

Delivering Fairness and Choice

LTEP 2017

Chapter 7. Supporting Indigenous Capacity and Leadership

First Nations and Métis have emerged as leaders in Ontario's energy sector, bringing their unique perspectives, knowledge and influence to energy planning, projects and policies. The level of involvement of First Nation and Métis communities in the energy sector is unprecedented:

- First Nations and Métis are now leading or partnered on over 550 wind, solar, and hydro-electric generation projects across Ontario, accounting for over 2,000 megawatts¹ of clean energy capacity, supported by incentives built into the Feed-in Tariff (FIT) and Large Renewable Procurement (LRP).
- Indigenous communities have developed collaborative partnership arrangements with transmission companies on proposed major priority transmission lines such as the remote community connection project.
- Launch of the new Energy Partnerships Program administered by the IESO that continues to offer project development funding for renewable energy projects as well as funding for Indigenous communities to establish partnerships on renewable energy and major transmission line projects.
- Nearly 100 First Nations are participating in the IESO's Aboriginal Community Energy Plan program, which supports the development of community energy plans that assess a community's current energy needs, priorities and explore options for conservation and renewable energy.

¹ FIT 526 (1,084 MW), LRP 13 (319.9 MW), Other (785.5 MW) = Total: 2189.4 MW

More than 150 First Nation and Métis communities across Ontario have established or credibly asserted Aboriginal and treaty rights. Energy sector activities can not only potentially affect these rights, but also the socio-economic wellbeing of these communities.

Ontario takes its duty to consult First Nation and Métis communities seriously. The government is committed to ensuring that First Nation and Métis communities are consulted on any energy activity that could potentially affect their Aboriginal and Treaty rights.

Many First Nations and Métis across Ontario face energy-related challenges; the lack of reliable and affordable power, energy-inefficient housing and inadequate infrastructure, to name just a few. The causes and solutions to these challenges are rooted in complex historical, jurisdictional, geographic and regulatory contexts, such as the imposition of the *Indian Act*, the division of federal and provincial powers, and geographic constraints, among others.

On August 25, 2015, the First Nations-Ontario Political Accord was signed by the Chiefs of Ontario and the province and creates a formal bilateral relationship framed by the recognition of the treaty relationship. The Political Accord, and the Ontario-Métis Nation Framework Agreement signed in 2008, guide the relationship between Indigenous communities and Ontario. Ontario is committed to working together with Indigenous communities to identify issues and propose actions to take towards Reconciliation and healing.

Following the direction established in LTEP 2013, *LTEP 2017* will continue to support First Nation and Métis leadership and capacity in Ontario's evolving energy sector. The focus of the plan will change though, to reflect the province's strong energy supply position and to respond

Example: The recently-completed 28-MW Peter Sutherland Sr. Generating Station project is located about 80 kilometres north of the town of Smooth Rock Falls on the New Post Creek. For this project, OPG partnered with Coral Rapids Power, a company which is wholly-owned by the Taykwa Tagamou Nation (TTN). Coral Rapids Power has a one-third ownership in the facility, meaning they will receive a share of profits from the station and be a partner for life over the approximate 90-year life of the plant.

The development, which is named after a respected elder in the TTN, has already had a positive impact on the community, with as many as 50 TTN members working on the project at one point in its development, and approximately \$53.5 million in subcontracts awarded to TTN joint-venture businesses during the construction phase of the station.



to the concerns heard through the LTEP engagement process and the ongoing dialogue between the Province, its agencies and First Nation and Métis partners.

A critical element of the development of LTEP 2017 was an extensive Indigenous engagement process that included 17 sessions with representatives from nearly 100 Indigenous communities and organizations. The LTEP engagement process showed how valuable in-person meetings are for better understanding people's concerns and strengthening relationships with First Nation and Métis communities, organizations and leadership.

Three themes emerged through the LTEP engagement process:

- Energy affordability;
- Energy resiliency; and
- Local energy opportunities.

Building on the dialogue initiated through the *LTEP* engagement process, Ontario commits to a more regular and ongoing dialogue with Indigenous communities. This will include energy awareness and education initiatives, the involvement of youth in the energy conversation, and a commitment to ongoing dialogue with communities between LTEPs to provide updates on the province's progress and for ongoing feedback from First Nations and Métis. This will help ensure that Ontario's policies and programs reflect local Indigenous interests and are more responsive to community concerns.

