Remarks for

Hon. Glenn Thibeault, Minister of Energy

Economic Club of Canada

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*****Check Against Delivery*****

Good morning everyone.

Thank you Craig *[Stewart, Vice President Federal Affairs, IBC]* for that kind introduction.

It's an honour and privilege to address the Economic Club of Canada here in the nation's capital.

The National Podium of Record whose mandate is to educate, inspire new ideas, and discuss top-of-mind issues of the day.

I thank you for the invitation to join you here this morning.

Just over eight months ago I was appointed Minister of Energy.

In that time, I've had the benefit after many months of meetings, tours of our generating stations, a visit to our grid control centre, policy briefings, indigenous engagements, Cabinet meetings, and conversations with everyday Ontarians – I've come to respect the enormous complexity of the energy and electricity system in Ontario.

I’m excited at the level of hard work and innovation that is occurring each and every day in this sector - the research and development that’s improving the strength and reliability of our system is remarkable.
But I’ve come today to address the elephant in the room – electricity prices have become a major concern for Ontario ratepayers – families and businesses alike.

And our Government, led by Premier Kathleen Wynne is committed to doing more to address these cost pressures. I want to use my time today to provide my perspective, from the vantage point of Minister of Energy, as we prepare for additional rate mitigation and price relief.

I would like to address two key questions today.

First, how did we get here? What were the factors that lead to the price increases that have driven such concern?

Second, while our Government is committed to providing relief in the near term, what steps can be taken to ensure that we don’t create electricity price pressures again over the long term?

The answer to both lies fundamentally in the need to reform the way our Electricity Sector operates and how Government intersects with that Market.

So, firstly, how did we get here?

Prior to 2003, Ontario struggled with an outdated, unreliable energy system.

Most of us can remember the days of disruptive brownouts and blackouts in this province.

Imagine trying to run an automotive assembly line in Oshawa, or a software development company here in Ottawa, or a critical care hospital unit in my hometown of Sudbury under the threat of power failures.

Now, fast forward to the present, Ontario's energy supply is not only robust and reliable.

It's clean and green.

Prior to 2003, Ontario’s former Conservative Government made sure no new investments were made in electricity generation.
At a time when demand rose by 8%, local generation fell by 6% - the equivalent of Niagara Falls running dry.

During the 5 years of NDP rule, before that, no new supply was built and they cancelled money-saving conservation programs.

And after the unforgettable blackout in the summer of 2003, it was painfully obvious that Ontario was in desperate need of major investment in our energy and electricity infrastructure.

Investments were wide-ranging, and included more than $35 billion in cleaner generation, coupled with $16 billion in transmission and distribution-related upgrades.

Through determination and strategic foresight, Ontario stopped burning coal to make electricity – something other jurisdictions are just beginning to contemplate.

We don’t always fully appreciate the magnitude and enormity that Ontario’s coal closure policy had.

As a Province we took early action where others feared to tread and are only now beginning to move.

But coal closure came at a cost.

Other forms of generation are more expensive and while we were also engaged in a major refurbishment of our transmission and distribution infrastructure, the charges began to compound.

Having taken up a leadership position as a clean-energy power-house, in 2009 Ontario then began a renewable energy procurement regime – the Feed-in-Tariff (FIT) program that cemented our position as a green-energy leader.

It’s frustrating for me and for many in the renewable energy industries to hear media and pundits blame the *Green Energy Act* for the rise in electricity prices.

At its core, Ontario’s renewable energy procurements were absolutely the right policy.

In this case, however, it was the “HOW” and not the “WHAT” that drove price considerations. HOW we implemented those policies led to a number sub-optimal outcomes.

We removed competition within the electricity sector and offered an attractive, standard-offer rate to developers of large, utility-scale wind and solar installations. This made sense at the time, and we drove significant investment in the Province.

We now know that competitive tension within and among renewable energy developers could lead to much more attractive pricing.

As they say, hindsight is 20-20.

Fast forward to 2016: Ontario’s Large Renewable Procurement delivered steeply discounted prices for both wind and solar facilities and I want to congratulate both the renewable sector and the Independent Electricity System Operator (IESO) for running such an effective and efficient procurement.

At the same time as Ontario was concluding its coal-phase out and embarking on its renewable energy procurements, demand fell off a cliff.

The global recession in 2010 led to an immediate decline in electricity demand in Ontario. But not only that, as we emerged from that recession, our Provincial economy changed shape and is now using electricity differently than during previous economic cycles.

Simply put, Ontario's economy is more energy efficient.

