MEETING NOTE

NAME OF ORGANIZATION: Electricity Distributors Association (EDA)

DATE/TIME OF MEETING: Tuesday, May 2, 2017 / TBD

LOCATION OF MEETING: GHLO Boardroom (Room 223, MLB)

Purpose: To introduce the Board to the Minister and to discuss key issues of relevance to the distribution sector as related to the LTEP, the Fairy Hydro Plan, and overarching government policy and regulatory affairs.

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

EDA: **BOARD MEMBERS:**
Vinay Sharma, London Hydro Inc. **(Chair)**
Brian Wilkie, Niagara Peninsula Energy **(Vice Chair)**
Todd Wilcox, North Bay Hydro Dist. Ltd. **(Past Chair)**
Michael Angemeer, Veridian Connections
Bryce Conrad, Hydro Ottawa
Peter Gregg, Alectra Inc.
Robert Mace, Thunder Bay Hydro
Peter McMullen, Greater Sudbury Utilities
David Sinclair, Kenora Hydro
Ysni Semsedini, Festival Hydro
Art Skidmore, Halton Hills Hydro
Gerry Smallegange, Burlington Hydro
Ray Tracey, Western Essex Powerlines Corp.
Ruth Tyrrell, Georgian Bay, Orangeville Hydro Ltd.

STAFF:
Teresa Sarkesian, President and CEO, EDA
Justin Rangooni, Vice President, Policy & Government Affairs, EDA

Sussex Strategy:
TBD

LAST MEETING: The Minister of Energy, Hon. Glenn Thibeault met with the EDA on March 13, 2017**.**

AGENDA ITEMS:
- Update on Fair Hydro Plan implementation
- EDA Vision Paper and how it can fit into LTEP
- Regulatory Streamlining Recommendations (LTEP related as well)
- Update on Disconnections
- Recommendations re. Net Metering

NOTES ON AGENDA ITEMS:

1. Update on Fair Hydro Plan Implementation

- On March 2, 2017, the government announced a suite of new measures as part of Ontario's Fair Hydro Plan to reduce electricity bills for Ontarians.

Suggested Response:

- **Over the last decade the government has rebuilt our transmission and distribution grid, invested in clean generation, and closed the last coal-fired power plant. Prices have increased because our energy system is being transformed – more than $50 billion has been invested to modernize the electricity system.**

- **The government has heard from Ontarians across the province that the costs of these new investments have grown too quickly, which it is moving forward with a plan that would ensure costs are shared more evenly over the years ahead.**

- **Ontario's Fair Hydro Plan proposes new measures to lower electricity bills by 25 per cent on average for residential consumers and hold increases to the rate of inflation for the next four years, as well as initiatives to reduce costs for businesses. The plan includes the 8 per cent rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on all electricity bills.**

- **I look forward to the support of the EDA and its members in implementing these measures which represent the single largest electricity rate relief plan in the Province's history.**

Background:

- Ontario's Fair Hydro Plan includes:

- Refinancing the Global Adjustment (GA) over a longer time period. Electricity consumers that are eligible for the 8 per cent rebate would also be eligible for GA refinancing, including all residential consumers, farms, most small businesses, hospitals, long-term care homes and condominiums.

- Helping vulnerable electricity consumers by enhancing electricity support programs. Eligible consumers will receive additional funding through assistance programs including:

- Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and who have difficulty paying their electricity bills.
  - Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.
  - Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.
  - Establishing a new On-Reserve First Nations Delivery Credit.

- Expanding ICI to include smaller manufacturers and greenhouses between 500 kW and 1 MW, in addition to the large consumers over 1 MW who are already eligible.

- Shifting cost recovery for RRRP and OESP from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh.

- Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

- According to the EDA, implementing measures in 3 key areas would result in savings of over $290 million a year for Ontario ratepayers. Two of the three measures, transferring RRRP to the tax base and reducing regulatory burden, have been implemented as part of the Fair Hydro Plan.

- ENERGY staff have had preliminary discussions with EDA (Teresa Sarkesian) regarding the Affordability Fund principles. EDA has expressed support for the Fund and offered to continue to provide input as needed.

2. EDA's Vision to Connect

- The EDA released "The Power to Connect: Advancing Customer-Driven Energy Solutions for Ontario," as part of its LTEP platform.

<u>**Suggested Response:**</u>

- **As you know from our consultations, innovation and grid modernization are key priorities for the Ministry and the next LTEP.**

- **The EDA vision paper clearly demonstrates that innovation is top of mind for Ontario's LDCs.**

- **What steps can the Ministry take to help LDCs to further modernize how they manage their grids?**

Background:

- The *Power to Connect* is a broad, 15-year plan to modernize Ontario's distribution sector, which recommends transforming LDCs from distribution-only companies to owners, managers, and operators of distributed energy resources, such as energy storage and renewable generation.

