MEETING NOTE

NAME OF ORGANIZATION: Association of Power Producers of Ontario

DATE/TIME OF MEETING: November 20, 2017

LOCATION OF MEETING: Westin Harbour Castle

ATTENDEES: **Minister of Energy**
Glenn Thibeault, Minister of Energy

Association of Power Producers of Ontario (APPrO)
Dave Butters, President
TBC

AGENDA ITEMS:

1. Market Renewal
2. Ontario-Quebec Electricity Trade
3. 2017 Long-Term Energy Plan

NOTES ON AGENDA ITEMS:

1. Market Renewal

- The Market Renewal program will result in a more efficient, stable marketplace with competitive and transparent mechanisms that meet system and participant needs at the lowest cost.

- It will also help prepare Ontario for the future by creating a framework for effectively incorporating new and emerging technologies.

Suggested Response:

- **We support the Independent Electricity System Operator's (IESO) Market Renewal** initiative **as an opportunity to improve the efficiency and operation of the electricity system and prepare for future changes.**

- **Given APPrO's significant participation on the Market Renewal Working Group, what do you see as the main barriers to success for the initiative?**

Background:

- The IESO's Market Renewal initiative is aimed at renewing the foundations of Ontario's electricity markets. Market Renewal initiatives will address known issues with the current market design.

- The Market Renewal initiative consists of three distinct work streams:

  Energy: reduce cost and gain efficiency through a single schedule system and a day-ahead market;

  Capacity: reduce cost of resource procurement through capacity trade and an incremental capacity auction; and

  Operability: increase flexibility through more frequent intertie scheduling.

- The IESO will continue its work on the design of mechanisms for these streams in order to maximize the benefits to the system while ensuring reliability and affordability.

- This undertaking is expected to save up to $5.2 billion between 2021 and 2030 and forms a key component of the government's plan to bring down the cost of electricity.

- While Ontario currently has a strong supply of electricity, a shortfall in capacity is expected beginning in the early- to mid-2020s due to nuclear refurbishments at Darlington and Bruce, and as Pickering Nuclear Generating Station reaches its end of life. This need for additional capacity will be met through initiatives under Market Renewal, such as the incremental capacity auction.

- Through the Market Renewal Engagement, IESO is working with stakeholders on renewing Ontario's electricity market design including the development of an incremental capacity auction.

  Incremental capacity auction design decisions in the Market Renewal have yet to be finalized. These decisions include auction mechanics, resource eligibility and performance considerations, and the shape of the demand curve.

  Stakeholders are currently providing feedback on initial design concepts for an incremental capacity auction – decisions on design are expected in Q2 2018.

2. Ontario-Quebec Electricity Trade

- Ontario regularly trades electricity with Quebec on the open market on a non-firm basis and has entered into electricity trade agreements with Quebec in recent years.

Suggested Response:

- **While Hydro Quebec proposed an enhanced, long-term electricity trade agreement with Ontario on June 22, 2017, no new agreement has been reached.**

- **Ontario has been clear on its requirements for any enhanced trade agreement with Quebec.**

- **The agreement must include firm capacity, reduce greenhouse gas (GHG) emissions and result in savings for Ontario consumers.**

Background:

- On December 15, 2016, a historic electricity trade agreement was finalized between IESO and Hydro Quebec Energy Marketing Inc. (HQ).

- On June 22, 2017, HQ provided a formal proposal for an enhanced, long-term electricity trade agreement with Ontario that would replace the 2016 ON-QC agreement. See Appendix for more information.

- On July 27, 2017 Minister Thibeault sent a letter to Minister Arcand setting out Ontario's response to the HQ proposal. The letter states that to achieve an enhanced trade agreement that is in the best interests of ON's ratepayers and its electricity system, a proposal would need to meet the following three principles:

  - Include firm capacity that can be counted towards meeting ON's resource requirements;

  - Support the shared goals of carbon reduction by targeting domestic natural gas generation and demonstrate measurable reductions in GHG emissions; and

  - Demonstrate that the proposal is cost effective and provides a reduction in Ontario electricity costs when compared to other supply alternatives.

- On August 11, 2017 a term sheet prepared by Infrastructure Ontario (IO) and IESO was shared with the Government of Québec and HQ. See Appendix for more information.

- QC did not respond to IESO's counter proposal by the deadline of September 29, 2017.

- While negotiations have come to an end, the provinces could continue to meet periodically for information sharing and discussions on projects of mutual interest.

