

**Electricity Distributor's Association (EDA) Fall Conference: Joint NE and NW districts
Salon A, Lexington Hotel, Sudbury | Wednesday, Sept. 6, 2017**

QUESTIONS AND ANSWERS

Electricity Prices

Q1. Ontario businesses, especially in the North, have repeatedly expressed concerns over the rising costs of electricity, some have even said they will have to close or leave Ontario. How do you respond to this?

Ontario has a number of measures in place to mitigate industrial electricity prices and help businesses in the north manage the cost of electricity, including the:

- Industrial Conservation Initiative (ICI);
- Northern Industrial Electricity Rate Program (NIERP);
- Industrial Accelerator Program (IAP);
- saveONenergy for Business conservation programs for commercial and industrial consumers; and
- Demand Response Auction.

In addition, the Budget Measures Act 2015 sets a fixed date for removing the Debt Retirement Charge (DRC) for commercial, industrial and other non-residential electricity users on April 1, 2018, nine months earlier than previously estimated.

Our government continues to work with the sector, including agencies and distributors, to find efficiencies and reduce costs to benefit ratepayers.

These measures include:

- **ICI** lowers costs for eligible large electricity consumers that reduce consumption during peak periods. ICI consumers can reduce their electricity rates by one third on average.
 - To give more businesses the opportunity to participate in the ICI, we have lowered the threshold from 3 megawatts (MW) to 1 MW and removed sector restrictions so that more consumers can benefit. Newly eligible consumers that opted-in to ICI will have seen the impact beginning in July 2017.
 - We have also expanded ICI to include smaller manufacturers and greenhouses (i.e., NAICs codes commencing “31”, “32”, “33” and “1114”) with average peak demand greater than 500 kW and less than or equal to 1 MW. The expansion to 500 kW is effective in July 2017.
- Participants in the **NIERP** receive a rebate of two cents per kilowatt hour. On average, electricity prices can be reduced by up to 20 per cent through the program.
- **IAP** assists eligible industrial, commercial and institutional customers that are connected to the Independent Electricity System Operator (IESO) transmission grid fast-track capital investment in major energy-efficiency projects. Transmission-connected

customers with distribution-connected sites can also elect to have these administered through the IAP.

- The **saveONenergy for Business Conservation Programs** offers a variety of financial incentives to businesses to increase energy efficiency and manage their electricity bills. Incentives are available to a broad range of businesses, including institutional customers such as municipalities, for energy audits, retrofits, process and systems upgrades, and small business lighting.
- Annual Demand Response Auctions are held by IESO for demand response capacity. Successful bidders (including large businesses and industry) receive payments to shift their consumption at times when the electricity system is stressed.

Q2. What measures does Ontario have in place to help low-income energy consumers?

The government recognizes that for low-income Ontarians, paying their electricity bill can be a challenge. To ease this, the Ministry of Energy and the Ontario Energy Board (OEB) have developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

The OESP credit amount qualified customers receive is based on household income and household size.

Starting May 1, 2017, the OEB increased OESP support for low-income consumers by 50 per cent. New eligibility categories were also introduced, enabling certain household sizes in higher income brackets to become eligible for the OESP.

OESP monthly credits now range from \$35 to \$75. Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and indigenous customers are eligible for an enhanced amount, which range from \$52 to \$113 per monthly bill.

The Province is also aligning the OESP with other social assistance to help get more vulnerable consumers into the program so they can receive the support they need on electricity bills.

These changes will ensure that those deemed financially eligible for Ontario Works and the Ontario Disability Support Program will automatically be eligible for OESP. In addition to these changes, other assistance programs for energy costs are available through the Ontario Trillium Benefit, as well as the Low-Income Energy Assistance Program (LEAP), which provides relief for those in need of emergency assistance on their utility bills.

Q3. Many residential consumers in Northern Ontario are struggling to pay for their hydro bills, in some cases even being disconnected. What is Ontario doing to help mitigate electricity rates to Northern consumers?

Our government continues to ensure a clean, reliable and affordable electricity system for all Ontarians.

Prices are increasing because our energy system is being transformed – we are making needed investments to modernize our electricity system.

Our priority is to ensure there continues to be a stable, reliable and cost-effective supply of electricity.

We chose to replace coal-fired generation with cleaner sources of energy, which will not only benefit our environment but also the health of Ontarians.

The government understands the financial pressures that rising rates are putting on some Ontarians, especially in the North, and continues to work hard to help Ontarians manage their electricity costs.