Addressing Energy Affordability

Improving electricity affordability is a major priority for Indigenous and non-Indigenous electricity consumers. Ontario is working to address the issue with available programs like:

- The Ontario Electricity Support Program (includes enhanced credits for Indigenous electricity consumers)
- Rural and Remote Rate Protection
- Low-Income Energy Assistance Program
- Conservation First Framework

First Nation Delivery Credit

The government recognizes that First Nation electricity consumers living on reserve face unique challenges with respect to electricity affordability. Customers living on reserve often pay higher distribution costs than customers in more populated areas because distribution rates based on population density. This problem is often compounded by energy inefficient homes on reserves.

First Nation leaders have recommended removing electricity transmission and distribution delivery charges to provide energy rate including at the First Nations-Ontario Energy Table, a

biannual meeting with the Chiefs of Ontario Political Confederacy, the Minister of Energy and other energy sector leaders.

At the First Nations-Ontario Energy Table meeting in the spring of 2016, the Minister committed to taking action to address energy affordability, and directed the Ontario Energy Board (OEB) to look at options for rate assistance for on-reserve First Nation electricity consumers.

As a result on March 2, 2017, the government announced the removal of the electricity delivery charge from the bills of on-reserve First Nation residential customers through the Fair Hydro Plan . The First Nation Delivery Credit will be implemented as early as July 1, 2017 and will help address some of the unique challenges facing on-reserve First Nation customers.

It is also a sign that the Political Accord signed between Premier Wynne and Ontario Regional Chief Day in 2015 is being brought to life.

Conservation

Conserving electricity can reduce both household and system expenditures, resulting in lower costs for everyone and a cleaner energy system.

From 2013-2015, over 40 First Nation communities participated in the *Aboriginal Conservation Program*, with benefits flowing to more than 1,800 First Nations households.

Ontario continues to make energy efficiency and conservation programs available through the *2015-2020 Conservation First Framework* for Indigenous customers. The new programs include conservation programs offered by local distribution companies (LDCs), including Hydro One.

While conservation programs are working well in some First Nation and Métis households, participants in the LTEP engagement meetings raised the need for more program flexibility improved availability and awareness.

Placeholder: conservation success story
[EXAMPLE:] Conservation on the Coast (case study in development)

Through the Mid-Term Review of the 2015-2020 Conservation First Framework and through further engagement with Indigenous communities, the Independent Electricity System Operator will undertake a review of existing programming, engage with First Nation and Métis communities and report on options to improve the availability of conservation programs for First Nation and Métis consumers, including communities served by Independent Power Authorities.

Enhancing Energy Resiliency

Connecting Off-Grid Communities

25 remote First Nation communities in the province's northwest rely on diesel fuel to power their communities. Ontario recognizes the unique challenges they face, and, because of the high cost of diesel fuel, there is a strong economic case to connect as many as 21 to Ontario's electricity grid

Connecting these 21 remote First Nations is a priority for Ontario. Communities cannot improve their housing, their water treatment systems and other community infrastructure without having a reliable and adequate supply of electricity. Connection to Ontario's low-carbon electricity grid will not only improve the quality of life and enable economic development, but will also reduce greenhouse gas emissions and the environmental risks associated with transporting diesel fuel.

For these reasons, Ontario has taken several steps since the 2013 LTEP to move the connection of remote First Nation communities forward. These include:

- selecting Wataynikaneyap Power as the transmitter (see inset box) for connecting most of the remote First Nation communities
- creating a mechanism for funding a portion of project costs
- working to reach a fair cost-sharing agreement with the federal government that ensures the project is fully funded and can proceed to construction

Wataynikaneyap Power is a transmission company owned by 22 First Nation communities in partnership with FortisOntario.

Wataynikaneyap Power is currently in the regulatory approvals process to develop, build and operate new transmission facilities in northwestern Ontario including the Line to Pickle Lake, the connection of 16 remote First Nation communities, as well as the accelerated connection of Pikangikum First Nation.

[Additional detail re: Matawa communities is in development]

At this time, grid connection of four remote First Nations in Ontario is not economically viable. So, each of these communities has begun the planning and development work necessary to add sustainable technologies that will reduce their reliance on diesel.

Ontario will continue to partner with these communities, the federal government and others partners to support these projects. They could include renewable microgrids, battery storage, and other innovative technologies that are economical and meet identified community needs.