- The report explains the steps to be taken by LDC's and regulators to integrate small-scale power generation and energy storage such as solar power, co-generation system and battery storage, known as distributed energy resources (DER), to allow for an efficient transition into a clean, distributed, and intelligent electricity grid.

- The EDA identified a number of barriers to realizing this vision, including the need for regulatory reform and a cultural shift within LDCs to encourage the innovation required to enable this vision.

- The vision paper states that the Ministry should recognize that LDCs are best to lead the transition to a modern grid, acknowledging their ability to leverage their existing customer relationships, expertise, brand recognition, and knowledge of their local distribution networks.

- The EDA's vision for what grid modernization means – creating a platform that can better manage, integrate, and optimize grid assets – aligns with Ministry analysis for next steps on modernizing the distribution sector.

- Some of the EDA's recommendations are similar to the grid modernization actions being considered for inclusion in the LTEP. This includes using OEB rate filings as a vehicle for LDCs to communicate long-term modernization plans.

3. Regulatory Streamlining and Efficiencies

- The EDA focused on 4 areas in which savings can be achieved:

    A. Revising the RRRP Program;
    B. Regulatory Modernization and Streamlining;
    C. Coordinating Billing Changes; and
    D. Phasing out the Smart Metering Charge

Suggested Response:

- **The government is tasking the OEB and the IESO with identifying opportunities to drive efficiency and productivity improvements in order to reduce costs passed on to customers.**

- **Areas of focus for the OEB include: encouraging shared partnerships between LDCs, reducing 'red tape' in the OEB's regulatory requirements and further driving transmitter and LDC efficiency and productivity improvements.**

- **The IESO will continue its Market Renewal Project that is intended to enhance the efficiency and performance of the wholesale electricity market design in three work streams: Energy Market, Capacity Auction and Operability. This is estimated to save $200 million per year starting in 2021**

4. Update on Disconnections

- On Thursday, February 23 2017 the OEB amended LDCs' licences to prohibit the disconnection of residential electricity customers for the remainder of the winter.

Suggested Response:

- **The government has made it clear that at no point, under any circumstances, should Ontarians be put at risk as a result of difficulties they are experiencing paying their electricity bill.**

- **I commend the LDCs who voluntary implemented policies to cease disconnection of their residential customers for the rest of the winter.**

- **The powers granted to the OEB as part of *The Protecting Vulnerable Energy Consumers Act, 2017*, will now formally enhance protection for customers struggling with bill payment and prone to particular vulnerability during the cold winter months.**

Background:

- On Thursday, February 16 2017 the Minister wrote to LDCs to request that they implement a voluntary moratorium on residential disconnections for the rest of the winter.

- On February 21, the EDA responded to confirm that many LDCs had implemented the Minister's request and to suggest that providing clarity to the sector on a numbers of issues identified by the EDA would expedite further LDC compliance.

    - Issues included: concerns regarding the impact on the financial stability of LDCs and socialization of higher levels of debt to other paying customers, the requirement for clarity regarding the application of other arrears management tools, confirmation of the customer types which the government sought to target, and clarification that LDCs could continue to disconnect vacant/derelict properties.

- As not all LDCs agreed to temporality cease disconnection of residential customers, on Wednesday, February 22 2017 *Bill 95 – The Protecting Vulnerable Energy Consumers Act, 2017* was introduced and later received Royal Assent.

    - This legislation gives the OEB additional powers to make rules or licence conditions respecting the periods of time during which gas or electricity utilities cannot disconnect electricity or gas service to low-volume consumers. For example, prohibiting disconnections during the winter months.

- On Thursday, February 23 2017 the OEB issued a Decision and Order amending the licences of all LDCs to ban the disconnection of residential consumers solely for nonpayment for the period through April 30, 2017, and to require that disconnected homes be reconnected as soon as possible at no charge.

- The OEB's Decision and Order also banned the installation of load limiting devices solely for nonpayment for the period through April 30, 2017, and requires that load limiting devices be removed from homes with devices currently installed as soon as possible at no charge.

- LDCs are required to report to the OEB on their progress in reconnecting or restoring full service to residential customers beginning on March 3 2017 and every 7 calendar days thereafter. The OEB has not set a deadline for the completion of this activity.

    - According to the OEB, as of February 23 2017 there were 930 residential premises disconnected and 3,000 residential premises with a load limiting device.

