

MEETING NOTE

NAME OF ORGANIZATION: Association of Municipalities of Ontario

DATE/TIME OF MEETING: April 6, 2017 12:00 pm - 3:00 pm

LOCATION OF MEETING: Queen's Park, Toronto, 2nd Floor, Room 247

PURPOSE: The Ministry of Energy will provide an update to AMO representatives on key issues identified by AMO that impact or are of interest to the municipal sector.

ATTENDEES: **Minister of Energy**
Glenn Thibeault

ANTICIPATED AGENDA ITEMS (OR 'AGENDA' IF WE HAVE RECEIVED ONE):

1. Ontario's Fair Hydro Plan (OFHP)
2. Long-Term Energy Plan (LTEP)
3. Local Distribution Companies
4. Regional Planning and Distributed Generation

NOTES ON AGENDA ITEMS:

1. Ontario's Fair Hydro Plan (OFHP) – Implementation
 - AMO is likely to raise questions about Ontario's Fair Hydro Plan
 - Some municipal customers who are eligible for RPP would benefit from GA refinancing and all electricity consumers benefit from shifting the funding of social program to provincial revenues.
2. Long-Term Energy Plan
 - The Ministry of Energy is developing the next Long-Term Energy Plan (LTEP), which sets out the direction for Ontario's energy future.
3. Local Distribution Companies
4. Regional Planning and Distributed Generation
 - AMO is interested in discussing how municipalities are engaging in the regional planning process and what supports are in place for integration of distributed generation, storage and micro grids.

Suggested Response:

Ontario's Fair Hydro Plan

- The Ministry of Energy is working to implement Ontario's Fair Hydro Plan. This includes refinancing the Global Adjustment (GA) for residential consumers as well as most small businesses and farms.
- Under Ontario's Fair Hydro Plan (OFHP), we are also proposing to expand the Industrial Conservation Initiative (ICI) to include smaller manufacturers with average peak demand greater than 500 kW. It is expected that these consumers would be able to opt in to ICI in June 2017.
- Customers who qualify as a Class A, under ICI, are expected to be notified of their peak demand factor by their local distribution company (LDC) by May 31, 2017. Eligible customers must opt in to the initiative by notifying their LDC by June 15 if they would like to be charged as a Class A for the 12-month period beginning July 1.
- Ontario's Fair Hydro Plan also includes the establishment of a new Affordability Fund, which will provide energy efficiency measures to Ontarians who are not eligible for low-income conservation programs and who otherwise would be unable to make energy efficiency improvements without financial assistance..
- With 60,000 Ontarians at risk of disconnection from their electricity service each year, there is an immediate need to help more customers. Energy efficiency improvements can help put these customers on a more sustainable path.

Long-Term Energy Plan

- The Ministry of Energy continues to work on developing the next Long-Term Energy Plan (LTEP).
- In light of the province's emission reduction goals, the Ministry of Energy intends for the 2017 LTEP to take a broader view of the province's energy needs and consider how the uses of electricity and fossil fuels influence each other.
- The Ministry will continue to work with partner ministries to help develop policies and incentives for areas that reach beyond the Ministry of Energy (e.g., transportation, housing).
- Pending Cabinet approval, the Ministry plans to release the LTEP in mid-2017.

Local Distribution Companies

- Ontario supports voluntary consolidation and other intra-LDC arrangements that deliver value to customers, like shared services.
- As announced in the Ontario Fair Hydro Plan, we will be working with the OEB to explore ways to find further efficiencies in the sector, and reduce the regulatory burden on LDCs. This will be explored in our Long-Term Energy Plan.
- We've seen great examples of LDCs coming together to provide excellent customer service and value to customers. We believe there is opportunity for LDCs to work together to provide the services that customers want at low cost.

