

Closing Remarks for Standing Committee on Estimates

The Hon. Glenn Thibeault, Minister of Energy

Presentation to the Standing Committee on Estimates

Estimates 2017, X date

Word Count: 3,017

Hello Madame Chair and esteemed Committee members.

Having spent the first half hour of today discussing the progress my ministry has made – and will continue to make – in addressing the priorities outlined in Premier Wynne’s 2016 Mandate letter.

I’d like to discuss the Ministry of Energy’s continued efforts to meet the three remaining commitments.

And let’s begin with the fourth commitment: adopting renewable energy.

[The Adoption of Renewable Energy]

Over a 10-year period, between 2005 and 2015, the share of installed renewable capacity in our province's supply mix grew from 26 per cent to 40 per cent.

This installed capacity breaks down as follows based on approximate numbers:

- 4,800 Megawatts of online wind power – enough electricity to power about 1.3 million homes each year.
- Added to this, Ontario has approximately 1,300 Megawatts of additional contracted wind capacity yet to come online;

- 2,300 Megawatts of solar photovoltaic capacity online – enough electricity to power approximately 300,000 homes each year.
- And similar to wind power, our province has contracted approximately 500 Megawatts of additional solar photovoltaic capacity yet to come online;
- 500 Megawatts of bioenergy capacity online with around 8 Megawatts of additional capacity also yet to come online; and
- 8,800 Megawatts of installed hydroelectricity capacity with about 200 Megawatts of additional capacity to come online.

All told, Ontario has approximately 16,300 Megawatts of renewable energy currently online, with approximately 2,000 Megawatts of additional contracted renewable capacity yet to come online.

On a national scale, it's worth noting that two thirds of Canada's electricity supply now comes from renewable sources, according to a report issued by the National Energy Board in May.

The report also highlights the fact that Ontario produces the lion's share of Canada's solar production – an impressive ninety-eight per cent of all Canadian solar production.

This unparalleled leadership in the field of solar energy should be a point of pride for all Ontarians.

It also validates the Ontario government's efforts to support a clean energy system including initiatives such as:

A Feed-in Tariff program that has made it easier for homeowners, small businesses, farmers, not-for-profit groups, community groups, and First Nation and Métis communities to participate in renewable energy projects;

The first phase of the Large Renewable Procurement (LRP I), which introduced strong competition among developers of large renewable projects to help drive down the price, and in the process, secure clean, reliable generation for the province;

A provincial net metering framework that is currently being updated to:

- Provide customer choice in generating clean, renewable energy;
- Help reduce the load on our electricity system;
- And help foster innovative technologies and customer-utility relationships.

And converting two of the province's former coal generating stations – the Atikokan Generating Station and the Thunder Bay Generating Station – from coal to biomass and advanced biomass fuel, respectively.

[Reducing greenhouse gas (GHG) emissions -related pollution and supporting the transition towards a low-carbon economy and the end of coal]

While these initiatives helped bolster renewable energy generation.

There's one precedent-setting achievement I'm particularly proud of.

And that is the fact that Ontario eliminated coal-fired electricity generation in 2014.

And as you all know.

This was no small feat.

Especially when you consider that in 2003, coal represented 25 per cent of Ontario's electricity supply mix.

In commenting on this momentous achievement, Al Gore praised Ontario for successfully carrying out "the largest greenhouse gas reduction project in North America."

Mr. Gore went on to say that Ontario had "distinguished itself as a leader in Canada and around the world."

Cutting out coal was supported by a majority of Ontarians as well.

According to an EKOS poll conducted in May of 2016, nearly three-quarters (*73 per cent*) of Ontarians surveyed said that phasing out coal and supporting renewable power was the right thing to do.

Then there are the many benefits to consider by eliminating coal.

First, it reduced Ontario's GHG emissions by 30 mega tonnes – the equivalent of removing seven million cars from the province's roads.

Secondly, it eliminated some of Canada's largest sources of pollution – including greenhouse gases such as carbon dioxide along with other air pollutants such as sulphur dioxide, particulate matter, nitrogen oxide, mercury, arsenic and lead.

