Ontario

MINISTRY OF
ENERGY

Ministry Overview and Organization

Transition

June 2018

Ministry Overview

- The Ministry of Energy is responsible for setting the legislative and policy framework to ensure a reliable energy system. The Ministry develops and advises on all aspects of energy policy for Ontario, including electricity, natural gas and oil.

- Responsibilities:
  - Develop and advise the government on policies related to the energy system;
  - Work with provincial, national and international bodies to ensure Ontario's energy requirements are met;
  - Develop the Province's strategic energy framework through the Long-Term Energy Plan;
  - Administer transfer payment programs described in the Ontario Fair Hydro Act;
  - Provide the regulatory policy framework for the Ontario Energy Board and the Independent Electricity System Operator;
  - Represent the sole shareholder (Ontario) in relations with Ontario Power Generation; and
  - Represent the Province as a shareholder of Hydro One Limited.

Entities Reporting to the Ministry of Energy

- The Ministry of Energy oversees the following entities:

- **Ontario Energy Board** (OEB) is a quasi-judicial board and Crown agent that independently regulates the province's electricity and natural gas sectors in the public interest. The OEB's mandate and powers in relation to the energy sector are set out principally in three statutes – the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998* and the *Energy Consumer Protection Act, 2010* and the regulations made under those statutes. The OEB is a statutory corporation without share capital. Its members are appointed by the LGIC.

- **Independent Electricity System Operator** (IESO) is a statutory corporation without share capital. It operates the wholesale electricity market and maintains the reliability of Ontario's bulk electricity system by directing generator and transmitter operations. It is also responsible for overseeing smart metering initiatives in the province. The mandate of the IESO is embodied in the *Electricity Act, 1998*. The IESO is a not-for-profit corporation and is not a Crown agent. Its board of directors is appointed by the Minister of Energy.

Entities Reporting to the Ministry of Energy

- The Ministry of Energy represents the sole shareholder (Government of Ontario) in dealings with the Ontario Power Generation and represents the Province as a shareholder of Hydro One:

- **Ontario Power Generation** (OPG) is Ontario's largest electricity generator, providing approximately half of Ontario's electricity. OPG generates electricity from two nuclear stations, 66 hydroelectric stations and three thermal stations, and employs over 9,200 full time staff. OPG is a corporation formed under the *Business Corporation Act*, and its sole shareholder is the Province of Ontario.

- **Hydro One** is the largest electricity transmission and distribution company in Ontario. Through its wholly-owned operating subsidiaries, Hydro One owns and operates most of the province's electrical transmission system. It also serves as a local electricity distributor, mostly in rural communities in Ontario. Following the Initial Public Offering on November 5, 2015, Hydro One became a publicly-traded company and is no longer an agency of the government. The Government holds approximately 40 percent of Hydro One, and is the largest shareholder.

Staffing Overview

As of March 29th, 2018, the staff complement that supports the Ministry's key strategies and helps achieve targets and objectives set for the fiscal year is 203 FTEs

- FTE Allocation: 201.61
- 67% of staff are regular, 25% are fixed term and 8% Minister's staff
- 51% are female

- Average years of service: 7.9 years
  - 39.4 years is the average age of Energy staff
  - 16% of regular staff are eligible to retire in the next 5 years

- 69% of Energy employees belong to a union/bargaining group, with AMAPCEO representing 57% of all full time equivalent employees.

Ministry Offices and Divisions

DEPUTY MINISTER'S OFFICE

- Provides advice to the Minister and oversees the operations of the Ministry.
- Is the primary point of contact for information requests from Cabinet Office and other Deputy Ministers' Offices.
- Coordinates the Deputy's daily activities and acts as a point of contact between the Minister's Office and the Ministry.

