

Good Evening:

This marks the second time that I've had the privilege of addressing this annual conference, as Ontario Minister of Energy.

Given the composition of the Ontario Energy Association, and the interest in this event each year, I know that my team internally refers to this keynote as the "Energy Minister's State of the Union" speech.

So, I'm pleased to see that this audience is "YUGE" [Donald Trump impression].

And that there has never been an audience as large as this at any energy sector event. Ever.

---

Earlier in today's conference, an array of energy experts discussed various themes: From clean energy to energy planning & governance and market renewal, the content of this year's conference was significant and diverse.

Now, I know that many in this room would like to know when exactly the Government will release the next LTEP.

[Pause]

I'm one of them.

[Pause]

But my intention this evening is to give you a line of sight into our thinking as the Ministry of Energy undertakes to put the finishing touches on the 2017 Long Term Energy Plan; which will be released in the next few weeks.

The theme of the plan will be “Delivering Fairness & Choice” – designed specifically to put the customer (and by that I mean all customers: residential, commercial & industrial ratepayers) at the very core of our thinking.

We need to ensure that they are first and foremost in our thoughts when taking any decision as it pertains to energy and electricity policy.

*Fairness* – delivering on our Government’s hydro plan, but also going forward, with procurement decisions that reward those who can mitigate or reduce electricity rates.

*Choice* – enabling the innovations and technological modernization that we see coming in the years ahead.

New technologies and novel innovations are emerging at all junctures of the electricity grid.

From smart thermostats that can predict when you are due to arrive at home, thereby modulating home heating and cooling to save money and improve comfort.

To new and emerging energy storage and conservation technologies that can reduce system costs, improve utilization of bulky historical assets like hydro power.

Each stage of the energy sector “food chain” is evolving.

In a very real way, the electricity sector may now be at a point which the telecommunications companies occupied in the late 1980’s.

Technological innovations and customer demands for better services and products are driving a remarkable pace of change.

To that end, our regulatory and public policy governance structures need to evolve as well, to keep up with this ever-changing marketplace.

To do this, we need to become less prescriptive and allow for innovators at all segments of the value chain to enter the energy market without an overly heavy-handed regulatory model.

Also, this means that Government will need to take a step back from picking specific technologies, winners and losers, and allow for a more dynamic and innovative approach.

At the same time, we should focus public policy attention on the important outcomes that we want to achieve: innovations that drive down system costs and carbon emissions should be encouraged through a collaborative regulatory process.

Local Distribution Companies that can lower electricity costs through innovation as opposed to traditional “poles and wires” approach should not face financial disincentive owing to a regulatory model stuck in the 1980s.

As we consider the next Long Term Energy Plan, it would be myopic for me to postulate that “the energy sector is ripe for change”.

Because that has been the case for most of the last 30 years. This sector, globally, is always coping with change – for better and for worse.

Ontario’s energy sector is constantly evolving.

And Government can either help or hinder that evolution.

In the past, Governments have tried to bend the path of that evolution or speed it up through specific policy interventions.

We’ve seen the consequences of those actions. About a decade ago, Ontario began phasing out coal for the purposes of electricity generation, early adopters in a global evolution towards cleaner burning fuels. Ontario’s aggressive renewable procurements and integration helped evolve of sources of supply and take Ontario from last to first in the country when it comes to installed wind and solar generating capacity. It would be honest and fair for me to admit that the pace of this evolution, encouraged and enabled by successive Governments was a large factor in the price increases that angered consumers over the past few years.

While the goals of these initiatives have been worthy and correct, the means to their end have not always produced the best results. Coal closure and increased renewable forms of generation set Ontario among the leaders in North America – and the world – for environmentally sustainable energy & electricity production. In the past, you may have heard me speak to these facts. It wasn’t the “what” it was the “how”.

To that end, as we set out to deliver the next Long Term Energy Plan, our Government will place the consumer at the centre of our decision making.

Technology specific procurements that stifle competitive tensions and discourage innovation will not be supported.

At the same time, there has been a major evolution in technologies, such as energy storage, that have occurred largely in the background. Supported by some smart grid funding as well as short-term IESO pilot contracts, demonstration projects are in various stages of completion, with some already in market.

