

Afternoon Energy Media Summary - April 20, 2017

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Date: Thu, 20 Apr 2017 15:03:00 -0400

Good afternoon,

Here is a roundup of this afternoon's news:

- * Ontario still needs an electricity policy plan – *Policy Options*
- * MPP points to waste – The County Weekly/The Intelligencer
- * Essex calls on OEB to pick power supplier and stop holding Sellick Equipment 'hostage' - *CBC*
- * GST on carbon taxes in Alberta, B.C. worth millions in federal revenue – *Canadian Press/CBC*
- * Cities' \$20 Billion Option - Selling Hydro Wires to Build Transit Lines – *Municipal Infonet*
- * New Leadership to Focus on Reliable System Operations in an Evolving Energy Sector and the Renewal of the Electricity Market – *News Release*
- * Alectra Inc. announces organizational change – *News Release*

Please see below Today in Twitter for news articles.

April 20, 2017 Today in Twitter

- [@sunlorrie](#) - The same people who 'fixed' hydro in Ontario are now about to 'fix' house prices.
- [@ONSocialService](#) - 25% off of hydro bills will benefit agencies funded by MCSS that provide services to some of ON's most vulnerable
- [@MINnews](#) - Cities' \$20 Billion Option - Selling Hydro Wires to Build Transit Lines
- [@BSharpEnergy](#) - OPG rate case, gov's Delay and Pray (aka Fair Hydro Plan) causing head-scratching.
- [@BrickworksComm](#) - Ontario is a clean energy leader! pic.twitter.com/1nwDf8K9OL
- [@gnomeoffender](#) - "Fair Housing Plan" should also bear in mind that landlords see rises in energy costs and have contracts excluding utilities in rents; so

[Ontario still needs an electricity policy plan](#)

Policy Options

John Haffner, Mark Cameron, Jim Burpee

April 20, 2017

Ontario Premier Kathleen Wynne [admitted](#) late last year that the provincial government had “made a mistake” and mismanaged electricity prices in Ontario. In doing so, the Premier was acknowledging what many experts had been saying for some time. As Ontario’s Auditor General [wrote](#) about Ontario’s electricity system in 2015, “the planning process had ... broken down over the past decade,” and the government made decisions that resulted in “significant costs to electricity consumers.” The Government of Ontario announced finally in March 2017 that it will [cut electricity rates](#) by an average of 17 percent starting this summer. It will do so primarily by refinancing “global adjustment” payments – effectively repaying electricity contracts over 30 years instead of 20 years.

While the move will save customers money before the next provincial election in 2018, it will do so only by adding another [\\$25 billion](#) in long-term interest payments. Also, the electricity system of tomorrow will face increased costs from nuclear refurbishment, aging asset replacement, climate adaptation, carbon pricing, and expansion of electrification into other sectors. These costs will add up. Given the range of challenges ahead, it is imperative that Ontario pursue cost savings and policy improvements. Here are seven ideas that merit greater discussion.

Increase transparency in electricity pricing

The Ontario Energy Board (OEB) has [stated](#) that it wants to build “trust” and “energy literacy” among customers — two worthy objectives. Yet it has opposed proposals that would give customers better cost information. It has opposed one request to show carbon cap-and-trade costs as a [separate line item](#) on electricity bills, and a second one [to show the breakdown](#) between the market-clearing price for electricity and [global adjustment](#) (GA) costs (the market-clearing cost being the price where supply of a service and demand for it are equal). The market-clearing price for electricity only reflects the short term operating and fuel costs of the most expensive generator at a given moment. But generators have other costs too. In Ontario, when generators are paid regulated prices or contract prices that are higher than market-clearing prices, the difference is made up by the global adjustment charge, an umbrella charge added to electricity bills (See Figure 1). The GA also [includes](#) other expenses such as conservation programs.

The global adjustment is complicated, so it is understandable that few customers understand it. But its opacity has made it easier for various costs to accumulate with very limited public review. Electricity bills should show how much customers pay for their energy usage, plus how much of their bill is related to the global adjustment costs. Doing so would encourage greater scrutiny of all the costs that get bundled into the GA and justifications for those costs. In addition, the OEB could publish a monthly table [comparing](#) the GA costs of each type of energy with its proportion of energy production, so that customers can get a sense of the relative cost per kWh of the different sources of energy. In the case of conservation programs, their costs could be compared with their reductions in consumed energy.

