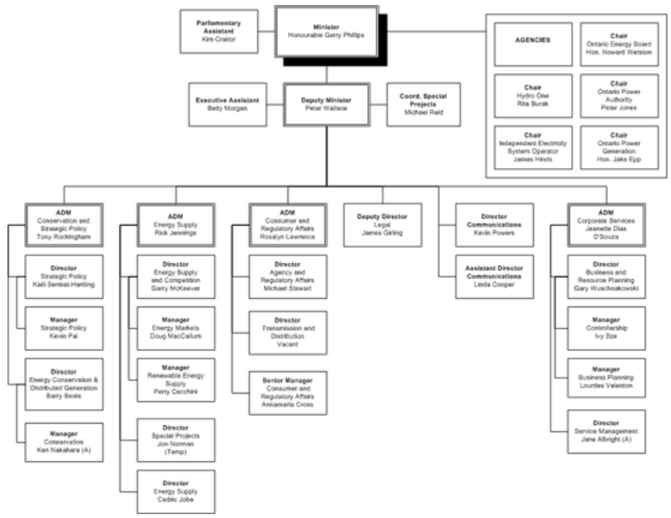


- The target for 2007 is a peak electricity demand of 25,650 MW (5 per cent below the projected peak demand of 27,000 MW).
- The ministry is on its way to meeting this target. The Chief Energy Conservation Officer's May 2007 supplement to his 2006 annual report estimates that projected peak demand had been reduced by 1,080

MW to the end of 2006.

Ministry Organization Chart*

Click here for full-sized version | Click here for plain text version



*As of April 2008.

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 consolidated 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.

Ontario Energy Board Expenses and Revenue Summary

2008/09 Estimates ($M)		**2007/08 Interim Actuals ($M)**		**2006/07 Actuals($M)**	
Expense	Revenue	Expense	Revenue	Expense	Revenue
35.5	35	33.4	32.8	28.7	28.7

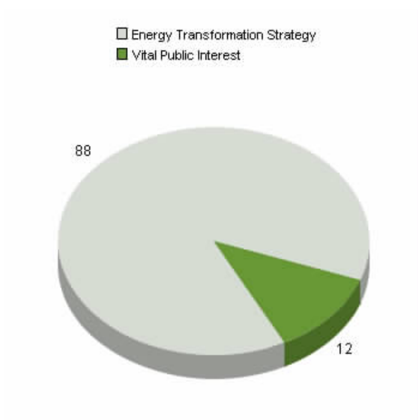
The OEB is responsible for economic regulation of the energy sector through licensing, establishing and enforcing codes and guidelines, and setting rates for energy utilities. The OEB also reviews energy issues that may be referred to it by the Minister of Energy and the Minister of Natural Resources.

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 2008/09 to key priorities and results.

Ministry Key Priorities and Results



Ministry Planned Expenditures 2008-09 ($M)	
Operating	82.3
Capital	--
TOTAL	82.3

Tables/Charts do not include consolidation adjustments of $222.0M 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, including electricity, natural gas, oil and alternative energy. 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 2008-09**	**Change from Estimates 2007-08**		**Estimates 2007-08**	**Interim Actuals 2007-08**
OPERATING	**$**	**$**	**%**	**$**	**$**
Ministry Administration	9,263,700	1,162,300	14.3	8,101,400	8,282,601
Energy Sector Transformation	73,035,200	13,624,300	22.9	59,410,900	71,549,700
Total Including Special Warrants	82,298,900	14,786,600	21.9	67,512,300	79,832,301
Less: Special Warrants		(26,700,00)	(100.0)	26,700,00	
Total To Be Voted	**82,298,900**	**41,486,600**	**101.7**	**40,812,300**	**79,832,301**
Special Warrants		(26,700,00)	(100.0)	26,700,00	
Statutory Appropriations	64,014	1,315	2.1	62,699	62,699
Ministry	**82,362,914**	**14,787,915**	**21.9**	**67,574,999**	**79,895,000**

Total Operating						
Consolidation & Other Adjustments						
Operating	190,420,800	2,555,400	1.4	187,865,400	189,557,300	1
Capital	31,580,300	(3,337,300)	(9.6)	34,917,600	32,035,000	
Ministry Totals Including Consolidation & Other Adjustments	**304,364,014**	**14,006,015**	**4.8**	**290,357,999**	**301,487,300**	**2**

2007/08 Breakdown of Consolidation Adjustments:

OPERATING	
Ontario Energy Board	33,069,800
Ontario Power Authority	55,145,000
Independent Electricity Systems Operator	102,206,000
	190,420,800
CAPITAL	
Ontario Energy Board	2,420,300
Ontario Power Authority	1,410,000
Independent Electricity Systems Operator	27,750,000
	31,580,300

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