Closing Estimates Remarks

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- Hello Madame Chair and esteemed Committee members.

- Having spent the first half hour of today discussing the progress my ministry has made – and will continue to make – in addressing the priorities outlined in Premier Wynne's 2016 Mandate letter…

- I'd like to discuss my ministry's continued efforts to meet the three remaining commitments outlined in this letter.

- Let's begin with the fourth mandate letter commitment: adopting renewable energy.

4. The Adoption of Renewable Energy

- To its credit, the Ontario government has made important strides in adopting renewable energy.

- Over a 10-year period, between 2005 and 2015, the share of installed renewable capacity in our province's supply mix grew from 26 per cent to 40 per cent.

- It breaks down as follows based on approximate numbers:
  - 4,800 Megawatts (MW) of online wind power – enough electricity to power about 1.3 million homes each year. Added to this, Ontario has approximately 1,300 MW of additional contracted wind capacity yet to come online;
  - 2,300 MW of solar photovoltaic (PV) capacity online – enough electricity to power approximately 300,000 homes each year. And similar to wind power, our province has contracted approximately 500 MW of additional solar PV capacity yet to come online;
  - 500 MW of bioenergy capacity online with around 8 MW of additional capacity also yet to come online; and
  - 8,800 MW of installed hydroelectricity capacity with about 200 MW of additional capacity to come online.

- Ontario has approximately 16,300 MW of renewable energy currently online, with approximately 2,000 MW of additional contracted renewable capacity yet to come online.

- On a national scale, it's worth noting that two thirds of Canada's electricity supply now comes from renewable sources, according to a report issued by the National Energy Board in May. [i]

- The report also highlights the fact that Ontario produces the lion's share of Canada's solar production – a whopping ninety-eight per cent of all Canadian solar production.[ii]

- This unparalleled leadership in the field of solar energy should be a point of pride for all Ontarians.

- It also validates the Ontario government's efforts to support a clean energy system including initiatives such as:

    - A FIT program that has made it easier for homeowners, small businesses, farmers, not-for-profit groups, community groups, and First Nation and Métis communities to participate in renewable energy projects;

    - The first phase of the Large Renewable Procurement (LRP I), which introduced strong competition among developers of large renewable projects to help drive down the price, and in the process, secure clean, reliable generation for the province;

    - A provincial net metering framework that is currently being updated to provide customer choice in generating clean, renewable energy; help reduce the load on our electricity system; and help foster innovative technologies and customer-utility relationships; and

    - Converting two of the province's former coal generating stations – the Atikokan Generating Station and the Thunder Bay Generating Station – from coal to biomass and advanced biomass fuel, respectively.

5. Reducing greenhouse gas (GHG) emissions -related pollution and supporting the transition towards a low-carbon economy and the end of coal

- While these initiatives helped bolster renewable energy generation…

- There's one precedent-setting achievement I'm particularly proud of.

- Namely, the fact that Ontario eliminated coal-fired electricity generation in 2014.

- This was no small feat…

- Especially when you consider that in 2003, coal represented 25 per cent of Ontario's electricity supply mix.

- In commenting on this momentous achievement, Al Gore praised Ontario for successfully carrying out "the largest greenhouse gas reduction project in North America."

- Mr. Gore went on to say that Ontario had "distinguished itself as a leader in Canada and around the world." [iii]
- Cutting out coal was supported by a majority of Ontarians as well.

- According to an EKOS poll conducted in May of 2016, 74 per cent of Ontarians surveyed said that phasing out coal and supporting renewable power was the right thing to do. [iv]

- Then there are the many benefits to consider by eliminating coal.

- First, cutting out coal reduced Ontario's GHG emissions by 30 mega tonnes – the equivalent of removing seven million cars from the province's roads.

- Secondly, it eliminated some of Canada's largest sources of pollution –including greenhouse gases such as carbon dioxide along with other air pollutants such as sulphur dioxide, particulate matter, nitrogen oxide, mercury, arsenic and lead.[v]

- Thirdly, going coal-free contributed to a significant reduction in smog advisories and improved the air quality across the province.[vi]

- And Ontario's success in reducing GHG emissions brings me to the fourth mandate commitment: continuing to reduce GHG-related pollution and supporting the transition towards a low-carbon economy.