Regional Planning and Distributed Generation

Municipal Engagement

- Outreach with local municipalities and Indigenous communities is the start of engagement for every regional plan.
- An ongoing dialogue serves to build understanding of how regional planning happens and provides opportunities for local input, laying the foundation for successful implementation.
- In many areas of the province, Local Advisory Committees have been established to help provide advice and recommendations on regional electricity planning.
- Ontario is also supporting local energy planning through the Municipal Energy Plan (MEP) program. The program supports municipalities' efforts to better understand their local energy needs, identify opportunities for energy efficiency and clean energy, and develop plans to meet their goals.
- The Ministry welcomes AMO's promotion of this program to your members as a way to reduce energy use and greenhouse gas emissions in your community. Do you have recommendations on additional ways to engage your members or how we can continue to enhance municipal engagement?

Integration of Distributed Generation, Storage and Microgrids

- Innovation and changes in customer behaviour are encouraging the spread of new energy technologies.
- Regional planning is an essential link between how broader and more localized planning activities work together.
- What is AMO's perspective on how the regional planning process can be used to better integrate new technologies and non-wires solutions, when economic?

Background:

Ontario's Fair Hydro Plan

- On March, 2, 2017, the government announced Ontario's Fair Hydro Plan, which includes:
 - Lowering electricity bills by 25 per cent on average for all residential customers as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness.
 - A benefit from the funding of support programs through provincial revenues for all electricity consumers.
 - Electricity consumers eligible for the Regulated Price Plan (RPP) would benefit from GA refinancing.
 - Small manufacturers would become eligible to participate in the Industrial Conservation Initiative. See below for more information.

- Sector efficiency would be improved and Ontario's electricity market would be modernized, working in collaboration with the Independent Electricity System Operator (IESO) and the OEB.

Shifting Support Programs to Provincial Revenues

- Ontario's Fair Hydro Plan proposes to shift the cost of the OESP and RRRP program from being paid through electricity bills to being paid for through provincial revenues. This would cost the government up to \$2.5 billion over the next three years.

GA Refinancing

- The majority of the province's electricity generators have 20-year contracts. Many of these generators are expected to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future electricity consumers by reducing the need to finance the development of new generating assets.
- Refinancing a portion of GA would provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period.
 - In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity consumers.
 - In later years, the cost of refinancing would be recovered from consumers. 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.
- Electricity consumers that are eligible for the RPP would benefit from GA refinancing.
 - In order to be eligible for the RPP, annual consumption must be below 250,000 kWh/year or peak demand must be below 50 kW. This includes residential consumers as well as most small businesses and farms.
 - Consumers who are eligible for RPP, but have opted out to become a retail or wholesale consumer would also receive the benefit.
- Eligible small businesses would include dry cleaners, convenience stores, small restaurants and retail stores, but would exclude businesses such as larger restaurants, welding shops, medium and large office buildings and big box retailers.

Industrial Conservation Initiative (ICI)

- ICI encourages Ontario's largest consumers to reduce consumption during peak periods to reduce their electricity costs by up to one-third. This provides savings to participating consumers and reduces peak demand, deferring the need to build new generation.

- Consumers participating in ICI are charged GA on the basis of their share of the total system demand during the highest five peak hours of the year (i.e., the peak demand factor).
- Customers who qualify as a Class A are expected to be notified of their peak demand factor by their local distribution company (LDC) by May 31. Eligible customers must opt in to the initiative by notifying their LDC by June 15 if they would like to be charged as a Class A for the 12-month period beginning July 1.
- Expanding participation in the ICI program would:
 - Reduce cost pressures on the electricity system by empowering more consumers to lower their electricity demand during peak periods; and
 - Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods.
- Newly eligible customers will have the opportunity to opt in to the ICI program.

Expansion to Electricity Consumers Greater Than 1 MW

- Since July 2015, Class A includes energy-intensive consumers with an average monthly peak demand greater than 3 MW and less than 5 MW in select industries including manufacturing.
- In the September 2016 Throne Speech the government announced that it was expanding access to ICI to include more than one thousand newly eligible customers with monthly peak demand greater than 1 MW, down from the current threshold of 3 MW.
 - In addition, sector restrictions have been removed and smaller industrial, institutional and commercial businesses would be eligible to participate.
- Effective July 1, 2017, Class A will include all electricity consumers with peak demand greater than 1 MW without any sector restrictions.

