

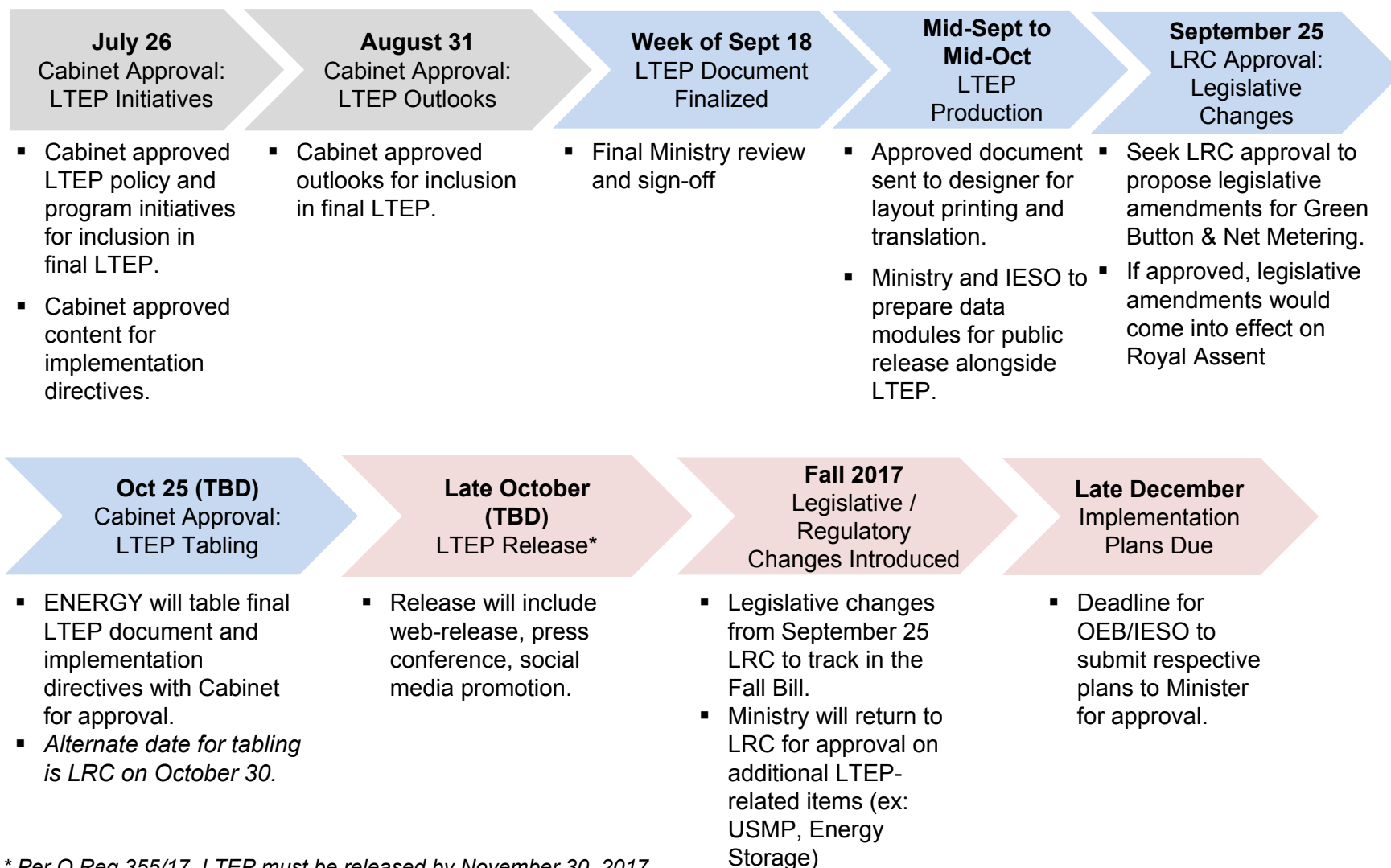
LTEP Update

Minister's Briefing
September 21, 2017

Purpose

- The Ministry of Energy is finalizing the 2017 Long-Term Energy Plan (LTEP). The Ministry is targeting a late October LTEP release.
- The Ministry received Cabinet approval for the LTEP in July and August 2017 and finalized a draft document in September 2017.
- This presentation outlines the following:
 1. LTEP timeline
 2. Communications
 - Key messages
 - Release logistics
 3. Implementation directives/plans
 4. Next Steps