- These two objectives, combined, are of critical importance to combat climate change.

- Because be it the increase in extreme weather-like floods and droughts…

- Damaged and destroyed infrastructure like roads, highways and rail links…

- Or rising concerns about our continued ability to grow foods in some regions of Ontario…

- Climate change is here and is already impacting our lives.

- That's why we must work collectively, as a province, to reduce pollution and GHG emissions.

- And transition towards a low-carbon economy.

- Fortunately, with respect to reducing GHG emissions, I can confidently say that the Ministry of Energy is actively doing its part.

- For example, according to IESO's Ontario Planning Outlook, released last fall ahead of the 2016 LTEP engagement sessions I discussed earlier….

- GHG emissions from Ontario's electricity sector fell by over 80 per cent between 2005 and 2015. [vii]

- This significant reduction in GHG emissions is directly attributable to this government having the foresight and fortitude to retire coal-fired generation.

- As well as a reduction in demand for electricity. [viii]

- Significantly reducing the GHG emissions stemming from Ontario's electricity sector's also moves us one step closer in meeting the province's GHG emission reduction targets.

- Targets outlined in Ontario's Climate Change Action Plan (CCAP).

- A five year-plan released in June 2016 aimed at helping Ontario fight climate change over the long term.

- It also includes recommended actions that will affect our province's future energy use.

- These targets are as follows…

- A 15 per cent reduction in GHG emissions below 1990 levels by 2020, followed by a 37 per cent reduction below 1990 levels by 2030, and subsequently followed by an 80 per cent reduction below 2050 levels. [ix]

- The CCAP also outlines actions the government is taking – and plans to take – to reduce carbon emissions in the province.

- Actions that in all likelihood will impact our province's future energy use.

- This includes:
    - Helping homeowners and businesses purchase and install low-carbon energy technologies such as geothermal heat pumps and air source-heat pumps, solar thermal and solar energy generation systems that reduce reliance on fossil fuels for space and water heating;[x]

    - Increasing the availability and use of low-carbon fuel such as propane, liquefied gas and gasoline mixed with renewable fuel content such as ethanol. With this in mind, Ontario plans to implement a new regulation that will lead to a five per cent reduction in GHG pollution from gasoline by 2020[xi]; and

- Providing rebates to individuals who purchase or build their own near net zero carbon emissions home, with energy efficiency performance that sufficiently exceeds the requirements outlined in the Building Code. [xii]

- I've only listed a fraction of the measures our government is pursuing to reduce our province's carbon footprint.

- This past August, Ontario launched the Green Ontario Fund and GreenON web site – a one-stop shop to programs and rebates to reduce energy costs and help fight climate change.

- I'd like to congratulate the folks at Ontario's Ministry of the Environment and Climate Change for their steadfast work on the climate change file and implementing CCAP initiatives, including establishing the Green Ontario Fund.

- I'd also like to thank the staff at the IESO whose significant expertise, resources and delivery infrastructure help support initial GreenON program development…

- And, in the process, provide a coordinated, one-window approach for customers.

- This brings me to the fifth commitment outlined in the Premier's mandate letter: driving efficiencies and maximizing return on investment from the electricity sector.

6. Driving efficiencies and maximizing return on investment from the electricity sector

- Ontario's electricity sector is continually evolving.

- And in a very real way, the sector may now be at a point that telecommunications companies occupied in the late 1980s.

- Whereby technological innovations combined with customer demands for better services and products drive a remarkable pace of change.

- To that end, our regulatory and public policy governance structures need to evolve as well to keep up with today's ever-changing market place.

- To do this, we need to become less prescriptive and allow for leaders at all segments of the value chain to enter Ontario's energy market without a heavy-handed regulatory market getting in the way.

- For the Ontario government's part, it will need to take a step back from picking specific technologies, winner and losers…

- And allow for a more dynamic, competitive and outcome-based approach.

- To move things forward, IESO is leading a Market Renewal initiative that will result in an ambitious set of initiatives aimed at fundamentally re-designing Ontario's electricity markets.

- And in the process, ensure that our future energy needs are met in a reliable, flexible, clean and most importantly, cost-effective manner.