LEGAL SERVICES BRANCH

- Provides legal services on specific matters including:
    - Regulation of the energy sector, including strategic advice on energy law, corporate law, corporate governance and agency oversight, FIPPA, procurement, transfer payments, duty to consult and indigenous relationships, statutory and contractual interpretation, trade law and intellectual property law;
    - Negotiating and drafting complex agreements, legal opinions, letters of direction, legislation, regulations, orders-in-council and other legal instruments, memorandums of understanding;
    - Legal advice on proposed energy policy, including risk assessment and development of risk mitigation strategies;
    - Support for approvals under s. 28 of the *Financial Administration Act;* and
    - Litigation management including instructing Crown Law Office - Civil counsel and external counsel
- The legal services branch also provides legal services to the Ministry of Economic Development and Growth, the Ministry of Research, Innovation and Science, the Ministry of Infrastructure and the Accessibility Directorate of Ontario.

Ministry Offices and Divisions

COMMUNICATIONS BRANCH

- Provides daily support to the Minister’s Office and Deputy Minister’s office on issues management and media relations, including House Book notes, media scans, Question Period monitoring, media responses, social media scans and correspondence.
- Works with MO, DMO, policy divisions, and Cabinet Office to develop long-term strategic communications plans for ministry priorities, provide communications input to Cabinet Submissions, and develop issues management plans on emerging issues.
- Oversees marketing and public outreach, including integrated marketing plans, advertising, planned social media, earned media, graphic design, video and web content development.
- Supports all announcements and events, including speeches, news releases, Q+As, visuals, media distribution and full public event support.

CORPORATE SERVICES DIVISION

- Works to achieve Ministry and government objectives by providing program and policy areas with strategic advice and support on business planning, financial management, accounting and controllership, and strategic procurement services.
- Responsible for the financial administration and strategic risk management of the Ontario Rebate for Electricity Consumers Program.
- Leads a number of key initiatives including Freedom of Information process, Emergency Management and Continuity of Operations Planning.
- Liaises with Treasury Board/Management Board of Cabinet and the Office of the Provincial Controller.

Ministry Offices and Divisions

ENERGY SUPPLY POLICY DIVISION

- Provides advice and policy development in support of energy supply, electricity pricing and economics issues.
- Provides advice and monitors supply and price of natural gas, oil, propane, gasoline and alternative fuels.
- Provides advice and support on intergovernmental issues, nuclear supply issues, analysis in support of decisions related to nuclear new build and research on existing and emerging nuclear technologies.
- Provides oversight of refurbishment and ongoing operation of Ontario's nuclear fleet, nuclear waste management and emerging nuclear technologies.

CONSERVATION AND RENEWABLE ENERGY DIVISION

- Provides analysis and advice on energy conservation policy and monitors progress of conservation procurement initiatives.
- Develops and delivers targeted energy conservation programs (i.e. Municipal Energy Plan Program, public sector energy reporting and conservation planning, and Large Building Energy and Water Reporting and Benchmarking).
- Updates minimum energy performance standards for equipment and products.
- Develops renewable energy policy, in coordination with agencies and other ministries, including Ontario's net metering regulatory framework, and oversees the IESO's renewable energy procurement programs.

Ministry Offices and Divisions

STRATEGIC, NETWORK AND AGENCY POLICY DIVISION

- Provides advice and analysis on issues affecting Ontario's transmission and distribution system, including transmission needs in the province and innovation policy.
- Provides advice, guidance, oversight and coordination on Indigenous policy matters.
- Provides advice on consumer protection issues, and delivers key consumer programs (e.g., Ontario Electricity Support Program and the Northern Ontario Energy Credit).
- Responsible for agency oversight and governance, sector structure, and regulatory issues in the electricity and natural gas sectors.
- Monitors and oversees the OEB, IESO, ~~and~~ OPG and Hydro One (works closely with the Electricity Investment and Governance Secretariat at the Ministry of Finance on investment responsibilities related to Hydro One shares and governance matters).
- Provides the Cabinet coordination and liaison function.