Timeline



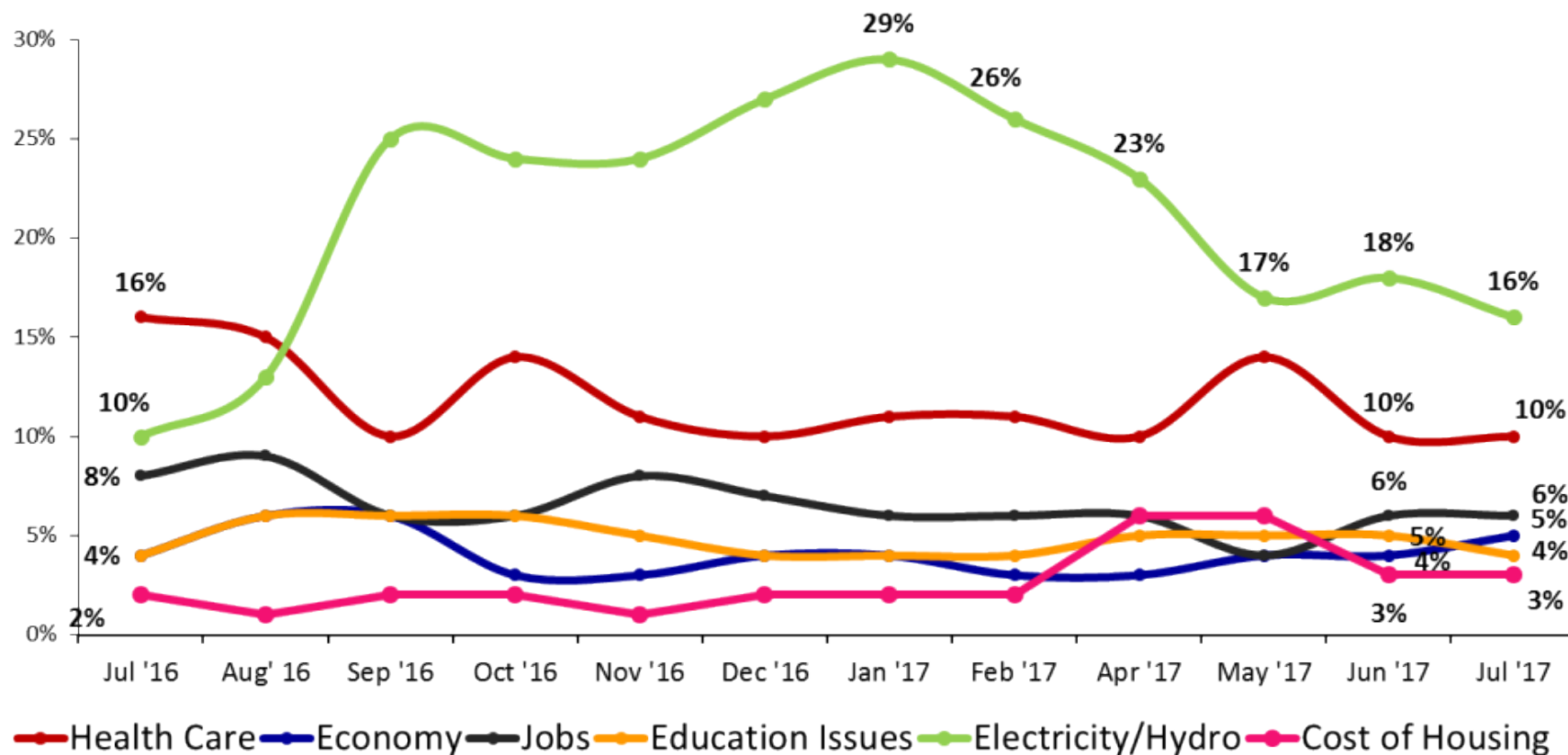
Communications Update

Context

- Since 2006, electricity prices in Ontario have risen considerably. These costs have drawn criticism from ratepayers, industry, media and political critics.
- Government took action:
 - September 2016, introduced an 8% rate subsidy for residential, farm and small businesses, taking effect on Jan 1, 2017.
 - March 2017, introduced Ontario's Fair Hydro Plan (OFHP) reducing electricity costs by 25% on average beginning July 1.
 - Other elements include:
 - rate increases held to inflation for four years;
 - new cost mitigation for some rural customers, on-reserve First Nations communities and low-income customers;
 - The cost of social programs moved to the tax base.