7. Taking further action to mitigate the impact of electricity prices on consumers and businesses

- I'd now like to discuss the final mandate letter commitment my ministry has made considerable progress in carrying out…

- Namely, mitigating the impact of electricity prices on consumers and businesses.

- Addressing electricity prices also dovetails nicely with another mandate letter commitment: driving efficiencies and maximizing return on investment from the electricity sector.

- Topping the list of our government's effort to address electricity prices is the Fair Hydro Act, which officially passed in May.

- But before providing an overview of this ambitious, precedent-setting legislation…

- I'd like to discuss other previous measures the Ontario government implemented to reduce energy costs.

- These include…

- A new historic agreement with Quebec that will limit GHG emissions by making Quebec's renewable energy supply available to Ontario, through their operator, Hydro-Québec, and Ontario's IESO.

- Under this inter-provincial agreement, IESO will purchase 2 terawatt hours annually from Hydro-Quebec over a seven-year period, from 2017 to 2023.

- This is enough electricity to power the city of Kitchener for a year.

- On top of this, Ontario will leverage Quebec's highly innovative energy storage capacities to make better use of our own clean energy resources.

- Ontario, in turn, will also reserve 500 Megawatts of capacity for Hydro-Quebec to meet Quebec's winter peak demand.

- The agreement will reduce electricity system costs for Ontario consumers by about $70 million from previous forecasts.

- It will also reduce the electricity sector's GHG emissions by approximately 1 million tonnes per year.

- This mutually beneficial agreement is a telling example of Ontario and Quebec's long-standing relationship.

- Together, the two provinces form Canada's largest economic region, accounting for about 56 per cent of GDP and 53 per cent of interprovincial trade. [xiii]

- The successful re-negotiation of the Green Energy Investment Agreement is another important measure our province took to reduce electricity costs.

- Our cost-saving measures don't stop there.

- As a result of annual price reviews, revised procurement totals, and the introduction of competitive procurement for large renewable projects, the FIT, microFIT and LRP I initiatives are expected to cost at least $3 billion less than forecast in the 2013 LTEP.

- Added to this, we suspended the second Large Renewable Procurement program (LRP II), as well as the Energy from Waste Offer Program.

- These two measures alone provided up to $3.8 billion in savings, and are also relative to the 2013 LTEP's forecast.

- Then there are the nuclear energy-related cost-saving measures to consider.

- Of particular importance: deferring the construction of two new nuclear reactors at Darlington, avoiding an estimated $15 billion in new construction costs.

- Instead, the Ontario government opted to focus on its existing nuclear fleet, and has commenced with the refurbishment of Darlington.

- This large-scale project is often described as Canada's largest clean energy project.

- Managed by Ontario Power Generation, Darlington's refurbishment will not only boost economic activity across the province, but will create high-paying jobs in Ontario.

- It will also secure 3,500 MW of affordable, reliable and emissions-free power.

- It's also worth mentioning that, to date, Darlington's refurbishment is progressing well, and is on track to be completed on time and on budget.

- However, despite the extensive list of cost-saving measures I've highlighted today, electricity rates in Ontario continue to rise.

- And Ontarians have made one thing abundantly clear: they want substantial relief from high electricity bills now, and they want this relief to last.

Ontario's Fair Hydro Plan

- Members of this Committee, this government is taking substantial action to provide immediate and lasting relief to help lower electricity bills.

- This relief will also be fair and balanced.

- On May 31, 2017, legislation relating to Ontario's Fair Hydro Plan (OFHP) was officially passed.

- Thanks to this legislation, electricity bills have been lowered by 25 per cent *for typical residential consumers* starting this summer.

- The cost effect is based on a forecast for a comparative household connected to Toronto Hydro that consumes 750 Kilowatt hours per month.

- Actual ratepayer savings vary based on differences in consumption patterns and the distribution company involved.

- In addition to residential consumers across this province, up to 500,000 small businesses and farms are also benefiting from this initiative.

- And we plan to cap rate increases to inflation for four years.

- I should add: this 25 per cent reduction includes the eight percent rebate on electricity bills provided for under the *Ontario Rebate for Electricity Consumers Act, 2016,* which is equal to the provincial portion of the Harmonized Sales Tax, effective as of January 1 of this year.

- The (OFHP) is also helping vulnerable electricity consumers in a multitude of ways.

