Ministry of Energy

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Ontario

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Mr. Bryce Conrad
President and Chief Executive Officer
Hydro Ottawa
3025 Albion Road North
PO Box 8700
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Dear Mr. Conrad:

I would like to take this opportunity to thank you for meeting with me on February 23, 2017.

Much has happened in the weeks since our meeting and I am proud to be able to outline to you the policies and changes that our government is bringing to the electricity market in Ontario. Some of the changes we have made will have an impact on the cost of electricity to your customers as well as to customers throughout Ontario. We hope that with these new initiatives, the government and local distribution companies (LDCs) can continue working together to provide clean and reliable power to the people of Ontario at a reasonable cost.

On March 2, 2017, Premier Wynne announced Ontario's Fair Hydro Plan. There are many components of this plan, and together with previously announced initiatives in 2016, will deliver the single-largest reduction to electricity rates in Ontario's history.

Along with the eight per cent rebate implemented on January 1, 2017, the government has brought forward additional measures to enhance current programs such as the Ontario Electricity Support Program (OESP) as well as reducing the cost of electricity by an average of 25 per cent by this summer.

Here are some quick facts regarding Ontario's Fair Hydro Plan:

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

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- The province will expand the Rural or Remote Rate Protection (RRRP) to provide distribution charge relief to additional customers served by LDCs with the highest rates. About 800,000 customers would benefit from the enhanced RRRP program.

- The Affordability Fund would be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.

- On-reserve First Nations customers will receive a 100 per cent credit of the delivery line on their monthly electricity bills.

- Ontario is increasing OESP credits by 50 per cent, and is moving forward in having the program funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers. The province is also exploring automatic qualification for customers who are enrolled in other provincial low-income social programs.

- Ontario is expanding the Industrial Conservation Initiative (ICI) program by reducing the qualifying threshold from 1 megawatt to 500 kilowatts and targeting more small manufacturing and industrial consumers.

OEB and IESO

Ontario's commitment to lowering energy costs includes working with the province's agencies that regulate the industry, to identify opportunities to drive efficiency and productivity improvements across the province.

The OEB sets electricity prices as well as monitors and assesses the performance of utilities. The OEB will encourage shared partnerships between utilities which would help reduce costs and promote innovation.

The OEB will also review business cases to reduce red tape and eliminate costs that create pressures on LDCs' operating expenses.

The IESO plans for the province's electricity needs. As the market operator they balance the supply and demand for electricity and also forecast the electricity needed for the future.

The IESO has begun a market renewal process that is expected to enhance the efficiency and performance of the wholesale electricity market.

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Winter Disconnections

Many LDCs in the province have an internal policy that does not allow for the disconnection of service for non-payment during the winter months. To ensure that all Ontarians would be protected from disconnection, on February 22, 2017, the government introduced and passed the *Protecting Vulnerable Energy Consumers Act, 2017,* and it was given Royal Assent that day.

- The act specifically gives authority to the OEB to direct distributors on how and when they can disconnect a customer. The OEB issued its Decision and Order on February 23, 2017, as an interim measure for the 2016/2017 winter, to address this priority matter.

- These amendments clearly state that the OEB's regulatory requirements supersede anything to the contrary in section 31 of the *Electricity Act, 1998* regarding disconnection for non-payment.

- The OEB has amended the licences of all distributors by way of this Decision. It is expected that distributors will connect and restore full service as soon as they can to affected customers.

LDC Consolidations

We are always looking for ways to help minimize price impacts on Ontario families and businesses. This includes the possibility of finding efficiencies through the restructuring and consolidation of electrical utilities.

Our government has been clear that we will not be forcing the consolidation of LDCs, but will work to create incentives for voluntary consolidation.

As announced in the 2015 Ontario budget, the province intends to provide time-limited relief on taxes pertaining to transfers of electricity assets for all municipal electricity utilities (MEUs), including transfers to the private sector. This includes:

- Reducing the transfer tax rate from 33 to 22 per cent;

- Exempting MEUs with fewer than 30,000 customers from the transfer tax; and

- Exempting capital gains arising under the PIL Deemed Disposition Rules.

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These measures will be for the period beginning January 1, 2016, and ending December 31, 2018.

This represents a major step forward in promoting LDC consolidation in Ontario, in line with the recommendations made in the 2012 Ontario Distribution Sector Review Panel Report and with the Premier's Advisory Council on Government Assets.