- The Decision and Order issued on February 23, 2017, indicated that the new license conditions are intended to be an interim measure, to cover the balance of this winter period. The Order indicated that the OEB is launching a comprehensive review of the customer service rules that apply to both electricity and natural gas distributors. Customer service rules relating to disconnection will be a key part of that review, and will be the subject of consultation with consumers, distributors and other interested stakeholders over the course of the coming months.

5. Recommendations re. Net Metering

- The EDA recommends that the Ontario government should:
  - In collaboration with the Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO), coordinate with Local Distribution Companies (LDCs) to streamline the integration of distributed generation in a way that does not compromise reliability or strand assets;
  - Immediately address regulatory issues and restrictions, such as allowing third party ownership of net metering projects; and
  - Provide certainty regarding funding, with a specific recommendation that the OEB should move to immediately complete the distribution rate design for commercial and industrial customers.

Suggested Response:

Distributed Generation Integration and Regulatory Issues and Restrictions

- **The Ministry of Energy is updating the net metering program in response to the 2013 Long-Term Energy Plan (LTEP) commitment to examine the evolution of the microFIT program to a net metering program. The updated program will support initiatives under the Government's 2016-2020 Climate Change Action Plan (CCAP).**

- **Since July 2015, the Ministry has been working closely with an Advisory Working Group comprised of representatives from several LDCs, the OEB, and the IESO to inform updates to Ontario's net metering framework.**

- **In February 2017, Ontario posted an amended Net Metering Regulation (O.Reg. 541/05) to e-Laws, which introduces several updates to the program, including removal of the 500 kW size restriction for net-metered renewable generation systems and clarifying the eligibility of energy storage used with renewable generation for net metering. The amendments will be in force July 1, 2017.**

- **The Ministry is currently examining potential additional program amendments related to third-party ownership of net metering facilities and virtual net metering models. In addition to the Advisory Working Group, it engaged with stakeholders and Indigenous groups on these potential updates over the Winter of 2017.**

- **I understand that Ministry staff met with your organization on March 14th as part of its targeted consultations on these potential additional amendments, in order to better understand regulatory and technical considerations for an expanded net metering framework. Stakeholder feedback at LTEP consultations in Fall 2016 identified the need to recognize and incorporate the opportunities and challenges associated with Distributed Generation (DG) into the next LTEP.**

Background:

Net Metering

- In February 2017, Ontario posted an amended Net Metering Regulation (O.Reg. 541/05) to e-Laws (part 1 changes). The program updates include clarification of the 12 month carryover period for bill credits, removal of the 500 kW project capacity size limit and enable pairing of energy storage with renewable energy systems. The amendments will come into force July 1, 2017.

- The Ministry is also examining potential additional program updates (part 2) related to third-party ownership and virtual net metering models. ENERGY staff have engaged stakeholders and Indigenous groups on these potential updates, including the Advisory Working Group set up in 2015 to advise on any amendments to Ontario's net metering framework.

- The intent is that the updated net metering program will support customer choice in generating clean, renewable energy, help reduce load on the electricity system and enable innovative technologies and customer-utility relationships.

APPENDIX:

1. Price Mitigation – Ontario's Fair Hydro Plan

- On March 2, 2017, the Government announced a suite of measures under Ontario's Fair Hydro Plan to reduce electricity bills for Ontarians.

- Pending legislation and regulation amendments, changes to implement elements of the Fair Hydro Plan would enter into effect in Summer 2017.

- Measures under Ontario's Fair Hydro Plan include:

Refinancing the Global Adjustment (GA)

- GA generally reflects the fixed costs of running Ontario's generation fleet, as well as the cost of conservation programs. The IESO calculates the amount of GA each month which varies depending on the Hourly Ontario Energy Price (HOEP).

- There is an opportunity to recognize the long-term benefit of Ontario's generation assets to the electricity system which extend beyond their 20 year contracts and "bring forward" that benefit for ratepayers today by deferring some of the current costs. GA refinancing would spread these costs over a longer period and provide immediate ratepayer relief.

- Under current forecasts, the immediate reduction in the GA would be about $2.5 billion per year on average over the first 10 years, with annual interest costs not exceeding $1.4 billion.

- The government intends to introduce legislation to enable the IESO and Ontario Power Generation to work together to finance the GA over a longer period of time.

Enhancing Electricity Support Programs

- Rural or Remote Rate Protection (RRRP) mitigates some of the high costs of electricity distribution for some customers in rural or remote areas of the Province. RRRP will be broadened such that customers with the highest-cost distribution rates will have their costs harmonized at the lowest level among the selected group of eligible LDCs. The enhanced program will benefit about 800,000 customers in total.