Case Study: Ontario Power Generation and Gull Bay First Nation *[Noting this is not yet public]*

Ontario Power Generation (OPG) and Gull Bay First Nation (GBFN) are in the early stages of building an advanced renewable microgrid on the Gull Bay reserve which is located on the western shore of Lake Nipigon,. GBFN has a population of 200 people and is one of the four remote First Nations that cannot economically be connected to transmission at this time. Ontario is supporting the project with \$2 million from the Smart Grid Fund [TBC: as well as \$X from the Northern Ontario Heritage Fund Corporation]. The GBFN project will create a community microgrid using solar photovoltaic generation, battery storage, a control system and the existing on-site diesel generators that currently supply the community's entire energy needs. The project is expected to reduce Gull Bay's diesel use by up to X% annually and is also expected to create [#] local jobs. Support for the project is a result of the last LTEP, following which the minister directed to the IESO to explore opportunities to reduce the use of diesel power in the four First Nation communities where transmission connection is not considered economical. The project also reinforces Ontario's Far North Land Use Strategy and the Canadian Energy Strategy.

Community Energy Planning and Implementation

Community energy plans are an important part of better understanding local energy needs, identifying opportunities for energy efficiency and clean energy and developing a plan to meet community goals. Close to 100 First Nation communities are developing community energy plans, using funding from the Aboriginal Community Energy Plan (ACEP) program. This funding support will continue.

Energy plans are just a first step and Ontario recognizes that further support is needed to turn these plans into tangible actions and results. That is why the ACEP program will be expanded to support communities to implement the solutions they have identified in their community energy plans, which could include electricity conservation, renewable energy, energy efficiency or other types of initiatives. The IESO will review the existing ACEP program, and through engagement with First Nation and Métis communities, will provide recommendations to the Ministry of Energy to support implementation activities.

Funding for energy plan implementation will come from the \$10 million dedicated by the IESO for this and other Indigenous programs.

ACEP PLACEHOLDER: Case Study
[Example: North Caribou First Nation – case study in development]

Supporting Local Opportunities

Building Sector Knowledge and Capacity

Ontario continues to support the education, training and skills building of First Nations and Métis through the IESO's Education and Capacity Building (ECB) program. As community needs change, the scope of the ECB program is expanding to include initiatives that help build local business skills, energy literacy, and youth engagement. Ontario will also support energy literacy and education initiatives and include youth in this dialogue.

Exploring Energy Projects and Partnerships

Ontario will continue to support First Nations and Métis in their efforts to lead or partner with renewable energy and transmission projects. The Ministry does this through the IESO's Energy Partnerships Program (EPP), which was launched in June 2016 and replaces the Aboriginal Renewable Energy Fund.

Funding from EPP helps First Nations and Métis become partners on major priority transmission lines and renewable energy projects by supporting financial, legal and technical due diligence needed to explore partnerships on priority transmission lines and renewable energy projects. One of the funding streams goes to help the four communities identified as uneconomic to connect to the transmission grid to explore solutions to reduce their reliance on diesel fuel.

The EPP program also assists in the development of renewable energy projects. It will also support, where appropriate, the costs of developing and getting regulatory approvals for Feed In Tariff (FIT) projects.

Ontario will further engage with First Nations and Métis to explore how these programs can evolve to better reflect First Nation and Métis needs within the current energy system,

including how programs can support the integration of small-scale renewable energy projects into the local energy system, net metering and other innovative solutions that address local or regional energy needs and interests.

Alternate case study example:

Example: Gitchi Animki Hydro-electric Project (partnership between Pic Mobert First Nation and Regional Power):

- Two generation sites- the upper region of Gitchi Animki Bezhig and the lower region of Gitchi Animki Niizh.
- Partnership between Pic Mobert First Nation and Regional Power Inc.
- 2 FIT Contracts
- Commercial operations on April 24, 2016 (Upper) and April 29, 2016 (Lower)
- 21 Km new transmission line with a total capacity of 18.9 megawatts (MW)
- Contracted under the FIT program
- \$1 million funding provided by the AREF program
- \$500,000 investment from FedNor's Northern Ontario Development Program
- \$200,000 funding from the Northern Ontario Heritage Fund Corporation
- Funding provided by Manulife Financial
- [According to presentation at OWA conference in 2016]:30+ band members employed and First Nation businesses have received \$25 million in various contracts related to the project
- Quote: "Beyond financial assistance, the support and contributions of the various levels of government and local and regional stakeholders that we interacted with during the development process have been valued, and we believe have contributed to a very successful project design and plan." - Norman Jaehrling, managing director for the Gitchi Animki Energy Corporation <https://magazine.appro.org/news/ontario-news/3179-pic-mobert-breaks-ground-on-hydro-.htm>

Accessing Financing

Developing energy projects requires significant financial and human capital. Current barriers prevent Indigenous communities from actively participating in the energy sector. Major barriers to more widespread Indigenous participation include:

- Lack of capital at reasonable terms
- High financing costs
- Shortage of capacity around financing and partnership building

Innovative financing models and tools may address these major barriers and encourage Indigenous participation. In so doing, such models may improve the siting, approval, and success of projects these communities undertake.

