

Remarks for
Hon. Glenn Thibeault, Minister of Energy

Ontario Energy Association Breakfast
Toronto, Ontario

March 21, 2017

*****Check Against Delivery*****

Good morning everyone.

Thank you Vince [Brescia, OEA President and CEO] for that kind introduction.

And a special thank you to each of you for taking time out of your busy schedules to join us today as part of the Ontario Energy Association's Speaker Series.

While this is not my first time providing remarks at an OEA event, the last few months have given us plenty to discuss.

Just over nine months ago I was appointed Minister of Energy.

In that time, I've had the benefit of many meetings, tours of our generating stations, a visit to our grid control centre, policy briefings, indigenous engagements, Cabinet meetings, and conversations with everyday Ontarians – I've come to respect the enormous complexity of the energy and electricity system in Ontario.

With this respect comes admiration.

More specifically, admiration for your hard work, dedication and innovative thinking that continues to improve the strength and reliability of our electricity system.

Yet today, we are at an interesting juncture for our Government and for Ontario's energy sector.

The main task the Premier assigned me as Minister of Energy last summer was to take a closer look at our electricity system, to review every policy and every procurement, and to find additional ways to drive costs out of the system.

For me, this process has been incredibly challenging.

I'm lucky to have been supported by such a strong team at the Ontario Ministry of Energy, each of our Agencies – the IESO, OEB and OPG, as well as from sector leaders like Hydro One, the OEA, APPrO and many others.

Most significantly, this collaborative relationship helped deliver *Ontario's Fair Hydro Plan* a few weeks ago.

On March 2, our Government launched an ambitious plan to update the way that ratepayers pay for the energy they consume, and the assets that support Ontario's electricity demand.

A large part of this plan meant not only tackling the Global Adjustment, but acknowledging that it was policy choices that drove up these costs.

As you know, the Global Adjustment is the tool used to pay for the reliable electricity generation and clean electricity system upgrades we have built over the past decade.

These upgrades helped make brownouts, blackouts, and smog days a thing of the past.

Across Ontario, these investments added about \$50 billion in generation, transmission and distribution assets to our system.

Together, we built or upgraded over 15,000 kilometers of transmission and distribution wires to enhance reliability for Ontario customers.

We invested in the green energy sector to create jobs and eliminate coal from our supply mix.

Greenhouse gas emissions from the province's electricity sector have fallen by an astounding 80 per cent since 2005.

These decisions reduced smog days in Ontario from 53 in 2005 to zero last year, which is improving the health of all Ontarians, and saving billions in healthcare costs.

Ontarians will be benefiting from these investments to strengthen our clean and reliable electricity system for decades – both economically and environmentally.

And it's important for us to remember, these significant investments could not have been realized without your leadership and support.

But, as you know, these investments came at a cost.

A cost that a single generation of Ontario ratepayers is carrying on its shoulders.

That's not entirely fair, since these investments will benefit Ontarians for decades to come.

We now know that many of the facilities that have contributed to the greening of our supply mix will last longer and provide value well into the future.

Be they wind farms, solar arrays or natural gas plants – they will outlive their contract terms – but they will not be disconnected from the grid.

They will remain operational, and continue to provide value to future ratepayers.

Therefore, as part of Ontario's Fair Hydro Plan we are refinancing the Global Adjustment to better match the actual useful life of our electricity infrastructure.

And so, like the mortgage on your house – we're refinancing it and setting a new term that stretches over a longer period – which reflects the use of the infrastructure more fairly.

Premier Wynne has been clear on this – over time, it will cost more. And it will take longer to pay off.

But it is fair. Because it doesn't ask this generation – our generation – of hydro customers alone to pay the freight for everyone before and after.

Taking this action was the right thing to do.

The burden will now be shared more evenly and more appropriately.

Ontario's Fair Hydro Plan also includes shifting social programs off the rate-base and on to the tax-base.

Important rate mitigation efforts like the Rural or Remote Rate Protection plan, which helps to reduce distribution costs for those hard to serve customers; the Ontario Electricity Support Program, which lowers rates for low income Ontarians, and a new First Nations On-Reserve delivery rate credit will be paid for by the Treasury.

Shifting these costs to the tax base is a more appropriate funding source than collecting a small levy across everyone's bills.

Like uploading costs from municipalities by the McGuinty Government, this is an important and principled measure.

Specifically, because the corporate and income tax regime that supports the provincial treasury is more progressive, but also because it forces Government – this one and any future administration – to measure these programs against their values.

In our Government, Kathleen Wynne and Ontario's Liberals place a strong value on these programs.

We acknowledge that rural and remote ratepayers, low-income consumers and indigenous communities face higher cost-of-living pressures, and we are tackling the difficult internal trade-offs to continue to support these important programs.