    - LDCs benefitting from the expanded RRRP include: Hydro One R2 and R1 customers, Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma. The benefits would differ from LDC to LDC.

    - The majority of RRRP costs will be moved to the taxbase which is projected to cost approximately $500M in the coming fiscal year.

- The Ontario Electricity Support Program (OESP) is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers by providing a rebate directly on bills. OESP will be broadened to increase program uptake and increase OESP credits by 50%.

  - Low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180), and the lowest credit for the enhanced scale (those with electricity heat, certain intensive medical devices and Indigenous people) would increase from $45 to $68 ($816 per year, an increase of $276).

  - Efforts to increase program uptake will involve streamlining the application process, increasing awareness of the program and exploring automatic qualification for customers enrolled in other low-income support programs.

  - OESP funding will be moved to the taxbase which is projected to cost approximately $185M in the coming fiscal year.

- An LDC “Affordability Fund” will be established to assist electricity customers who cannot qualify for low-income conservation programs such as the Home Assistance Program to carry out energy efficiency improvements.

  - The Province will work with Hydro One, in consultation with all other LDCs, to establish a Trust to serve as the administrator of the Affordability Fund.

  - The Province will pay for the Affordability Fund through provincial revenues.

- An On-Reserve First Nations Delivery Credit will be established whereby on-reserve First Nations residential customers (~21,500 customers) will receive a 100% credit on the delivery line of their monthly electricity bills.

  - The OEB estimates this would provide residential customers with an average monthly benefit of $85.

  - This program will be funded via the tax base at a cost of $20 million in the 2017-18 fiscal year.

- Combined, these measures will cost the government up to $2.5 billion over the next 3 years.

Future Rate Increases

- Any rate increases over the next four years will be held to the rate of inflation.

ICI Threshold Reduction

- The Industrial Conservation Initiative (ICI) allows large electricity consumers to lower their electricity costs by reducing their demand during peak hours. Reducing demand during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.

- Ontario is expanding the ICI program by reducing the threshold from 1 MW to 500 kW and targeting more small manufacturing and industrial consumers.

2. EDA's Vision to Connect

- In February 2017, the EDA released "The Power to Connect: Advancing Customer-Driven Electricity Solutions for Ontario," a broad, 15-year plan to modernize Ontario's distribution sector. The report notes:
    - Electricity distribution is transforming from a centralized one-way flow of power to a clean, decentralized and intelligent system that enables two-way power flow.
    - That distributed energy resources (DERs) – such as home-based solar, electric vehicles, energy storage, and microgrids – will increasingly become a part of Ontario's electricity landscape.
    - That LDCs are best suited to realize the full value of this shifting landscape, leveraging their existing assets and customer relationships.
- To this end, the EDA proposes that LDCs transform into "Fully Integrated Network Orchestrators" (FINO). As FINOs, LDCs will:
    - Create the grid modernization platform to enable DER connection into Ontario's electricity grids;
    - Fully integrate these DERs into their systems to realize their full value; and,
    - To an extent, control and operate these DERs.
    - In sum, the EDA sees LDCs transforming into small, local system operators, or "mini-IESOs."
- The EDA highlighted a number of barriers to realizing this vision, including:
    - A regulatory framework that needs to adapt to an energy future of two-way electricity flow and distributed energy;
    - Balancing the need for investment with keeping rates down and other customer needs;
    - The lack of maturity and interoperability with new grid modernization technologies;

- Cultural and workplace constraints within LDCs; and,
- Financial constraints presented by a lack of capital and the risk associated with participating in the DER marketplace.

- The EDA has set an eight-point plan to enable their vision, including:

  1. Engaging their membership;
  2. Engaging the Ministry of Energy in the development of the 2017 LTEP;
  3. Organizing a working group to develop a plan to guide their vision;
  4. Collaborate with external stakeholders on definitions, guiding principles and essential regulatory changes to realize their vision;
  5. Investigate regulatory changes and alternative regulatory frameworks that will incentivize LDCs to integrate DER, where doing so brings economic and/or system efficiencies;
  6. Develop a cost-benefit analysis framework for evaluation of DER and DER enabling technologies to help guide evaluation by LDCs;
  7. Facilitate collaboration amongst LDCs, third party DER providers and energy solutions vendors to accelerate efforts for cost-effective deployment of DER and enabling technologies; and,
  8. Work with the OEB and the IESO to develop a process that will monitor the responsiveness of the regulatory framework to the energy grid transformation.

