

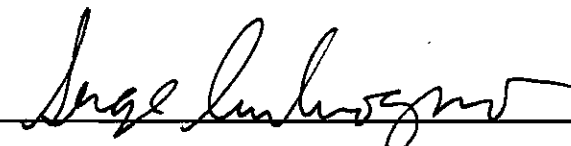


2017 Long-Term Energy Plan: *Delivering Fairness and Choice*

Ministry of Energy
Date: October 25, 2017



Minister

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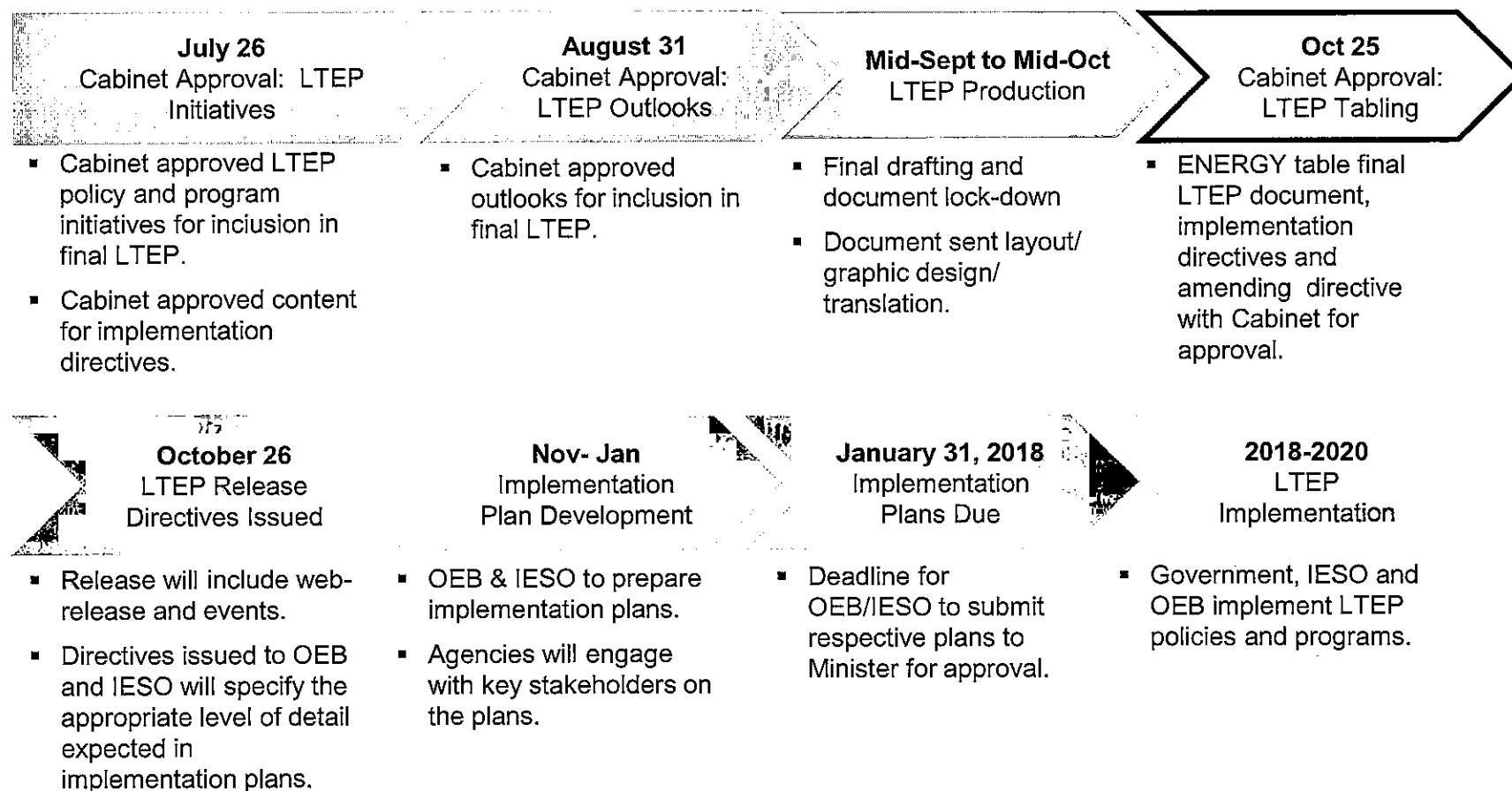
Deputy Minister