~~**ELECTRICITY INVESTMENT AND GOVERNANCE SECRETARIAT**~~

- ~~Supports with both the governance and investment responsibilities related to Hydro One shares and governance matters.~~
- ~~Supports the Expert Investment Advisory Committee who ensures the Province is effectively responding to requirements as set out in the Governance Agreement.~~
- ~~Provides advice and guidance on current market conditions to develop share sale plan and execute offerings.~~
- ~~Negotiates ownership stakes with interested parties and liaises with private sector to discuss market context and opportunities.~~

Ministry Organization Chart

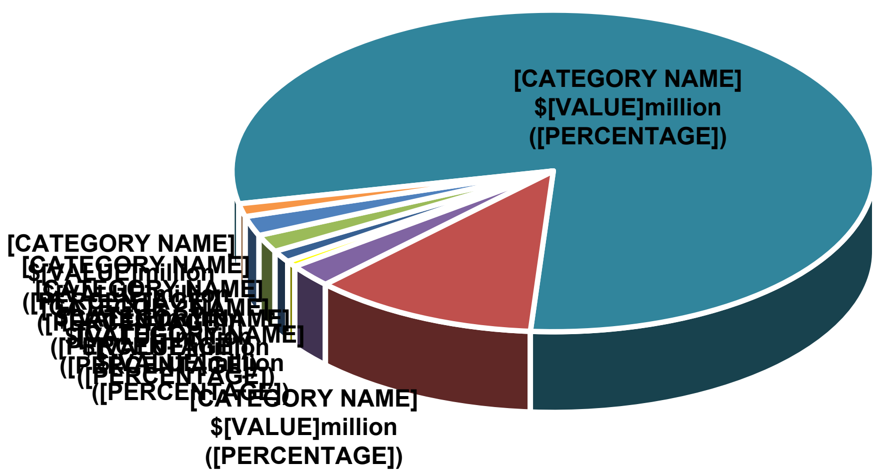
[redacted]

Director
Communications
John Whytock

Breakdown of 2018-19 Ministry Allocation

- The Ministry of Energy's total allocation for 2018-19 is $1,990.5 million.
- The Ontario Fair Hydro Plan Programs account for the largest component of the Ministry's total allocation, at roughly 80%.
- The Ministry's base operating budget is only 2% of the allocation in comparison.
- Consolidation Adjustments make up approximately 13% of the Ministry's total allocation and include the consolidation of fiscally neutral agencies – the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB). These entities have no impact on the government's fiscal plan since expenses are fully cost recovered from the rate base.

2018-19 Preliminary Ministry Allocation: $1,990.5 million



Multi-Year Allocation Breakdown by Program/Vote

- The Ministry of Energy's budget consists of the Ministry's own allocation and the consolidation of the Independent Electricity System Operator and the Ontario Energy Board.
- The Ontario Power Generation is consolidated into the Province's consolidated financial statements on a modified equity basis. Its net income is shown separately from the Ministry in the government's financial statements.

Ministry Programs	2016-17 Actuals	2017-18 Interim Actuals	2018-19 Budget	2019-20 Budget	2020-21 Budget
2017-18 to 2020-21 numbers based on Ministry's 2018-19 PRRT Submission	(in Millions)				
Operating and Capital Expense					
Vote 2901 - Ministry Administration Program	14.1	17.8	15.1	15.1	15.1
Vote 2902 - Energy Development and Management	257.2	26.5	47.9	45.9	42.9
Vote 2905 - Electricity Price Mitigation	346.3	1273.2	1606.8	1655.0	1702.0
Vote 2906 - Strategic Asset Management	42.9	187.9	35.0	-	-
Total Ministry Operating and Capital Allocation	**660.5**	**1505.4**	**1704.8**	**1716.0**	**1760.0**
Consolidation and Other Adjustments					
Consolidation Adjustments - Independent Electricity System Operator	220.7	222.9	227.1	221.6	221.6
Consolidation Adjustments - Ontario Energy Board	38.5	44.9	46.4	46.5	47.2
Operating Expense Adjustment - Greenhouse Gas Reduction Account Reclassification	-	17.2	12.2	12.5	12.5
Total Consolidation and Other Adjustments	**259.2**	**284.9**	**285.7**	**280.6**	**281.3**
Total Operating and Capital Expense (including Consolidation and Other Adjustments)	**919.7**	**1790.3**	**1990.5**	**1996.6**	**2041.3**
Ministry Operating Asset					
Vote 2905 - Electricity Price Mitigation	-	1100.0	1100.0	-	-
Total Operating Asset	**-**	**1100.0**	**1100.0**	**-**	**-**