Thirdly, going coal-free virtually eliminated smog days in the province.

And Ontario's success in reducing GHG emissions brings me to the fourth mandate commitment: continuing to reduce GHG-related pollution and supporting the transition towards a low-carbon economy.

These two objectives, combined, are of critical importance to combat climate change.

Because be it the increase in extreme weather-like floods and droughts

Damage to infrastructure like roads, highways and rail links...

Climate change is here and is already impacting our lives.

That's why we must work collectively, as a province, to reduce pollution and GHG emissions.

And transition towards a low-carbon economy.

Fortunately, with respect to reducing GHG emissions, I can confidently say that the Ministry of Energy is actively doing its part.

For example, according to the Independent Electricity System Operator's Ontario Planning Outlook, released last fall, ahead of our Long-Term Energy Plan engagement sessions I discussed earlier...

GHG emissions from Ontario's electricity sector fell by over 80 per cent between 2005 and 2015.

This significant reduction in GHG emissions is directly attributable to this government having the leadership to eliminate coal-fired generation...

As well as a reduction in demand for electricity.

Significantly reducing the GHG emissions stemming from Ontario's electricity sector also moves us one step closer in meeting the province's GHG emission reduction targets – targets outlined in Ontario's Climate Change Action Plan.

As you all may be aware, the Climate Change Action Plan is a five year plan aimed at helping Ontario fight climate change over the long term.

It also includes recommended actions that will affect our province's future energy use.

The targets identified are as follows...

- A 15 per cent reduction in GHG emissions below 1990 levels by 2020, followed by a 37 per cent reduction below 1990 levels by 2030, and then a 80 per cent reduction below 2050 levels.
- The Plan also outlines actions the government is taking – and plans to take – to reduce carbon emissions in the province.
- Actions that in all likelihood will impact our province's future energy use.

- This includes:
 - Helping homeowners and businesses purchase and install low-carbon energy technologies such as geothermal heat pumps and air source-heat pumps, solar thermal and solar energy generation systems that reduce reliance on fossil fuels for space and water heating;
 - Increasing the availability and use of low-carbon fuel such as propane, liquefied gas and gasoline mixed with renewable fuel content such as ethanol.

With this in mind, Ontario plans to implement a new regulation that will lead to a five per cent reduction in GHG pollution from gasoline by 2020; and

- Providing rebates to individuals who purchase or build their own near net zero carbon emissions home, with energy efficiency performance that sufficiently exceeds the requirements outlined in the Building Code.

I've listed only a few of the measures our government is pursuing to reduce our province's carbon footprint.

This past August, Ontario launched the Green Ontario Fund and GreenON web site – a one-stop shop of programs and rebates to reduce energy costs and help fight climate change.

I'd like to acknowledge the Ministry of Environment and Climate Change for their steadfast work in implementing Climate Change Action Plan initiatives, including establishing the Green Ontario Fund.

I'd also like to thank the staff at the Independent Electricity System Operator whose significant expertise, resources and delivery infrastructure help support initial GreenON program development...

And, in the process, provide a co-ordinated, one-window approach for customers.

This brings me to the fifth commitment outlined in the Ministry of Energy's mandate letter: driving efficiencies and maximizing return on investment from the electricity sector.

[Driving efficiencies and maximizing return on investment from the electricity sector]

Ontario's electricity sector is continually evolving.

And in a very real way, the sector may now be at a point that telecommunications companies occupied in the late 1980s.

Whereby technological innovations combined with customer demands for better services and products drive a remarkable pace of change.

To that end, our regulatory and public policy governance structures need to evolve as well to keep up with today's ever-changing market place.

To do this, we need to become less prescriptive and allow for leaders at all segments of the value chain to enter Ontario's energy market without a heavy-handed regulatory market getting in the way.

For the Ontario government's part, it will need to take a step back from picking specific technologies, winner and losers...

And allow for a more dynamic, competitive and outcome-based approach.

