

MEETING NOTE

NAME OF ORGANIZATION: Association of Municipalities of Ontario

DATE/TIME OF MEETING: April 6, 2017 1:30 pm – 2:30 pm

LOCATION OF MEETING: Queen's Park, Toronto, 2nd Floor, Room 247

PURPOSE: The Ministry of Energy will provide an update to AMO representatives on key issues identified by AMO that impact or are of interest to the municipal sector.

ATTENDEES: **Minister of Energy**
Glenn Thibeault

AGENDA:

1. Ontario's Fair Hydro Plan (OFHP)
2. Long-Term Energy Plan (LTEP)
3. Local Distribution Companies
4. Regional Planning and Distributed Generation

NOTES ON AGENDA ITEMS:

1. Ontario's Fair Hydro Plan (OFHP) – Implementation

- AMO is likely to raise questions about Ontario's Fair Hydro Plan
 - Some municipal customers who are eligible for RPP would benefit from GA refinancing and all electricity consumers benefit from shifting the funding of social program to provincial revenues.

2. Long-Term Energy Plan

- The Ministry of Energy is developing the next Long-Term Energy Plan (LTEP), which sets out the direction for Ontario's energy future.

3. Local Distribution Companies

4. Regional Planning and Distributed Generation

- AMO is interested in discussing how municipalities are engaging in the regional planning process and what supports are in place for integration of distributed generation, storage and micro grids.

Ontario's Fair Hydro Plan

- On March, 2, 2017, the government announced Ontario's Fair Hydro Plan, which includes:
 - Lowering electricity bills by 25 per cent on average for all residential customers as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness.
 - A benefit from the funding of support programs through provincial revenues for all electricity consumers.
 - Electricity consumers eligible for the Regulated Price Plan (RPP) would benefit from GA refinancing.
 - Small manufacturers would become eligible to participate in the Industrial Conservation Initiative. See below for more information.
 - Sector efficiency would be improved and Ontario's electricity market would be modernized, working in collaboration with the Independent Electricity System Operator (IESO) and the OEB.

Shifting Support Programs to Provincial Revenues

- Ontario's Fair Hydro Plan proposes to shift the cost of the OESP and RRRP program from being paid through electricity bills to being paid for through provincial revenues. This would cost the government up to \$2.5 billion over the next three years.

GA Refinancing

- Electricity consumers that are eligible for the RPP would benefit from GA refinancing.
 - In order to be eligible for the RPP, annual consumption must be below 250,000 kWh/year or peak demand must be below 50 kW. This includes residential consumers as well as most small businesses and farms.
 - Consumers who are eligible for RPP, but have opted out to become a retail or wholesale consumer would also receive the benefit.
- Eligible small businesses would include dry cleaners, convenience stores, small restaurants and retail stores, but would exclude businesses such as larger restaurants, welding shops, medium and large office buildings and big box retailers.

Expansion to Electricity Consumers Greater Than 1 MW

- Since July 2015, Class A includes energy-intensive consumers with an average monthly peak demand greater than 3 MW and less than 5 MW in select industries including manufacturing.
- In the September 2016 Throne Speech the government announced that it was expanding access to ICI to include more than one thousand newly eligible

customers with monthly peak demand greater than 1 MW, down from the current threshold of 3 MW.

- In addition, sector restrictions have been removed and smaller industrial, institutional and commercial businesses would be eligible to participate.
- Effective July 1, 2017, Class A will include all electricity consumers with peak demand greater than 1 MW without any sector restrictions.

Expansion to Manufacturers Between 500 kW to 1 MW

- Ontario's Fair Hydro Plan proposes to expand the ICI to include smaller manufacturers (i.e., NAICS codes commencing "31", "32" and "33") with average peak demand greater than 500 kW and less than 1 MW. Final details on timelines will be available once the regulation is developed and approved.
- The cost impact across industries and individual facilities would vary.
- Consideration is being given to allowing consumers who were at one time ICI participants to remain eligible for ICI if at any time they drop below the ICI threshold while participating in conservation programs.
- Manufacturers under NAICS codes 31-33 that would be eligible for ICI include:

Affordability Fund

- The Fund, established through the tax base, will be administered by an independent Trust and accessible to electricity distributors.
- Eligible customers will be identified by electricity distributors.
 - The program is expected to be entitlement based, i.e. targeting customers who are in bill arrears, facing disconnection, and/or not able to undertake energy efficiency improvements without financial assistance.
 - Priority is expected to be given to homes primarily heated by electricity.
- The estimated reach of the Fund is expected to be 15,000 to 65,000 households, depending on energy efficiency measures and uptake.
 - It is expected that the program will assist eligible customers by providing energy efficiency measures ranging on average from \$3,000 to \$5,000 per customer at no or minimal costs.
 - The measures funded through the Fund would be similar to, or build on those available through the existing low-income conservation program called the Home Assistance Program.

