Long Term Energy Plan | Policy & Program Cabinet Submission
Draft Minister's Remarks | 26 July 2017

Good Afternoon:

The Ministry of Energy is reporting into Cabinet today to present the policy and program initiatives that will be associated with the 2017 Long Term Energy Plan.

To better understand this submission, it's best to explain what it is not.

This is not the final LTEP submission.

This submission does not include the final supply, demand, emissions and price projections that we know will form the most politically sensitive components of the next Long Term Energy Plan.

Owing to the significant changes associated with electricity sector economics, due primarily to the implementation of the Ontario Fair Hydro Plan earlier this summer, the final residential and industrial price projections work will take a while longer to complete. It is anticipated that this analysis and projection will be ready in time for the late August Cabinet meeting.

At the same time, however, the Ministry of Energy has been working with stakeholders and partner Ministries to develop the policy and program initiatives that will be launched as part of the next LTEP.

Therefore, this presentation represents a detailed compilation and description of each of those initiatives and program areas that will be spoken to in our final document.

I appreciate a lot of content is included in these pages, so Cabinet will be pleased to learn that I don't intend to walk though each initiative in detail.

However, I would like to take a few moments to speak to the overall themes of the next Long Term Energy Plan and also highlight the initiatives that will require legislative amendments or fiscal support.

First, if you turn to SLIDE 5, you will notice that we have selected a title and design for the next LTEP. In 2013, our title was "Achieving Balance", and for 2017 we have selected "Delivering Fairness & Choice".

While at a high-level, these are certainly just document titles, but at a core policy level, underpin our goals, objectives and themes.

The theme of "Delivering Fairness & Choice" is ultimately to put the customer (and by that I mean all customers: residential, commercial & industrial ratepayers) at the very core of our

thinking. We need to ensure that they are first and foremost in our thoughts when taking any decision as it pertains to energy and electricity policy.

Fairness – delivering on our Government's hydro plan, but also going forward, with procurement decisions that reward those who can mitigate or reduce electricity rates.

Choice – enabling the innovations and technological modernization that we see coming in the years ahead.

The electricity sector today is in a state of near constant evolution. New technologies and novel innovations are emerging at all junctures of the electricity grid. From smart thermostats that can predict when you are due to arrive at home, thereby modulating home heating and cooling to save money and improve comfort. To new and emerging energy storage and conservation technologies that can reduce system costs, improve utilization of bulky historical assets like hydro power.

Each stage of the energy sector "food chain" is evolving.

In a very real way, the electricity sector may now be at a point which the telecommunications companies occupied in the late 1980's.

Technological innovations and customer demands for better services and products are driving a remarkable pace of change.

To that end, our regulatory and public policy structures need to evolve as well, to keep up with this ever-changing marketplace.

To do this, we need to become less prescriptive and allow for innovators at all segments of the value chain to enter the energy market without an overly heavy-handed regulatory model. Also, this means that Government will need to take a step back from picking specific technologies, winners and losers, and allow for a more dynamic and innovative approach.

At the same time, we should focus public policy attention on the important outcomes that we want to achieve : innovations that drive down costs and carbon emissions should be encouraged through a collaborative regulatory process.

Local Distribution Companies that can lower electricity costs through innovation as opposed to traditional "poles and wires" approach should not face financial disincentive owing to a regulatory model stuck in the 1980s.

These are the core themes of the next Long Term Energy Plan, and the balance of our submission outline the range of approaches that our Ministry is taking to support these goals.

Next, I'd like to take a few moments to outline the policy items that will require additional legislative amendment.

Specifically, these are "net metering" and "green-button standards"

Net Metering represents the next phase of the evolution of renewables in Ontario.

While the standard offer, Feed in Tariff program secured Ontario's place as a leader in renewable electricity generation, we now know that it lead to sub-optimal pricing and siting considerations.

Net Metering is an evolution of this renewable regime that puts a stronger focus on customer considerations and has been driven by technological innovation.

Today, if a residential customer participates in the rooftop solar program, they receive a bill from their local distribution company for the electricity they consume and a cheque from the IESO for the electricity they generate.

Net Metering collapses these two, currently separate transactions, into one.