As well, our Government has been pleased to see an evolution that gives consumers, residential and industrial, more choice and control over their energy use and begins to see them play a more active role in the energy system.

Last year, residential demand response initiatives cleared the IESO's auction for the first time. Just this past summer, our Government introduced new regulations to better enable net metering and last month, I helped the Ontario Energy Board launch a new round of pilots that provide customers with price plan options that are better suited for their individual needs and lifestyles.

With all of this choice, will come new opportunities for consumers to play an ever increasing role in the electricity sector and force policy makers and industry leaders, such as each of you, to adapt.

That adaptation – on the part of each and every one of us – represents the next major evolution within our sector.

I believe each of us need to change the way we think about our role in this sector.

I believe that the best role for Government may be to step out of the way of innovation and to stop attempting to engineer the evolution and development of the supply mix with overly prescriptive policies and programs.

I believe that the evolution of the energy and electricity sector will naturally continue, encouraged by competitive forces and unbound by technology-specific procurements, our supply mix will evolve to deliver on Ontario's low carbon agenda without a myriad of Government directives.

I believe that consumers will become more central actors in our energy sector. Driven in part by new technologies but also by customer preferences, utilities will need to evolve their relationship with customers to deliver more "services" rather than a simple "commodity".

Our government will move on these beliefs with the release of the next Long Term Energy Plan, later this year.

However, I'd like to give you just a few examples of the type of actions that you'll see, in the very near term.

First, our Government will amend regulations to better value energy storage within our supply mix. We recognize that, depending on time of day, storage resources can act as both generation and load. The practice of penalizing energy storage resources when they draw surplus electricity from the grid will end. The uplift and global adjustment charges that price

electricity storage technologies out of the market will be amended with a view towards levelling the playing field and recognizing the full value from these innovative and multi-service resources.

Second, our Government will work with the Ontario Energy Board to enhance the customer protection regime within our jurisdiction. LDC's work to accomplish strict guidelines and benchmarks each year, but unit sub-meter providers are not bound by the same rules. Our Government will extend the authority of the OEB to all companies that interact with customers. At the same time, utilities and their shareholders need to be given increased financial incentives to maintain quality performance and drive to reduce costs. I'm particularly keen to see some measure of accountability, directly with the customer. Looking to other jurisdictions, we notice that something as simple as a "reliability guarantee" could provide just such an incentive. Michigan, for example, offers customers a refund in certain circumstances if outages occur and last longer than a pre-set period of time.

It will be with these sorts of initiatives and incentives that we put the customer first in each of our energy policy decisions and enable the continued evolution of our supply mix towards a more dynamic electricity system.

---

Ontario's energy and electricity sector has been on a remarkable journey over the course of the last decade.

We closed coal and went from last to first in Canada with regards to renewable generation.

We helped to incubate and develop new conservation and demand management technologies owing to our adoption of smart meters.

And, more recently, we've taken the necessary steps to more fairly allocate the costs associated with the electricity sector with the Ontario Fair Hydro Plan.

This next LTEP isn't likely going to signal the need for any new generation requirements, that doesn't mean that the policy document isn't an exciting and challenging product.

Driven by innovation and customer demands, the traditional electricity sector is going to need to adapt to serve the needs of consumers better.

It is the intention and mandate of the Ontario Ministry of Energy to ensure that we can help create the conditions for success for those innovations, and always keep an eye on customer bill impacts.

To accomplish these goals – to enable the continued evolution within the electricity sector – we are going to rely on the strong relationships and leadership found in this room.

Your support in delivering on these policy goals will be vital as we seek to implement the next Long Term Energy Plan.

Since being appointed Minister of Energy in June 2016, I have learned a lot from the people in this room, and many others across Ontario. Regardless of if it is a biomass facility in northwestern Ontario or electricity storage innovators making a pitch in our boardroom at Queen's Park – I've been

impressed with the enthusiasm and drive of everyone in this sector. And while you represent different perspectives – sometimes different technology options – you are united by a common vision to deliver energy and electricity resources to people in the most efficient way possible.

Technology may change, but your goals remain the same. And with the upcoming launch of the 2017 Long Term Energy Plan, our Government will give voice to that goal, those ambitions and continued market evolution.

Thank you and I look forward to the rest of the evening.