

Delivering Fairness and Choice

2017 Long-Term Energy Plan

Minister's Message

Ontario's 2017 Long-Term Energy Plan is primarily about the consumer. At its heart, *Delivering Fairness and Choice* makes an important commitment: we will strive to give customers more choices in their energy use and ensure that Ontarians, their families and their future continue to be at the center of everything we do.

We have already taken steps through *Ontario's Fair Hydro Plan* to make the system as affordable as possible. *Ontario's Fair Hydro Plan* reduced electricity bills for residential consumers by an average of 25 per cent, and will ensure that electricity rates won't exceed the rate of inflation for four years. These benefits aren't limited to residential consumers; as many as half a million small businesses and farms are also benefitting from the reduction. Lower-income Ontarians and those living in eligible rural and northern communities are receiving even greater reductions, as much as 40 to 50 per cent. These measures were the right thing to do. They're better for Ontario, and fairer for families.

Ontarians are fortunate. We are benefitting from the years of investment we have made in the province's electricity system. We can be proud of what we all have accomplished. Our investments in clean generation have given us a system that is 90 per cent free of the greenhouse gas emissions that cause climate change. Our investments are delivering a robust supply of electricity, one that is expected to meet Ontario's electricity demand into the middle of the next decade, but makes us well positioned to plan for and meet future challenges.

Our success in building a clean and reliable electricity system means we can maintain our focus on helping Ontarians and their families. It also allows us to support the electrification of the transportation sector to reduce our GHG emissions. We are also taking direct action by implementing measures, such as renewable natural gas, to facilitate a reduction in GHG emissions in the broader energy sector. The Province will continue to work towards reducing its GHG emissions, and meeting its emissions targets.

Delivering Fairness and Choice would not have been possible without your suggestions and advice. This report is the product of one of the most extensive consultations and engagements my Ministry has ever undertaken. Thousands of organizations, communities, businesses, and citizens wrote to us. Hundreds came to the 17 open houses that were held across the province. We met with representatives of over 100 different First Nation and Métis organizations and communities.

In written submissions and at meetings, you told us that affordability is a top priority and that you wanted more control and choice over how you use and pay for electricity. Our government has listened to what you had to say. *Delivering Fairness and Choice* recognizes that senior citizens in Mississauga use energy differently than a family in North Bay. Pricing pilots are underway to help inform new electricity pricing plans that could give consumers increased choice, and the ability to reduce their monthly electricity bills.

Delivering Fairness and Choice ensures consumer protection remains a top priority for this government. We have already given the Ontario Energy Board the authority to prohibit disconnections during certain periods of time when customers are more vulnerable, such as over the winter months. We will now give added protection to consumers living in condominiums and other multi-unit residential buildings who are billed for electricity by private companies who provide metering services to their unit. These consumers will benefit from increased oversight from the Ontario Energy Board over fees charged by those providers. Consumers will also benefit from the Board's new *Consumer Charter* which ensures all energy consumers have the right to a fair, reasonable and timely process for resolving their complaints.

On another front, the Ministry of Energy is working with local distribution companies to redesign electricity bills to give consumers easily accessible information they find valuable and can use. The electricity bill is, after all, the most common way for consumers to receive information about their electricity system.

Ontario is also looking out for consumers by keeping pace with a rapidly changing technology landscape. The costs of new wind and solar energy installations are coming down, and new smart grid and storage technologies are becoming more readily available. Updates to the province's net metering framework will increase the ability of consumers to generate their own renewable electricity and receive a credit on electricity bills for any extra power they send to their local distribution company.

All of this is possible because Ontario has a stable electricity system that produces a steady supply of electricity. *Delivering Fairness and Choice* is using this opportunity to move ahead with innovative ideas for managing the system and reducing costs. Initiatives such as Market Renewal will ensure the province has appropriate sources of electricity at the fairest possible price. This could save Ontarians up to \$5.2 billion over a 10-year period.

Executive Summary

Overview

The 2017 Long-Term Energy Plan, *Delivering Fairness and Choice*, builds on the years of investment that Ontarians made renewing and cleaning up the province's electricity system. Ontario now has a reliable electricity system that is 90% free of the emissions causing climate change. Its robust supply of electricity will be sufficient to meet Ontario's foreseeable electricity demand well into the next decade. This leaves the province well positioned to plan for and meet future challenges.

Ontario's success in building a clean and reliable energy system means we can renew our focus on helping Ontarians and their families. That is the key priority of *Delivering Fairness and Choice*. The government has already brought in a number of measures to reduce electricity costs. The *Ontario Fair Hydro Plan Act, 2017* reduced electricity bills for residential consumers by an average of 25%, and will ensure that electricity rates won't rise by more than the rate of inflation for four years. Ontario's Fair Hydro Plan is also helping as many as half a million small businesses and farms. Lower-income Ontarians and those living in eligible rural and northern communities are receiving even greater reductions, of as much as 40 to 50%. *Delivering Fairness & Choice* will continue our focus on managing electricity system costs over the long term.

