

QAs – Minister Thibeault - AMO Energy Task Force

Date: November 3, 2016

Key Messages/Questions and Answers

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KEY MESSAGES

- Over the last decade we've rebuilt our transmission and distribution grid, we've invested in clean generation, and we've closed the last dirty coal-fired power plant. But we need to take the next step in ensuring that clean, reliable system is affordable.
- Ontario is taking action to reduce electricity bills for families, farms, and businesses.
- As of January 1, 2017, Ontario will be rebating an amount equal to the provincial portion of the HST to reduce eligible pre-tax residential, small business and farm electricity bills by 8%.
- Ontario is moving forward with a cap and trade program that will limit greenhouse gas emissions and address climate change.
- Ontario's energy sectors, including electricity, will be covered under cap and trade.
- Ontario is proposing to recycle proceeds from the province's cap and trade program to keep rates affordable for commercial and industrial electricity consumers.
- Our government recognizes that sound, prudent long-term energy planning is essential to a clean, reliable and affordable energy future.
- As confirmed by the IESO in the Ontario Planning Outlook (OPO), the province has a strong supply of reliable power for the foreseeable future
- The decision to suspend the LRP II and the Energy-from-Waste Standard Offer Program will save up to \$3.8 billion in electricity system costs relative to the 2013 Long-Term Energy Plan (LTEP) forecast.
- The Long-Term Energy Plan (LTEP) is a road map setting out the direction for Ontario's energy future for the next 20 years. The next LTEP, to be released in 2017, will take a broad view of the province's energy needs including electricity, natural gas and transportation fuel.
- LTEP consultations have now started in communities across the province.
- A schedule of the consultations that are taking place can be found at:
<http://www.energy.gov.on.ca/en/ltep/public-consultations/>

QUESTIONS AND ANSWERS

LTEP

Q1. How will the next long-term energy plan be developed?

The Ministry of Energy is beginning to develop its next Long-Term Energy Plan (LTEP). The LTEP sets out the direction for Ontario's energy future that balances the principles of cost-effectiveness, reliability, clean energy, community and indigenous engagement, and emphasis on conservation and demand management.

Development of the next LTEP will follow the process outlined in the *Energy Statute Law Amendment Act*, 2015 (Bill 135), which came into force on July 1, 2016.

The first step in this process was the release of a technical report on the electricity system by the IESO. This report, entitled the Ontario Planning Outlook, was released on September 1, 2016. includes a ten-year review and a twenty-year outlook (to 2035) for electricity demand, supply, system costs, conservation and emissions.

The Ministry of Energy also released a technical report on the fuels sector on September 30, 2016. These two technical reports allow all stakeholders to start from a common point of understanding in advance of LTEP consultations and engagement. Both reports are currently available to the public.

The next step in the LTEP process is public engagement, which are currently underway. Consultation and engagement will take place from October to December and include in-person sessions, online consultation tools, and the opportunity for stakeholders to provide submissions through the Environmental Registry, an online database that allows Ontarians to participate in decisions that affect the environment.

The Ministry of Energy will consider the technical reports and feedback heard during LTEP engagement as it develops the LTEP. The plan will be approved by Cabinet and is expected to be released in Q2 2017.

Q2. How will the 2017 LTEP process differ from the process for the 2013 LTEP?

In June 2016, the government passed legislation that enshrines a long-term energy planning process. This process builds on the success of the 2013 LTEP. Development of the next LTEP will follow this process, outlined in the *Electricity Act*, 1998.

The 2017 LTEP will consider other government commitments, including the Climate Change Action Plan and the Climate Change Mitigation and Low-Carbon Economy Act, 2016. In light of the province's emission reduction goals, the new LTEP will have to take a broader view of the province's energy needs and consider how the uses of electricity and fossil fuels influence each other. The 2017 LTEP will therefore take a more integrated approach to considering the electricity and fuel sectors compared to previous LTEPs.

Price Mitigation & Programs

Q3. The government recently introduced new price mitigation measures? Is the government finally acknowledging that electricity prices are too high?

We're taking steps to ensure a clean, modern and reliable energy system for all Ontarians.

We know that these changes have come at a cost to Ontario's residential and business consumers.