Pursue “biggest bang for buck” carbon reductions

Ontario [points out](#) that the coal shutdown is the “single largest climate change initiative undertaken in North America.” Unfortunately, the way it was implemented was very expensive, with an average (implied) cost of [\\$100 to \\$130](#) per tonne of carbon reduced. And the [cost](#) per tonne of carbon reduced by renewable energy projects initiated under the *Green Energy Act* (wind, solar, hydro and biomass) ran even higher: for instance, above \$1,000 per tonne in 2013. That implied carbon cost was not arrived at because all other cheaper carbon reduction measures had been exhausted. Rather, that was just how the math worked out in an over-supplied electricity system with very little carbon-emitting generation actually displaced by the subsidized renewables.

Current policy is a patchwork of carbon prices. The cap-and-trade regime, soon to be tied to Quebec and California’s market, has a price of [about \\$18/tonne](#). The province’s [Climate Change Action Plan](#) outlines an initial set of mitigation measures, some aiming to reduce emissions in 2020, and others only later. It indicates a wide range of costs for these measures — from \$5/tonne to \$525/tonne — but does not explain the assumptions underlying these costs. Crucially, there is no base case for each initiative against which incremental emissions changes and the costs of those changes can be analyzed, and no evidence the government will prioritize cheaper reductions over costlier ones. Deep decarbonization [studies](#) show that achieving the stated 2030 and 2050 targets will not be easy or cheap. Precisely for that reason, emissions reductions should be as efficient as possible.

Align energy and carbon planning

Some of Ontario’s recent policy decisions intended to benefit the environment have become a cautionary tale: neither the environment nor the economy is served by aggressive environmental policies that prove to be economically unsustainable. The energy transition requires good planning and sustained momentum.

But the province has yet to revise its policies to reflect this lesson. For instance, it has not repealed the *Green Energy Act* which set [overly expensive](#) rates and led to overly generous long-term electricity contracts. It has [suspended](#), but not cancelled, the second round of its Large Renewable Energy Procurement (LRP II) process, despite forecasts showing that this additional electricity supply will not be needed. And as the Ontario Environmental Commissioner [points out](#), the province has yet to issue a long-term energy plan to achieve its 2030 greenhouse gas emissions reduction target. Energy and carbon reduction plans must be carefully orchestrated.

Improve design and validation of conservation programs

Ontario allocates significant resources to conservation efforts. Utilities spent [\\$421 million](#) on electricity conservation programs in 2014, and the Independent Electricity System Operator (IESO) has earmarked an additional \$2.2 billion for utilities to spend on conservation between 2015 and 2020.

Two important issues in the current conservation programs need to be addressed. First, the province should review how it validates energy savings from the programs. These programs, together with the codes and standards, are credited with saving about [67 TWh](#) between 2005 and 2015. Over the last six or so years, however, electricity price increases have far [outpaced inflation](#). Basic economic theory suggests that such dramatic price increases will have their own impact on reducing electricity demand (see, for example, [this report](#)). But the terawatt hours reduced since 2010 are attributed solely to conservation efforts, and the effect of the price spike is not acknowledged. Even assuming minimal price elasticity of demand, the 67 TWh reduction credited to conservation is overstated.

The second issue is that to spend on conservation programs in a period of year-round over-supply does not make sense. Even as Ontario suppliers are selling surplus electricity to neighbouring jurisdictions [at a deep discount](#), the government is subsidizing initiatives to reduce electricity consumption inside the province (through retrofits, light bulbs, etc.), thereby increasing the amount of surplus. Ontario is likely to remain over-supplied until about 2020. If the province cancelled planned spending on conservation between 2018 and 2020, it could save in the order of \$1 billion (while continuing to improve codes and standards through relevant ministries). The hiatus would also give the province time to improve the design and validation of its conservation programs.