Since the release of the last LTEP, Ontario has taken a number of measures to combat climate change. These include the passage of the *Climate Change Mitigation and Low-Carbon Economy Act*, the introduction of Ontario's cap and trade program, and the release of the first Climate Change Action Plan (CCAP). *Delivering Fairness and Choice* builds on the province's leading role in the global fight against climate change.

Key Elements of *Delivering Fairness and Choice*

Chapter 1. Ensuring Affordable and Accessible Energy

The projected residential price for electricity will remain below the outlooks published in the 2010 and 2013 LTEPs. The projected electricity prices for large consumers will, on average, be in line with inflation over the forecast period. This is the result of previous investments that delivered a cleaner and more reliable energy system, anticipated benefits from Market Renewal, and cost-reduction measures.

- Ontario's Fair Hydro Plan lowers electricity bills by 25 per cent for a typical residential consumer.

- Ontario will share the costs of existing electricity investments more fairly with future generations by refinancing a portion of the Global Adjustment, spreading the cost of the investments over a longer period of time.
- Residential customers served by local distribution companies with some of the highest rates are getting enhanced distribution rate protection.
- The First Nations Delivery Credit reduces the monthly electricity bills of on-reserve First Nation residential customers of licensed distributors.
- Ontario will enhance consumer protection by giving the Ontario Energy Board increased regulatory authority over unit sub-meter providers.
- Ontario will continue to support expanded access to natural gas, giving customers greater choice and aiding in the economic development of their communities.

Chapter 2. Ensuring a Flexible Energy System

While the demand for electricity is expected to remain steady, and the demand for fossil fuels declines, Ontario needs a flexible energy system that can meet any of the possible future outlooks. Market Renewal in the electricity sector will allow the province to adjust to changes and cost-efficiently acquire the electricity resources that are needed to meet future demand.

- Market Renewal will refashion Ontario's wholesale electricity markets and ultimately result in a more competitive and flexible marketplace.
- Incremental capacity auctions will increase the use of competition to secure technology-neutral resources and help reduce the cost of procuring resources to meet system adequacy in a more flexible manner.
- Ontario will maximize the use of its existing energy assets in order to limit any future cost increases for electricity consumers.
- The Province will direct the Independent Electricity System Operator to establish a formal process for planning the future of the integrated province-wide bulk system.
- Ontario will continue to exercise strict oversight of nuclear refurbishments and ensure they provide value for ratepayers.

Chapter 3. Innovating to Meet the Future

Innovation is expanding throughout the energy system. Projected increases in the use of electric vehicles, net metering, pricing plans and storage will give customers more control and choice over how they generate, use and pay for energy.

- The Province will work with the OEB to provide customers greater choice in their electricity price plans.
- The net metering framework will continue to be enhanced to give customers new sources of clean energy and new ways to reduce their electricity bills.
- Barriers to the deployment of cost-effective energy storage will be reduced.

- Utilities will be able to intelligently and cost-effectively integrate electric vehicles into their grids, including smart charging in homes.
- The Province will articulate a vision for grid modernization in Ontario, and give LDCs more tools to overcome barriers and provide more customer choice and efficient, reliable and cost-effective services to customers.
- Ontario will build on its success and renew and enhance the Smart Grid Fund. This will continue the Province's support of Ontario's innovation sector and help overcome other barriers to grid modernization.
- The IESO will strategically deploy renewable distributed generation projects that demonstrate the value of innovative technologies to the system and to customers;
- Ontario intends to fund international demonstration projects to help Ontario's innovative energy companies diversify to foreign markets;
- The Province will collaborate with the federal government, universities and industry to support the province's nuclear sector; and
- Innovative uses for Ontario's natural gas distribution system will be pursued.

Chapter 4. Improving Value and Performance for Consumers

As the energy sector becomes more consumer-focused, users will want increased transparency and accountability from the companies and agencies they deal with. LDCs and regulators will need to respond by renewing their focus on efficiency and reliability, and looking at new ways of doing business.

- The Province will direct the OEB to continue and enhance its efforts to improve the performance of LDCs.
- The OEB will make utilities more accountable to their consumers, promote efficiencies and cost reductions, encourage partnerships, and ensure regulatory processes are cost-effective and streamlined to accommodate changing utility business models.
- Ontario will work with the OEB and LDCs to redesign the electricity bill to make it more useful for consumers in understanding and managing their energy costs.
- The Province will direct the OEB to review the standards for reliability and quality of service for transmitters and distributors and recommend options for improving the standards. It will also ask the Independent Electricity System Operator (IESO) to review how its planning and policies can improve customer reliability.
- The Province will direct the IESO to develop a competitive selection or procurement process for transmission, and to identify possible pilot projects.
- Ontario will look to the IESO and the OEB to promote the right-sizing of transmission and distribution assets at their end of life.
- Significant cost savings are possible if land for a transmission corridor in the northwest Greater Toronto Area is reserved before the area develops.
- Ontario will provide greater transparency for consumers on gasoline pricing through the OEB's transportation fuels review.