3. 2017 Long-Term Energy Plan

Suggested Response:

- **The 2017 Long-Term Energy Plan (2017 LTEP), Delivering Fairness and Choice, focusses on energy affordability, innovation and customer choice.**

- **The 2017 LTEP is a road map that sets out the direction for Ontario's energy future. Developing the LTEP was a collaborative process. The Province engaged with Ontarians to develop the plan**
- **The Ministry received over 1,500 submissions through the Environmental Registry, and over 2,500 submissions through the online Talks Tool as well as other channels.**

- **The Ministry of Energy developed the 2017 LTEP using information provided in the technical reports, and reviewed engagement feedback.**

2017 LTEP Key Initiatives:

- **Ontario's Fair Hydro Plan lowered electricity bills by 25 per cent on average for residential consumers, and will hold rate increases to the rate of inflation for four years. As many as half a million small businesses and farms are also benefitting from the reduction.**

- **The Ministry will work with its agency partners to enable utilities to modernize their businesses and electricity grids, with the goal of creating greater efficiency, reducing costs, and providing customers with more choice.**

- **The net metering program will be enhanced to empower customers to participate in generating their own clean, renewable electricity and receive a credit on their electricity bills for any extra power they send back to the grid.**

- **Residential electricity prices over the 2017 LTEP outlook period are forecast to remain below the level forecast in the 2013 and 2010 LTEPs.**

BACKGROUND:

2017 LTEP Contents

- Based on engagement feedback, the Ministry identified a number of policy initiatives and directions for inclusion in the LTEP.

- Delivering Fairness and Choice was approved by Cabinet on October 25, 2017 and issued by the Minister of Energy on October 26, 2017.

- Forecasts and initiatives announced in the 2017 LTEP were spread across the following eight chapters:
    1. Ensuring Affordable and Accessible Energy
    2. Ensuring a Flexible Energy System
    3. Innovating to Meet the Future
    4. Improving Value and Performance for Customers
    5. Strengthening our Commitment to Energy Conservation and Efficiency
    6. Responding to the Challenge of Climate Change
    7. Supporting First Nations and Metis Capacity and Leadership
    8. Supporting Regional Solutions and Infrastructure

Enhancements since previous LTEPs

- The Ministry of Energy released two LTEPs previously, in 2010 and 2013. Recent changes mean the 2017 LTEP differs from the previous two iterations in a number of ways:
    - Development of the 2017 LTEP followed a new process, enshrined in legislation last year;

    - The 2017 LTEP is less prescriptive- further implementation decisions are being left to sector experts at the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB); and

    - It broadens its focus to include the fuels sector, in addition to electricity.

2017 Long-Term Energy Plan Process

- In 2016, the Ministry of Energy replaced the Integrated Power System Plan process as enshrined in the Electricity Act with an enhanced long term energy planning process to ensure that future LTEPs include the same level of content and are subjected to a consistent level of public engagement.

- The 2017 LTEP was developed as follows:

    1) On June 10, 2016 the Minister of Energy requested that the IESO prepare a technical report on the adequacy and reliability of electricity resources with

respect to anticipated electricity supply, capacity, storage, reliability and demand prior to the initiation of the LTEP.

2) The IESO submitted a technical report, titled the Ontario Planning Outlook, to the Minister on September 1, 2016.

   - This document served as a ‘starting point’ for the 2017 LTEP that informed the engagement process.

   - While not required by legislation, the Ministry of Energy hired Navigant Consulting to prepare a fuels technical report. This was released on the Ministry’s website on September 30, 2016.

3) The Ministry undertook an extensive consultation and engagement process beginning October 2016 and ending January 2017.

   - In support of Ontario’s Open Government Initiative, the Ministry of Energy engaged with relevant distributors, consumers, generators, transmitters, Indigenous communities and other persons identified by the Minister.

   - As required by the legislation, the Ministry of Energy promoted the participation of the public and stakeholders in the engagement process by posting information on and collecting feedback through the Environmental Registry, holding in-person sessions, and by making use of other online tools. Feedback received from engagement was considered by the Minister in developing the LTEP.

4) ENERGY developed the LTEP and released the document on October 26, 2017.

   - The Ministry developed the 2017 LTEP based on information in the technical reports and feedback received during engagement.

   - The LTEP sets out and balances the government’s goals and objectives respecting energy over a specified period of time.

   - The LTEP was approved by Cabinet on October 25, 2017.

   - The LTEP is available on a Government of Ontario website. Other information used in the development of the LTEP can be found on the IESO’s and OEB’s websites, as well as the OER website supporting the Open Data Initiative.

