RE: Ministry Fact Check: Long-Term Energy Plan

From: "Moore, Karen (CAB)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=moore, karen (cab)339">
To: "Wittman, Nancy (CAB)" <nancy.wittman2@ontario.ca>
Date: Thu, 20 Jul 2017 08:49:12 -0400

Thanks Nancy! I've flagged bullet 2 and 3 for Energy and requested their response. For 1, does MEDG/MRIS wish to add a linkage on this? If so, some text would be welcome!

Karen
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From: Wittman, Nancy (CAB)
Sent: July 19, 2017 12:20 PM
To: Moore, Karen (CAB)
Subject: Ministry Fact Check: Long-Term Energy Plan

See below from MEDG/MRIS

From: Bullen, John (MEDG/MRIS)
Sent: July-19-17 12:14 PM
To: Wittman, Nancy (CAB)
Cc: Gibson, Melinda (MEDG/MRIS); Gronowska, Magdalena (MEDG/MRIS)
Subject: RE: Ministry Fact Check: Long-Term Energy Plan

Nancy

MEDG/MRIS staff have no concerns from a fact-checking perspective in the CBN.

However, staff have a few broader concerns we would like to flag as a result of MEDG/MRIS / Minister Responsible for Small Business staff not being engaged on / consulted with in the development of LTEP.

- LTEP has linkages/alignment to the Cleantech Strategy (currently under development), the Business Growth Initiative (regarding supporting an innovation based economy and exports), and the Red Tape Challenge.
- MEDG/MRIS staff were not consulted on the development of the proposed International Energy Demonstration Fund – however, MEDG/MRIS have been identified as ministries Energy will collaborate with on its design and report back in Summer 2017.
- MEDG/MRIS MEDG staff anticipate industry/manufacturer reaction to the 2017 LTEP to be negative – stakeholders argue that the draft LTEP does not go far enough to make rates affordable and competitive with other jurisdictions and that new industry/SME programs are needed to help Ontario's industry regain competitiveness, attract capital investment, and retain businesses / jobs in Ontario.

If you have any questions, happy to discuss. More detailed comments below

Thanks for the opportunity to comment

John

From: Gronowska, Magdalena (MEDG/MRIS)
Sent: July-19-17 11:54 AM

To: Bullen, John (MEDG/MRIS)
Subject: Re: Ministry Fact Check: Long-Term Energy Plan

Below are more detailed considerations around LTEP from our Ministry.

Business Climate and Funding Administration Division

- Industry stakeholder position on the draft LTEP is that it does not go far enough to make rates affordable and competitive with other jurisdictions and that new industry/SME programs are needed to help Ontario's industry regain competitiveness, attract investment and maintain jobs .
- Industry stakeholders argue that Ontario's industrial electricity rates are actively discouraging capital investment in the province and higher and more volatile than in some competing jurisdictions. Their position is that not all their industrial/manufacturing members can take advantage of programs like ICI and the Fair Hydro Plan offers little benefit to industry.
    - Manufacturing/industry companies which cannot load shift (e.g., due to shift work, such as automotive plants) and have a flat electricity demand profile, receive little benefit from being in the Industrial Conservation Initiative. Furthermore, some industrials physically cannot change their operations due to process or equipment limitations to take advantage of programs like ICI and the benefits of participating in ICI vary.
    - SMEs whose consumption is too low to qualify (e.g., small manufacturers) for ICI and free allowances from Cap and Trade, are some of the most hardest hit by rising electricity rates and the costs of carbon.
        - Other manufacturers are ineligible for programs due to geography – e.g., the Northern Industrial Electricity Rate Program (NIERP) is only available to consumers in northern Ontario.
- AMPCO (represents about 45 large industrial users of electric power and employs ~ 50,000) advocates for new/enhanced programs, including the creation of an industrial rate (similar to NIERP) that creates price affordability and stability.
- Businesses could also criticize the government for failing to meet CCAP commitments regarding electricity affordability.
    - Under CCAP, Ontario committed to using cap and trade proceeds to offset the impact of cap and trade and to keep electricity rates affordable ($1-$1.3 billion over 5 years, starting in 2017).
    - MEDG staff understand that this CCAP initiative is currently on hold due to the implementation of the Fair Hydro Plan – industry stakeholders argue that the Fair Hydro plan does not replace the government's CCAPs commitment to inflict "no harm" on industrial electricity pricing as the Fair Hydro Plan "contains almost nothing for large industry".