To move things forward, the Independent Electricity System Operator is leading a Market Renewal initiative that will result in an ambitious set of initiatives aimed at fundamentally re-designing Ontario's electricity markets.

And in the process, ensure that our future energy needs are met in a reliable, flexible, clean and most importantly, cost-effective manner.

[Taking further action to mitigate the impact of electricity prices on consumers and businesses]

I'd now like to discuss the final mandate letter commitment my ministry has made considerable progress in carrying out...

Namely, mitigating the impact of electricity prices on consumers and businesses.

Topping the list of our government's effort to address electricity prices is the Fair Hydro Act, which officially passed in May.

But before providing an overview of this legislation, I'd like to discuss other previous measures the Ministry of Energy implemented to reduce energy costs.

These include a new historic agreement with our neighbour that will limit GHG emissions by making Quebec's energy supply available to Ontario, through their operator, Hydro-Québec, and Ontario's Independent Electricity System Operator.

Under this inter-provincial agreement, our independent system operator will purchase 2 terawatt hours annually from Hydro-Quebec over a seven-year period, from 2017 to 2023.

This is enough electricity to power the city of Kitchener for a year.

On top of this, Ontario will leverage Quebec's highly innovative energy storage capacities to make better use of our own clean energy resources.

Ontario, in turn, will also reserve 500 Megawatts of capacity for Hydro-Quebec to meet Quebec's winter peak demand.

The agreement will reduce electricity system costs for Ontario consumers by about \$70 million from previous forecasts.

It will also reduce the electricity sector's GHG emissions by approximately 1 million tonnes per year.

This mutually beneficial agreement is a telling example of Ontario and Quebec's long-standing relationship.

Together, the two provinces form Canada's largest economic region, account for about 56 per cent of the country's GDP and 53 per cent of interprovincial trade.

The successful re-negotiation of the Green Energy Investment Agreement is another important measure our province took to reduce electricity costs.

Our cost-saving measures don't stop there.

As a result of annual price reviews, revised procurement totals, and the introduction of competitive procurement for large renewable projects, the Feed-in Tariff, micro Feed-in Tariff and the first Large Renewable Procurement program initiatives are expected to cost at least \$3 billion less than forecast in the 2013 Long-Term Energy Plan.

We also suspended the second Large Renewable Procurement program, as well as the Energy from Waste Offer Program.

These two measures alone provided up to \$3.8 billion in savings, and are also relative to the 2013 Long-Term Energy Plan's forecast.

Then there are the nuclear energy-related cost-saving measures to consider.

Of particular importance: deferring the construction of two new nuclear reactors at Darlington, avoided an estimated \$15 billion in new construction costs.

Instead, the Ontario government opted to focus on its existing nuclear fleet, and has commenced with the refurbishment of Darlington.

This large-scale project is often described as Canada's largest clean energy project.

Managed by Ontario Power Generation, Darlington's refurbishment will not only boost economic activity across the province, but will create high-paying jobs in Ontario.

It will also secure 3,500 Megawatts of safe, affordable, reliable and emissions-free power.

It's also worth mentioning that, to date, Darlington's refurbishment is progressing well, and is on track to be completed on time and on budget.

However, despite the extensive list of cost-saving measures I've highlighted, electricity rates were continuing to rise.

And the people of Ontario made one thing abundantly clear: they wanted substantial relief from electricity bills, and they wanted this relief to last.

[Ontario's Fair Hydro Plan]

Members of this Committee, our government took substantial action to provide immediate and lasting relief to help lower electricity bills.

This relief will also be fair and balanced.

On May 31, 2017, legislation relating to Ontario's Fair Hydro Plan (OFHP) was passed.

Thanks to this legislation and our earlier 8 per cent rebate, electricity bills were lowered by 25 per cent on average for all residential consumers this past summer.

As many as half a million small businesses and farms are also benefiting from this initiative.

And our plan holds any increases to bills to the rate of inflation for four years.

Ontario's Fair Hydro Plan is also helping vulnerable electricity consumers in a multitude of ways.