- The intention was to bring rate relief immediately, and to more fairly and evenly share the cost of system improvement across generations - costs would have to be recovered, creating bill increases over time.
 - Media coverage of the OFHP has been neutral-to-negative in tone, focusing in large part on a leaked draft price forecast that showed a significant rise in electricity bills in coming years. Reports had rates rising by 6.5% a year from 2022-27, and up to 10.5% in 2028.

Context cont'd

- Electricity issues continue to be most top of mind, but seem to have plateaued since May



Communication Goals

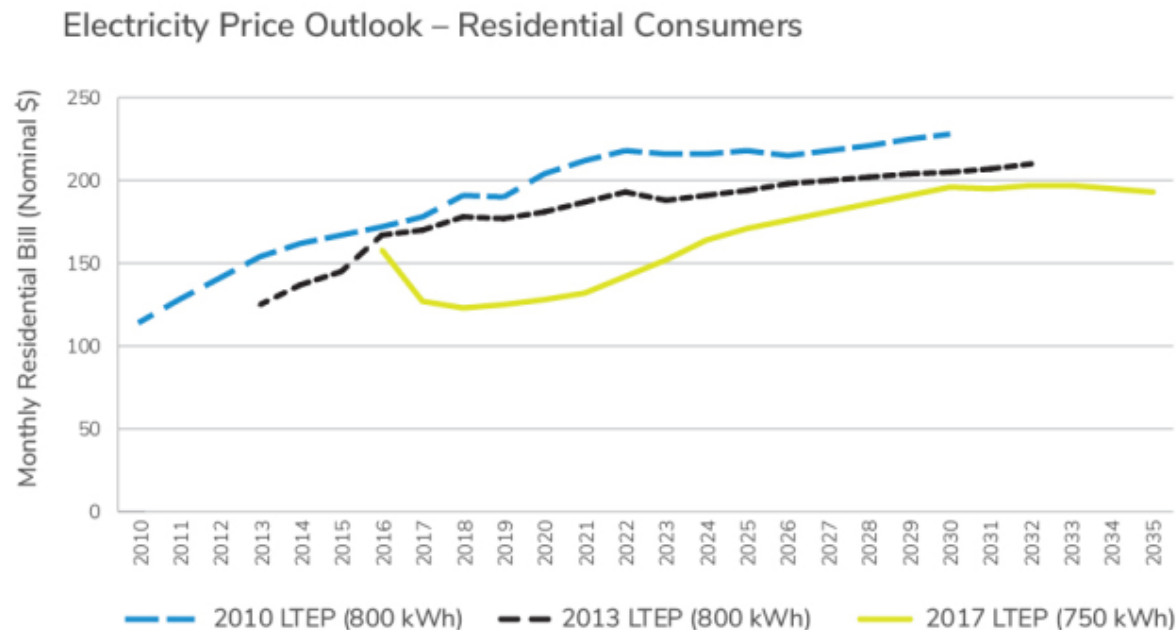
- Publish the 2017 LTEP in accessible formats targeted to stakeholders and ratepayers
- Recognize contributors and echo their feedback
- Sustain positive relationship with energy sector stakeholders
- Mitigate risks
- Be relevant - Tell stories. Stay local.