Chapter 5. Strengthening our Commitment to Energy Conservation and Efficiency

Ontario is committed to putting conservation first, both as a resource for the energy system and as a tool for consumers to manage their energy costs. The Province and its agencies will continue to assess the achievable potential for energy conservation, explore how to integrate conservation and new Green Ontario Fund programs, and empower consumers with access to data and tools, such as through the Green Button initiative. The transition to an incremental capacity auction will present opportunities for demand response to grow further and compete with other resources, based on system needs.

- Ontario will continue to set advanced efficiency standards for products and appliances and will explore setting or updating energy efficiency standards for key electrical equipment in drinking water and wastewater treatment plants.
- The Province and its agencies will further encourage LDCs to pursue energy efficiency measures on their distribution systems to achieve customer electricity and cost savings.
- The Green Ontario Fund will provide energy consumers with a co-ordinated, one-window approach to encourage conservation across multiple energy sources and programs.
- Ontario is committed to expanding Green Button province-wide and intends to amend legislation that would, if passed, enable Ontario to require electricity and natural gas utilities to implement Green Button Download My Data and Connect My Data.
- Beginning July 1, 2018, combined heat and power projects that use supplied fossil fuels to generate electricity will no longer be eligible for incentives under the Conservation First Framework or the Industrial Accelerator Program. Behind the meter waste energy recovery projects will continue to be eligible, as will renewable energy projects, including those paired with energy storage systems.

Chapter 6. Responding to the Challenge of Climate Change

Ontario's robust supply of electricity will play a key role in enabling the transition to a clean economy. The Province will continue to work to support the deployment of low-carbon energy technologies.

- Ontario remains committed to an electricity system that includes renewable energy generation and supports the goals of the Province's Climate Change Action Plan.
- Ontario will encourage the construction of near net zero and net zero energy and carbon emission homes and buildings to reduce emissions in the building sector.
- Ontario is expanding the options for net metering to give building owners more opportunities to integrate renewable energy generation and energy storage technologies.
- Advanced efficiency standards will be set for products and appliances used in new and existing homes and buildings.

- Ontario will continue to work with industry partners to introduce renewable natural gas into the province's natural gas supply and expand the use of lower-carbon fuels for transportation.
- Ontario will strengthen the ability of the energy industry to anticipate the effects of climate change and integrate its impacts into its operational and infrastructure planning.

Chapter 7. Supporting First Nation and Métis Capacity and Leadership

First Nations and Métis are showing leadership in Ontario's energy sector, an unprecedented level of involvement. At the same time, First Nations and Métis face unique challenges accessing clean, reliable and affordable energy, challenges the province and its agencies will work with them to address.

- Ontario will review current programs and evaluate how to improve the availability of conservation programs for First Nations and Métis, including communities served by Independent Power Authorities.
- Ontario will continue to prioritize the connection of remote First Nation communities to the grid and continue to support the four First Nations where transmission connection is not economically feasible.
- The Aboriginal Community Energy Plan program will be expanded to help communities implement their community energy plans and support Ontario's Climate Change Action Plan.
- Ontario will engage with First Nations and Métis to explore options for supporting education and capacity building, the integration of small-scale renewable energy projects, net metering and other innovative solutions that address local or regional energy needs and interests.
- Innovative financing models and support tools will be investigated to lower the financing costs of projects led or partnered by First Nations or Métis.
- Ontario will report back to First Nations and Métis between Long-Term Energy Plans to provide updates on the province's progress and seek ongoing feedback.
- Ontario's Natural Gas Grant Program will support the expansion of natural gas access to First Nation communities.

Chapter 8. Supporting Regional Solutions and Infrastructure

Ontario's regions are not all alike; they have different energy needs, and can require different ways to meet them. Ontario is working with local communities to develop plans for meeting their energy requirements.

- The Province will continue to work with its agencies to implement the Conservation First policy in regional and local energy planning processes.
- With the first cycle of regional planning completed, the Province is directing the Independent IESO to review the regional planning process and report back with options

and recommendations that address the challenges and opportunities that have emerged.

- Ontario's Climate Change Action Plan has reinforced the importance of community energy plans, and indicated Ontario's continued support for them.
- Ontario and Quebec have established seven pipeline principles to evaluate oil and natural gas pipelines, and is committed to public engagement when it undertakes reviews of major pipeline projects.

Next Steps

The development of *Delivering Fairness and Choice* followed a new legislated long-term energy planning process. The process included the development of electricity and fuels technical reports, a comprehensive engagement process with Ontarians and the issuance of implementation directives to the OEB and IESO. The next step is for the OEB and IESO to submit implementation plans to the Minister of Energy, which will outline the steps these agencies will take to implement the policies and programs in the implementation directives. The development of these implementation plans will also lay out how the agencies will engage with the public, Indigenous communities and councils, and key stakeholders.