First, we have enhanced distribution rate protection to provide delivery charge relief to a total of approximately 800,000 customers – up from 350,000 before the Fair Hydro Plan was launched.

This enhancement benefits consumers served by local distribution companies with some of the highest distribution rates, including Hydro One low and medium density customers, Northern Ontario Wires, Lakeland Power, Chapleau Public Utilities Corporation, Sioux Lookout Hydro, InnPower, Atikokan Hydro and Algoma Power.

Through the Fair Hydro Plan, we also expanded the Ontario Electricity Support Program (OESP) – which lowers electricity costs for the most vulnerable through a rebate on their monthly bills.

This means bill credits have been increased by 50 per cent and eligibility has been expanded.

It's also worth mentioning that since its launch on January 1, 2016, the Ontario Electricity Support Program has accepted more than **207,000 low-income households** to receive the monthly on-bill credits.

Also, our ministry is working with our colleagues at the Ministry of Community and Social Services to increase participation in this program for customers already enrolled in other provincial social assistance programs.

Another measure introduced through the Fair Hydro Plan has provided on-reserve First Nations residential customers serviced by licenced distributors with a 100 per cent credit of the delivery line on their monthly electricity bills.

The Ontario Energy Board estimates that this initiative will provide residential customers an average monthly benefit of more than \$1 thousand dollars per year for approximately 21,500 on-reserve First Nations residential customers.

This announcement was lauded by First Nations leaders including Ontario Regional Chief Isadore Day, who said providing the delivery line credit would effectively “reduce energy poverty” in First Nations communities and “allow for a path forward for greater quality of life in those same communities.”

The Ontario Fair Hydro Plan is also working on establishing an Affordability Fund to provide energy efficiency measures to Ontarians who do not currently qualify for low income conservation programs and are unable to make energy efficiency improvements without support.

The Fund will operate through an independent trust established to administer the program, including providing oversight and facilitating the efficient distribution of funds to electricity distributors.

Electricity distributors will be able to apply for funding to the program to offer energy efficiency measures to those customers that meet the targeted eligibility criteria.

Measures that could be funded include energy-saving light bulbs (LEDs), power bars, energy efficient window air conditioning units, refrigerators, insulation, and air source heat pumps.

It is anticipated that electricity distributors will be able to start applying to the Trust for funding this fall.

Collectively, the proposed changes I've outlined in detail today represent the *single-largest* reduction to electricity rates in Ontario's history.

As you know, Ontario's Fair Hydro Plan will effectively change how the measures I've discussed would be funded.

Previously, the cost of maintaining a clean, modern and reliable electricity system was disproportionately placed on the shoulders of today's electricity ratepayers.

Under our Plan, the electricity support programs I've outlined today would be funded by the provincial tax base.

The fiscal costs of this relief, and the corresponding restructuring that will take place, will cost the province about \$2.5 billion over the next three years.

Fortunately, thanks to a strong Ontario economy and a balanced budget, we were able make these changes.

I'd like to take a moment to elaborate upon a key component of Ontario's Fair Hydro Plan: particularly, the re-financing of the Global Adjustment – which accounts for the fixed costs of running Ontario's electricity generation fleet plus the cost of conservation-related programs.

By its very nature, the Global Adjustment is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.

Under the Fair Hydro Plan, we are re-financing a portion of the Global Adjustment to spread the cost of electricity-related investments over a longer period of time to better reflect the lifespan of Ontario's generating assets.

Like the mortgage on a house – we are 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 the current generation of hydro customers alone to pay the freight for everyone before and after.

The burden will be shared more evenly and more appropriately.

By moving forward with this significant reform, we have provided significant rate relief.

And Ontario's strong, growing economy allowed us to do this while also delivering a balanced budget.

Under our plan, electricity rates are coming down, staying down and benefiting families and businesses across the province.

On that note, I'd like to thank the esteemed members of this committee for the opportunity to speak today about the Ministry of Energy's important priorities.

As well as my Ministry's concerted effort to help build a safe, clean, reliable and affordable energy system that will continue to benefit the people of Ontario.

Thank you.
