

Good Afternoon:

After a summer of analysis and modelling, the Ministry of Energy has returned with the economic basis of the next Long-Term Energy Plan (LTEP).

Ministers will recall that at our meeting in late July, we approved the policy initiatives and main supply mix objectives associated with the next LTEP.

Today's presentation will focus on three remaining items:

- The price projections for electricity;
- The next steps on fuels use in our overall economy; and
- Finally, the associated greenhouse gas (GHG) emissions projections.

My presentation will last about 9 minutes and will focus on some core slides included in the deck and I'm sure that following that, we will have a robust conversation.

First – Electricity Sector

SLIDE 9 shows the combined supply and demand that we are projecting for the Ontario electricity grid. For the next few years, Ontario will remain in a position of adequate supply – meaning that we have no need to procure any new electricity generating resources until the early part of the next decade.

One thought to keep in mind in reviewing this slide; you will see the impact of resource retirements.

First, in 2024, the Pickering Nuclear Generating Station will come to the end of its useful life.

Second, and it is displayed on this chart as the dashed bars, over the planning horizon, there will be a multiplicity of contracts that begin to expire.

While those resources – both renewable as well as natural gas stations – will continue to be available, should we need them, we don't yet have sufficient information to confirm that we would necessarily need to re-commit these resources.

Should electricity demand not materialize, then it would be foolish for us to begin extending contracts now, since we have more time to see demand develop.

What's more, the competitive tension that will come about as a result of the Independent Electricity System Operator's (IESO) "Market Renewal" activity that we discussed at the July Cabinet meeting will mean that Ontario ratepayers will benefit from competitive tension, aimed at driving down prices, through a capacity auction for new electricity supply, if we need it.

Finally, as we all know, the impact of disruptive technologies and major innovations are impossible to predict or model.

A cost-competitive energy storage solution may yet emerge before the intended retirement of Pickering, potentially changing our economic considerations.

In sum, Ontario's ratepayers are finally in the enviable position of being in a "buyers market".

We don't need to acquire any new resources at present, and when we will need to – there will be a range of potential options for us to choose from.

Maintaining flexibility at this time will certainly lead to better economic outcomes for Ontario electricity ratepayers in the future.

SLIDE 10 is perhaps the most vital slide in our presentation, and certainly the one which will generate the most amount of media interest: the projected residential electricity price line.

Commented [AH(1)]: You might want to speak in this section (or the GHG section) about how our modelling of electricity demand assumes increased electrification of the transportation sector, which can be accommodated within the existing system.

As you can see, we are now projecting that we are going to remain below the 2013 LTEP for the entire life of this plan.

That was not the case when Ontario's Fair Hydro Plan was initially conceived. Members will recall that in order to spread the cost of Ontario's low-carbon assets across a longer payment schedule, future ratepayers would need to be charged an additional amount to recover the cost of funding the 25% reduction.

After significant research and economic modelling, we have concluded that we are able to remain under the 2013 LTEP projection, even with these associated charges.

I do want to point out some important risks. The table below the graph shows the projected annual increase to electricity rates as we anticipate them today.

Ontario's Fair Hydro Plan maintains an inflationary cap for four years, but then after 2021, the rates need to rise.

Commented [CD(2)]: First, post cap increase is in July 2021.

Pressure builds within the system as a result of this four year period, meaning that the increases in 2022-2027 is projected to average at 5% before levelling out at more modest rates in 2028 and beyond.

Commented [CD(3)]: Note: cabsup says 2021-2027. Range shown averages 5.4% - could be rounded to 5%.

Unfortunately, it will not be possible to further "smooth" this curve beyond what has already been done.

The rate of increase during 2022-2027 will occur as projected here because of the constitutional law risk that we faced when first considering Ontario's Fair Hydro Plan.

Commented [CD(4)]: See comment above.

Any further rate mitigation to ease this "rebound" after the four year freeze would need to come from outside the electricity sector (the fiscal plan, or greenhouse gas reduction account, for example). However we are not recommending any additional action today.

The rate of increase in those years is in keeping with historical rate increases during the 2004-2010 period – pre-dating the major price spikes that occurred after 2011.

While this will always be a difficult slide to communicate to the media and general public, it is also the most responsible approach.

The Government's Fair Hydro Plan is working and future cost pressures are contained and moderate. Devoting any additional resources from the fiscal plan towards even further smoothing wouldn't be appropriate.