From Research, Science and Strategy:

- The initiatives align with our previous discussions with ENERGY as well as with our goals and proposed actions in the Cleantech Strategy (e.g., the renewal of the Smart Grid Fund and the pilot International Energy Demonstration Fund will be key in commercialization). I would caution that a $10M fund for demonstration may not successfully yield the 5-10 projects ENERGY would like to be able to fund, as demonstration costs are often quite high, though this of course depends on the projects and technologies.
  [note, the above discussions are very recent and came around indirectly as a result of MEDG/MRIS consultations on the Cleantech Strategy vs official LTEP discussions; other key areas such as Commercialization and Scale ups division was not consulted]
- On the regulatory front, it is quite positive to see that ENERGY intends to direct the OEB to address regulatory and cultural barriers in order to encourage innovation and optimal investment, beyond poles and wires (p.7). We would also be supportive of efforts to amend the regulatory framework for energy storage (p.8).
- T he proposed direction to OEB and IESO to integrate climate adaptation in planning should support the adoption of cleantech as well.
- Will there be any considerations given to unforeseen technological advances over the next 10 years? In short, are the policies and LDCs adaptable enough to mitigate unforeseen scenarios and/or leverage new opportunities? For example:
    - Significant adoption of solar panels on roofs, as Tesla is promoting.
    - Using blockchain to allow neighbours to sell electricity to each other (already

happening in New York and Australia)
  - Significant load loss or even full grid defection due to advances in battery technology.

From Ontario Investment Office

- In regards to Modernizing Utility Business (page 6): Suggest to incorporate how the Green Ontario Fund will be used to reduce residential energy consumption and what role utility providers will play. It is unclear what incentives will be used to encourage utilities to be more proactive, innovative and cost effective.
- In regards to the Smart Grid Fund (page 8), previous rounds have provided funding to projects that were Ontario-based, but involved companies outside of Ontario. In the renewal of the SGF, suggest giving preference to Ontario-based companies in order to support the domestic cleantech sector (note, further work with Trade on how to achieve this needed to ensure Ontario's trade obligations are met).
- In regards to the International Energy Demonstration Fund (page 8), suggest to incorporate matchmaking service/platform for Ontario-based solution providers and international utilities who face unique energy challenges. Suggest to leverage expertise of academic institutions (e.g. Ryerson Centre for Urban Energy) who may have knowledge of international needs.
- Two elements when considering the impact of LTEP on the ICT sector:
  - Availability of high-quality and reliable power for data centre projects, including an incentive mechanism for off-grid or substantially renewable energy powered data centres. In general, from a Ministry perspective, chapter H. Regional Priorities states "The ministry proposes to indicate in the 2017 LTEP that it will explore ways to use federal and provincial infrastructure and economic development funding to support electricity transmission and distribution infrastructure that supports regional economic development" but does not make reference to the integration of how large-scale consumers of energy can be incented for regional economic development.
  - Expanded rules and regulations to govern private and third-party energy trading perhaps through the model adopted by the OSC FinTech sandbox. This initiative would fall into the following chapters:
    - A. Ensuring Affordable and Accessible Energy. Allowing for efficiency and transparency in matching energy demands to energy production.
    - B. Ensuring a Flexible Energy System. Allowing streamlined allocation of energy flow across multiple jurisdictions. This should be included in the IESO's Market Renewal initiative to redesign the province's wholesale electricity markets.
    - E. Innovating to Meet the Future. Establishing Ontario as a leading jurisdiction for private and third-party energy traders to develop innovations across the market which could be applied globally (ie. Smart contracts, energy trading markets, hybrid funding pools for infrastructure).

Open for Business

- The regulatory impact of this proposal is still under development, so we weren't able to comment on this aspect of the proposal.
- A number of elements of this proposal would serve to address stakeholder concerns that were made through the mining round of the Red Tape Challenge, specifically "work with utility providers to create a streamlined approach to connecting mines to the power grid". Stakeholders indicated that the process for securing energy for a new mining project is seen as opaque, unclear, complex and with poor communication between utilities, government, and industry. This creates unnecessary delays for mining projects.
- There are plans for the Ministry of Energy and the OEB to do a review of reliability standards. Several companies have come to OFB raising concerns about reliability and the need to reduce reducing brownouts, which can create disruptions in the production resulting in increased costs.

Best,

Magdalena

Magdalena Gronowska
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Ministry of Economic Development and Growth | **Ministry of Research, Innovation and Science**

From: Wittman, Nancy (CAB)
Sent: July-18-17 12:46 PM
To: Bullen, John (MEDG/MRIS)
Cc: Gibson, Melinda (MEDG/MRIS)
Subject: FW: Ministry Fact Check: Long-Term Energy Plan

Hi.

Please find attached a draft cabinet briefing note for the Long-Term Energy Plan item tracking direct to Cabinet next week. Can you please have the teams for MEDG and MRIS fact check / review by noon, Wednesday July 19. My apologies for the quick turnaround for this request.

You will note that the draft proposed minute is not included in this document. We expect to be able to share the draft minute in the next day or so, as well as ministry materials.

Nancy
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