5) Implementation directives issued to IESO and OEB:

   - Cabinet-approved Lieutenant Governor-in-Council (LGIC) directives were issued to IESO and OEB on October 26, 2017 outlining requirements for the implementation of LTEP.

   - The Minister, subject to Cabinet approval, would be authorized to amend these directives as may be required.

6) IESO/OEB implementation plans:

   - The IESO and OEB will develop implementation plans containing frameworks that describe how best to implement the LTEPs goals and objectives.

   - Both implementation plans would be submitted to the Minister for approval.

7) Once implementation plans have been approved by the Minister, IESO and OEB will move forward with procurements and the development of programs or policies as identified in their implementation plans.

8) Outside of the LTEP process, the Minister could only direct IESO with respect to planning and procurements with LGIC-approval. The Minister retains scoped authority to issue directions (i.e. not approved by the LGIC) to IESO over the following matters:

   - Implementation of procedures for consulting Indigenous peoples or other persons on the planning, development or procurement of electricity supply, capacity, and transmission and distribution systems;

   - Establishing programs or funding to facilitate the participation and engagement of Indigenous peoples or other persons in the electricity sector; and

   - Undertaking reviews and providing information and reports to the Minister as required.

LTEP Consultation and Engagement

- The Ministry of Energy’s engagement phase for the Long-Term Energy Plan began on October 13, 2016 with the posting of a Discussion Guide, and a schedule of in-person engagement sessions on the Environmental Registry.

- The Ministry's posting was titled "Planning Ontario's Energy Future: A Discussion Guide to Start the Conversation" (registry #012-8840) and was open for a 64-day public review and comment period.

- The Ministry reviewed over 1,500 responses, which were used, along with feedback from the in-person sessions, to inform the development of the Long-Term Energy Plan.

- Ministry of Energy staff visited 17 communities across Ontario in October and November. At each location there was a stakeholder session as well as a public open house.

- The Ministry also held 17 parallel sessions in First Nations and Métis communities. The last one took place in January 2017.

- The Ministry reported back by releasing summaries of LTEP feedback to the public and to First Nations between April and June 2017.

    - The Ministry emailed a summary report to all First Nation session invitees and participants, and hosted an LTEP First Nation wrap-up event on May 17 2017.

    - The Ministry of Energy published an interactive story map on June 23, 2017 to describe the LTEP consultation and engagement process and summarize feedback .[1]

[1] *http://www.energy.gov.on.ca/en/ltep/ontarios-long-term-energy-plan-2016-2017-consultations/*

APPENDIX

Item 2. Ontario-Quebec Electricity Trade

- On December 15, 2016, an electricity trade agreement was finalized between IESO and Hydro Quebec Energy Marketing Inc. (HQ), Hydro Quebec's subsidiary. Key elements of the proposed agreement include:
  - Quebec to deliver to Ontario a minimum of 2 TWh of energy per year to displace natural gas-fired electricity generation during peak periods.
  - Ontario to continue to provide 500 MW of capacity to Quebec, as in the Seasonal Capacity Sharing Agreement. Instead of Ontario receiving the same capacity from Quebec at a later date, Ontario receives payment for the capacity starting December 2016.
  - Quebec to cycle/store Ontario's clean energy. This allows Ontario to send energy (500 gigawatt hours (GWh)) to Quebec in off-peak, low-priced/emitting periods and withdraw that energy back during on-peak, higher priced periods to help offset use of natural gas fired generation in Ontario.

- On June 22, 2017, HQ provided a formal proposal for an enhanced, long-term electricity trade agreement with Ontario that would replace the 2016 agreement.

  The new offer extends the agreement to a 20-year term, starting January 1, 2018;

  Under the proposed offer terms Ontario must take 8 TWh of energy at the contract price every year, whether or not the energy is delivered; and

  In contrast to the 2016 December Agreement, the proposed agreement does not target reduction in natural gas production and instead operates 24/7.

- On August 11, 2017 a term sheet prepared by IO and IESO was shared with the Government of Québec and HQ, which included:
  - 4 TWh of energy per year to displace natural gas-fired electricity generation during peak periods;
  - A 10-year term from January 2025 to December 2034, with provisions for unserved/untaken energy to be banked year by year and resolved in eleventh year;
  - 1,000 MW of capacity year-round for the 10-year period; and
  - Ontario to provide up to 500 GWh per year to Quebec to be stored; 300 GWh to be returned to Ontario per year.

- HQ did not respond to IESO's counter proposal by the deadline of September 29, 2017.