Develop robust capacity auction at earliest opportunity

All electricity systems need to ensure that they can call on adequate resources to meet fluctuating demand. Many electricity systems have both an energy market, in which generators are paid the market clearing price for their energy, and a capacity market, in which they are also paid for their *ability* to provide energy – in other words, they are also paid to [keep](#) “generation capacity available to produce electricity as required.”

Although capacity markets can be [designed](#) in different ways, in general they offer several potential advantages. They can help ensure [reliability](#). They can also support cost-effective innovation and decarbonization by stimulating competition among would-be capacity providers. Capacity markets can also accommodate other types of contributions to grid cost-effectiveness and reliability – notably storage technologies, imports, and ‘demand response’ (incentives for customers to lower their electricity use during periods of peak demand).

Since much of Ontario’s supply is provided by regulated and contracted electricity generators, there is little scope to develop a full competitive capacity market. However, the IESO is working to develop an [“incremental capacity auction”](#) for Ontario to replace long-term contracts as they expire. A capacity auction would provide Ontario with greater cost transparency, as there would be a clear price signal for capacity costs (as opposed to the current situation in which these costs are bundled together with other costs in the GA). It also has potential to provide significant cost savings. The Brattle Group, a consultancy, just released a report for the IESO that reinforces the potential benefits of a capacity auction for the Ontario electricity market. The report projects \$2.5 billion in benefits between 2021 and 2030 “from capacity auction reforms,” with benefits far outweighing implementation costs.

Yet there are challenges ahead. Given the government’s plan to amortize global adjustment costs over a longer term, customers will end up paying for some resources twice: one time through a new capacity auction, and a second time through deferred costs on the earlier contracts for those same resources.

Require consolidating utilities to show customer benefits

Since 2000, the number of distribution utilities in Ontario has dropped from about 300 to about 70. Consolidations should continue, and for three reasons. First, from a climate mitigation perspective, electrification of transport and space heating will require far more complex distribution systems — and therefore technology investments at scale to keep them affordable. Second, from a climate adaptation perspective, [smaller utilities](#) “may be more vulnerable to external events, such as storms which affect the distributor’s complete service area [and require] significant recovery efforts.”

Third, productivity gains and cost savings could be shared with ratepayers. Other jurisdictions have seen significant customer benefits: in [Vermont](#) for instance, the consolidation of two distributors in 2012 was expected “to save ratepayers US \$144 million over 10 years, a 5.8 per cent reduction.” The OEB could require each applicant to demonstrate how its proposed consolidation is expected to generate any mitigation, adaptation and/or cost saving benefits for customers, and to apply for an update of its electricity rates within six years of the close of the transaction.

Establish public hearings for power system planning

The processes for obtaining public and expert input into electricity plans are marginal, at best. Several years ago the planning process included stakeholder input before the OEB, but only *after* the government had already provided [directives](#) that predetermined the plan’s key features. As the Auditor General [put it](#), “In the absence of a technical plan, the Ministry [made] decisions about power generation that went

against the [Ontario Power Authority's] technical advice and did not fully consider the state of the electricity market or the long-term effects."

More recently, responsibility for the Long Term Energy Plan was moved to the Ministry of Energy. While there are perfunctory stakeholder consultations, the government has eliminated the requirement that plans be subject to OEB review. In addition, energy agencies, instead of "providing checks and balances as they do in other jurisdictions," [will now need to show](#) how well "they implement government directions." The government should restore the OEB review process, and strengthen it by ensuring meaningful public participation, providing intervenor funding as in rate cases, and taking an [evidence-based approach](#) to decisions.

Conclusion

The province needs to build an electricity system that will be cost-effective, low carbon, reliable and resilient, and capable of electrifying other sectors. Sounds like a tall order? It is. If the government is serious in meeting all these objectives, it needs to learn from past mistakes and directly face the challenges and risks ahead. The year 2030 is right around the corner. Ontario needs to empower customers with information, relentlessly pursue efficiencies, provide clear market signals, and open up the planning process.

[MPP points to waste](#)

The County Weekly
Bruce Bell
April 20, 2017

PRINCE EDWARD COUNTY - If an Easter egg was worth a dollar, Prince Edward – Hastings MPP Todd Smith says the Liberal government laid 78 million of them on the recent holiday weekend.