The Ontario Rebate for Electricity Consumers Act, 2016 will provide a rebate equal to eight per cent (8%) of the pre-tax bill for consumers eligible for the Regulated Price Plan. It will benefit an estimated 5 million families, farms and small businesses. Savings for a typical residential consumer will be about \$130 annually or \$11 each month. This comes into effect on January 1, 2017.

The legislation is one part of a comprehensive package of reforms that will provide benefits to all Ontario electricity consumers.

As part of our comprehensive package, Ontario is proposing to expand the Industrial Conservation Initiative (ICI) program, opening it up to more than one thousand newly eligible customers with monthly peak demand greater than one megawatt, down from the 3 MW threshold. In addition, sector restrictions would be removed, allowing smaller institutional and commercial businesses to participate.

Expanding participation in the ICI program would lower electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods.

Ontario is proposing to recycle proceeds from the province's cap and trade program to keep rates affordable for commercial and industrial electricity consumers.

Q4. How is Ontario helping to lower electricity costs for residential consumers?

Ontario has a number of programs in place to help low-to-moderate income individuals and families with energy costs, including the Ontario Energy and Property Tax Credit, the Ontario Electricity Support Program, the Ontario Sale Tax Credit.

The Ontario Rebate for Electricity Consumers would be another program that would help Ontario families, small businesses and farms with electricity costs in addition to the above mentioned programs, if consumers were eligible.

Q5. Isn't this just another version of the Ontario Clean Energy Benefit (OCEB) – except it's 8% instead of 10%? Why didn't you just keep the OCEB?

The Ontario Clean Energy Benefit (OCEB) was a five year temporary program that ended, as planned, on December 31, 2015.

The OCEB was introduced to help families, farms and small businesses, manage their costs during our transition from coal-fired electricity generation towards a clean, modern and more reliable electricity system.

The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

We understand the price of electricity can still be a particular challenge for those that pay a higher share of their income towards their bill – such as low-income families, seniors on a fixed income, and homeowners that heat with electricity.

Recognizing this, we are introducing new measures that would take effect January 1, 2017.

These initiatives will give Ontario's residential consumers, small businesses and farms, more ways to manage their electricity costs while we continue to make the critical investments needed to maintain our energy system.

Q6. Ontario businesses have repeatedly expressed concerns over the rising costs of electricity, some have even said they will have to close or leave Ontario. How do you respond to this?

As part of our comprehensive package, Ontario is proposing to expand the Industrial Conservation Initiative (ICI), opening it up to more than one thousand newly eligible customers with monthly peak demand greater than one megawatt, down from the current 3 MW threshold. In addition, sector restrictions would be removed and smaller institutional and commercial businesses would be eligible to participate.

The ICI provides a strong incentive for large electricity consumers to lower their consumption during peak hours to reduce their bills by up to one-third. When these consumers reduce their consumption, they lower the province's peak demand, which means the ICI has the added benefit of deferring the need to build peaking generation in the long-term.

As outlined in the September Throne Speech, the government intends to use a portion of the cap and trade auction proceeds to keep commercial and industrial electricity rates affordable.

Current measures in place to mitigate industrial electricity prices include:

- Industrial Conservation Initiative (ICI);
- Northern Industrial Electricity Rate Program (NIERP);
- Industrial Accelerator Program (IAP);
- SaveONenergy for Business Program; and
- Demand Response.

In addition, the Budget Measures Act 2015 sets a fixed date for removing the DRC from all other electricity users' bills (commercial, industrial and other electricity users) on April 1, 2018, nine months earlier than previously estimated.

Ontario's industrial electricity rates remain competitive with jurisdictions across North America.

Ontario's industrial electricity prices are lower than the U.S. average as reported by the U.S. Energy Information Administration (EIA).

In 2015, large customers paid an average of \$84/MWh according to the most recent Ontario Energy Report.

Q7. Even with these price mitigation efforts, Ontarians will still likely struggle to pay their electricity costs. What are you going to do to stop further increases in the future?

We're taking steps to ensure a clean, modern and reliable energy system for all Ontarians.