Good News Stories in the LTEP

- There are a number of good news stories in the LTEP that the Ministry plans to leverage going forward, including:
 - Grid modernization and enhancement of the Smart Grid Fund
 - A strengthened commitment to energy conservation and efficiency
 - Expansion of net metering
 - Innovative electricity price plan pilots
 - Supporting Indigenous capacity and leadership
 - Modernizing the utility business (bill redesign, efficiencies/red tape reduction, accountability)
 - Protection of consumers through enhanced regulation of unit sub-meter providers

Challenges for the 2017 LTEP

- The 2017 LTEP will draw public criticism, despite the substantial amount of good news in its actual content.
- The likely most contentious item included in the 2017 LTEP will be the forecast residential electricity bill curve:



Source: IESO, Ministry of Energy

Risk: Forecast Electricity Bills Curve

- The residential electricity bill forecast includes OFHP impacts, and is better than the leaked draft reported in media earlier this year.
- Nevertheless, the forecast of a steadily increasing bill out to the early 2030s still presents a significant communications challenge, and the Ministry expects this item to dominate initial media coverage of the LTEP, overshadowing the near-term drop in bills and other good news.
- While the near-term shows the substantial drop in prices as a result of Ontario's Fair Hydro Plan, the medium-term (2021-2027) sees consistent and significant annual increases in bills, of approximately 5% on average per annum, and between 2021 and 2030, prices are forecast rise ~50%.
- This takes bills up higher than they were prior to the launch of the OHFP. The forecast then shows bills remaining at that level for the rest of the forecast period.

Strategies and Messages

Primary Strategies

- Create and execute a modest multi-platform strategic communications plan.
- Assure Ontarians the government has established a clean, reliable and affordable energy system that is ready for the future.
- Return to first principles of Ontario's Fair Hydro Plan and its necessity in response to negative coverage on the cost curve.
- "Loop back" with consultation participants.
- Deliver targeted messaging by telling stories locally, where they matter. Decouple them from "LTEP".

Key Messages

- The 2017 Long-Term Energy Plan is a road map that sets out the direction for Ontario's energy future for the next 20 years.
 - We engaged with and listened to Ontarians in the development of our plan.
 - What we heard has led this LTEP to be focused on the consumer while ensuring a reliable and innovative energy system.
- We have made necessary investments in the energy system that are benefitting Ontarians and will serve for generations to come.
- Ontario's grid is ready for the technological innovations coming to the energy sector.
- Our success in building a clean and reliable electricity system means we can maintain our focus on helping Ontarians and their families.
 - We have already taken steps through Ontario's Fair Hydro Plan to make the electricity system as affordable as possible.
 - We are striving to give consumers more choice in their energy use.
- This long term energy plan delivers fairness and choice to help Ontarians adjust to a rapidly changing energy future.

Risk Management Strategies: Forecast Bills

- Acknowledge that bills are going to rise but clarify that government has a plan to moderate this.
- Convey sensitivity to the cost pressures on Ontarians that existed prior to the OFHP, and the need for immediate action at that time.
- Stress that the forecast is lower than was made public in May, and that work on finding cost savings continues.
- Develop an optimistic message track leaning on the immediate and medium term benefits that the OFHP has brought for Ontario families, farms and small/medium businesses. Remind consumers of the immediate relief they are feeling now.

Messages: Forecast Bills

1. The government heard you, and took action.

- Ontarians said that their electricity bills were too high. Relief was needed and something had to be done right away.
- We have spread out the costs of Ontario's clean energy investments over a longer period of time to allocate the costs of these investments more fairly among current and future ratepayers.
- The government delivered the Ontario Fair Hydro Plan as of July 1, 2017, to save Ontario families, and as many as half a million farms and small businesses 25% on average on their bills.

2. We've been clear all along. Down the road, rates will have to rise, but we are driving savings every day.

- Ontario has already taken a number of actions to lower electricity costs and we've found billions of dollars in savings for all consumers by:
 - Not going ahead with building new nuclear generation; starting the refurbishments at Bruce in 2020 instead of 2016;
 - Adopting new electricity market approaches that will improve cost effectiveness and efficiency.
- Over the coming years, Ontario will continue to drive costs out of the electricity system:
 - The Minister of Energy directed the IESO to reform the energy market and find efficiencies and cost savings. An independent third party report estimates that benefits from IESO's Market Renewal could reach up to \$5.2 billion over a 10-year period beginning in 2021.
 - Future innovations will also bring savings opportunities.
- The 2017 LTEP bill forecast is lower than the one in the 2013 LTEP thanks to our cost cutting efforts.