[Call-out Box] What is the Aboriginal Loan Guarantee Program (ALGP)?

The ALGP supports Aboriginal participation in energy infrastructure. Launched in 2009, the \$650 million program guarantees up to 75 percent of an Indigenous corporation's equity in a project. To date, the ALGP has approved nine projects.

The ALGP has helped First Nations and Métis access lower-cost capital when participating in large-scale energy projects. However, the Province recognizes that barriers to financing remain, particularly for smaller-scale projects. As a result, Ontario will engage with First Nation and Métis communities to identify financing gaps as well as changes that could be made to existing programs or alternative financing models.

The conditions are ripe for Ontario to apply innovative financing models and build on its strong reputation for promoting First Nations and Métis participation in energy projects. Such financing models and social finance tools already exist and have been successfully used to facilitate greater Indigenous participation within the United States, Australia, and Canada.

[Case study] The Mother Earth Renewable Energy (MERE) Project

The MERE project is the first wholly-owned Indigenous wind project in Canada. The project consists of two 4MW wind turbines that are owned by M'Chigeeng First Nation. The total production of MERE's two turbines amounts to 10GWh/year, which generates enough energy to power the community's 418 homes. The project was awarded a twenty-year FIT contract in 2010 and began commercial operations in 2011. MERE received a loan guarantee through the Aboriginal Loan Guarantee Program in 2012.

Through community engagement, the MERE project was established under its mandate to build a green economy. As part of its mandate to improve the Band member's quality of life, the project allocates its proceeds, averaging \$300,000 in the first fourteen years, to the Band to use for community development programs. M'Chigeeng's MERE project is an innovative example of how Indigenous leadership, clean energy, and alternative financing and support tools can be used to produce financial and socio-economic benefits to communities.

[Call-out Box] TBD

Callout Box: Three to five sentences qualitative description of an Indigenous energy project that benefited from a loan guarantee, with a quote describing the support and how the loan guarantee can be improved for smaller scale projects. (examples could include Rainy River First Nations Solar Project which consists of three solar facilities, totaling 25 MW – became operational in 2015; or the 100 MW Grand Bend Wind Farm that became operation in 2016 and a partnership between Northland Power and a corporation wholly-owned by Aamjiwnaang and Walpole Island)

Ontario will build upon the successes illustrated in these preceding examples by exploring innovative financing models. Ontario will take the following actions to support First Nation and Métis participation in energy projects by increasing community access to financing:

- engage leaders, organisations, and financing experts to identify financing gaps hindering First Nation and Métis project development;
- investigate the applicability of innovative financing models and social finance to support First Nation and Métis energy projects; and
- develop methods to better capture the social, environmental, and local benefits of First Nation and Métis energy projects.

Indigenous energy projects can encourage local job growth, project autonomy, and social community benefits. Ontario appreciates the unique benefits that can result from First Nation and Métis participation in energy projects. Social finance tools can incentivize local benefits that impact the daily lives of community members and future generations. Consistent with the UN Human Rights Council *Report of the Special Rapporteur on the Rights of Indigenous Peoples*, measuring and assessing these benefits could help Ontario take a more holistic view when considering policy and project decisions.

In Summary:

- Ontario will improve the availability of conservation programs for First Nation and Métis consumers, including communities served by Independent Power Authorities;
- Ontario will continue to prioritize the connection remote First Nation communities as well as continue to support the four First Nations where transmission connection to
- The ACEP program will be expanded to support communities with implementing solutions identified in their community energy plans;
- Ontario will engage with First Nations and Métis to explore how programming to support education and capacity building, the integration of small-scale renewable energy projects into the local energy system, net metering and other innovative solutions that address local or regional energy needs and interests;

- Innovative financing models and support tools will be investigated to lower financing costs and stimulate more capital in the financing of First Nation and Métis projects; and
- The province will report back to communities between LTEPs to provide updates on the province's progress and for ongoing feedback from First Nations and Métis.

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