The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

Indicative industrial prices in northern and southern Ontario are less than the United States average as reported by the U.S. Energy Information Administration. According to 2013 LTEP, the typical industrial electricity price is projected to increase on average by 2.0 per cent per year in the short-term from 2016 to 2020 inclusive, and by 1.6 per cent per year from 2016 to the end of 2032.

The National Energy Board's *Energy Futures 2016* report projects that industrial electricity prices are expected to increase in most provinces through 2032.

Q8. For over 100 years Ontario's reliable and affordable power helped build up this province. Now, Ontario residents are paying way more than our neighbours for electricity – and Ontario's manufacturing sector has been destroyed. Why do you continue to implement your expensive energy policies?

We've taken a number of steps to reduce ratepayer costs:

- Introducing the concept of planned flexibility, or planning the electricity system for a wide range of possibilities, but only committing resources as needs become clearer.
- Introducing wind dispatch to save ratepayers money through more efficient operation of the electricity system and changes to related IESO wind contracts.
- Renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by \$3.7 billion.
- Deferring the construction of two new nuclear reactors at Darlington Nuclear Generating Station in response to supply and demand expectations of the 2013 LTEP, avoiding an estimated \$15 billion in new construction costs.
- The updated Bruce refurbishment agreement has achieved \$1.7 billion in savings for electricity customers when compared to the forecast in the 2013 LTEP, including deferring the first Bruce nuclear unit refurbishment outage to 2020 (instead of commencing in 2016, as envisaged in 2013 LTEP), to maximize value of the Bruce units.

This means a reduction in forecast household electricity bills by about \$66 each year over the next decade.

- Potential ongoing operation of the Pickering Generating Station up to 2024 would save ratepayers as much as \$600 million.
- Reducing Feed-in Tariff (FIT) prices through annual price reviews, saving ratepayers at least \$1.9 billion.
- Introducing strong competition between developers of large renewable projects through the Large Renewable Procurement (LRP) process to drive down price and secure clean, reliable generation for the province. As a result of lower prices and revised procurement schedules, the first round of Large Renewable Procurement (LRP I) costs were approximately \$1.5 billion lower than the 2013 LTEP forecast. This would save the typical residential electricity consumer an average of approximately \$0.56 per month on their electricity bill, relative to previous forecasts.
- Suspending the second round of the LRP process (LRP II) and the Energy-from-Waste Standard Offer Program is expected to save up to \$3.8 billion in costs relative to the LTEP 2013 forecast, meaning the typical residential electricity consumer would save an average of approximately \$2.45 on their electricity bill.

Conservation/Energy Efficiency

Q9. Why is conservation important?

As we plan for Ontario's energy needs for the next 20 years, conservation will be the first resource considered, wherever cost-effective.

It is the cleanest and most cost-effective energy resource, offers consumers a way to save money on their energy bills and reduces the need to build new generation, transmission and distribution infrastructure.

In collaboration with its agencies and partners, the ministry is working on new conservation initiatives, increasing demand response capability, giving local electric utilities more flexibility to deliver conservation programs that address local conditions and encouraging collaboration of conservation efforts among electricity and natural gas utility programs.

On January 1, 2015, Ontario launched the Conservation First Framework to support the delivery of province-wide and local electricity conservation programs.

The six-year Conservation First Framework is a long-term commitment to conservation. It builds on the success of previous programs and supports the development of new programs to meet local needs and offer more choice for consumers.

Q10. How successful have these kinds of programs been in conserving energy in Ontario?

Ontarians are making considerable progress in embracing a culture of conservation. Initiatives like the one we're celebrating today are increasingly being implemented across the province.

Between 2005 and 2014, Ontarians conserved:

- 9.9 TWh of electricity— which is enough to power the cities of Ottawa and Windsor in 2014.
- 3,628 MW—which is equivalent to more than the peak demand of Mississauga, Brampton and Ottawa combined in 2014.
- 1,880 million cubic meters of natural gas from conservation programs alone – equivalent to natural gas used by 817,000 homes in a year.

Q11. Are there any conservation programs available to the industrial and commercial sectors?

On January 1, 2015, Ontario launched the six-year Conservation First Framework to support the delivery of province-wide and local electricity conservation programs.

The six-year Conservation First Framework is a long-term commitment to conservation.