- First, we have enhanced distribution rate protection to provide delivery charge relief to a total of approximately 800,000 customers – up from 350,000 today.

- This enhancement benefits consumers served by local distribution companies with some of the highest distribution rates.

- And to provide immediate relief, these saving took effect on July 1, 2017.

- Specific rebate amounts would be dependent upon the OEB's rate-setting processes.

- Francesca Dobbyn Executive Director of Bruce Grey's United Way supports the recent enhancement to the RRP.

- In early May, Ms. Dobbyn said "this evening out of the delivery charge, shouldered by those in rural areas, is great news." [xiv]

- Secondly, through the OFHP , the Ontario Electricity Support Program (OESP) – which lowers electricity costs for the most vulnerable through a rebate on their monthly bills – will increase credits by 50 per cent and expand eligibility.

- These changes to the OESP came into effect on May 1, 2017.
- It's also worth mentioning that since its launch on January 1, 2016, the OESP has accepted more than 207,000 low-income households to receive the monthly on-bill credits.

- Also, our ministry is working with our colleagues at the Ministry of Community and Social Services to increase participation in the OESP for customers already enrolled in other provincial social assistance programs.

- Commenting on the OFHP, the Mayor of Kapuskasing and current President of the Federation of Northern Ontario Municipalities (FONOM), Alan Spacek, was quoted as saying, "We are pleased that electricity ratepayers will see the positive benefits of [Ontario's Fair Hydro Plan] in the near future and the commitment that rates will not increase beyond the rate of inflation for the next four years."[xv]

- And as a Northerner, Mayor Spacek's supportive comments have added personal significance.

- Thirdly, through the OFHP – and starting July 1 – on-reserve First Nations residential customers serviced by licenced distributors will receive a 100 per cent credit of the delivery line on their monthly electricity bills.

- Customers of licensed distributors that charge a bundled rate will receive a 100 per cent credit for the monthly service charge.

- The Ontario Energy Board estimates that this initiative will provide residential customers an average monthly benefit of $85 (or $1020 per year) for approximately 21,500 on-reserve First Nations residential customers.

- We would also help facilitate greater information sharing between distributors and band councils to better identify all on-reserve First Nations customers.

- This announcement was lauded by First Nations leaders including Ontario Regional Chief Isadore Day, Wiindawtegowinini who said providing the delivery line credit would effectively “reduce energy poverty” in First Nations communities and “allow for a path forward for greater quality of life in those same communities. [xvi]

- The Ontario Fair Hydro Plan is also working on establishing an Affordability Fund to provide energy efficiency measures to Ontarians who do not currently qualify for low income conservation programs and are unable to make energy efficiency improvements without support.

- The Fund will work as follows…

- An independent trust has been established to administer the Fund, including providing oversight and facilitating the efficient distribution of funds to electricity distributors.

- Electricity distributors will be able to apply for funding to the Fund to offer energy efficiency measures to those customers that meet the targeted eligibility criteria in their service territories.

- Recipients could receive energy savings measures at no cost.

- Measures that could be funded include energy-saving light bulbs (LEDs), power bars, energy efficient window air conditioning units, refrigerators, insulation, and air source heat pumps.

- It is anticipated that electricity distributors will be able to start applying to the Trust for funding this fall.

- Collectively, the proposed changes I’ve outlined in detail today represent the *single-largest* reduction to electricity rates in Ontario’s history.

- But it doesn’t end there.

- The OFHP will effectively change how the measures I’ve discussed would be funded.

- Previously, the cost of maintaining a clean, modern and reliable electricity system was disproportionately placed on the shoulders of today’s electricity ratepayers.

- Under the Ontario Fair Hydro Plan, the electricity support programs I’ve outlined today would be funded by the provincial tax base.

- The fiscal costs of this relief, and the corresponding restructuring that will take place, will cost the province about $2.5 billion over the next three years.

- Fortunately, thanks to a strong Ontario economy we have the means to cover this cost.