2018-19 Operating Allocation by Vote and Standard Account

- The Ministry of Energy's 2018-19 operating expenses and operating assets, net of consolidations, are broken down as follows:

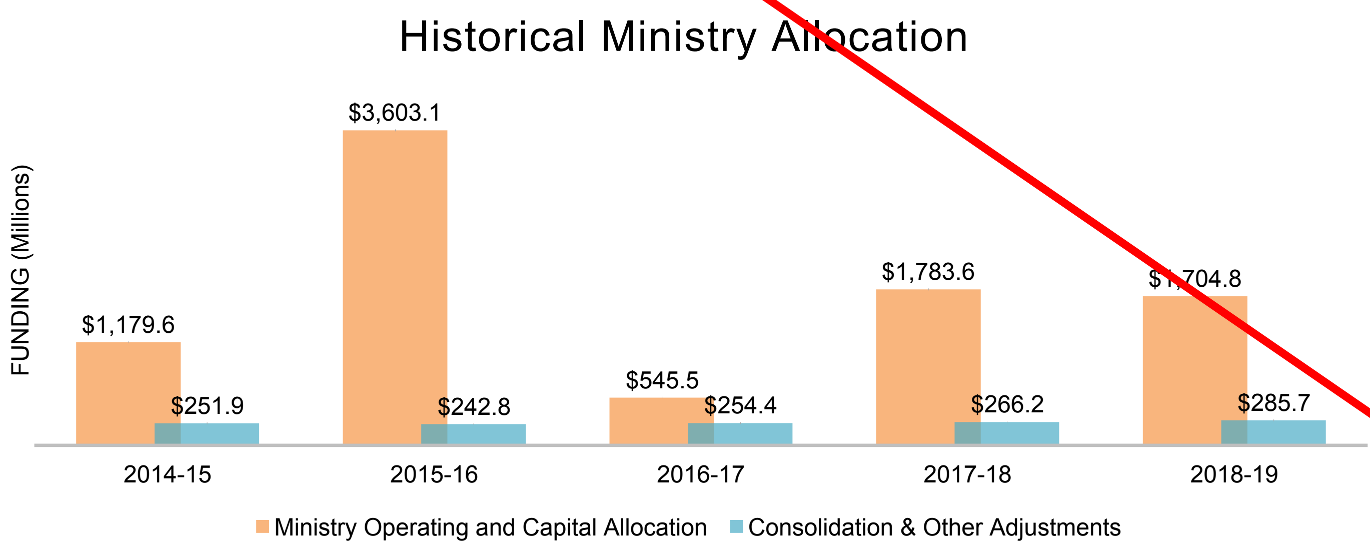
Standard Account*	2901 Ministry Administration Program	2902 Energy Development and Management	2905 Electricity Price Mitigation	2906 Strategic Asset Management	Total Ministry	
	$	$	$	$	$	%**
OPERATING EXPENSE						
Salaries and Wages	7,173,614	14,292,200	-	-	21,465,814	1.2
Employee Benefits	849,800	1,683,900	-	-	2,532,800	0.1
Transportation and Communications	312,700	385,000	-	-	697,700	-
Services	10,803,300	7,761,900	-	5,000,000	23,565,200	1.4
Supplies and Equipment	343,600	312,600	-	-	656,200	-
Transfer Payments	-	35,627,400	1,606,826,400	30,000,000	1,672,453,800	97.2
Other Transactions	-	1,000	-	-	1,000	-
Less: Recoveries	(4,353,400)	(12,180,000)	-	-	(16,533,400)	
TOTAL	**15,129,614**	**47,883,100**	**1,606,826,400**	**35,000,000**	**1,704,839,114**	**100.0**
PERCENT OF TOTAL MINISTRY	**0.9**	**2.8**	**94.3**	**2.1**	**100.0**	
OPERATING ASSETS						
Advances and recoverable amounts	1,000	**-**	**-**	**-**	1,000	**-**
Loans and Investments	**-**	**-**	**1,100,000,000**	**-**	1,100,000,000	**100.0**
TOTAL	**1,000**	**-**	**1,100,000,000**	**-**	**1,100,001,000**	**100.0**
PERCENT OF TOTAL MINISTRY	**-**	**-**	**100.0**	**-**	**100.0**	