In the future, a net metered home, with rooftop solar will directly displace the individual residential electricity demand first, before sending surplus into the local distribution grid. The home remains connected to the distribution grid, to draw down power overnight or on cloudy days. In periods of surplus, such as middle of the day, when homeowner may not be around, the income from that electricity generation would directly off-set their electricity bills for the use consumed overnight.

Net Metering allows for an evolution of the relationship between the residential customer from traditional consumer allowing them to act as a producer as well. In the electricity sector, the term "pro-sumer" has been coined to define this new approach.

Costs will go down, because the responsibility for renewable energy build will be with the customer whereas the FIT program effectively paid a higher price per kilowatt hour to drive uptake, net metering allows consumers to lower their electricity use over time, effectively by self-producing.

Like investing in a new high-efficiency furnace or appliances, the up-front costs are the responsibility of the rate-payer, and will lead to an economic pay-back period that is unique to essentially each consumer.

The Ministry of Energy will need to update the legislative framework for net metering to allow for enhanced programs and choice for customers to participate in this kind of innovative approach.

The second legislative update proposed has to do with the ongoing data collection and information sharing of consumption patterns.

The "Green Button Standard" is an established North American technological standard for electricity utilities to collect, aggregate and share useage data gathered from customers.

Think of it as a rule-book to govern the warehouse of data collected from each smart meter.

As more and more customers demand ever increasing programs and services from their local distribution companies, this requires the capacity to access our own electricity use data, collected on our behalf.

Being able to access our own data would allow individual customers to feed this information into a growing set of digital applications that can help guide further cost savings, conservation and home comfort.

In order to enable this growing set of apps, a standard form of data needs to be regulated across all energy companies – and the Green Button is that standard.

The Ministry of Energy has worked with stakeholders as well as the Information & Privacy Commissioner to ensure that this approach is most appropriate for today's marketplace. If anything, the adoption of a province-wide standard is a pressing need to ensure that information privacy and customer confidence can remain strong as more and more information becomes digitally available.

Both Green Button and Net Metering Legislation will proceed to LRC later this summer and it is the intention that these minor legislative updates could be folded into other legislation already planned for the fall session.

Finally, I'd like to conclude my presentation with a focus on a minor, yet important fiscal ask that the Ministry of Energy is making to include in the next LTEP.

$70-million over 5 years is proposed to help fund two programs.

First – we are asking for $60-million over 5 years to help re-launch the "Smart Grid Fund" which concluded two earlier rounds of innovation funding last year.

The Smart Grid Fund specifically targeted innovators in the energy and electricity space that were exploring new and dynamic technological, programmatic and digital methods to help evolve the electricity marketplace.

Innovative technology companies, located in Ontario, have been born our of our earlier investment of $50-million – first launched in 2011.

It is our Ministry's contention that we should continue to support emerging technologies and digital systems that can ultimately help drive customer choice and ratepayer savings.

Second – a $10-million International Energy Demonstration Fund is a new program that would be devoted to helping support Ontario firms that are ready for export potential.

We know that renewable energy firms and those engaged in emerging energy storage and conservation technologies can often find it difficult to make the leap to international markets.

Working with stakeholders and partner Ministries, this fund would specifically target Ontario-based technologies that are primed for export potential that just need an extra boost or support to make it possible.

With both of these funding requests, Energy intends to track to Treasury Board later this summer, with the goal of including these programs in the final Long Term Energy Plan, upon release.

Ontario's energy and electricity sector has been on a remarkable journey over the course of the last decade.

We closed coal and went from last to first in Canada with regards to renewable generation.

We helped to incubate and develop new conservation and demand management technologies owing to our adoption of smart meters.

And, more recently, we've taken the necessary steps to more fairly allocate the costs associated with the electricity sector with the Ontario Fair Hydro Plan.

This next LTEP isn't likely going to signal the need for any new generation requirements, that doesn't mean that the policy document isn't an exciting and challenging product.

Driven by innovation and customer demands, the traditional electricity sector is going to need to adapt to serve the needs of consumers better.

It is the intention and mandate of the Ontario Ministry of Energy to ensure that we can help create the conditions for success for those innovations, and always keep an eye on customer bill impacts.

Next month, we will return with the final supply, demand, emissions, and price forecasts – but for today our goal was to present the framework and companion pieces that would ultimately be associated with the next Long Term Energy Plan.

Thank you for your attention and we'd be pleased to answer any questions that you might have at this time.