There are unique challenges associated with supplying rural and remote communities with reliable and affordable electricity.

The cost of distributing power to lower-density rural and remote areas (such as Northern Ontario) is much higher than for urban and higher density areas.

To help offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations, the government put in place the Rural or Remote Rate Protection (RRRP) framework.

RRRP provides rate protection for customers living in areas of very low density – including Hydro One's R2 customers, customers of Algoma Power and customers of Hydro One Remote Communities and James Bay First Nation LDCs.

Regional Planning and Siting

Q4. What is the government doing to ensure that regional needs are considered in the province's Long-Term Energy Plan?

Regional planning is the link between provincial and local electricity planning. It overlaps with and supports bulk system planning and distribution level planning. Regional needs and interests identified through the regional planning process form the context within which the Ministry will set overarching and longer term objectives for electricity in the province.

While regional planning has been happening for some time, in 2013 the Ontario Energy Board (OEB) made amendments to the Transmission and Distribution System Codes and the former OPA's license to adopt a formalized process. The process ensures transmitters, distributors and the Independent Electricity System Operator (IESO) work together to identify solutions to regional electricity needs.

The formalized process is complemented by a joint former OPA/IESO report, *Engaging Local Communities in Ontario's Electricity Planning Continuum* that has been implemented by IESO.

The first cycle of planning is complete in all 21 electricity regions in Ontario. Integrated Regional Resource Plans (IRRPs) have been released for twelve sub-regions. Electricity needs in all regions will be reviewed by 2018, and again every 5 years or sooner, if needed.

Q5. In July 2016, Wataynikaneyap Power LP (Watay Power) was selected as the preferred transmitter to implement the line to Pickle Lake and the connections to the remote First Nation communities. It appears that there were competing proposals. Why was Watay Power the successful bidder?

For transmission “connection assets”, it is the end customers that are responsible for building the connection assets, or choosing a transmitter to build them (e.g., a mining company or large industrial customer would be responsible for choosing how to connect themselves to the grid).

In this case, the end customers and beneficiaries of the line to Pickle Lake are the First Nation communities who have expressed an interest in connecting to the grid. First Nation communities that propose to be grid-connected have come forward with a project proposal.

Watay Power is a partnership between FortisOntario and 22 First Nations, including 16 diesel-reliant remote communities that would be the eventual customers/beneficiaries of both the line to Pickle Lake and the remote community connections.

The Ontario Energy Board (OEB) oversees the activities of licensed transmitters to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

Q6. Why was this project not open to a competitive procurement process?

The remote connection project is not a bulk system project, and has most direct benefits to the connecting communities, who are partnered with the project proponent. For connection assets, it is the proponent who develops the project.

The Government's policy objective is connecting remotes in a timely manner to address significant community needs, reduce costs over the long term and to avoid GHG emissions. Watay was the only proponent proposing to connect the communities, and a competitive procurement process would almost certainly have added to project delays.

Q7. A new line to Pickle Lake was first identified as a priority in the 2010 LTEP, and then again in 2013. Why are you just doing this now? Why has this taken so long?

Ontario is working diligently towards delivering on its 2013 Long-Term Energy Plan (2013 LTEP) commitment to connect remote First Nation communities in Northwestern Ontario to the electricity grid. The construction of a transmission line to Pickle Lake is part of the broader initiative to connect remote First Nation communities to Ontario's electricity grid. The principal need for the line to Pickle Lake is to enhance the system so it can accommodate the need to transfer power to these communities.

New electricity transmission projects are proponent driven in Ontario and timelines are largely driven by forces outside of the Ministry's control. These projects generally have a long lead

time, taking into account planning, environmental assessment and other approvals required, and a thorough consultation process.

The comprehensive due diligence required to bring forward a major transmission project like the line to Pickle Lake ensures that the project is in the public interest and that the investment is cost-effective for electricity ratepayers.

Q8. Twenty-one of Ontario's 25 remote communities have been identified as a priority for connection in the 2013 LTEP. Sixteen are being connected with the Watay project. How were these communities chosen?

The Independent Electricity System Operator's (IESO) analysis indicated that there is a strong economic case to grid-connect 21 remote First Nation communities. A draft Remote Community Connection Report was issued by IESO in 2014, which contained details of this analysis.

Watay Power currently has 16 of these 21 communities in its partnership and is advancing a plan for connection. Ontario's priority remains the connection of all 21 remote First Nation communities that are economic to connect, as identified in Ontario's 2013 Long-Term Energy Plan (2013 LTEP).