* Including Statutory Appropriations

** Percentage of ministry total excludes Recoveries

Historical Multi-Year Allocation

- The Ministry's 2018-19 allocation, inclusive of consolidation adjustments, is $1,990.5 million. This is a decrease of $59.4 million (3%) from the 2017-18 allocation of $2,049.9 million, which is mainly due to:
  - $245 million decrease in Strategic Asset Management as the broadening of Hydro One is now complete. Additionally, funding to support Chiefs of Ontario engagement in the sale of Hydro was a one-time transaction in 2017-18 and will not be repeated in 2018-19.
  - $142.8 million increase for Electricity Rate Mitigation Initiatives introduced through the Ontario Fair Hydro Plan;
  - $20 million increase for the updated Smart Grid Fund; a $60 million program over 5 years;
  - $10.03 million increase for initiatives from the Greenhouse Gas Reduction Account:
    - $10 million for the Microgrids Technology for Diesel Reduction Program; and
    - $0.03 million for the Electric Vehicle Overnight Charging Rebate Program
  - $3.4 million increase for 14 temporary FTEs to support the Ontario Fair Hydro Plan programs.



Appendix

Appendix A – Acts

Electricity Act, 1998, S.O. 1998, c. 15, Schedule A (except Part VIII and Part IX.1)

The purposes of this Act include:

- to ensure the adequacy, safety, sustainability and reliability of electricity supply in Ontario through responsible planning and management of electricity resources, supply and demand;
- to encourage electricity conservation and the efficient use of electricity in a manner consistent with the policies of the Government of Ontario;
- to facilitate load management in a manner consistent with the policies of the Government of Ontario;
- to promote the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources, in a manner consistent with the policies of the Government of Ontario;
- to provide generators, retailers and consumers with non-discriminatory access to transmission and distribution systems in Ontario;
- to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;
- to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity;
- to ensure that Ontario Hydro’s debt is repaid in a prudent manner and that the burden of debt repayment is fairly distributed;
- to facilitate the maintenance of a financially viable electricity industry; and
- to protect corridor land so that it remains available for uses that benefit the public, while recognizing the primacy of transmission uses.

Appendix A – Acts

***Ontario Energy Board Act,* 1998**, S.O. 1998, c. 15, Schedule B

- Outlines the mandate, governance structure, duties and responsibilities of the Ontario Energy Board.
- The Board is required to implement energy policy directives as issued by the Minister, and as approved by the Lieutenant Governor in Council.
- Provides the Board with powers and responsibilities in relation to gas transmitters, distributors and marketers as well as the regulation of electricity market participants.

***Green Energy Act,* 2009**, S.O. 2009, c. 12, Schedule A (except for subsection 8(2) and section 10 which are shared with the Minister of Infrastructure)

- Was created, as a schedule of the Green Energy and Green Economy Act, 2009, to encourage and enable energy conservation, including establishing regulation making authority.
- Sets out guiding principles for the Government of Ontario in constructing, acquiring, operating and managing government facilities to ensure the efficient use of energy and water.

