MEETING NOTE

NAME OF ORGANIZATION:	Ontario Energy Association (OEA) – Board of Directors Meeting
DATE/TIME OF MEETING:	Thursday, May 18, 2017, 12:30 PM – 2:00 PM
LOCATION OF MEETING:	OEA Boardroom, 121 Richmond Street West, Suite 202, Toronto, ON M5H 2K1

PURPOSE: OEA Board Meeting

ATTENDEES: **Minister of Energy**
Glenn Thibeault

Ontario Energy Association

ANTICIPATED AGENDA ITEMS:

1. Long-Term Energy Plan (LTEP) Discussion:
   A. Integration/alignment with the Climate Change Action Plan (CCAP)
   B. Optimizing existing infrastructure
   C. Regulatory modernization and efficiency
   D. Innovation and new technology

2. Ontario's Fair Hydro Plan (OFHP) Implementation:
   A. Bill presentment

3. Market Renewal

NOTES ON AGENDA ITEMS:

1. Long-Term Energy Plan (LTEP) Discussion:

- The OEA's LTEP submission recommends that LTEP 2017 be founded on the following 4 core principles:

  - Security and reliability of supply;
  - Attainment of climate change objectives;
  - Ontario's economic prosperity;
  - Cost effectiveness and affordability of energy products and services for homes and businesses.

A. *Integration/Alignment with CCAP*

- The consultation and engagement phase of LTEP development was preceded by the release of technical reports on the electricity and fuels sectors.
    - Each of these reports contained a ten-year review and twenty-year outlooks to 2035 that were affected by CCAP initiatives and assumptions.
    - The IESO is currently updating its assumptions to reflect the changes in the sector since that time including:
        - Fair Hydro Plan
        - Suspension of LRP 2
        - Trade deal with Quebec
        - Revised carbon pricing based on the first cap and trade auction
    - The revised base-case from the IESO will be included in the LTEP.

Suggested Response:

- **LTEP presents an opportunity for the government to further elaborate on Ontario's new climate change mitigation and adaptation policies as they relate to the energy sector.**
- **The LTEP, like the CCAP, is an iterative process. Each plan will inform the other to help ensure alignment of government priorities.**
- **The 2017 LTEP and future energy plans will need to apply the lens of climate change targets and carbon pricing to energy policy development.**

B. Optimizing Existing Infrastructure

- In its LTEP submission in November 2016, the OEB recommended LTEP 2017 optimize existing infrastructure to meet Cap and Trade, security and reliability, economic and affordability objectives, including:
    - Options for decarbonizing and the more efficient use of natural gas
    - Options for re-contracting electric generation resources and deploying other resource options
    - Options for Demand Response and conservation, including taking advantage of Ontario utilities' DSM and CDM infrastructure and avoiding duplication that undermines existing infrastructure and leads to consumer confusion with respect to program delivery.

Suggested Response:

- **Coordinated planning at all levels is critical to ensuring infrastructure is sized appropriately to meet the province's needs.**
- **It is important to take a realistic view of the growth uncertainties, new technologies and government policies when examining the need for infrastructure expansion.**

C. Regulatory modernization and efficiency

- LDCs are concerned that regulatory processes have become increasingly costly, time-consuming and overly-prescriptive with limited cost-benefit analysis to justify the requirements.
- LDCs are hesitant to prepare comprehensive rate filings due to unclear guidelines. They also believe certain regulatory and reporting requirements can be streamlined and instead focus on achieving outcomes.
- Under the OFHP, the government is tasking the OEB and the IESO with identifying opportunities to drive efficiency and productivity improvements in order to reduce costs passed on to customers.
- Under the next Long-Term Energy Plan (LTEP), the Ministry plans to instruct the OEB to implement changes on a staggered basis over the next four years to smooth out the regulatory burden. The Ministry intends to have new rate-making processes available for 2019 application filings for the rate year 2020.

Suggested Response:

- **Under Ontario's Fair Hydro Plan (OFHP), we have asked the OEB to:**
  - **Review business cases behind its regulatory requirements in order to reduce red tape and eliminate costs for regulated entities;**
  - **Encourage shared partnerships between Local Distribution Companies (LDCs) which would help reduce costs and encourage further innovation for small to medium-sized utilities; and**
  - **Further drive transmitter and LDC efficiencies and productivity improvements, including the use of innovative technologies and business processes.**

D. Innovation and New Technology

- The OEA believes that planning and regulatory regimes in Ontario need to be flexible to respond to innovation in the sector, while remaining technology neutral.
    - Specifically, The OEA believes that Ontario's regulatory framework does not reward innovation;
- The OEA has a neutral position on the role of the market in innovation: while they acknowledge that utilities are well positioned to provide innovative solutions to their customers, they acknowledge that third-parties should be able to provide new services that enable customer choice.

Suggested Response:

- **As you know, innovation and grid modernization were key themes during our LTEP consultations.**
- **The OEA and the Ministry share a common vision in enabling innovation, customer choice, and cost-effective technology adoption throughout the sector.**
- **I would like to know what the OEA sees as the most pressing barriers to encouraging innovation and the facilitating the use of cost-effective new technology within our energy system.**

2. Bill Presentment

Suggested Response:

- **As a result of feedback received from the LDCs in April and May 2017, the Ministry is requesting LDCs provide minimal near-term OFHP bill messaging to ensure they can focus on implementing OFHP programs on-time for consumers.**
- **These near-term messaging requirements include:**

- **Requesting LDCs issue a voluntary bill insert in June ahead of finalized regulations;**
- **Requiring LDCs to include standardized on-bill OFHP messaging as of July 1, 2017; and**
- **Requiring LDCs to issue an OFHP bill insert once every quarter for a period of 12 months, beginning with the first invoice issued on or after July 1, 2017.**

- **The Ministry will provide LDCs with printed and translated copies of the voluntary bill insert to be included with June invoices in the upcoming weeks.**

- **We acknowledge that before *new* OFHP on-bill messaging can be introduced on electricity bills, outdated messaging must be removed to free-up space and reduce potential confusion amongst consumers. The Ministry is proceeding with repeal of certain requirements such as the Debt Retirement Charge message.**

- **In the longer-term, we believe there is opportunity to improve the value of the electricity bill to consumers across all LDCs. Once OFHP initiatives have been implemented, we plan to examine ways to improve bill presentment for consumers, and will look forward to receiving the OEA's feedback.**

3. Market Renewal

- In its agenda, OEA has indicated that they would like to discuss the following aspects of Market Renewal:

    1. What can we learn from other jurisdictions?
    2. Impact on existing generators
    3. Incremental capacity auction plan
    4. Supply planning governance reform

<u>Suggested Response:</u>

- **The reforms being considered as part of Market Renewal, such as a single schedule market, are used in all other North American jurisdictions and are considered best practice.**

- **IESO expects that existing generators will benefit from Market Renewal as a result of capacity exports, new revenue opportunities and an improved ability to manage fuel costs.**

- **Market Renewal envisions an incremental capacity auction to competitively procure resources when they are needed.**

- **With regard to supply planning governance, it is the Ministry's intention that future supply needs are met through "technology neutral" capacity auctions.**