Expansion to Manufacturers Between 500 kW to 1 MW

- Ontario's Fair Hydro Plan proposes to expand the ICI to include smaller manufacturers (i.e., NAICS codes commencing "31", "32" and "33") with average peak demand greater than 500 kW and less than 1 MW. Final details on timelines will be available once the regulation is developed and approved.
- The cost impact across industries and individual facilities would vary.
- Consideration is being given to allowing consumers who were at one time ICI participants to remain eligible for ICI if at any time they drop below the ICI threshold while participating in conservation programs.
- Manufacturers under NAICS codes 31-33 that would be eligible for ICI include:

○ Food Manufacturing (NAICS 311) ○ Beverage and Tobacco Product Manufacturing (NAICS 312) ○ Textile Mills (NAICS 313) ○ Textile Product Mills (NAICS 314) ○ Apparel Manufacturing (NAICS 315)	○ Nonmetallic Mineral Product Manufacturing (NAICS 327) ○ Primary Metal Manufacturing (NAICS 331) ○ Fabricated Metal Product Manufacturing (NAICS 332) ○ Machinery Manufacturing (NAICS 333)
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○ Leather and Allied Product Manufacturing (NAICS 316) ○ Wood Product Manufacturing (NAICS 321) ○ Paper Manufacturing (NAICS 322) ○ Printing and Related Support Activities (NAICS 323) ○ Petroleum and Coal Products Manufacturing (NAICS 324) ○ Chemical Manufacturing (NAICS 325) ○ Plastics and Rubber Products Manufacturing (NAICS 326)	○ Computer and Electronic Product Manufacturing (NAICS 334) ○ Electrical Equipment, Appliance and Component Manufacturing (NAICS 335) ○ Transportation Equipment Manufacturing (NAICS 336) ○ Furniture and Related Product Manufacturing (NAICS 337) ○ Miscellaneous Manufacturing (NAICS 339)
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Affordability Fund

- The Fund, established through the tax base, will be administered by an independent Trust and accessible to electricity distributors.
- Eligible customers will be identified by electricity distributors.
 - The program is expected to be entitlement based, i.e. targeting customers who are in bill arrears, facing disconnection, and/or not able to undertake energy efficiency improvements without financial assistance.
 - Priority is expected to be given to homes primarily heated by electricity.
- The estimated reach of the Fund is expected to be 15,000 to 65,000 households, depending on energy efficiency measures and uptake.
 - It is expected that the program will assist eligible customers by providing energy efficiency measures ranging on average from \$3,000 to \$5,000 per customer at no or minimal costs.
 - The measures funded through the Fund would be similar to, or build on those available through the existing low-income conservation program called the Home Assistance Program.
- On March 24, 2017, ENERGY entered into a Transfer Payment Agreement (TPA) with Computershare, who will act as the Original Trustee, to flow \$100 million to the Affordability Fund Trust.
 - Computershare is a company that offers professional Trustee services, and is a trusted partner in some of the largest public and private organizations in Canada.
 - The Original Trustee will be replaced with a Board of Trustees who will be responsible for distributing funds to electricity distributors across the province at their discretion based on an application process and targeted eligibility criteria. It is expected that the Board of Trustees will include representation from three electricity distributors, as well two social service agencies.
 - An Advisory Committee has been established through the Trust Deed which will provide, by May 31, 2017, recommendations to the Original Trustee on appointments to the Board of Trustees. Advisory Committee members are:

- Brian Bentz (CEO, Alectra),
- Bryce Conrad (CEO, Hydro Ottawa),
- Robert Mace (CEO, Thunder Bay Hydro),
- Ferio Pugliese (Vice President Customer Care and Corporate Affairs, Hydro One) and
- Terry Young (Vice President Conservation and Corporate Relations, IESO).