Energy Consumer Protection Act, 2010, *S.O. 2010, c. 8*

- The principal aim of the legislation is to enhance consumer protection and energy conservation through new rules for gas marketers, electricity retailers, landlords, and condominium developers.
- Specifically the legislation aims to protect consumers from hidden contract costs, excessive cancellation fees, "negative option“ contract renewals, and other unfair industry practices.

Appendix A – Acts

Ministry of Energy Act, 2011*,* S.O. 2011, c. 9, Schedule 25

- Created after the split of the Ministry of Energy and Infrastructure into two separate ministries.
- Lays out the responsibilities and authority of the Minister and the Deputy Minister of Energy as well as provisions indemnifying them from personal liability.
- It also sets out the objectives and the authority of the Minister and Deputy Minister, including the ability to receive funding, hire employees and to conduct activities related to the creation of energy policy for Ontario.

Ontario Fair Hydro Plan Act, 2017, S.O. 2017, c. 16 Sched 1

- The Act will lower electricity bills by 25 per cent on average for all residential customers as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. provide households. Many small businesses and farms would also benefit from the initiative.
- People with low incomes and those living in eligible rural communities will receive even greater reductions to their electricity bills. As part of this plan, rate increases over the next four years will be held to the rate of inflation for everyone.
- These measures include the eight per cent rebate introduced in January, and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

Appendix A - Acts

Ontario Rebate for Electricity Consumers Act, 2016, S.O. 2016, C. 19

- Created to reduce electricity costs by 8 per cent on the amount before tax, an average savings of about $130 annually or $11 each month, for about five million residential consumers, farms and small businesses.
- Eligible rural electricity ratepayers will receive additional relief, decreasing total electricity bills by an average of $540 a year or $45 each month.
- Commercial, institutional and industrial ratepayers will also benefit from up to 34 per cent lower electricity costs through the expansion of the Industrial Conservation Initiative.

***Power Corporation Act*, R.S.O. 1990**, c. P. 18

- The Act dates from 1974 and organized the electricity system under a Crown corporation (Ontario Hydro). Almost all sections of this Act were repealed in 1998 (through the *Energy Competition Act, 1998*). The remaining provisions authorize the Corporation to create rules relating to its pension plan including payments to employees who elect not to be a member of the plan; the calculation of payments; the insurance of members; and the determination of payments upon retirement, termination, disability or death.
- The Act also authorizes the Corporation to participate in programs related to economic development where such programs are prescribed by regulation.

Appendix A - Acts

***Hydro One Inc. Directors and Officers Act*, 2002**, S.O. 2002, c. 3

- Was designed to address specific governance issues including remuneration of directors and officers holding office during the 2002 era. It affects the established governance structure of the corporation itself, as well as its subsidiaries, by providing for matters relating to the termination, appointment, term of office and payment of the then sitting board of directors and the appointment of a new replacement board of directors.
- Imposed restrictions on the payments that designated officers of Hydro One Inc. were eligible to receive on or after January 1, 1999 when their employment was terminated or when they resign.

***The Toronto District Heating Corporation Act*, 1998**, S.O. 1998, c. 15, Schedule C (except for section 4)

- The Act amends the *Toronto District Heating Corporation Act, 1980* by restructuring that corporation from a non-share capital to a share capital corporation.
- One of the main objectives of the legislation is the provision of steam to a number of downtown Toronto hospitals (shareholders) on a priority basis relative to other potential consumers of steam.

***Toronto District Heating Corporation Act*, 1980**, S.O. 1980, c. 73

- The Act has been substantially repealed and replaced by the *Toronto District Heating Corporation Act, 1998* (see above).
- However there are a few provisions that remain in force. The employee benefit provisions remain applicable, as does the provision that allows the Hospital for Sick Children to retain the right to require a reconveyance of the steam plant site.