I'd now like to move on to our *Outlook for Fuels* and ask you to turn to **SLIDE 14**.

I get reminded by stakeholders that we are the Ministry of Energy – not just Electricity – and that means that this LTEP will have to reference fuels consumption, use patterns and work towards aligning with broader, Climate Change and Cap & Trade policies.

We are motivated by the Government's overall carbon reduction agenda, legislated targets for emission reductions and have been working with MOECC with respect to Green Ontario Fund programming.

On this slide, you can see the variety of fuel sources and consider their entry point into Ontario's economy.

The Ministry of Energy has retained Navigant, an expert, third-party research firm to provide additional advice and analysis on our fuels use and assumptions for the future.

Modeling will continue in the weeks ahead but will become part of broader, government research that helps set policies and programs related to the Ministry of the Environment and Climate Change's work to reduce carbon intensity in all sectors.

From the Ministry of Energy's perspective, we realized quickly that if we tried to showcase in the Long-Term Energy Plan a definitive view as to how fuels use would evolve over the next 20 years, then we risk making "policy decisions by default".

Energy can and should work with MOECC to help inform fuels policy, but other partners will need to be at the table, including Transportation, Economic Development and Housing, among others.

So, we realized that if we tried to run a supply and demand curve for ALL fuels, the same as we just discussed for electricity, we'd be boxing ourselves into a corner because we don't control a lot of the inputs – like we do with electricity supply policies.

How each consumer responds to the impact of cap & trade will be unique, but we know that the Green Ontario Fund (GOF) will be making programs available for families and businesses to access technologies that can lower their use of natural gas, and thereby lowering costs and emissions.

Unlike the electricity sector, the Ministry of Energy has very few supply mix options or levers to help alleviate rate pressure for natural gas customers, but, as mentioned, the Ministry of Environment & Climate Change will be coming forward soon with programs designed to target these concerns.

This is a convenient segue to the overall *GHG* picture, as will be described in the 2017 LTEP and I'd ask you to now turn to **SLIDE 19**.

GHG emissions have dropped by over 80% in the past 10 years.

Today, GHG emissions from the electricity sector represent only 2% of Ontario's overall economy-wide emissions.

Now, once the Pickering Nuclear Generating Station comes to the end of its life in the early part of the next decade; electricity demand might be high enough to require additional natural gas burn from the existing fleet.

However, as discussed earlier: demand might not materialize as anticipated or disruptive technologies may provide economic alternatives.

To that end, we are forecasting a range of potential GHG emissions that will remain within the narrow band on the bottom right of this chart.

Significantly, we note that Ontario's electricity sector remains among the cleanest and greenest in North America – especially as compared to historic data.

While this concludes the main policy content of our presentation, I would like to highlight the significant communications and issues management section of this submission.

As discussed at the July Cabinet Meeting – we know that energy and electricity issues are going to serve as a lightning rod for media, the opposition and general public.

We know that prices are going to be a core focus, despite the significant policy initiatives and exciting technological evolutions described in our earlier submission.

The Communication section of this presentation presents our early and initial thinking around public messaging.

Given significant lead-time required to produce the final plan, we have some time this next month to further refine our communications approach and I would certainly welcome thoughts and advice from colleagues.

Finally, I would ask that you turn to **SLIDE 38** for a quick snapshot of next steps. We are currently in the final drafting stages of the formal LTEP document text.

By the time the Legislative Assembly returns for the autumn session on September 11th, we will have locked the text and begun the production.

Layout, design, translation and government's accessibility standards require a period of about 3 weeks for final production and we have a Legislative requirement to table the final LTEP document with Cabinet prior to public release.

Subject to these aggressive timelines, we now anticipate public release of the LTEP in early October – or, as my Chief of Staff likes to call it – “a Thanksgiving Turkey”.

Before turning to questions, I'd like to take a moment to thank the dedicated staff at the Ministry of Energy, many of whom gave up evenings, weekends and summer holidays to deliver the product for today's cabinet meeting.

It's hard to point out any one individual that contributed more than most and I have to say, since my appointment to this portfolio 14 months ago, I have been consistently impressed and amazed at the capacity for work that this small and dedicated crew have shown.

Thank you for your attention and we'd now be pleased to take your questions.