

Ontario Energy Association (OEA)
Tuesday, March 21, 2017, 7:00 a.m. – 9 a.m.
Acadian Court, 401 Bay Street, 8th Floor, Toronto

Good morning everyone.

Thank you Vince [TBD Brescia, OEA President and CEO) for that kind introduction.

And a special thanks to everyone that took time out of their busy schedules to join us today in downtown Toronto, as part of the Ontario Energy Association's Speaker Series.

A knowledge-sharing forum that offers different perspectives on topics of interest to the energy industry, the business community and the public at large.

Of course, this is not my first keynote address at an OEA-organized event.

Last September, I provided the annual State of the Union address at the OEA's energy gala.

It's a pleasure to be with all of you again this morning.

Ladies and gentlemen, just over nine 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.

With this respect comes admiration.

More specifically, admiration for your hard work, dedication and innovation that's improving the strength and reliability of our electricity system.

But I want to start today, by addressing 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 committed to doing more to address these cost pressures.

That's why, earlier this month, after extensive consultation and collaboration with industry partners, like the OEA, as well as every day Ontarians, our Government launched the *Fair Hydro Plan*.

Before I talk about our Fair Hydro Plan, I would like to spend a few moments to help define what was seen as the problem.

Every government is presented with a set of unique challenges they must face in their mandate.

And I like to think that with every challenge comes opportunity.

In 2003, the province's electricity system required significant rebuilding just to meet the existing demand of Ontarians.

That challenge became an opportunity to clean our electricity supply mix and upgrade necessary infrastructure to enhance reliability for families and our job creators across the province.

Prior to 2003, Ontario struggled with an outdated, unreliable energy system.

Because of decades of under investment in the electricity system by governments of all stripes, we had to invest in our generation, transmission and distribution assets.

These assets, like poles and wires, and transformer stations that the sector requires to keep the lights on for families and businesses.

Across Ontario, these investments added up to \$50 billion in generation, transmission and distribution assets.

And it's important for us to remember, these significant investments could not have been realized without your leadership and support.

As part of this rebuild, we chose to invest in the green energy sector to create jobs and eliminate coal from our supply mix.

This decision reduced smog days in Ontario from 53 in 2005 to zero last year, which is improving the health of all Ontarians.

Taking from the Independent Electricity System Operator's Ontario Planning Outlook , greenhouse gas emissions from Ontario's electricity sector have fallen by an astounding 80 per cent since 2005.

And in 2015, carbon emissions from our electricity sector made up only 4 per cent of the province's total emissions.

We will be benefiting from these investments to strengthen our clean and reliable electricity system for decades – both economically and environmentally.

But, as you know, these investments came with a cost.

A cost that a single generation of Ontario ratepayers, be they homeowners or businesses, have borne the brunt of.

And at times, our government did not get the policies right.

Ratepayers across Ontario are paying an unfair share of the cost of these investments in our electricity system's infrastructure.

So, it's no surprise that Ontario families and business owners talk to me about their electricity rates.

Premier Kathleen Wynne heard similar concerns and frustrations – and made a strong commitment to deliver real and meaningful relief for families.

And for me, the challenge of electricity prices presented an opportunity to fundamentally re-shape the electricity sector.

As we move forward with the largest structural change to the electricity sector in a generation, I look to the innovators and champions in this room that will help lead this significant undertaking.

In September, we took a first step towards addressing these concerns by removing eight per cent off the hydro bills of families, farms, and small businesses, the equivalent to the provincial portion of the HST.

And earlier this month, we launched Ontario's Fair Hydro Plan – the single largest cut to electricity rates in Ontario's history.

Starting this summer, our government will triple the size of the cut on people's hydro bills – from 8 per cent to an average of 25 per cent per household, small business and farm.

These cuts will be matched by a guarantee that for the next four years, total bill increases will be held to about the rate of inflation.

This is something Ontarians have asked for and this is what our government will be delivering.

To accomplish this significant reform of our electricity system, we are moving forward with the refinancing of the Global Adjustment to better match the actual useful life of our built infrastructure.

As you know, the Global Adjustment is a tool used to pay for the electricity system upgrades and clean, reliable electricity generation we have built over the past decade.

These upgrades helped make brownouts, blackouts, and smog days a thing of the past.

But, ratepayers today are paying an unfair share of these costs.

We now know that many of these facilities will last longer and provide value well into the future – outliving their contracted terms.

Like the mortgage on your house – we’re refinancing it and setting a new term that stretches over a longer period.

Over time, it will cost more. And it will take longer to pay off.

But it is fairer – because it doesn’t ask this generation – our generation – of hydro customers alone to pay the freight for everyone before and after.

The burden will now be shared more evenly and more appropriately.

For me, the challenge of electricity prices presented an opportunity to fundamentally re-shape the electricity sector.

In partnership with the OEA and other leaders in the sector, our efforts will represent the largest structural change in a generation.

And by moving forward with this significant reform, we will provide significant rate relief starting this summer.

And Ontario's strong, growing economy allows us to do it while also delivering a balanced budget later this spring.

Under our plan, electricity rates will come down, stay down and benefit families and businesses across the province.

But this is not the end of our commitment to give Ontarians much-needed relief on their electricity bills.

We're also boosting existing programs and creating new measures to give targeted supports to those that need the most help with their monthly electricity bills.