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SUMMARY OF PROPOSAL

- The Ministry of Energy received Cabinet approvals regarding the 2017 Long-Term Energy Plan:
 - **July 2017:** Cabinet approved the policy and program initiatives to be highlighted in the 2017 LTEP. Cabinet agreed that ENERGY would prepare the 2017 LTEP, implementation directives and amending directive for final Cabinet approval.
 - **August 2017:** Cabinet approved outlooks and forecasts for inclusion in the 2017 LTEP.
- Based on these approvals, the Ministry developed the following for Cabinet approval:
 - 2017 Long-Term Energy Plan: Delivering Fairness and Choice,
 - Implementation directive to the Independent Electricity System Operator (IESO);
 - Implementation directive to the Ontario Energy Board (OEB); and
 - Amending directive to the OEB to enable conservation initiatives.
- This presentation includes the communications roll-out for the 2017 LTEP.

TIMELINE

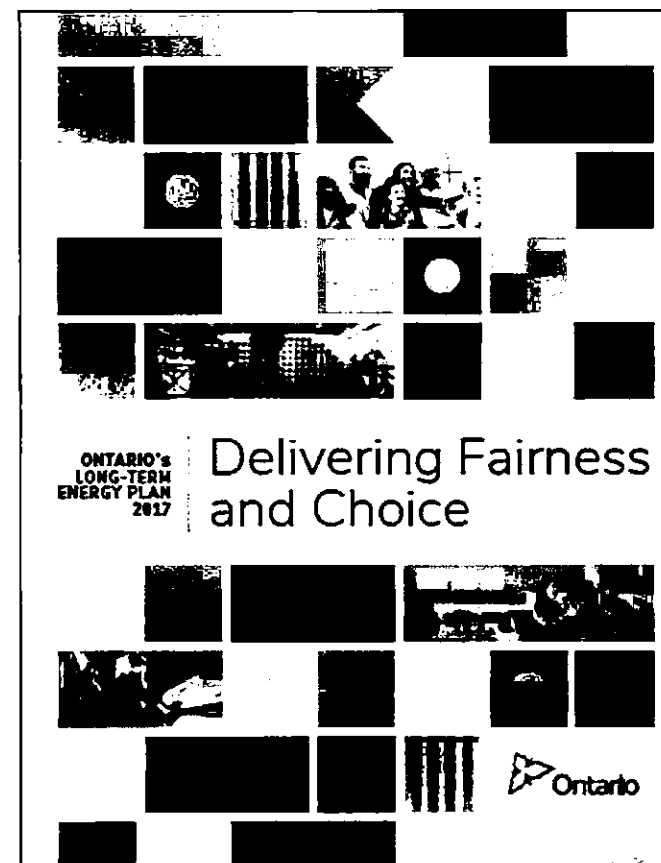


* Per O.Reg 355/17, LTEP must be released by November 30, 2017

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2017 LTEP Narrative

- The 2017 LTEP, *Delivering Fairness and Choice*, focuses on the energy consumer, positions the sector for the future, and builds off LTEP 2013's success.
- The plan focuses on the energy consumer by highlighting initiatives that:
 - Reduce energy costs;
 - Improve the performance and accountability of the sector; and
 - Give consumers more choice in their pricing plans and how they participate in the energy sector.
- The 2017 LTEP also highlights initiatives that will modernize the energy system and support provincial climate change objectives including:
 - Reaffirming Ontario's commitment to Conservation;
 - Renewing the Smart Grid Fund to encourage innovation and integrate new technologies; and
 - Continuing to work with industry partners to introduce renewable natural gas.



Implementation Directives

- The Ministry is seeking Cabinet approval on three directives:
 1. Implementation directive to the Independent Electricity System Operator (IESO);
 2. Implementation directive to the Ontario Energy Board (OEB); and
 3. Amending directive to the OEB to enable conservation initiatives.
- The directives are consistent with Cabinet's policy approval of the 2017 LTEP in July 2017.
- As per the process in the *Electricity Act, 1998*, the Minister will issue the implementation directives to the IESO and OEB when the LTEP is published.
- Each agency will develop implementation plans outlining the steps they will take to meet the objectives from the directives.
- The directives state that the IESO and OEB must submit their plans to the Minister of Energy for approval by January 31, 2018.