Smith, who was recently appointed as the Conservative party's energy critic, spoke to the Prince Edward County Chamber of Tourism and Commerce at its annual general meeting Thursday morning and told members his new role has opened his eyes to massive waste in the energy sector.

"As the energy critic it's been a really interesting learning experience the last couple of months (because) when I was elected in 2011 I felt I knew a lot about the energy sector in Ontario, but in the last two weeks I've felt like I've been drinking through a fire hose," he said. "It's unbelievable how much information is out there, how much technology is there and exactly the mess we are in when it comes to the energy sector in Toronto."

Over the Easter weekend, Smith claimed the government settled a lawsuit stemming from a cancelled off-shore wind project for \$28 million and spent another \$50 million on energy costs, flip-flopping between wind, solar and natural-gas production.

"The gold rush from the Green Energy Act has cost us deeply and that is the biggest reason while electricity prices are soaring in Ontario – wind turbines and solar panels that are going up across Ontario and continue to go up," he said. "Set the lawsuit aside, the rest of the weekend cost us \$50 million because we were curtailing our nuclear plants which provide electricity for 6.1 cents per kilowatt hour and spilling water over the dams at Niagara Falls and other river facilities – meanwhile we are taking on wind and solar over the weekend... demand was down, yet we were running wind when the wind was blowing, running solar when the sun was shining and to keep all this running properly you're running natural gas as well."

"So we're spilling water from our dams, venting steam from our nuclear facilities and taking expensive, gas, solar and wind and we end up exporting excess energy at a loss to our neighbouring jurisdictions – it's an absolute unnecessary waste."

Earlier this week Smith was at a conference in Southwestern Ontario and said he toured a greenhouse in which the owner told him his natural gas bill has risen from \$4,000 a month to more than \$14,000 as a result of cap and trade tax on natural gas customers.

Smith said costs have skyrocketed at Quinte Health Care facilities and local schools as well.

"That is money now that is not going to be used for front-line health workers, it's not going to pay for supporting our classrooms, whether it's our early childhood educators, teacher's assistants – you have to have these supports. but now they are being cut back because of the rising cost of energy," he said. "So \$1 million more at Quinte Health Care, \$700,000 more at Hastings and Prince Edward District School Board – there are real concerns."

Smith said Prince Edward County does not need any wind projects and said the Liberals need to cancel any on the books now.

"On the weekend, wind Canada, the company that wants to put in 29 turbines on the south shore of the County, is thumbing its nose at the environmental review process and clearing vegetation for a project which hopefully won't happen – we don't need these turbines in Prince Edward County and for a variety of reasons."

[Essex calls on OEB to pick power supplier and stop holding Sellick Equipment 'hostage'](#)

CBC

April 20, 2017

Officials from the Town of Essex are pushing the Ontario Energy Board to stop holding Sellick Equipment "hostage" and make a decision on who will provide power to the company's new facility in Harrow, Ont.

The company has been waiting for more than a year for the electricity authority to rule on whether they can stay with their current supplier, E.L.K. Energy, or if they must switch to Hydro One and accept 45 per cent higher set up costs.

The new 120,000-square-foot plant is just down the road from the old location, but is in Hydro One's territory.

Essex Deputy Mayor Richard Meloche said the OEB hasn't even hinted at a timeline for its decision.

"We haven't been told that it's going to be a week, we haven't been told that it's going to be three months or even six months, for that matter, but we do know that they need to make a decision sooner rather than later," he said. "They shouldn't be holding them hostage."

[GST on carbon taxes in Alberta, B.C. worth millions in federal revenue](#)

Canadian Press

April 20, 2017

OTTAWA _ The federal government stands to raise as much as \$280 million in revenue off provincial carbon taxes in Alberta and B.C. in the next two years despite claims carbon taxes would be revenue neutral for Ottawa.

Both Prime Minister Justin Trudeau and Environment Minister Catherine McKenna have long insisted Ottawa would collect no revenue from the carbon price the federal government is requiring the provinces and territories impose by 2018.

However, a new report from the Library of Parliament shows federal coffers stand to benefit financially when the five per cent GST is applied on top of carbon taxes built into the prices of goods and services such as gasoline or utilities.

