Re: Note highlighted section...

From: "Picard, Michel" <mpicard@kpmg.ca>
To: "Teliszewsky, Andrew (ENERGY)" <andrew.teliszewsky@ontario.ca>
Cc: "Imbrogno, Serge (ENERGY)" <serge.imbrogno@ontario.ca>
Date: Wed, 15 Mar 2017 21:24:41 -0400

Who is the guy that I need to convince that magic exist?

Sent from my iPhone

On Mar 15, 2017, at 21:02, Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca<mailto:Andrew.Teliszewsky@ontario.ca>> wrote:

Ottawa Citizen: Platt: Forget politics. What's being done to lower electricity costs permanently?
By: Brian Platt
Last Updated: March 15, 2017 2:34 PM EDT

http://ottawacitizen.com/opinion/columnists/platt-forget-politics-whats-being-done-to-lower-electricity-costs-permanently<https://urldefense.proofpoint.com/v2/url?u=http-3A__ottawacitizen.com_opinion_columnists_platt-2Dforget-2Dpolitics-2Dwhats-2Dbeing-2Ddone-2Dto-2Dlower-2Delectricity-2Dcosts-2Dpermanently&d=DwMFAg&c=0TzQCy9lgR5hSW-bDg5HA76y7nf4IvOzvVop5GM3Y80&r=DAOe89GuHpPZrONj_lODmw&m=ozAQJj9yPPrWEEQNmhrHkOdn0OG448Gr2D8EWx3-6So&s=US3lzguRX_zLRHwo-p4mRL59s8HTRRG_NUe512DCyvI&e=>

When Premier Kathleen Wynne finally announced her hydro relief package earlier this month, it put to rest the immediate political question of how to reduce bills quickly.

The reduction mostly comes from kicking generation costs further down the road, which makes bills cheaper now but will eventually cost us more. Further relief directed at low-income and rural residents will come from drawing money out of general tax revenues.

Yes, this was politics. It simply shifts around money so it seems like you're paying less. But everyone was demanding substantial relief right away, and there was no painless way to do it. What did you expect? Magic?

In the big picture, the real question is what we're doing to lower the total cost of the system so we can stop monkeying around with "refinancing" and tax subsidies. Here, there is one big project worth keeping an eye on.

The Independent Electricity System Operator, the agency in charge of the province's electricity grid, is in the midst of what it calls "market renewal." Currently, Ontario manages its daily electricity demand using a 15-year-old system built for a simpler time – before the province shut down its coal-fired plants and built renewable generators such as wind and solar, and before time-of-use pricing was brought in to encourage consumers to use power in off-peak periods.

"What it's really about is revisiting the fundamental design of the market," the IESO's Chuck Farmer said in an interview.

The market is how generators are contracted to produce a certain amount of electricity in a certain amount of time. It's a tricky balance: produce too little and you have brown-outs; produce too much and you have to sell the excess to U.S. states at a loss.

How it all works in practice is an extraordinarily complex thing for the average person (or, say, newspaper columnist) to understand, but the core goal of market renewal is to improve how the IESO anticipates daily electricity needs, and to build in more flexibility. A large report on how to do this was just released, and the IESO is now gathering feedback. Any changes are still about four years away.

There are two other big elements of the renewal process. One is to improve how Ontario trades electricity with neighbouring jurisdictions so that it's done more efficiently and reduces the cost of selling our surplus. The other is to use "technology-agnostic" auctions when the province needs to build new power plants. In other words, instead of calling for a certain amount of wind, solar or natural gas, the province will simply go for the most cost-effective solution that meets its needs (including on carbon emissions).

How much money will all of this save consumers? Over roughly 10 years, the IESO hopes about $3.5 billion in total. It's not a game-changing amount. The government's plan to "refinance" the global adjustment charge, for example, will take about $1.5 billion off bills annually (for now). But the IESO's project represents permanent savings, not artificial ones created through financial gimmicks.

There are other programs underway. The Ontario Energy Board has launched pilot projects with distribution companies to experiment with peak and off-peak prices. Eventually you may be able to choose your own electricity pricing plan, which could help some people (especially seniors, who tend to be home during peak hours).

So, yes, there is some money to be saved in the system. Overall, these reforms are common-sense initiatives that are just hard to achieve in practice. Yet what all of this really shows is how grindingly hard it is to get those permanent savings.

When new costs are put into the electricity system, they stay there for a long, long time (see: green energy contracts). Every time you hear a politician musing about some big idea to inject into the electricity system, alarm bells should start ringing. Something to keep in mind as we enter election season.

Brian Platt is the deputy digital editor for the Ottawa Citizen. Previously, he was based at Queen's Park as a policy reporter.

Andrew Teliszewsky

Chief of Staff | Office of Hon. Glenn Thibeault
Ministry of Energy
andrew.teliszewsky@ontario.ca<mailto:andrew.teliszewsky@ontario.ca>
416-327-3550 (o)
416-436-6370 (m)