Long-Term Energy Plan

- The Ministry of Energy continues to work on developing the next Long-Term Energy Plan (LTEP).
- In light of the province's emission reduction goals, the Ministry of Energy intends for the 2017 LTEP to take a broader view of the province's energy needs and consider how the uses of electricity and fossil fuels influence each other.
- The Ministry will continue to work with partner ministries to help develop policies and incentives for areas that reach beyond the Ministry of Energy (e.g., transportation, housing).
- Pending Cabinet approval, the Ministry plans to release the LTEP in mid-2017.

Treatments of Fuel Sector in 2017 LTEP

- The Ministry of Energy is expanding its assessment of the fuels sector in the 2017 LTEP:
 - The Ministry of Energy released a Fuels Technical Report that included an overview and outlooks for the fuels sector. The report was released on September 30, 2016.
 - To assist with the development of the report, the Ministry convened a Fuels Sector Working Group made up of companies and associations from Ontario's fuels sector.
- Ontario will seek to maximize the value of existing infrastructure while reducing greenhouse gas (GHG) emissions through integrated energy solutions. The 2017 LTEP provides an opportunity to highlight these integrated energy solutions.
- Since the LTEP process began in 2016, the Ministry held update meetings with other ministries to provide updates on the LTEP process and direction (e.g., need for a broader energy focus). An LTEP ADMs' Forum has been established and will continue to provide ongoing input into the LTEP process.

Local Distribution Companies

- Ontario supports voluntary consolidation and other intra-LDC arrangements that deliver value to customers, like shared services.
- As announced in the Ontario Fair Hydro Plan, we will be working with the OEB to explore ways to find further efficiencies in the sector, and reduce the regulatory burden on LDCs. This will be explored in our Long-Term Energy Plan.
- We've seen great examples of LDCs coming together to provide excellent customer service and value to customers. We believe there is opportunity for LDCs to work together to provide the services that customers want at low cost.
- The Ministry is also exploring ways to incent efficiencies and improve value to customers outside of consolidation. The Ontario Fair Hydro Plan announced a commitment to work with the Ontario Energy Board to:
 - Encourage shared partnerships on services between utilities, which would help reduce costs and encourage further innovation for small to medium-sized utilities.
 - Reviewing business cases behind OEB regulatory requirements, thereby reducing red tape and eliminating costs.
 - Looking at opportunities to further drive transmitter and LDC efficiency and productivity improvements, including the use of innovative technologies and business processes.
- The Ministry will explore these commitments through LTEP. It has been stakeholdering with LDC organizations that already share services to understand the benefits of these models. Some examples include:
 - GridSmart City – a consortium of west GTA LDCs that shares procurements and seeks to share learnings of innovative pilot projects.
 - Customer First – an affiliate company of several northern LDCs that provides conservation and demand management services to its customers.
 - Cornerstone Hydro Electric Co-Operative – Organization of some of the smallest LDCs in the Province that shares many back office functions to reduce costs.

Regional Planning and Distributed Generation

Municipal Engagement

- Outreach with local municipalities and Indigenous communities is the start of engagement for every regional plan.
- An ongoing dialogue serves to build understanding of how regional planning happens and provides opportunities for local input, laying the foundation for successful implementation.
- In many areas of the province, Local Advisory Committees have been established to help provide advice and recommendations on regional electricity planning.
- Ontario is also supporting local energy planning through the Municipal Energy Plan (MEP) program. The program supports municipalities' efforts to better understand their local energy needs, identify opportunities for energy efficiency and clean energy, and develop plans to meet their goals.
- The Ministry welcomes AMO's promotion of this program to your members as a way to reduce energy use and greenhouse gas emissions in your community. Do you have recommendations on additional ways to engage your members or how we can continue to enhance municipal engagement?

Integration of Distributed Generation, Storage and Microgrids

- Innovation and changes in customer behaviour are encouraging the spread of new energy technologies.
- Regional planning is an essential link between how broader and more localized planning activities work together.
- What is AMO's perspective on how the regional planning process can be used to better integrate new technologies and non-wires solutions, when economic?

Local Advisory Committees

- Local Advisory Committees (LACs) are often an essential part of the regional planning process.
- After the initial community outreach to municipalities and First Nation and Métis communities, a LAC will be formed if broader engagement is needed, and will have representatives from all interested stakeholder groups, such as municipalities and business and citizen groups.
- LACs play a variety of important roles, including:
 - representing communities and other interests within the study area, and provide insight into their values and perspectives
 - providing input to the Working Group on the needs and options identified in the plan, including information on local priorities and ideas on the design of community engagement strategies