Long-Term Energy Plan

- The Ministry of Energy is expanding its assessment of the fuels sector in the 2017 LTEP:
 - The Ministry of Energy released a Fuels Technical Report that included an overview and outlooks for the fuels sector. The report was released on September 30, 2016.
 - To assist with the development of the report, the Ministry convened a Fuels Sector Working Group made up of companies and associations from Ontario's fuels sector.
- Ontario will seek to maximize the value of existing infrastructure while reducing greenhouse gas (GHG) emissions through integrated energy solutions. The 2017 LTEP provides an opportunity to highlight these integrated energy solutions.
- Since the LTEP process began in 2016, the Ministry held update meetings with other ministries to provide updates on the LTEP process and direction (e.g., need for a broader energy focus). An LTEP ADMs' Forum has been established and will continue to provide ongoing input into the LTEP process.
- The LTEP engagement process took place from October to January 2017. The Ministry held stakeholder sessions and public open houses in 17 communities; held 17 engagement sessions with Indigenous communities and organizations; and received over 1500 written submissions.

Local Distribution Companies

- Ontario has been supportive of voluntary consolidation since the 2012 Ontario Distribution Sector Review Panel report identified \$1.3B in potential efficiencies through reduction sector OM&A. The benefits of consolidation were reaffirmed by the Advisory Council on Government Asset's, whose recommendation facilitated the merger of four GTA utilities (Enersource, Horizon, Powerstream, and Hydro One Brampton) into the new utility Alectra (effective March 1 2017).
- The Ministry is also exploring ways to incent efficiencies and improve value to customers outside of consolidation. The Ontario Fair Hydro Plan announced a commitment to work with the Ontario Energy Board to:
 - Encourage shared partnerships on services between utilities, which would help reduce costs and encourage further innovation for small to medium-sized utilities.
 - Reviewing business cases behind OEB regulatory requirements, thereby reducing red tape and eliminating costs.

- Looking at opportunities to further drive transmitter and LDC efficiency and productivity improvements, including the use of innovative technologies and business processes.
- The Ministry will explore these commitments through LTEP. It has been stakeholdering with LDC organizations that already share services to understand the benefits of these models. Some examples include:
 - GridSmart City – a consortium of west GTA LDCs that shares procurements and seeks to share learnings of innovative pilot projects.
 - Customer First – an affiliate company of several northern LDCs that provides conservation and demand management services to its customers.
 - Cornerstone Hydro Electric Co-Operative – Organization of some of the smallest LDCs in the Province that shares many back office functions to reduce costs.

Regional Planning and Distributed Generation

Municipal Engagement

- The IESO currently has 9 active Local Advisory Committees (LACs) across the province. LAC meetings are open to the public and public participation is encouraged.
 - Active LACs include Greenstone-Marathon, GTA East, Ottawa, Parry Sound/Muskoka, Barrie/Innisfil, Thunder Bay, Toronto, West of Thunder Bay, and York Region.
- LACs have representatives from interested stakeholder groups, such as municipalities and business and citizen groups.
- Ontario has also provided funding to support 20 municipal energy plans representing 33 municipalities across Ontario. Of these MEPs, 7 have been completed to date.

Integration of Distributed Generation, Storage and Microgrids

- Where a regional scoping assessment determines that there is potential to integrate a mix of different options, such as conservation, generation, distribution or new technologies, an Integrated Regional Resource Plan (IRRP) is developed.
- An IRRP working group, comprised of the IESO, transmitter, and LDCs, works together to develop a plan that integrates a variety of resource options to address the electricity needs of the region.
- Traditionally, IRPP options include conservation and demand management, distributed generation, large-scale generation, transmission, and distribution infrastructure.
- Innovative “non-wires” solutions will become increasingly cost effective into the future, and can play a role in regional planning. Non-wires solutions include renewable generation, energy storage, demand response and microgrids.