It builds on the success of previous programs and supports the development of new programs to meet local needs and offer more choice for consumers.

Ontario has a number of programs in place that help consumers manage rising electricity prices through the installation of energy saving measures, or by using energy wisely.

These programs are funded by the Independent Electricity System Operator (IESO) and delivered by local distribution companies (LDCs).

Programs for the commercial and institutional sector include:

- saveONenergy Retrofit Program provides various incentives for as much as 50 per cent of project costs, and advanced funding for assisted and social housing buildings, for updating old or inefficient equipment, including lighting, motors, unitary AC or packaged rooftop units, variable frequency drives, and compressed air systems.
- saveONenergy Audit Funding of up to 50% of the cost of an energy audit to identify opportunities for energy efficiency upgrades and eligible incentives.
- saveONenergy Small Business Lighting provides incentives for new energy efficient lighting.
- saveONenergy Process and Systems provides up to \$50,000 for engineering studies and up to 70% of capital costs for energy efficiency upgrades.
- saveONenergy New Home Construction is designed to encourage home builders and renovators to construct energy-efficient homes, and includes incentives for installation of energy-efficient measures.
- IESO's saveONenergy TRAINING & SUPPORT initiatives help provide access to the most up-to-date training, such as in building commissioning, certified measurement and verification, and how to be an energy manager.

Programs for the industrial sector include:

- The Industrial Accelerator Program (IAP) assists eligible transmission-connected companies to fast track capital investment in major energy conservation projects.

The program provides financial incentives to encourage investment in innovative process changes and equipment retrofits to reduce electricity consumption on the provincial system and to help companies become more competitive by positively impacting their bottom line.

Cap and Trade

Q12. How will the electricity sector be affected by cap and trade?

Ontario has been taking strong climate-positive actions for years, such as successfully eliminating coal as a source of electricity generation, putting energy conservation first, and developing a long-term energy plan that focuses on a safe, clean, reliable and affordable energy future.

The elimination of coal-fired generation represents a 30 Mt reduction in greenhouse gas emissions since 2003. Ontario's electricity sector is now over 90% emissions free. As a result of these efforts, Ontario's electricity system is in a strong position as we move forward with implementing the province's cap and trade program.

Under the cap and trade program design, Ontario's two largest natural gas distributors (i.e., Enbridge Gas and Union Gas) will be the "point of regulation" for Ontario's natural gas-fired electricity generators and users that are not directly covered under the program (i.e., those emitting less than the 10,000 t CO₂ opt-in threshold). This means that natural gas distributors will purchase allowances to cover emissions of natural gas-fired electricity generators and other consumers that are not directly covered under cap and trade.

As a regulated entity, costs incurred by natural gas distributors to comply with the cap and trade program would be passed on to natural gas consumers once reviewed and approved by the Ontario Energy Board (OEB).

Emissions from electricity generation would be subject to a carbon price through the cost of fuel.

Natural gas-fired electricity generators are expected to pass on to consumers the cost of carbon through increased offers into the wholesale electricity market.

Q13. Residents and businesses are already suffering because of high electricity prices. Why are you imposing an additional burden by considering a cap and trade program?

As outlined in the September Throne Speech, the government intends to use a portion of the cap and trade auction proceeds to keep electricity rates affordable for industrial and commercial consumers.

Ontario intends to recycle proceeds to the electricity sector to meet this commitment.

We continue to work with the Ministry of the Environment and Climate Change (MOECC) and Independent Electricity System Operator (IESO) to determine an approach to meet this commitment.

A decision on the final approach has not been made.

Q14. What are the impacts of cap and trade for low volume natural gas consumers?

Cap and trade is expected to increase the average cost per household heating with natural gas by approximately \$5.00 per month.

The 2016 Budget estimated that in 2017 cap and trade would lead to an increase in the cost of a cubic meter of natural gas by 3.3 cents.

This is a modest increase on a fuel that is currently at a low price.

Q15. Why has the Ontario Energy Board (OEB) decided to include the Cap and Trade charge as part of the delivery charge on the bills of natural gas customers? Isn't this just a tax that is being buried in utility bills?