In April 2016, the Canada Revenue Agency said provincial carbon taxes would be subject to GST. Warawa asked the library to find out how much Ottawa stood to gain as he prepared a private members' bill to reverse the CRA's decision.

Last week, the answer came back: as much as \$130 million this year and \$150 million next year in Alberta and B.C., the two provinces where carbon taxes are already in place.

Those numbers represent five per cent each of the annual cost of the carbon taxes in those provinces: \$1.3 billion in B.C. per year, and in Alberta, \$1.3 billion in 2017-18 and \$1.7 billion in 2018-19, an average of \$1.5 billion.

"That's where the federal government suddenly gets rich off Canadians," said B.C. Conservative MP Mark Warawa, who requested the report.

A spokesman for Finance Minister Bill Morneau called the Library of Parliament and subsequent Conservative criticism "fun with numbers."

"As we all know, the GST/HST is a broad-based tax on consumption in Canada, and it's calculated on the final amount charged for a good or service," said Daniel Lauzon. "That's always been the case."

Lauzon said revenues raised directly by the carbon tax would remain in the province where they are

raised.

In Alberta and B.C., GST is applied on top of the carbon tax on direct consumer fossil-fuel purchases, such as gasoline, as well as on products where a business has added some or all of the cost of the carbon tax to the cost of their good or service.

How much GST is raised by taxing the carbon tax really depends on what businesses choose to pass on to consumers, the report notes.

A **>natural gas<** bill for a customer from FortisBC, for example, shows that on a gas bill of \$59.14, the carbon tax was \$10.28. The five per cent GST, which comes to \$3.47, is charged on the total, including the carbon tax.

The GST revenues from carbon taxes could rise significantly once every province has implemented the carbon tax or cap and trade plan by next year. A minimum price of \$10 per tonne of carbon is required in 2018, rising to \$50 per tonne by 2022.

"The federal government will be reaping in billions of dollars by putting in a price on carbon," Warawa said.

"So when the prime minister and the minister have said publicly and in the House that it will be revenue neutral for the federal government, that is not true."

Ontario and Quebec both have a cap-and-trade system, which would also see some GST revenues raised when applied on higher costs of gasoline and other goods and services as a result of the cap and trade costs.

No other provinces or territories have yet unveiled their plans for meeting Trudeau's requirement. All but Manitoba and Saskatchewan signed an agreement in December committing them to introducing a carbon price.

[Cities' \\$20 Billion Option - Selling Hydro Wires to Build Transit Lines](#)

C.D. Howe Institute / Municipal Infonet
April 20, 2017

Cities across Canada should sell their electricity distribution companies and invest the proceeds in critical municipal infrastructure, according to a new C.D. Howe Institute report. In "Surge Capacity: Selling City-owned Electricity Distributors to Meet Broader Municipal Infrastructure Needs," author Steven Robins demonstrates why there is no compelling public policy rationale for municipalities to hold these assets.

"There's huge potential in Ontario and Alberta for cities to hold equity sales in electricity distribution to jumpstart other infrastructure investments," commented Robins. "Additionally, both provinces have regulators that have demonstrated their ability to protect consumer interests, by setting the rates for both municipally and privately owned electricity distribution."

The author shows that many of Canada's cities - particularly in Alberta and Ontario - own local electricity distribution companies. In fact, Alberta and Ontario have 57 municipally owned utilities, which deliver electricity to 27 percent of Canadian electricity customers. Municipalities in Ontario, along with Edmonton and Calgary, could sell all or part of their equity stakes in electricity companies - worth between \$15 billion and \$20 billion - and invest the proceeds in more critical municipal infrastructure needs.

The author points out that the current tax structure distorts incentives for municipalities, encouraging them to retain ownership. Ontario should eliminate or rebate to cities punitive taxes on electricity company sales. The federal government should remit back to provinces any corporate income tax they receive from newly taxable electricity companies, provided the selling government reinvests the proceeds in new infrastructure.