Messages: Forecast Bills (cont'd)

3. **The government will continue to protect lower-income, rural and remote families with programs like the Ontario Electricity Support Program (OESP), Distribution Rate Protection and the First Nations Delivery Credit.**
 - We increased the eligibility criteria and monthly OESP on-bill credits (between \$40 and \$75) to the most vulnerable among us who need a helping hand.
 - Ontarians living in the most remote communities, where power is expensive, are supported through lowered delivery costs.
 - On-Reserve First Nations families are already saving almost \$1,000 per year.

4. **Conservation Programs for residential and business customers continue to provide customers with opportunities to manage their energy use and find energy cost savings.**

Tactics: Overview

Section	
LTEP Document	Hard copies of LTEP book PDF version available online Fully accessible HTML version available online
Supporting Materials	Consumer-focused summary brochure Postcards (by audience): - General - Indigenous - Residential Consumers - optional - Business – optional
Media Kit	News Release Backgrounders: - General - Consumer-focused
Social Media	Supporting materials on ministry social media channels (e.g., Twitter, LinkedIn, Facebook)
Evaluation	Media coverage analysis Social media and digital engagement stats Tone of incoming correspondence

Proposed Launch Event

- The launch date for the LTEP is still being determined, but at this point is likely in late October/early November. ENERGY is working with CO/PO to settle on a specific date.
- The launch of the LTEP would include:
 - A technical briefing for media, led by DM/ADMs, with IESO and OEB present, of approximately 30 minutes in length.
 - Following the technical briefing, the Minister would deliver brief remarks, and then take questions from the media, supported by ADMs.
 - Stakeholders would be able to remotely view the technical briefing from a nearby room, but not participate.
 - Location: 900 Bay
- Once the Minister has made the remarks, the LTEP would go live on the website, and the News Release would be distributed.

Correspondence

- In 2013, the LTEP was sent to about 1,700 recipients with a cover letter:
 - This included municipalities, stakeholders, LDCs, Indigenous groups, libraries, MPs, MPPs and provincial energy ministers.
 - There were 12 different versions of the letter, plus five personalized versions for specific recipients.
- For the 2017 LTEP, the Ministry proposes to:
 - Update the mailing list
 - Refresh cover letters
 - Send the cover letter with the highlights brochure and a link to the full book
- This option would cut costs, ease logistics and is environmentally friendly.

Implementation Directives and Plans

Implementation Directives

Legislated Process, *Electricity Act, 1998, s. 25.30*

The Minister of Energy may issue a Cabinet-approved directive to the IESO/ OEB setting out the government's requirements for LTEP implementation and the date by which the IESO/OEB must submit an implementation plan to the Minister. Amendments require Cabinet approval.

- Subject to Cabinet approval, implementation directives will be issued to IESO and OEB when the LTEP is released.
- The Ministry received Cabinet approval on the general directive content on July 26, 2017. The Ministry will table the directives for final Cabinet approval in October along with the LTEP document.
- The directives only cover new initiatives that fall within IESO and OEB mandates. This means not all 2017 LTEP policies are covered in the directives.
- The directives require the IESO and OEB to engage with stakeholders, Indigenous communities and the public on their implementation plans as required.
- Initiatives from the directives can be found in the Appendix.

Implementation Plans

Legislated Process, *Electricity Act*, 1998, s. 25.31

The IESO/OEB, within the time specified in the directive, submit to the Minister an implementation plan containing an outline of the steps the IESO/OEB intend to take to meet the requirements set out in the directive.

- The IESO and OEB have begun preliminary work on their respective plans. The two agencies are working together to identify opportunities for coordination on shared directive items and to make sure the level of detail in their plans is consistent.
- Both agencies indicate that they plan to engage with stakeholders on their implementation plans through existing channels (e.g., Stakeholder Advisory Committee)
- Both agencies expect their implementation plans to be shorter in length and more targeted at stakeholders compared to the LTEP document. The plans will focus on “how and when” the agencies will address the directive items.

Late October 2017 (TBD)

Minister of Energy issues Cabinet-approved directives to IESO and OEB.

Directives will set a date for implementation plans to be submitted.

November 2017

IESO and OEB develop implementation plans to meet requirements of directives.

IESO and OEB engage on the plan as required.

Late December 2017

Implementation plans submitted to Minister of Energy for approval.