Every government is presented with a set of unique challenges they must face in their mandate.

And I like to think that with every challenge comes opportunity.

In 2003, that challenge became an opportunity to clean up our electricity supply mix and upgrade infrastructure to enhance reliability for families and our job creators across the province.

For me, the challenge of electricity prices presented the opportunity to fundamentally re-shape Ontario's electricity sector.

This means structural reform and market renewal.

Through the Fair Hydro Plan, we have changed the way the people of Ontario pay for electricity.

And with your support, guidance and collaboration, we are now embarking on the most important structural reform of our electricity sector in a generation.

Too often we, as Government, have sought to impose strict requirements on the system operator – our electricity sector experts at the IESO.

In the current model, the Ontario government mandates how much of our energy supply is derived from nuclear, natural gas, wind, solar and other sources.

That needs to change.

I think a better approach is to focus on outcomes, rather than contracting with specific technologies.

We need to move in step with technological change, and harness innovative thinking.

By moving to more competitively procure resources, we will provide a clear benefit to ratepayers; think of it as a more “technology-agnostic” procurement approach.

We want to take the handcuffs off each of you within the electricity sector and our system operator at the IESO, to find the appropriate mix to fulfil a capacity auction that would ensure ratepayers receive the best prices possible.

Adopting this kind of approach will allow government policy makers to set the high-level priorities the people elect us to achieve – such as carbon neutrality – but avoid forcing specific supply mix choices.

Many of you have heard me promote the IESO’s market reform workplan before.

But let me be clear – market reform is critical to Ontario’s Fair Hydro Plan.

We can afford to re-mortgage those electricity supply contracts through the refinancing of the Global Adjustment because we are confident that those assets will continue to provide value to Ontario ratepayers – as part of a competitive, well run, transparent and technology-agnostic capacity auction approach.

This approach will procure resources if and when we need them.

And we won’t set artificial targets or goals to win over particular stakeholder segments or chase NGO applause.

Ontario ratepayers have funded a significant re-build and greening of our supply mix.

Now they expect all of us: policy makers in Government, system operators at the IESO and the generator community to deliver on our commitment to affordability.

The IESO is already undertaking a robust consultation schedule and I know that many of you are participating.

In fact, many of you have sought me out to raise issues and concerns with the methodology and approach undertaken.

That's exactly the kind of engagement we need.

We need to challenge our assumptions, rattle the cage of existing orthodoxy and update the way we think about the future of our electricity system.

Advocacy in favour of the status quo is simply not an option.

To that end, I'm challenging this sector to pull together, partner with the IESO and help deliver a strong 'made in Ontario' market renewal tailored to our unique market conditions.

Success will mean both significant ratepayer savings, and shareholder value.

To conclude, I want to spend just a few moments to address the political circumstances of the day.

With the level of attention that electricity prices have received, both from the media but as well as from the general public – it was only natural that energy policies became a political football at Queen's Park.

It's only natural that alternative visions are tabled and debated. That's part of the process.

Earlier this month the NDP announced their plan to spend billions of taxpayer dollars to buy back shares of Hydro One.

They know full well that wouldn't reduce hydro bills by a single penny.

And for an NDP document, it was shockingly thin on support for Ontario's most vulnerable.

“Low Income” Ontarians were mentioned as an afterthought to be considered at some vague future date.

While the Conservatives are taking their time to present any coherent alternative views; we hear them attack and threaten to tear up contracts in the Legislature on a regular basis.

Tearing up FIT contracts would rack up a hefty legal bill, award significant punitive damages to international developers, and put a chill on Ontario’s investment climate.

What’s more, this scheme wouldn’t lower electricity bills either.

These alternative approaches represent more ideology than thoughtful ideas.

The Premier and our Government believe the electricity file deserves a more principled approach.

We know how electricity affects peoples’ lives.

Kathleen Wynne said it: we’ve made mistakes. And that made some headlines.

What’s remarkable is that we find it odd – shocking even – for a Premier to admit a mistake and to devote herself and the efforts of our Government to doing our best to set things right.

It is a more difficult path. But it’s a path we are confident in taking.

Since joining Cabinet about 9 months ago, I have learned a heck of a lot about Ontario’s electricity and energy sector.

I have also had a chance – as many of you have as well – to see up close the determination and grit that has been needed to lower hydro bills for Ontario families.

As I have grown to understand this portfolio and the important role that each of you play in Ontario’s electricity sector, I’m even more excited today than I was the day Premier Wynne called to invite me to join her Cabinet.

And I'm invigorated at the opportunity to deliver real, meaningful and structural change to our electricity system.

Thank you once again for hosting me here today and I hope that each of you has an excellent day!