For the report go to: <https://www.cdhowe.org/public-policy-research/surge-capacity-selling-city-owned-electricity-distributors-meet-broader-municipal-infrastructure>

For more information :

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New Leadership to Focus on Reliable System Operations in an Evolving Energy Sector and the Renewal of the Electricity Market

News Release
April 20, 2017

TORONTO, April 20, 2017 /CNW/ - The Board of Directors of the Independent Electricity System Operator (IESO) has appointed Peter Gregg as its new President and Chief Executive Officer, Tim O'Neill, Chair of the IESO Board, announced today.

Gregg joined Ontario's electricity sector in 2004. Most recently he was President of Alectra Energy Solutions. Previously he had served as President and CEO of Enersource Corporation where he was part of the leadership group that created Alectra, a merger of four of Ontario's largest local distribution companies. He was also previously Executive Vice President and Chief Operating Officer of Hydro One. Peter was awarded Leader of the Year by the Ontario Energy Association in both 2015 and 2016. He holds an MBA from the Ivey School of Business and is a holder of the Institute of Corporate Directors designation (ICD.D).

"After a comprehensive search, we are very fortunate to have attracted Peter to be our next President and CEO," said O'Neill. "Peter's extensive electricity sector experience will be critical to the IESO in a changing energy environment as we implement our market renewal initiative while continuing to manage the reliability of Ontario's bulk electricity system."

Gregg will assume his responsibilities in early summer, taking over from Bruce Campbell who will be retiring after four years as President and CEO of the IESO.

"On behalf of the Board, I would like to thank Bruce for his 17 years of service to the IESO and, in particular, for his extraordinary leadership over the past four years. Under his leadership, the former IESO seamlessly merged with the OPA while continuing to focus on meeting the needs of Ontario's electricity customers and stakeholders," said O'Neill.

O'Neill also welcomed three new Directors to the [IESO Board](#): Ersilia Serafini, Chris Henderson and Glenn Rainbird. "The new Directors complement the strengths of an already outstanding Board. Among them they add expertise in environmental and climate change policy, in energy issues relevant to Indigenous communities and in risk management especially as it relates to information technology and cybersecurity," said O'Neill.

Market renewal, a multi-year effort to redesign Ontario's electricity market, is a key initiative of the [IESO's three-year Business Plan](#) recently approved by Energy Minister Glenn Thibeault. An essential element of the market renewal initiative is the IESO's consultation with stakeholders to address known inefficiencies to better meet the needs of the future and reduce costs for customers and generators. The Plan also underscores the IESO's commitment to continue to effectively manage its costs as demonstrated through the sustained merger synergy savings of \$5.3 million and net reduction of 35 employees. The Plan will now be submitted to the Ontario Energy Board for review and approval.

About the IESO

The IESO manages the province's power system so that Ontarians receive power when and where they need it. It plans and prepares for future electricity needs and works with its partners to guide conservation efforts. For more information, please visit www.ieso.ca.
SOURCE Independent Electricity System Operator

For further information: IESO Media Contact: John Cannella, 416-506-2823, media@ieso.ca

RELATED LINKS
<http://www.ieso.ca>

[Alectra Inc. announces organizational change](#)

News Release
April 20, 2017

MISSISSAUGA, ON--(Marketwired - April 20, 2017) - Brian Bentz, President and Chief Executive Officer of Alectra Inc. (Alectra), announced today that Peter Gregg, President of Alectra Energy Solutions, will be resigning from his position to assume the duties of President and Chief Executive Officer of Ontario's Independent Electricity System Operator (IESO). Mr. Gregg will be joining the IESO later this summer. He will be assisting with the transition of his duties at Alectra prior to leaving the company.

"Peter Gregg has an impressive track record in leadership roles in our industry and he has been one of the driving forces behind the Alectra merger," said Mr. Bentz. "We wish him continued success at the IESO and look forward to working with him in his new capacity there."

About Alectra's Family of Companies

Alectra's family of energy companies distributes electricity to nearly one million customers in Ontario's Greater Golden Horseshoe Area and provides innovative energy solutions to these and thousands more across Ontario. The Alectra family of companies includes Alectra Inc. (Mississauga), Alectra Utilities Corporation (Hamilton) and Alectra Energy Solutions (Vaughan).