Next Steps

Next Steps

- Design firm will continue to layout/finalize the LTEP document.
- Ministry will table the LTEP and implementation directives for Cabinet approval on October 25 (TBD).
- Ministry will prepare communications materials and launch the LTEP the week of October 23.
- Ministry will prepare for communications post LTEP launch.
- OEB and IESO will submit implementation plans at the end of December.

Appendix- Implementation Directive Content

IESO direction

- The IESO directive includes the following items:

1. Support Indigenous Capacity and Leadership

- Report on options to improve conservation programs for First Nations and Métis.
- Evolve support programs offered to Indigenous communities and organizations to better align with community needs and interests.

2. Encourage an Innovative Sector

- Develop a program to select and support the strategic deployment of innovative, renewable distributed generation demonstration projects, including virtual net metering demonstration projects.
- Work with OEB to identify barriers to entry for storage facilities and identify appropriate mitigation strategies.

3. Deliver a Flexible and Efficient System

- Develop a formal bulk system planning process. Process will consider a coordinated approach to replacing transmission assets at end of life.
- Develop a competitive transmitter selection or procurement process. Identify specific pilot projects to be used to develop the competitive transmitter process.
- Review the regional electricity planning process and report back with options to address challenges and opportunities.
- Review the technical criteria used to assess customer reliability for the purposes of identifying and evaluating the need for and effectiveness of local area enhancements.

IESO amending direction

- Some 2017 LTEP policy initiatives require amendments to previous directions to the IESO. Prior to the LTEP release, the Minister of Energy will issue an amending direction to the IESO, which requires Minister of Energy approval, to achieve the following objectives:
 - 1. Behind the Meter Generation Policy (Conservation program alignment with climate change goals)**
 - Exclude BMG generation projects that use supplied fossil fuels as a primary fuel source from eligible conservation and demand management (CDM) activities where the application is received by the IESO after July 1, 2018.
 - 2. In-Front of the Meter Conservation**
 - Allow reduced electricity consumption resulting from any measures a distributor uses to maximize the efficiency of its new or existing distribution system infrastructure to count towards a Distributor's CDM Target, to be recovered through the Distributor's Conservation and Demand Management (CDM) Target.
 - Require the IESO to annually report on the verified CDM results of distribution system energy efficiency.
 - 3. Indigenous programs**
 - Various changes to past directives to make language consistent with current policy.

OEB directive

- The OEB directive includes the following themes:

1. Delivering Efficiency and Value

- OEB to examine opportunities to strengthen utility accountability and reporting related to service issues including reliability.
- Examine cost effectiveness of modernizing and removing barriers in Ontario's electricity sector including in front of the meter conservation and non-wires solutions (conservation and demand response, distributed generation).
- On receipt of recommendations from the IESO, identify steps to implement changes to improve utility regional planning processes.
- Identify steps for encouraging a coordinated approach to replacing transmission and distribution assets at end of life.

2. Ensuring Affordable and Accessible Energy

- OEB to examine tools to mitigate costs for ratepayers.
- Protect consumer in the natural gas sector.
- Reduce costs and find efficiencies in the distribution sector.
- Strengthen consumer protection related to unit sub-meter providers.

OEB directive (cont'd)

3. Enhancing Commitment to Energy Conservation and Efficiency

- OEB to move forward with regulated price plan roadmap and consider pricing structures that give consumers control and be able to respond to pricing signals.
- Enhance energy literacy in the energy sector.

4. Responding to Climate Change Challenge

- OEB to provide guidance to utilities on approaches for integrating cost effective opportunities for climate change adaptation.

5. Encouraging an Innovative Sector

- OEB to work with utilities for encouraging a culture of innovation in the distribution sector and provide opportunities for utilities to raise profile of their modernization and innovation plans.

OEB amending directive

- Some LTEP policy initiatives require amendments to previous directions to the OEB. Prior to the 2017 LTEP release, the Minister of Energy will issue an amending directive to the OEB to achieve the following objectives.

1. **Enhancements to Conservation Demand Management (CDM)**

- The OEB will annually review and publish the verified results of measures used by a Distributor to maximize the efficiency of its new or existing distribution system infrastructure, where the resulting electricity reductions are counted towards the Distributor's CDM Target.
- Exclude BMG generation projects that use supplied fossil fuels as a primary fuel source from eligible CDM activities where the application is received by the IESO after July 1, 2018 .