3. Optimizing Agency Efficiencies

- The government is tasking the OEB and the IESO with identifying opportunities to drive efficiency and productivity improvements in order to reduce costs passed on to customers.
  - Areas of focus for the OEB include: encouraging shared partnerships between LDCs, reducing ‘red tape’ in the OEB’s regulatory requirements and further driving transmitter and LDC efficiency and productivity improvements.
  - The IESO will continue its Market Renewal Project that is intended to enhance the efficiency and performance of the wholesale electricity market design in three work streams: Energy Market, Capacity Auction and Operability. This is estimated to save $200 million per year starting in 2021.

(More background in the EDA Vision section - Item 2)

4. Disconnections

- Disconnection for non-payment of electricity bills is authorized under Section 31 of the Electricity Act, 1998, and may include disconnection during the winter months. Similarly, the natural gas utilities may disconnect customers for non-payment of their bill.

- The OEB has implemented customer service codes which must be followed by a utility prior to taking any action to disconnect customers in default of payment. Rules set out in the OEB's Distribution System Code (DSC) which electricity utilities must follow in relation to the possible disconnection of a residential consumer, include:

    - Utilities must give at least 10 days advance notice of disconnection. The period is much longer (60 days) for customers that have told their utility that disconnection could have serious negative effects on the health of someone in the household.

    - The disconnection notice has to contain information about repayment options such as equal billing and arrears management programs that may be available to the consumer. Further it must be advised that additional assistance may be available for eligible low-income customers.

    - The distributor has to make reasonable efforts to contact the consumer in person or by phone at least 48 hours before disconnecting them.

    - Low-income customers may be subject to special rules for example, the distributor has to suspend disconnection for 21 days if, at the time, a consumer is being assessed for eligibility to receive Low-Income Energy Assistance Program (LEAP) emergency funding.

    - A distributor can't disconnect a consumer with a smart meter based on an estimated bill.

    - If a customer is disconnected, they generally have to be reconnected within two business days after they pay the overdue amount or enter into an arrears management program

- Disconnections are generally used as a last resort, since utilities are interested in maintaining service to all of their customers.

- For example, many LDCs install load limiters ahead of moving ahead with full disconnection.

    - Load limiters or timed service interrupters allow a customer to run a small number of electrical items in his or her premises at any given time, and if the customer exceeds the limit of the load limiter, then the device will interrupt the power until it is reset.

- In response to a survey issued by the OEB in mid February 2017, 42 LDC indicated that they use load control devices as an alternative to disconnection. Also, 25 LDCs reported that they had a winter moratorium on disconnections at that time.

- The *Protecting Vulnerable Energy Consumers Act, 2017* (Royal Assent on February 22 2017) strengthens the OEB's authority in relation to disconnections by allowing the OEB to ban the disconnection of low-volume (residential and small business) consumers during certain periods.

- This legislation also makes it clear that the OEB's rules prevail over the statutory right to disconnect that electricity and natural gas distributors have under the *Electricity Act, 1998* and the *Public Utilities Act*, respectively.

- The licence amendments made by the OEB on February 23 2017:

    - Prohibit LDCs through to April 30 2017 from disconnecting or issuing a disconnection notice for an occupied residential property solely on the grounds of non-payment or installing a load limiter device in respect of an occupied residential property solely on the grounds of non-payment.

    - Require that LDCs reconnect or restore full power to disconnected or load limited (for nonpayment) residential properties as soon as possible at no charge.

- LDCs can continue to disconnect or install load limiters and do not have to reconnect or remove load limiters on the basis of an unsolicited request in writing from a customer given on or after February 24 2017.

EDA Profile

About the EDA

- The EDA is an advocacy group that acts on behalf of most of Ontario's LDCs (approximately 70 LDCs).
    - Notably, Toronto Hydro and Hydro One are not members of the EDA.
    - EDA membership also extends to electricity affiliates – companies that are owned by the same shareholders as LDCs, but operate at arm's length in non-regulated, private markets – and commercial partners.
- The EDA has a staff of approximately 20 people, working from an office in Vaughan. It is governed by a board of directors that is representative of both the geographic and size-based diversity within the LDC membership.

Engagement:

- A key stated objective of the EDA is to "is to create and sustain a favorable policy and regulatory environment – favorable to the interests of our members, and ultimately of their customers, shareholders and communities."
- It does so through active engagement with the Ministry of Energy and the Ontario Energy Board, Ontario's independent regulator of LDCs.
- It also interacts with other ministries within the government, including providing submissions to the Ministry of Finance's budget consultations.