Electric Vehicles (EVs)

More than one-third of Ontario's greenhouse gas pollution is caused by the transportation sector, with cars and trucks responsible for more than 70 per cent of the total. In the long term, given Ontario's clean electricity system and support by Ontario's innovative auto sector, accelerating the shift to electric, plug-in and hydrogen vehicles will be crucial if Ontario is to achieve its climate change targets. Ontario has established a provincewide electric and hydrogen passenger vehicle sales target of five per cent in 2020.

We are already making progress on meeting the target. Over 3000 EVs were sold in Ontario in 2016, which is an increase of 50 per cent over 2015 sales. If this rate of sales increase is sustained, Ontario will exceed the target of 14,000 EV sales in 2020. By that point there would be over 50,000 EVs on Ontario roads.

The Electric Vehicles Chargers Ontario (EVCO) program is funding 500 charging stations across Ontario that will be available for public use by April 2017. 19 of these are in the Ottawa region. As Ontario moves forward with the next phases of EVCO, we only expect the number of public charging stations in and around Ottawa to grow.

We are actively monitoring the growth in EVs and will look to work with LDCs to find innovative solutions to any issues that arise on distribution systems as we begin to electrify the transportation sector.

A project at the University of Ottawa, supported by the Ontario government's Smart Grid Fund (SGF), is developing innovative solutions to support a scalable, reliable, clean and secure EV ecosystem. I welcome Hydro Ottawa's active participation in and support of this project.

LDC Innovation

I appreciated the opportunity to speak to you about innovation, which is a significant priority for this ministry. Your LDC's 2014 Grid Transformation Plan and Strategic Direction 2016-2020 clearly demonstrate that Hydro Ottawa is thinking innovatively about the future of all aspects of its operations, from business models to customer service. Furthermore, your continued involvement in the Zibi development and ongoing

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work with the Advanced Energy Centre demonstrate that your vision is backed by concrete actions. I also appreciate that you acknowledge in your Strategic Direction document that the *Strengthening Consumer Protection and Electricity System Oversight Act, 2015*, has provided the opportunity to allow LDCs such as Hydro Ottawa to pursue new opportunities.

As you know, the SGF is a critical component of our innovation agenda. I am pleased that Ottawa Hydro is actively involved in the SGF, leading an upcoming project on demand response optimization and transactive energy, while continuing to collaborate on several other projects, including nanogrids and photovoltaic voltage smoothing.

I also know that your affiliate, Energy Ottawa, offers a best-in-class solution for assessing the quality of medium-voltage distribution cables, strong energy management services to commercial customers, and providing substantial amounts of renewable energy to Ontarians. My staff was pleased to see Energy Ottawa promoting made-in-Ontario solutions at Distributech earlier this year.

Updating Ontario's Net Metering Program

In February 2017, Ontario posted an amended Net Metering Regulation (O. Reg. 541/05) to e-Laws. The amended regulation helps to meet the 2013 Long-Term Energy Plan commitment to transition the microFIT program from a generation purchasing program to a net metering program and supports initiatives under the government's 2016-2020 Climate Change Action Plan.

The ministry is currently examining further potential program updates related to third-party ownership of net metering facilities and the inclusion of virtual net metering models in Ontario's net metering program. The ministry began engaging stakeholders and Indigenous groups on these potential updates in December 2016. Engagement activities included a webinar held in January 2017, a questionnaire, targeted meetings and meetings with an Advisory Working Group.

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

The Ministry of Energy's Next Long-Term Energy Plan (LTEP)

The Ministry of Energy is developing the next LTEP. The ministry completed a comprehensive LTEP engagement process in January 2017 and is now reviewing the feedback received from in-person sessions, Indigenous engagements, and through written submissions and online tools.

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As you are aware, grid modernization and innovation were two topics that were top-of-mind in our consultations. As we proceed towards developing the LTEP, we seek to build on the amendments we made in Bill 112 in order to encourage and enable greater innovation across all aspects of LDC operations. Hydro Ottawa has demonstrated leadership and vision in its pursuit of energy innovation for its customers.

The ministry thanks Hydro Ottawa for their involvement in LTEP consultation and engagement sessions, and for their thoughtful submission. The ministry intends to release the next LTEP this year, pending Cabinet approval.

Thank you again and please accept my best wishes.

Sincerely,

Glenn Thibeault
Minister