Sessional Paper No.P-23

P-23 Petition relating to Nation Rise Wind Project (Sessional Paper No. 23) (Tabled by MPP McDonnell, March 22, 2018)

Response

Our government continues to ensure a clean, reliable and affordable electricity system for all Ontarians.

Over the last decade we've rebuilt our transmission and distribution grid, we've invested in clean generation, and we've closed the last coal-fired power plant – nearly $70 billion has been invested to modernize the system.

Electricity Prices

We recognize that renewing and cleaning up Ontario's electricity system has come at a cost. The government has been making important investments in a cleaner and more reliable energy system, but these investments have led to higher electricity bills.

Ontario's Fair Hydro Plan (OFHP) has lowered electricity bills by 25 per cent on average for residential consumers. As many as half a million small businesses and farms are also benefitting from the plan. These measures include the 8 per cent rebate, equivalent to the provincial portion of the HST, introduced in January 2017 and build on previously announced initiatives to deliver broad-based rate relief on electricity bills.

The OFHP includes refinancing a portion of the Global Adjustment (GA) over a longer period of time, providing significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In later years, the cost of refinancing will be recovered from ratepayers.

GA is a charge paid by all consumers that recovers costs associated with ensuring a reliable, long-term supply of electricity, including regulated and contracted rates paid to generating stations, such as nuclear, natural gas and renewables. GA also recovers costs associated with conservation initiatives.

Through Ontario's Fair Hydro Plan, lower-income Ontarians and those living in eligible rural communities are receiving even greater reductions, as much as 40 to 50 per cent.

Reducing the Cost of Renewables

Ontario has also taken steps to reduce the cost of renewable energy generation. As a result of annual price reviews, revised procurement totals, and the introduction of competitive procurement for large renewable projects, the Feed-In-Tariff (FIT), microFIT and Large Renewable Procurement (LRP I) initiatives are expected to cost at least $3 billion less than previously forecasted.

Each year the Independent Electricity System Operator (IESO) reviewed the prices offered to new projects under the FIT and microFIT programs and adjusted the prices to reflect the cost of developing projects while allowing for a reasonable rate of return for project developers. Annual price reviews resulted in cost savings for ratepayers.

FIT and microFIT prices for new solar projects have been reduced between 50 and 75% since 2009.

LRP I

When communities expressed concerns to us about the procurement process for large renewable energy projects, we listened.

We asked IESO to design a new competitive process that would provide municipalities, Indigenous communities and the general public with a greater opportunity to participate in the development of renewable energy projects.

As a result, in 2014, the competitive Large Renewable Procurement (LRP) process replaced the Large FIT program for future large-scale renewable energy projects.

As a cornerstone of the first round of the LRP process (LRP I), mandatory engagement requirements facilitated early relationship-building between project developers and the local community. In addition to these mandatory engagement requirements, IESO designed the LRP process so that proposals would be evaluated using three key elements: community support, Aboriginal participation and price. The objective was to strike a balance between early community engagement and achieving value for all electricity ratepayers.

While municipal and community support was a significant factor in the evaluation of LRP I project proposals, it was not a mandatory requirement. Our goal was to provide municipalities and communities with a stronger role going forward, but not to provide a veto.

The first LRP process also introduced strong competition between developers of large renewable projects, to help drive down price and secure nearly 455 megawatts (MW) of new energy generation capacity.

The results for LRP I show that the weighted average price for solar projects (15.7 ¢/kWh) is more than 40 percent below the maximum price, and the weighted average price for wind projects (8.6 ¢/kWh) is more than 20 percent below the maximum price.

Suspension of the LRP II Process

Ontario currently has a robust supply of clean electricity that will be sufficient to meet the province’s electricity demand well into the next decade.

Accordingly, on September 27, 2016, Ontario suspended the second round of the LRP II process and the Energy-from-Waste Standard Offer Program, halting the procurement of over 1,000 MW of solar, wind, hydroelectric, bioenergy and energy from waste projects.

This decision will both maintain system reliability and is expected to save up to $3.8 billion in electricity system costs relative to previous forecasts.

The decision to suspend the LRP II process will not affect existing contracts, including those signed under LRP I. Development of these projects will continue, so long as they obtain the required regulatory approvals and any other necessary permits.

Electricity Exports

Ontario trades electricity with neighbouring jurisdictions in Canada and the USA as part of the regular operation of the electricity system. Electricity imports and exports are an important aspect of Ontario's supply mix and help maintain a reliable, cost-effective and competitive electricity system.

Ontario exports to our neighbours when we have available power and we are able to rely on imports of power from our neighbours when it is cost effective. Ontario is currently a net exporter, as a result of procuring new generating capacity to restore reliability and replace coal-fired capacity. As we proceed with nuclear refurbishments, Ontario's current electricity surplus is expected to decrease.

Exports generate revenue for the province and help to offset costs that would otherwise be borne by Ontario ratepayers. In 2016, exports contributed $236 million towards meeting Ontario's fixed costs, which would otherwise have been borne by Ontario ratepayers.

Reducing System Costs

Moving forward, Ontario's 2017 Long-Term Energy Plan (2017 LTEP) focuses on continuing to take costs out of the electricity system and to put downward pressure on bills.

For example, IESO's Market Renewal initiative will result in a more efficient marketplace with competitive and transparent mechanisms to meet system needs at the lowest cost.

Ontario is moving away from relying on long-term electricity contracts and is enhancing market-based approaches to reduce electricity supply costs and increase flexibility. Accordingly, as part of Market Renewal, IESO is currently working on the design of a capacity auction, a more flexible and competitive procurement process that would better reflect and respond to system requirements.

The initiatives under Market Renewal are expected to save up to $5.2 billion over a 10-year period and form a key component of Ontario's plan to ensure the affordability of electricity in the longer term.

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The Honourable Glenn Thibeault
Minister of Energy