There are a number of reasons for the decision:

- The costs of complying with the new Ontario cap and trade program are part of the ongoing operations of the natural gas utilities. Ongoing operations costs are included in the delivery line on utility bills.
- Cap and trade costs are similar to conservation program costs. Both are designed to encourage consumers to reduce their usage. The costs of energy conservation programs are included in the delivery charge, and are not broken out. The inclusion of cap and trade costs in the delivery line follows this model.
- Research conducted by the OEB shows that consumers want simpler bills and information that helps them manage their costs. The research shows that, when reviewing their monthly bills, consumers focus their attention on the amount they consumed and the total bill price; little attention is paid to specific bill line items.
- A review of other jurisdictions with cap and trade programs indicates there isn't a standard approach to bill presentation.

Renewables Procurement

Q16. What is the status of the FIT program?

The next round of the Feed-In Tariff (FIT) program, FIT 5, is proceeding as planned.

The IESO opened the FIT 5 application window on October 31, 2016 and it will run until November 19, 2016.

In keeping with our April 5, 2016 direction, FIT 5 has a procurement target of at least 150 MW for small renewable energy projects greater than 10 kW and generally up to 500 kW in size. In addition, any capacity that becomes available as a result of prior microFIT or small FIT contract terminations will be added to this base target amount.

The IESO will publish the final FIT 5 procurement target by December 31, 2016.

Importantly, the continued deployment of small scale renewables will contribute to a clean and diverse electricity system and aligns with the province's goals of low carbon buildings and transportation. It will also help the province to reduce greenhouse gas (GHG) emissions, in support of our Climate Change Action Plan.

Q17. What is the status of MicroFIT and Net Metering

On June 21, 2016, IESO launched version 4 of the microFIT Program. Procurement targets for microFIT are up to 50 MW in 2016 and up to 50 MW in 2017.

The 2013 Long-Term Energy Plan (2013 LTEP) committed to examining the potential for the microFIT program to evolve from a generation purchasing program to a net metering program.

Following analysis and consideration of feedback received during consultations undertaken in the Summer and Fall of 2015, the ministry posted its proposed amendments to the 2005 Net Metering Regulation to the Environmental and Regulatory registries on August 19, 2016 for public comment. Comments were accepted until October 6, 2016.

The intent of the proposed amendments is to enable a long-term framework for customer-sited renewables that aligns with value to the electricity system, while continuing to offer consumers choice to offset their load with renewable energy sources.

In addition, the Ministry plans to begin consultations later this Fall on Community Net Metering and Third Party Ownership for net metering facilities, which are currently not enabled and require further study. To be notified of details on consultation and engagement, interested parties can contact <Feedback.to.CEE@ontario.ca>.

Q18. Why did the government decide to cancel the second round of the Large Renewable Procurement program? Is the government going back on its commitment to green energy?

Our government recognizes that sound, prudent long-term energy planning is essential to a clean, reliable and affordable energy future.

As confirmed by the IESO in the Ontario Planning Outlook (OPO), the province has a strong supply of reliable power for the foreseeable future and there is no need to pursue more energy supply at this time.

Given this strong energy supply position, we recently took action by suspending the second phase of the Large Renewable Procurement (LRP II) and the Energy-from-Waste Standard Offer Program.

The decision to suspend the LRP II process and the Energy-from-Waste Standard Offer Program will save up to \$3.8 billion in electricity system costs relative to the 2013 LTEP forecast, meaning the typical residential electricity consumer would save an average of approximately \$2.45 on their electricity bill, relative to previous forecasts.

The long-term energy planning process will ensure that there is an adequate supply of clean, reliable power to meet the needs of the province.

The Ministry of Energy recently launched consultations for the next LTEP, with public engagement taking place throughout Fall 2016. These consultations will provide an opportunity for a province-wide discussion on future energy demand and the need to meet that demand with clean, reliable, affordable supply. The Ministry intends to publish the next LTEP in 2017, and, together with its agencies, lead the implementation of its recommendations.

Ontario is proud to have established itself as a North American leader in the development, use and manufacture of clean energy technologies. With over 18,000 MW of wind, solar, bioenergy and waterpower capacity online or under development, Ontario remains committed to a clean energy future.