We will be expanding the Ontario Electricity Support Program, increasing credits by 50 per cent.

This means that eligible low-income households will receive an additional \$180 a year in help, for a total of \$540 a year in support.

We will also be loosening the application criteria to make sure that more people can access this extra support.

The changes to this program were recommendations brought forward by the OEA.

Our government heard you and we acted.

And for those Ontarians that are struggling with the costs of their bills, our government is investing in a new Affordability Fund to assist electricity consumers who don't qualify for low-income conservation programs.

This will give local utilities an additional tool to help customers in need to increase their energy efficiency, and reduce their electricity costs.

As well, the Rural or Remote Rate Protection (RRRP) **plan** will be enhanced to give distribution charge relief to those ratepayers that are served by Local Distribution Companies with the highest rates.

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About 800,000 households will benefit from the expanded triple-RP [RRRP].

For instance a Hydro One R2 customer consuming 2,500 kilowatt hours per month would have their distribution cost reduced by about \$75 per month.

This is on top of the \$60 we already took off on January 1, 2017 – a \$135 in total savings once our new changes come into effect.

A Hydro One R1 customer using the same amount per month, but already facing lower delivery charges, would have their distribution cost reduced.

By about \$53 per month.

These measures are all designed to bring down the delivery line cost across rural and remote parts of the province and ensure that there is less of an urban : rural split, when it comes to the distribution charge portion of electricity bills.

And we will look to you to collaborate with you in implementing these measures, similar to the partnership we formed when rebuilding our electricity system.

Additionally, Legislation will be introduced this spring to move forward on recommendations the Ontario Energy Board has made to increase electricity affordability for First Nations communities.

If passed, we would eliminate the delivery charge for on-reserve First Nations customers and remove some monthly service charges.

This will save the average customer \$85 a month and is a move that Ontario Regional Chief Isadore Day has commended and acknowledged that it will “allow a path forward for greater quality of life for First Nations in Ontario”.

We can all agree that we need to help people who need that extra support.

But ratepayers have been carrying the cost of these programs, not taxpayers. And that simply is not fair.

By offloading the payment for these social programs from ratepayers onto the tax base, we will help cut electricity prices for every business – large and small – in the province by approximately two to four per cent.

Ontario’s Fair Hydro plan targets those who need the help the most: small and medium sized firms that form the backbone of our economy.

The smallest businesses, who receive a time-of-use bill similar to residential customers will be eligible for the full 25 per cent benefit.

This will help up to half a million small businesses and farms.

For medium sized job creators, we are expanding the existing Industrial Conservation Initiative (ICI) to allow for hundreds more small manufacturing and industrial facilities to qualify.

Since 2011 this program has supported hundreds of industrial facilities save about a third – or more – on their electricity bills.

By expanding this program we are building on one of the smartest and most successful electricity rate mitigation measures we've ever implemented.

It's smart because it helps the electricity system lower costs through conservation, and successful because eligible industrial customers save significantly by participating in this program.

Last year, independent studies showed that current ICI participants helped lower peak electricity demand in Ontario by about 800 MW.

That's the equivalent of one nuclear unit.

By expanding this program to more eligible participants, we are going to put business in the drivers' seat by – allowing them more control over their input cost – in the case of electricity.

Motivated firms will participate and save and as you conserve more (on peak days) – those firms will save more.

There's no question in my mind that these changes are the right thing to do.

Bringing down rates by 25 per cent for families, farms and small businesses; and enacting the kinds of structural reforms that we intend to – that's the approach that Kathleen Wynne and Ontario's Liberal Government believes in.

I think it's better for Ontario.

And I know it's fairer for families and businesses.

Now, I'd like to outline some of the additional ways our government plans to work with you to reduce electricity costs for all Ontarians.

This includes laying out priorities for the road ahead.

Priorities designed to re-shape the foundation of the electricity sector, and ensure that more cost-effective decisions are made going forward.

These are some of the same priorities I touched upon during my keynote address at the Economic Club of Canada in late February.

In that speech, I challenged the energy industry to re-think how the system works to ensure, going forward, ratepayers will benefit from reduced electricity rates.

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

Instead, the government should secure the best deals of whatever sources of clean electricity are the cheapest by calling for bids when more supply is needed.

I would also argue that Ontario should move towards a “technology-agnostic” procurement model focused on outcomes.

Outcomes that reflect the principles and priorities that matter most to Ontarians.

Be it a low-carbon electricity system to help the province transition towards the low carbon economy of the not-too-distant future.

Or leveraging cutting-edge technologies in the form of demand response and electricity storage that will help meet future capacity needs by offsetting system demand during peak periods.

One of my top priorities is energy-related innovation.

Empowering today’s energy consumer is another.

Ontario energy consumers should be able to purchase electricity based on pricing plans that best suit their lifestyles.

This means a retired couple living on a fixed income in a Sudbury bungalow would be offered a different pricing plan compared to a young professional condo-dweller in downtown Toronto.

And as I look into the audience this morning, I'm grateful that Ontarians can count on OEA's leadership and support to work in partnership with our government on implementing the Fair Hydro Plan and developing a Long-Term Energy Plan that will map out the future of a more efficient and more flexible electricity system.

This is an exciting time for Ontario's energy sector and I look forward to working with you to confront these challenges and opportunities that lie ahead.

Thank you again for the invitation to join you all this morning.