- An integrated plan considers options in terms of their feasibility, cost, reliability, government policy directives, environmental performance, and community preferences. The Working Group then makes a recommendation for meeting needs, as well as how to best implement and monitor the plan.
- Local solutions can be economic in some applications, for instance, where there is slow growth, high local avoided costs and sufficient lead time to ramp up.
 - For example, the IESO is working with local utilities in Brant, Toronto, Barrie-Innisfil and Parry Sound-Muskoka regions to support local area targeted conservation feasibility studies to determine the potential and associated costs for targeting conservation efforts to specific stations to address local needs.
 - Through the Conservation Fund, the IESO is supporting the Power.House project by Alectra (formerly PowerStream). This project – installing solar, inverter and battery systems in 20 homes with some degree of utility control – is testing the feasibility of distributed energy resources as an alternative to traditional wires solution for delivering electricity to customers. One of the key objectives of the initiative is to inform the discussion and development of community-based energy options for the York Region Integrated Regional Resource Plan.

APPENDIX:

Long-Term Energy Plan (LTEP):

- Representatives from AMO attended the LTEP stakeholder session in Toronto. During engagement, 39 different municipalities attended an LTEP session and 28 provided written submissions.

Regional Planning and Distributed Generation:

Regional Planning Process and Community Engagement

- Regional system planning ensures a reliable supply of electricity to regions.
- There are 21 electricity regions across the province, divided based on electrical infrastructure boundaries. Regional planning looks at each region's unique needs and considers conservation, generation, transmission and distribution, and innovative resources to meet these needs.
- Regional planning is a continual process, with electricity reliability evaluated at minimum every five years in each region.
- The first step in the regional planning process is a needs assessment that looks at changes in demand in a given area, and performs an initial screen to identify needs in the region or sub-regions. This analysis is led by the transmitter with data supplied by the IESO and the local distribution companies.
- If the results show that there are needs that require coordination at the regional or sub-regional level, the process will then move to a Scoping Assessment. In this stage, the IESO leads the process, working with the transmitter and the LDCs to determine the best planning approach.
 - If there is the potential to integrate a mix of different options, such as conservation, generation, distribution or new technologies, an Integrated Regional Resource Plan (IRRP) will be recommended.
 - If needs can be met through focusing only on wires, meaning additions or improvements to transmission lines or infrastructure, a Regional Infrastructure Plan (RIP) led by the transmitter will be recommended.
 - A third option includes the local LDC and the transmitter working together to plan necessary local infrastructure investments.
- Initial recommendations from this process are published in a Scoping Assessment Outcome Report, posted for two weeks on the webpage for the regional planning area for public comment. The final report, also posted on the website, considers all comments.
- At this stage, community and stakeholder engagement begins with outreach to municipalities and Indigenous communities. Intended to introduce the regional planning process and the potential for involvement, this initial outreach provides details on the Scoping Assessment and focuses on collecting any information required at that time.
- If the Scoping Assessment Outcome Report determines that an IRRP is required, a Working Group, comprised of the IESO, transmitter, and LDCs, works together

to develop a plan that integrates a variety of resource options to address the electricity needs of the region.

- Community and stakeholder engagement continues throughout the IRRP phase. When needed, the process to establish a Local Advisory Committee (LAC) will begin. LACs provide local input and recommendations, information on local priorities, and ideas on how best to engage the broader community in the conversation, all of which are considered throughout the planning processes.

Local Advisory Committees

- Local Advisory Committees (LACs) are often an essential part of the regional planning process.
- After the initial community outreach to municipalities and First Nation and Métis communities, a LAC will be formed if broader engagement is needed, and will have representatives from all interested stakeholder groups, such as municipalities and business and citizen groups.
- LACs play a variety of important roles, including:
 - representing communities and other interests within the study area, and provide insight into their values and perspectives
 - providing input to the Working Group on the needs and options identified in the plan, including information on local priorities and ideas on the design of community engagement strategies
 - providing an avenue to have a broader energy dialogue
 - being the bridge between planning cycles.
- A LAC has up to 18 members, representing municipalities, Indigenous communities, consumers and citizens, the business community, and environmental and conservation groups.