Chapter 1. Ensuring Affordable and Accessible Energy

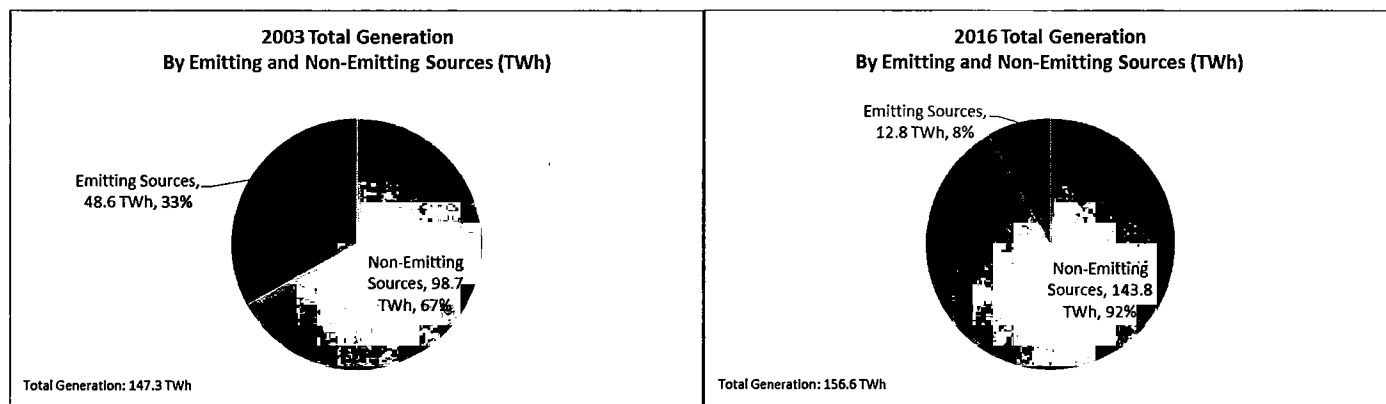
Ontario's electricity system is well positioned to meet any challenges and pursue any opportunities that may occur over the next 20 years. More than \$50 billion has been invested in

the electricity system since 2003. These investments have provided several benefits, including restoring the reliability of our electricity system.

This is a significant change compared to 2003, when power from sources emitting greenhouse gases (GHG) made up one-third of the province's generation mix.

Text Box: What We Heard from You

- *Electricity costs are too high*
- *High prices hurt industrial competitiveness*
- *Reduce rates by funding from tax base*
- *Consider new technologies and methods to manage energy use*
- *Promote the benefits of conservation for both customers and the system*
- *Delivery charges should be the same province-wide*
- *Expand access to natural gas*



Did you know Call out Box

As a result of phasing out coal-fired electricity generation in 2014, **emissions for Ontario**

decreased by 10.5 million tonnes of greenhouse gas emissions.

JK

Making Energy Affordable

The much-needed investments in our electricity system have led to higher electricity prices. As a result, Ontario's Fair Hydro Plan was developed to relieve the cost pressures caused by these system improvements. It builds on actions already taken over the past several years that reduced electricity costs for families, farms and businesses, including:

- deferring the construction of two new nuclear reactors at the Darlington Nuclear Generating Station, avoiding an estimated \$15 billion in new construction costs;
- driving down the cost of renewable energy generation through annual reviews of Feed-In Tariff (FIT) pricing, revised procurement totals, and the introduction of competitive procurement for large renewable projects. This cut the cost of renewable energy generation by at least \$3 billion, compared to the forecast in the 2013 Long-Term Energy Plan (2013 LTEP).
- suspending the second round of the large renewable procurement process (LRP II) and the Energy-from-Waste Standard Offer Program. This is expected to save up to \$3.8 billion compared to the forecast in the 2013 LTEP;
- renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by \$3.7 billion;
- starting the refurbishments at the Bruce Nuclear Generating Station in 2020, instead of 2016, helping to save \$1.7 billion compared to the forecast in the 2013 LTEP; and
- pending regulatory approvals, continuing to operate the Pickering Nuclear Generating Station up to 2024, for an estimated saving for ratepayers of as much as \$600 million.

Ontario's Fair Hydro Plan

On June 1, 2017, the *Ontario Fair Hydro Plan Act, 2017* became law, providing additional help for electricity consumers. Ontario's Fair Hydro Plan:

- lowers electricity bills by 25 per cent for a typical residential consumer. As many as half a million small businesses and farms are also benefiting from the reduction;
- expands the Ontario Electricity Support Program (OESP) by increasing the on-bill credits by 50 per cent and making more Ontarians eligible for the program;
- provides enhanced distribution rate protection for residential customers served by the local distribution companies (LDCs) that have some of the highest rates. This will let eligible customers save as much as 40 or 50 per cent on their electricity bills. The enhanced distribution rate protection broadens the support provided under the existing Rural or Remote Rate Protection (RRRP);
- reduces the monthly electricity bills for on-reserve First Nation residential customers of licensed distributors by giving the customers a 100 per cent credit on the delivery line or service charge of their bills. This provides them with an average monthly benefit of \$85;
- shifts the funding of the OESP and most of the Rural or Remote Rate Protection (RRRP) program from electricity bills to provincial revenues. This will reduce the regulatory charges paid by all Ontario ratepayers;
- allows smaller manufacturers and greenhouses with average monthly peak demand greater than 500 kilowatts (kW) to participate in the Industrial Conservation Initiative (ICI). This gives them with a strong incentive to lower their consumption during peak hours and can reduce their bills by an average of one-third;
- includes the 8 per cent rebate that took effect on January 1, 2017, a reduction equal to the provincial portion of the Harmonized Sales Tax; and

- establishes an Affordability Fund that helps people who don't qualify for low-income conservation programs to make energy efficiency improvements to their homes, improvements that couldn't otherwise be done without support.