- Last year alone, for example, Ontario's GDP grew by 2.7 per cent, twice the rate of growth of Canada. [xvii]

- On a global scale, it's better than Germany's 1.9 per cent and better the United States at 1.6 per cent. [xviii]

- In fact, Ontario's GDP growth is 2016 was better than all G7 countries.[xix]

- And with respect to Ontario's unemployment rate, in April it was 5.8 per cent – the lowest it has been since 2001. [xx]

- While Ontario's employment rate in 2017 is forecastd to increase by 1.3 per cent or 94,000 net new jobs.[xxi]

- Ontario's Fair Hydro Plan is also helping to reduce electricity costs for Ontario businesses – key drivers of our economy – by further expanding the Industrial Conservation Initiative (ICI) program.

- Finally, I'd like to take a moment to elaborate upon a key component of Ontario's Fair Hydro Act: namely, the re-financing of the Global Adjustment (GA) – which accounts for the fixed costs of running Ontario's electricity generation fleet plus the cost of conservation-related programs.

- By its very nature, the GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.

- Essentially, under the Fair Hydro Act, we are re-financing a portion of the GA to spread the cost of electricity-related investments over a longer period of time to better reflect Ontario's generating assets' lifespan.

- It's not fair that a senior living in Sudbury on a fixed income pays a premium rate for their electricity use today, so that 20 years from now an Ontario family pays less.

- In an ideal world, and in a more equitable electricity system, everyone in Ontario would pay their fair share to keep the lights on.

- For this reason, under the Fair Hydro Act, a portion of the cost covered by the GA would be financed, in the short term, to reduce pressure on today's electricity consumers.

- They've already done the heavy lifting; it's now time to share the load.

- Members of the committee, the Fair Hydro Plan has brought electricity rates and they will stay down for the near future, and most importantly, benefit families and small businesses from across the province.

- Equally important, by providing real, long-lasting relief, Ontario's Fair Hydro Plan is without a doubt the right thing to do.

- And, as I like to say, it's never too late to do the right thing.

- On that note, I'd like to thank the esteemed members of this committee for the opportunity to speak today about the important priorities my Ministry has – and will continue – to pursue.

- As well as my Ministry's concerted effort to provide a safe, clean, reliable and affordable energy system that will benefit all Ontarians.

- Thank you

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[i] Two-thirds of Electricity in Canada now comes from renewable energy, Globe and Mail, May 2, 2017: http://www.theglobeandmail.com//news/national/two-thirds-of-electricity-in-canada-now-comes-from-renewable-energy/article34879957/?cmpid=rss1&click=sf_globe

[ii] Ibid

[iii] Ontario to be First Jurisdiction in North America to Ban Coal, Environmental Defence press release, November 21, 2014: http://environmentaldefence.ca/2013/11/21/press-releases-192/

[iv] Environmental Defence May 25, 2016 new release: New Poll Shows Ontarians Strongly Support the Province's Green Energy Policies: http://environmentaldefence.ca/2016/05/25/new-poll-shows-ontarians-strongly-support-provinces-green-energy-policies/

[v] Ontario advises other provinces to keep an eye on hydro bills as coal phased out, Canadian Press, Keith Leslie, November 21, 2016: http://www.metronews.ca/news/toronto/2016/11/21/ontario-advises-other-provinces-to-keep-an-eye-on-hydro-bills-as-coal-phased-out.html

[vi] Ibid

[vii] IESO's OPO, page 4

[viii] Ibid

[ix] Climate Change Action Plan, page 12: http://www.applications.ene.gov.on.ca/ccap/products/CCAP_ENGLISH.pdf

[x] Ibid, page 27

[xi] Ibid, page 8

[xii] Ibid page 27

[xiii] Ontario and Quebec Working Together to Drive Economic Growth, October 21, 2016 Ontario Government news release: https://news.ontario.ca/opo/en/2016/10/ontario-and-quebec-working-together-to-drive-economic-growth.html

[xiv] United Way Director Praises Hydro Bill Cut, Owen Sound Mix 1065, March 3, 2017: http://www.mix1065.ca/news_item.php?NewsID=91513

[xv] Ontario 2017 Budget, page 21

[xvi] Page 23 2017 Ontario Budget

[xvii] Page 3 2017 Ontario Budget speech

[xviii] Ibid

[xix] Ibid

[xx] Ontario's Unemployment Rate Lowest in 16 years: Friday, May 5, 2017 Ministry of Finance news release: https://news.ontario.ca/medg/en/2017/5/ontarios-unemployment-rate-lowest-in-16-years.html

[xxi] Ibid