For the remaining five communities that are not currently part of Watay's plan, Ontario will consider how to facilitate their connection once a path forward is identified by these communities.

Q9. Five communities are not being connected. What is the reason for this?

Ontario's priority remains the connection of all 21 remote First Nation communities that are economic to connect, as identified in Ontario's 2013 Long-Term Energy Plan (2013 LTEP).

For the remaining five communities that are not currently part of Watay's plan, Ontario will consider how to facilitate their connection once a path forward is identified by these communities.

Other funding sources such as the federal government are expected to contribute towards Watay's current project as well as the connection of additional communities.

Q10. What are the costs associated with this project? Will ratepayers be on the hook?

Both provincial ratepayers and the federal government currently subsidize costly diesel generation in remote communities. The Ministry of Energy estimates that the connection of these communities to the grid will result in cost savings over the life of the project for both parties.

Ontario continues to work with the federal government on cost sharing arrangements for the project to ensure fair and equitable funding. Protecting ratepayers and realizing future cost savings is a key driver for prioritizing grid connection over ongoing diesel generation. This is in addition to the benefits of grid connection in terms of providing an adequate and reliable supply of clean power to these First Nations.

Q11. The government has been criticized for not holding consultations with Indigenous communities about issues which directly affect them. Did consultations take place?

The grid connection of remote communities is being led by the communities themselves through their partnership in Wataynikaneyap Power. This unprecedented partnership will ensure the communities have a direct role in the governance of this major project.

The project will also require government decisions on environmental assessments and other approvals and these decisions will require the consultation of Indigenous communities. Watay Power has been tasked with carrying out the procedural aspects of this consultation and is undertaking a comprehensive consultation plan as part of developing its transmission proposals.

These consultations will build on previous engagement undertaken by Ontario in relation to government plans for prioritizing the connection project. Indigenous communities have been key voices in the development of past Long Term Energy Plans and specific meetings have been held to seek input from communities on Ontario's approach to supporting the connection of remote First Nations.

Q12. What are you going to do to reduce diesel use in the four communities that are not economic to connect to the grid?

Reducing diesel-reliance in remote Ontario First Nation communities is a high priority for this government, both to improve social and economic outcomes in communities, and to reduce greenhouse gas emissions.

Ontario is supporting the four communities that are not economic to connect to the grid by supporting innovative projects that will reduce reliance on diesel fuel.

Ontario is supporting Whitesand First Nation as they pursue a 3.6 MW biomass generation facility and wood pellet plant. The project will have a number of benefits including local job creation and reduced diesel use leading to reduced greenhouse gas emissions.

In August 2015, the Northern Ontario Heritage Fund Corporation (NOHFC) announced \$2.5 million in funding to support Fort Severn in developing, with Canadian Solar, a renewable energy micro-grid that will utilize storage, and solar technology.

Gull Bay First Nation, in partnership with Ontario Power Generation, is in the early stages of developing a microgrid project with solar PV, storage and smart controls to reduce the community's reliance on diesel. The project is being supported through \$ 2 million from Ontario's Smart Grid Fund / Green Investment Fund.

While we undertake this work with our remote First Nation communities, Ontario is also actively working with our provincial and territorial counterparts through the Pan Canadian Taskforce on Reducing Diesel in Remote Communities. We are committed to sharing information and collaboratively exploring solutions for remote communities that depend on diesel fuel for electricity and heating.

Supply and Transmission

Q13. Some municipalities have complained that a lack of electricity supply and limitations to the transmission grid are affecting their ability to attract businesses. What are you doing to help ensure that northern Ontario has a reliable electricity supply?

Our priority is to ensure there continues to be a stable, reliable and cost-effective supply of electricity in all regions of the province.

There are a number of planned transmission expansion projects that will reinforce our system so that the power is there to support forecasted economic development and growth. These projects include the East West Tie that will reinforce the high voltage lines from Wawa to Thunder Bay and the Northwest Bulk project that will reinforce the system from Thunder Bay to Dryden.

There is also a great need to connect remote First Nation communities in Ontario's Northwest so that they can end their reliance on costly and polluting diesel generators that are currently limiting community growth.

Ontario has been working hard to ensure these projects are developed so they are in place when needed. We will also require these transmission projects to be developed in a manner that serves the public interest and are developed cost-effectively to protect Ontario ratepayers.

Keeping the cost of electricity competitive is also a key driver for investment in Northern Ontario and this must be balanced when planning for new infrastructure investments.