Additional Details on Ontario's Fair Hydro Plan

Ontario Electricity Support Program

In order to benefit more low-income Ontarians and provide them with additional support, Ontario has expanded the eligibility criteria for the OESP and increased the monthly credits by 50 per cent. This means that:

- a single customer earning under \$28,000 can now receive \$45 per month, up from \$30;
- a family of four with a combined earning under \$48,000 can now receive \$40 per month; and
- seven or more people living together who earn a total of \$39,000 or less can receive \$75 per month, up from \$50.

Electricity customers are eligible if they meet the household size and income requirements for the program. The amounts of the basic credits are [below / in Table X].

Table X: Amounts of Monthly Credits of Ontario Electricity Support Program (OESP) by Household Income Level							
Household Income (After Tax)	Household Size (Number of people living in household)						
	1	2	3	4	5	6	7+
\$28,000 or less	\$45	\$45	\$51	\$57	\$63	\$75	\$75
\$28,001 - \$39,000		\$40	\$45	\$51	\$57	\$63	\$75
\$39,001 - \$48,000			\$35	\$40	\$45	\$51	\$57
\$48,001 - \$52,000					\$35	\$40	\$45

If a customer is eligible, uses electric heat as the primary heating source, has certain electrically intensive medical devices, or is Indigenous or lives with Indigenous family members, the OESP provides an enhanced credit (Table Y).

Table Y: Amounts of Monthly Credits of Ontario Electricity Support Program (OESP) by Household Income Level – Energy Intensive							
Household Income (After Tax)	Household Size (Number of people living in household)						
	1	2	3	4	5	6	7+
\$28,000 or less	\$68	\$68	\$75	\$83	\$90	\$113	\$113
\$28,001 - \$39,000		\$60	\$68	\$75	\$83	\$90	\$113

\$39,001 - \$48,000			\$52	\$60	\$68	\$75	\$83
\$48,001 - \$52,000					\$52	\$60	\$68

Ontario is also working to improve co-ordination across provincial programs that provide support to low-income Ontarians. Synchronizing the OESP with social assistance programs will help get more vulnerable consumers into the program so they can receive the support they need on electricity bills. This includes ensuring that anyone deemed financially eligible for Ontario Works or the Ontario Disability Support Program will automatically be eligible for the OESP.

Distribution Rate Protection

The Rural or Remote Rate Protection program subsidizes the distribution rates paid by rural and remote customers who face higher distribution costs compared to other areas.

Ontario has expanded this rate protection to provide distribution rate relief to residential customers served by LDCs with some of the highest rates. About 800,000 customers will now benefit from the enhanced distribution rate protection.

LDCs whose customers are benefiting from the enhanced distribution rate protection include: Hydro One (medium- and low-density rate classes), Northern Ontario Wires, Lakeland Power (Parry Sound service territory), Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma. The level of benefits differ from utility to utility.

First Nations Delivery Credit

The First Nations Delivery Credit benefits approximately 21,500 residential customers living on reserves. The costs are being funded by provincial revenues.

The credit provides much needed relief from the high electricity costs faced by First Nation on-reserve households and encourages their socio-economic well-being. This is an important step towards reconciliation and strengthening the relationship between Ontario and First Nations.

Text Box:

"The elimination of the delivery charge will assist our citizens by reducing energy poverty in our communities. It also represents recognition for the use of the land in the development and expansion of the provincial energy grid," said Ontario Regional Chief Isadore Day. "Poverty, lack of opportunity and choosing to pay for electricity over food is a reality that affects our people. Ontario's commitment is commendable and allows a path forward for greater quality of life for First Nations in Ontario."

Ontario Regional Chief Isadore Day

Industrial Conservation Initiative

The Industrial Conservation Initiative provides incentives to large electricity consumers to reduce their consumption and lower their electricity costs during peak hours. This also benefits the electricity system by deferring the longer-term need for new peaking generation.

To give more businesses the opportunity to participate in the ICI, Ontario has lowered the threshold for entry and increased the number of companies that can benefit. As of July 1, 2017, all customers with an average monthly peak demand of greater than one megawatt (MW) are eligible for the program. In addition, small manufacturing companies and greenhouses with average monthly peak demand greater than 500 kW and one MW or less are also eligible. .

Affordability Fund

Ontario offers a suite of conservation and energy efficiency programs that can help customers manage their energy usage and reduce their costs over the long-term. The Province has recently taken steps to improve the availability of programs so that all Ontarians can take advantage of conservation opportunities (see Chapter 5). Among these, the government has launched an Affordability Fund to help those Ontarians not eligible for low-income conservation programs and who have a need for financial assistance to improve the energy efficiency of their homes. The fund is expected to pay for the installation of household improvements such as energy-saving LED light bulbs, power bars, better insulation, and energy efficient window air conditioners and refrigerators.