Driven in part by innovation and conservation and in part by a re-focusing of industrial priorities to higher-end, advanced manufacturing and digital technologies – we're still using less electricity today than we were pre-recession, despite a growing economic base.

But the cost of Ontario's electricity assets are spread across all consumers. Meaning that, the impact of *growing* total system costs was amplified by *lower* consumption, Province-wide.

Answering my earlier question: how did we get here? I hope that you can now begin to see some of the factors that have driven the price increases over the course of the past decade.

Political decisions, by parties of all colour and stripe, gave rise to these challenges.

But let me be clear, it is our Government's intention to reshape the foundation of the electricity sector to ensure that more efficient and cost-effective decisions are made, going forward.

To that end, let's get to my second question: how do we change the system, going forward?

In the current model, the Ontario government arbitrarily mandates how much of our energy supply is derived from nuclear, natural gas, wind, solar and other sources.

In this day and age, with the level of innovation, pace of technological change – as well as the clear benefit to ratepayers from competitively procured resources; it is essential that we begin moving towards more "technology-agnostic" procurements.

Too often we, as Government, have sought to impose strict requirements on the system operator – our electricity sector experts at the IESO.

I think a better approach is to focus on outcomes, rather than contracting with specific technologies.

Moving to become technology-agnostic will open up new opportunities for innovation and modernization.

This means market reform.

We must unleash the electricity sector and our system operator (IESO) to find the appropriate mix to fulfil a capacity auction that would ensure that ratepayers receive the best prices possible.

Adopting this kind of approach will allow government policy makers to set high-level principles and priorities the people elect us to achieve– such as carbon neutrality – but avoid forcing specific supply mix choices.

What's more – I recognize that with the pace of technological change happening today – future capacity needs can, and will, be met by competitively priced innovations like demand response, storage and other conservation products.

Adopting a technology neutral stance will allow the IESO to take advantage of cutting edge innovations and engineering solutions that Ontario firms are engaged in today. It will help them make the leap to become global energy and electricity players.

Empowering today's energy consumer is another means of evolving our electricity sector for the road ahead.

I'm of the opinion that Ontarians should be able to purchase electricity based on the pricing plans that best suit their lifestyles.

A retired couple living on a fixed income in a Sudbury bungalow should absolutely be offered a different pricing plan than the young professional condo-dweller in Mississauga.

Empowering today's energy consumer also means actively addressing price concerns.

Our system is clean, safe and now, even more reliable than ever.

But it’s essential we take the next step and address the affordability of our system.

Last fall, Premier Wynne made it clear that we would do exactly that.

We took immediate action, removing all provincial taxes from electricity bills – saving five million families, farms, and small businesses 8 per cent on each monthly bill.

And we suspended the second-phase of the Large Renewable Procurement, recognizing that Ontario has a strong supply of clean electricity – and will save $4 billion by doing so.

We also reached a landmark electricity trade agreement with Quebec last fall, importing enough energy each year to power the city of Kitchener for a year, while saving an additional $70-million over the term of that agreement.

These actions were a first step in an ongoing effort to put downward pressure on the price of electricity, and put more money back in the pockets of families and businesses in this province.

Since that time we have also been working day-in and day-out to bring forward an updated plan that will deliver on our Government's commitment to do even more to lower electricity rates, and do so in a sustainable way.

Now, in the shadow of Parliament Hill, it would be relatively easy and politically expedient for me to announce that when it comes to electricity prices – "Zap, they're frozen".

But that would be just a short term fix.

Eventually someone needs to do the heavy-lifting of reforming the electricity marketplace.

In the coming weeks you're going to hear more about our plan, how it will impact businesses and families, and most importantly, how it will provide structural changes that ensure both immediate as well as lasting relief.

My goal this morning was not to tease you with our pending announcements.

Rather, I wanted to be frank with you about the factors that gave rise to our current position and seek your support, going forward, as Ontario tackles the necessary and important wholesale market reform initiative that we must take – to fix the foundation of the electricity market, for the next generation.

As I have grown to understand this portfolio and the important role that each of you play in Ontario's electricity sector, I'm even more excited today than I was the day Premier Wynne called to invite me to join her Cabinet.

I'm excited to set the framework for a renewed and reformed market, with enhanced competitive procurements.

And I'm particularly excited at the opportunity we have to enable enhanced end-customer engagement and choice.

Many of you have spent a lifetime – your careers – in the energy or electricity sector.

You've seen change and you've adapted before.

While the pace and scope of change that we are embarking on may be different today; driven by new technologies and ideas, it will fundamentally come down to our ability to work together.

Collaboration. Communication. And consultation will define our approach.

But changes are coming and we need to work together to get this right.

Thank you very much.