Q14. Some northern Ontario municipalities are concerned about the reliability of the electricity supply in the region. Are you confident the region will have enough power in the coming years?

Our priority is to ensure there continues to be a stable, reliable and cost-effective supply of electricity across the province.

Ontario has a robust approach to planning our electricity system. This includes bulk system planning and the regional planning framework that identifies needs for investments that will maintain the reliability of our electricity system.

With regard to the bulk transmission system, there are a number of planned transmission expansion projects that will reinforce our system so that the system can deliver a reliable supply to support the growth in Northern Ontario. These projects include the East West Tie that will reinforce the high voltage lines from Wawa to Thunder Bay and the Northwest Bulk project that will reinforce the system from Thunder Bay to Dryden.

Regional planning activities have been undertaken in all regions in northern Ontario and these assessments have confirmed the general adequacy of the system. All identified needs will be addressed independently through the sustainment plans of transmitters/distributors.

Q15. What is the government doing to ensure mining projects in the area will have access to a reliable source of power?

Our priority is to ensure there continues to be a stable, reliable and cost-effective supply of electricity to residential and industrial customers in the province.

Electricity needs in the North are being driven largely by mining and forestry operations as well as growth in the communities that support them. The Independent Electricity System Operator (IESO) conducts reviews of these needs on the bulk system and through regional plans.

Regional planning activities have been undertaken in all regions in northern Ontario and these assessments have confirmed the general adequacy of the system. All identified needs will be addressed independently through the sustainment plans of transmitters/distributors.

Q16. What steps is the Ministry taking to promote the development of the Ring of Fire? How does the status of the mining sector affect development? Will you connect the region to the transmission system?

Our government is committed to smart, sustainable, and collaborative development in the Ring of Fire.

There is the potential for cost savings and synergies if transmission infrastructure is shared between the remote First Nation community connection project and the development of mines in the Ring of Fire.

The opportunities provided by the Ring of Fire also have the potential to become a significant economic driver for northern Ontario, and the Province continues to be committed to successful development of the region.

First Nation and Metis

Q17. What is the government doing to support Indigenous participation in Ontario's energy sector? What progress has been made?

The Ministry of Energy is committed to encouraging opportunities for Indigenous communities to play an active role in the energy sector, including generation, conservation and major transmission line projects.

This past Fall and Winter, the Ministry held 17 Indigenous engagement sessions across the province to inform the updating of the Ontario's Long Term Energy Plan (LTEP), which included almost 200 attendees from nearly 100 First Nation and Metis communities and organizations.

The feedback received from First Nation and Métis individuals, communities and organizations is critical to informing the policies and programs that will ensure the continued involvement of Indigenous communities and organizations in the energy sector, including generation, conservation, and major transmission line projects.

Since 2010, over \$8.5 million was committed under the Aboriginal Renewable Energy Fund to help 45 different communities and groups to explore participation in or advance renewable

energy projects. The Independent Electricity System Operator (IESO) is continuing support for Indigenous participation in energy projects through the Energy Partnerships Program (EPP).

Renewable energy procurements like the standard offer Feed-in-Tariff (FIT) program and competitive Large Renewable Procurement (LRP) process included mechanisms to encourage Indigenous participation in the development process, such as the Aboriginal price adder and participation points to support and encourage partnerships with Indigenous communities.

As a result, over 60 First Nation and Métis communities and groups are leading or partnering in more than 600 different wind, solar and hydroelectric projects across the province, largely as a result of incentives in the renewable procurement programs. These projects, including other generation projects such as the recently opened Peter Sutherland Sr. Hydro-electric Generating Station, have a contracted capacity of over 2,100,000 MW of clean energy capacity.

clean energy capacity 1,100 Of the 16 contracted LRP I projects, more than 80 percent included participation from one or more Indigenous communities, including five projects with more than 50 percent Indigenous participation.

There has also been strong interest in community energy planning and conservation. Nearly 100 communities have been approved to develop their own energy plans through the Aboriginal Community Energy Plan program, which about 70% of all First Nations in Ontario. 45 communities participated in the former Aboriginal Conservation Program.

First Nation and Métis customers have access to conservation and energy efficiency programs through the 2015–2020 electricity Conservation First Framework and natural gas Demand Side Management Framework. This includes Hydro One's First Nations Conservation Program and, for customers of Attawapiskat Power, Fort Albany Power and Kashechewan Power, conservation programs offered through Conservation on the Coast.

Over \$200 million in guarantees under the Aboriginal Loan Guarantee Program have been approved to support renewable energy and transmission project development.