The Affordability Fund is administered by an independent trust that distributes funds to the electricity distributors that apply. Distributors, working with community partners are in the best position to provide energy efficiency improvements to consumers in need of assistance.

Refinancing the Global Adjustment to Ensure Intergenerational Fairness

Ontario's Fair Hydro Plan helps consumers by refinancing a portion of the Global Adjustment (GA). The GA pays costs associated with contracted and rate-regulated generation, as well as conservation and demand management programs in Ontario.

The majority of the province's electricity generators have 20-year contracts, but many facilities are expected to operate beyond the life of those contracts and provide additional benefits for Ontarians in the future.

Present-day consumers should not be burdened with paying a disproportionate share of investments that provide benefits for decades to come. To relieve the burden on today's ratepayers and share costs more fairly with future generations, a portion of the GA is being refinanced to spread the cost of electricity investments over a longer period of time. This

refinancing, which reflects the expected longer life cycle of existing facilities, will provide significant and immediate rate relief and help ensure intergenerational fairness.

Expanding the Low-Income Conservation Program

To enhance and improve the availability of conservation programs helping low-income customers, the Province directed the Independent Electricity System Operator (IESO) in August 2017 to centrally design, fund and deliver a conservation program for low-income customers. The program, to start in January 2018, is expected to enhance and increase access to the Save on Energy Home Assistance Program. LDCs may continue to deliver their own program if they demonstrate a commitment to serve the low-income customer sector, as determined by the IESO.

Existing Help for Families and Individuals

The measures included in Ontario's Fair Hydro Plan build on existing programs that Ontario families and individuals can use to pay their electricity bills. This assistance includes:

- the Ontario Energy and Property Tax Credit, for low- to moderate-income individuals;
- low-income Energy Assistance Programs, for emergency situations;
- the Save on Energy Home Assistance Program Home Assistance Program, which provides free home energy efficiency assessments and upgrades to low-income consumers; and
- the Northern Ontario Energy Credit, for low- to middle-income families and individuals living in Northern Ontario.

In addition, new incentives programs, which will be created under the Climate Change Action Plan (CCAP) will provide increased benefit to low-income households.

Existing Help for Businesses and Industry

There are a number of measures already in place to help industries, business and commercial operations and institutions lower their electricity costs. These measures include:

- the Industrial Accelerator Program, which assists eligible transmission-connected companies and their distribution-connected sites to fast-track the capital investment needed for major energy conservation projects;
- the Save on Energy for Business programs, which provide financial incentives that help distribution-connected businesses to reduce their electricity use and manage costs through energy audits, retrofits and process and system improvements; and
- the Northern Industrial Electricity Rate Program, which provides rate rebates to northern energy intensive industries facing competitiveness pressures due to higher

energy costs. The program also assists industrial consumers in developing and implementing energy management plans to manage their usage and reduce costs.

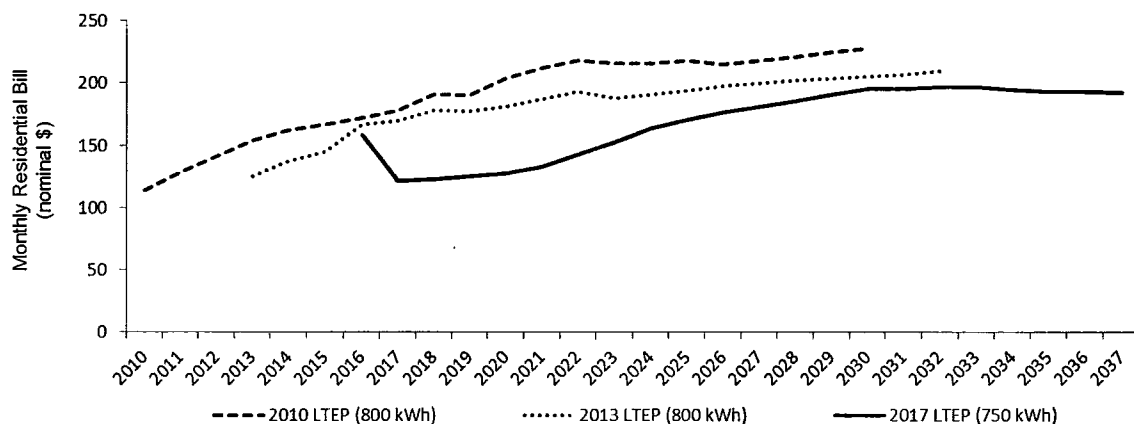
In addition to these measures, Ontario is looking for new ways to provide electricity rate assistance to consumers that are too large to be eligible for the OEB's Regulated Price Plan (RPP). The government and the Ontario Energy Board (OEB) are working together on potential approaches to regulatory changes including how the Global Adjustment (GA) is charged to these consumers, also known as non-RPP Class B consumers. For these consumers, the GA is a fixed monthly charge that is the same regardless of the time that they consume electricity. A GA charge that varies with time of use would lower prices for some Class B consumers and encourage more efficient consumption. The Province will ensure that consultations take place before any changes are made.

Ontario will continue to explore innovative ways to provide assistance to these mid-sized consumers, while striving to increase system efficiency. The Province will continue to engage with businesses and industry to explore options to reduce costs for these consumers. The Province is collaborating with the Ontario Chamber of Commerce to raise awareness about energy efficiency and savings programs available for small and medium businesses.

Program offerings through the new Green Ontario Fund will help Ontario businesses and industries increase their use of low-carbon technologies while also reducing costs.

Electricity Price Forecast

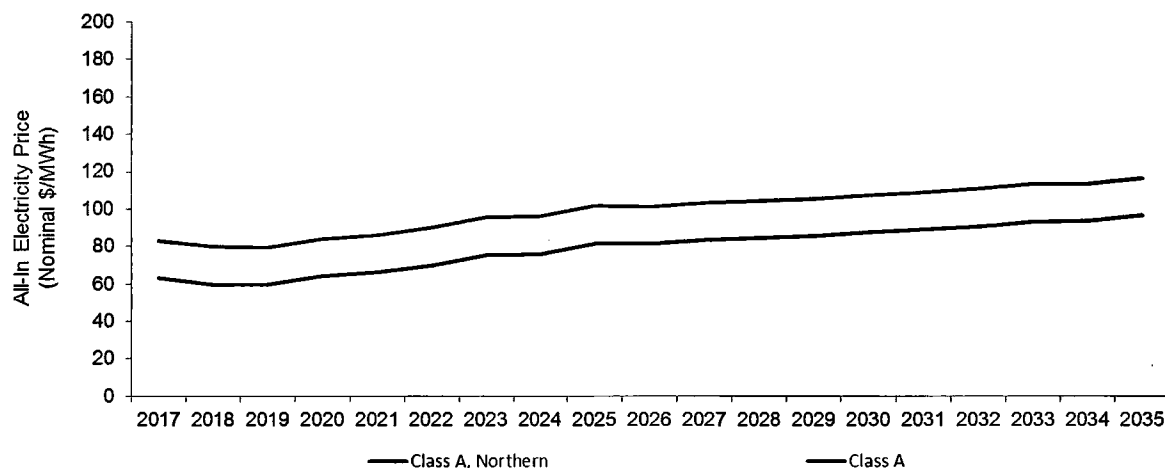
The 2017 LTEP residential price outlook shows progress compared to earlier versions of the LTEP in 2010 and 2013. The 2017 LTEP residential price outlook remains below the 2013 LTEP outlook for the full forecast horizon due to the OFHP, as well as removing costs from the electricity system, anticipated benefits from implementing Market Renewal initiatives, and a more efficient consumption of electricity. The outlook also considers the impacts of cap and trade and assumes that some of our generation assets will continue to be available for the duration of the planning outlook.



Note: Forecasts used in *Delivering Fairness and Choice* reflect prevailing patterns of consumption. Between late 2009 and mid-2016, the OEB defined the typical residential customer as a household that consumed 800 kWh of electricity per month. As of May 2016, the OEB changed their typical residential consumption to 750 kWh per month, due to declining household consumption.

As seen below in *Figure X*, the 2017 LTEP price outlook for large industrial electricity consumers reflects average increases in line with inflation over the forecast period. The actual price paid by a large industrial electricity consumer is dependent on their consumption patterns and can vary between industries and specific consumers.

Currently, the electricity price for industrial electricity consumers in Ontario is within 5 per cent of the United States average as reported by the U.S. Energy Information Administration. Consumers in Northern Ontario that participate in the NIERP program can achieve even lower rates.



Increasing Consumer Protection

The province has been consistently working to increase protection for electricity consumers. On January 1, 2017, new provisions of the *Energy Consumer Protection Act, 2010*, came into force that protect Ontario consumers from fraudulent claims and high-pressure sales tactics by restricting the door-to-door sale of energy contracts. Additionally, the *Protecting Vulnerable Energy Consumers Act, 2017* gave the Ontario Energy Board (OEB) the authority to prohibit disconnections during certain periods of time, such as winter. The Province will now turn its attention to protecting those consumers who live in condominiums and other multi-unit residential buildings and are served by unit sub-meter providers (USMPs).

USMPs are private companies that meter and send bills directly to the residents of units in multi-unit residential buildings for the electricity they consume. The OEB currently licenses 28 USMPs that provide services to 2,500 buildings with 326,000 individual units metered. Residential customers inherit the pricing arrangements; costs are agreed to by the owner or developer of the building or by the condominium board.

Consumers have told both the Province and the OEB that they would like to know more about how these decisions are made and what they are being asked to pay for. That is why the Province will enable the OEB to increase its oversight of sub-metering companies and bring in new consumer protection measures.

Improving consumer protection and fortifying the OEB's regulatory powers over USMPs would ensure that their fees and charges are just and reasonable, and that customers served by these companies receive value for money. It would also give the OEB more insight into how these companies determine their costs and set their rates and how they set up their contractual agreements with developers.