The results for these programs and initiatives are unprecedented. Nowhere else in Canada do Indigenous communities have so much opportunity to become economically involved in the energy sector.

Ontario's Fair Hydro Plan

Q18. What is the Global Adjustment (GA)?

The Global Adjustment (GA) accounts for the fixed costs of running Ontario's generation fleet, as well as the cost of conservation programs.

The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.

Q19. What changes have you made to the GA?

We have heard from Ontarians across the province that the price of electricity has risen too quickly, which is why we are moving forward with a plan that will ensure the costs are shared more evenly over the years ahead.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA is being refinanced. Refinancing the GA has provided significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built.

Actual ratepayer savings will vary depending on consumption and local distribution company.

If asked for more detail:

The majority of the province's electricity generators are under 20-year contracts. Some of these generators are expected to provide value to the electricity system beyond their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.

GA refinancing will spread these costs over a longer period and has provided immediate ratepayer relief. In the early years, a portion of the costs covered by the GA will be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing will be recovered from ratepayers.

Q20. Ontario's Fair Hydro Plan will also bring savings to Ontario consumers through electricity support programs. What are these programs and who will benefit?

Eligible consumers will receive additional funding through assistance and conservation programs including:

Establishing a new Affordability Fund which will provide energy efficiency measures to Ontarians who are not eligible for the [Home Assistance Program](#), and who are otherwise unable to make energy efficiency improvements without financial support.

- Broadening Rural or Remote Electricity Rate Protection (RRRP) to provide Delivery Charge Relief for the customers of the local distribution companies (LDC's) with the highest delivery charges.
- Expanding the Ontario Electricity Support Program (OESP) by increasing the monthly on-bill credit amounts by 50% and broadening eligibility so more people can participate.
- Removing the delivery charge from the electricity bills of on-reserve First Nations customers.

Q21. What are you doing for people in rural areas?

We currently provide support to roughly 350,000 rural residential customers through the Rural or Remote Electricity Rate Protection Program (RRRP). We will expand this support to provide rate relief also to customers of local distribution companies (LDCs) with some of the highest rates.

The enhanced program will benefit about 800,000 customers total. As an example, a Hydro One low density customer on electric heat consuming 2,500kWh/month will see their distribution charge reduced by about \$75. Specific rebate amounts will be dependent on Ontario Energy Board rate-setting processes.

We are moving to have the RRRP funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about \$500 million in the 2017–18 fiscal year.

Under the FHP, customers served by the following LDCs would benefit from the expanded RRRP include: Hydro One R2 and R1 customers, Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma.

Q22. The Ontario's Fair Hydro Plan includes two new social and conservation initiatives: On-Reserve First Nations Rate and the Affordability Fund. Can you provide more details about the Affordability Fund and its status?

For those most in need, the Save on Energy Home Assistance Program provides home energy efficiency upgrades at no cost to low-income electricity customers to help reduce future electricity bills.

We recognize that there are other electricity customers who are in need but do not meet the Home Assistance Program eligibility criteria. The Affordability Fund will provide energy efficiency measures to those Ontarians who are not eligible for the Home Assistance Program, and who are otherwise unable to make energy efficiency improvements without financial support. Energy efficiency improvements can help customers reduce future electricity bills and avoid future disconnections.

In March 2017, the Ministry of Energy entered into an agreement with an independent Trust to administer the Affordability Fund. The Trust will be responsible for distributing funds to electricity distributors across the province based on an application process and targeted eligibility criteria. The Trust's Board includes representation from two social agencies (United Way Ottawa and the Neighbour to Neighbour Centre), three LDCs (Thunder Bay Hydro, Hydro One and Alectra) and the Ministry of Energy (one non-voting representative).

Over Summer 2017, the Trust has engaged with LDCs to develop recommendations on program design, including participant and measure eligibility, and application process. It is anticipated that electricity distributors will be able to start applying to the Trust for funding later this year.

Q23. What are you doing to reduce electricity bills for First Nations people living on reserves?

- We are providing additional support for people who live on First Nations reserves by eliminating the delivery charge for all on-reserve First Nations residential customers. We are also removing the monthly service charge for customers of licensed distributors that charge a bundled rate. The Ontario Energy Board estimates this will provide residential customers an average monthly benefit of \$85 (or \$1,020 per year)
- Automatically qualifying on-reserve First Nations residential customers — about 21,500 in total

Enabling greater information sharing between distributors and band councils to identify all on-reserve First Nations customers.