The Ministry envisions that broader USMP regulation will enable consumers living in condominiums and other multi-unit residential buildings to enjoy similar protections as LDC customers, including consideration for:

- clarity about what goes into the prices they are charged;
- practices regarding disconnections; and
- access to the OEB's processes to resolve issues regarding the quality of service USMPs provide to their customers.

The Minister of Energy will request the OEB make it a priority to complete a review of these issues.

Natural Gas Expansion

Ontario is expanding access to natural gas to give customers greater choice in their energy supply and to aid the economic development of their communities. To do this, the Province launched a new \$100 million Natural Gas Grant Program in April 2017, administered by the Ministry of Infrastructure. It supports both the expansion of natural gas pipelines and the construction of new infrastructure for liquefied or compressed natural gas. The average consumer could save an estimated \$1,100 a year under this program by switching from heating with oil to using natural gas.

A new regulatory framework issued by the OEB in November 2016 makes natural gas expansion more economically feasible for unserved communities by giving utilities more flexibility in how they structure their rates. The framework also encourages multiple utilities to use rate

competition when applying to the OEB to serve these communities. On August 10, 2017, the OEB released its first decision under the new framework, approving an expansion of natural gas service to several communities. Natural gas is one of several different energy options that provide greater consumer choice and can help to reduce overall energy costs.

Summary

- Ontario's Fair Hydro Plan lowers electricity bills by 25 per cent for a typical residential consumer. As many as half a million small businesses and farms are also benefiting from the reduction. Ontario's Fair Hydro Plan builds on previous actions that reduced electricity costs for families, farms and businesses.
- Ontario will share the costs of existing electricity investments more fairly with future generations by refinancing a portion of the Global Adjustment, spreading the cost of the investments over a longer period of time.
- Residential customers served by local distribution companies with some of the highest rates are getting enhanced distribution rate protection. This will save eligible customers as much as 40 or 50 per cent on their electricity bills.
- The First Nations Delivery Credit reduces the monthly electricity bills of on-reserve First Nation residential customers of licensed distributors.
- Residential electricity prices over the 2017 LTEP outlook period are forecast to remain below the level forecast in the 2013 LTEP. The outlook for electricity prices for large business reflects average increases in line with inflation over the forecast period.
- Ontario will enhance consumer protection by giving the Ontario Energy Board increased regulatory authority over unit sub-meter providers.
- Ontario will continue to support expanded access to natural gas, giving customers greater choice and aiding in the economic development of their communities.

Chapter 2. Ensuring a Flexible Energy System

Ontario has made significant progress in rebuilding its electricity system. Of the more than \$50 billion invested in Ontario's electricity system since 2003, over \$35 billion has been focussed on ensuring Ontario's households and businesses have a clean and reliable supply of electricity. This is in addition to the much-needed upgrades the Province made to its transmission and distribution systems. Ontario now has an electricity system that is well-positioned to pursue emerging opportunities and meet future challenges, including the fight against climate change.

Text Box: What We Heard from You

- *Consider costs first when deciding on supply*
- *Use a technology-neutral competitive process to acquire electricity supply*

- *Optimise use of our existing energy facilities and infrastructure, including nuclear generation*
- *Acquire more power from neighboring jurisdictions*
- *Both support and concerns expressed about nuclear and renewable generation*
- *Storage can solve problems*

Ontario's electricity system provides the province with a firm base on which to take further steps to fight climate change. Currently, the province's fuels sector supplies most of the energy needed for our transportation, heating and manufacturing. Our clean and reliable electricity system can provide us with enough energy to electrify further sectors of the economy and reduce greenhouse gas emissions. The province's existing network of pipelines and retail outlets can also be used to deliver future alternative fuels, such as renewable natural gas.

The Need for Flexibility

Ontario is moving away from relying on long-term contracts to ensure it has a sufficient supply of electricity. The more competitive, market-based approaches the Province is considering can provide a cost-effective supply of electricity and the flexibility to react quickly to changing needs. System operators in New England, New York and the Pennsylvania-New Jersey-Maryland Interconnection have successfully implemented this type of approach.

Our current robust supply provides us with the ideal conditions to take the time needed to explore new approaches to procuring electricity resources and to implement them efficiently. These approaches will need to be designed to be robust and flexible enough to ensure that Ontario is well positioned to accommodate and benefit from emerging energy technologies, while also ensuring that system needs are met at the lowest cost to ratepayers.

To meet our long-term needs, the Independent Electricity System Operator (IESO) has begun a Market Renewal initiative to redesign the province's electricity markets. This undertaking is expected to save up to \$5.2 billion between 2021 and 2031 and forms a key component of Ontario's plan to bring down the cost of electricity.

The Market Renewal Initiative consists of three work streams: energy, operability, and capacity. The IESO will continue its work on the design of mechanisms under these initiatives, in order to maximize the benefits to the system and ultimately fulfil the IESO's mandate of ensuring reliability and affordability. When new supply needs are identified, the IESO would use competitive mechanisms to procure new supply resources. An example of a market-based mechanism that could be used is an incremental capacity auction.