IESO Implementation Directive

- The IESO implementation directive includes the following items:
 - 1. Support Indigenous Capacity and Leadership**
 - Report on options to improve conservation programs for First Nations and Métis.
 - Evolve support programs offered to Indigenous communities and organizations to better align with community needs and interests.
 - 2. Encourage an Innovative Sector**
 - Develop a program to support a select number of innovative renewable distributed generation demonstration projects
 - Work with OEB to identify barriers to entry for storage facilities and identify appropriate mitigation strategies.
 - Identify options for pilot projects that evaluate the electricity system benefits, costs and emission reductions of using electricity to create hydrogen.
 - 3. Deliver a Flexible and Efficient System**
 - Develop a formal bulk system planning process. Process will consider a coordinated approach to replacing transmission assets at end of life.
 - Develop a competitive transmitter selection or procurement process. Identify specific pilot projects to be used to develop the competitive transmitter process.
 - Review the regional electricity planning process and report back with options to address challenges and opportunities.
 - Review the technical criteria used to assess customer reliability for the purposes of identifying and evaluating the need for and effectiveness of local area enhancements.

OEB Implementation Directive

- The OEB implementation directive includes the following items:

1. Delivering Efficiency and Value

- Examine opportunities to strengthen utility accountability and reporting
- Identify steps to advance the cost-effective modernization of Ontario's electricity sector.
- Assess opportunities and facilitate those that would reduce costs and provide value for customers, and identify barriers to the development of distributed energy resources, such as energy storage.
- Identify steps to improve utility regional planning processes. Identify steps for encouraging a coordinated approach to replacing transmission and distribution assets at end of life.

2. Ensuring Affordable and Accessible Energy

- Examine tools to mitigate costs for ratepayers.
- Protect consumer in the natural gas sector.
- Reduce costs and find efficiencies in the distribution sector.
- Strengthen consumer protection related to unit sub-meter providers.

3. Enhancing Commitment to Energy Conservation and Efficiency

- Move forward with regulated price plan roadmap including consideration for new pricing structures and tools to enhance energy literacy

4. Responding to Climate Change Challenge

- Provide guidance to utilities on approaches for integrating opportunities for climate change adaptation.

5. Encouraging an Innovative Sector

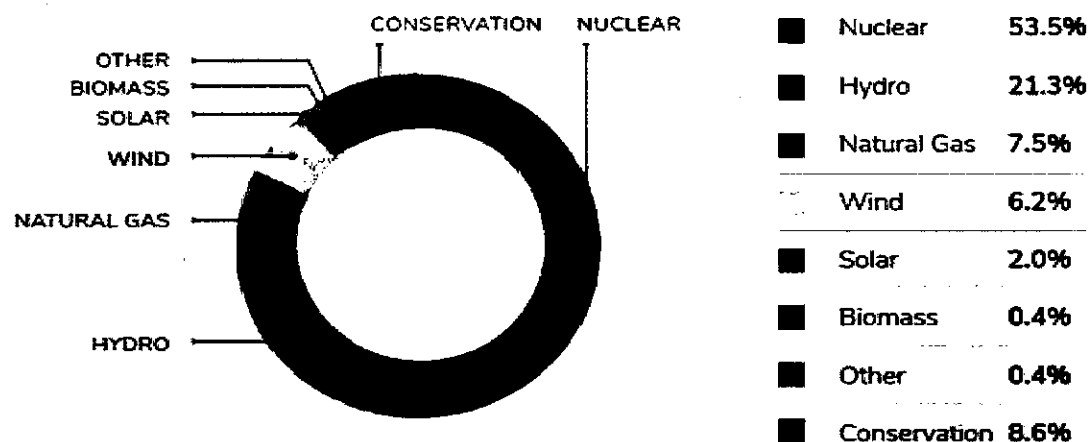
- Work with utilities for encouraging a culture of innovation in the distribution sector and provide opportunities for utilities to raise profile of their modernization and innovation plans.

OEB Amending Directive

- The March 26, 2014 Directive to the OEB (“CDM Directive”) is amended to enable conservation initiatives outlined in the Long-Term Energy Plan. Summary of amendments:
 1. **Annual Publishing of CDM Results (Amending Section 3.i.)**
 - In addition to annually reviewing and publishing the verified results of Distributor’s province-wide and local CDM programs, the Board shall annually review and publish the verified results of in front of the meter conservation projects, where the IESO has confirmed that the resulting electricity reductions are counted towards the Distributor’s CDM target allocated by the IESO under the 2015-2020 Conservation First Framework.
 2. **Definition of Conservation and Demand Management (CDM) (Adding Section 3.iii.)**
 - CDM shall exclude behind the meter customer generation that uses supplied fossil fuels as a primary fuel source, where the application for the project is received by the IESO on or after July 1, 2018. CDM shall continue to be inclusive of behind the meter generation, where the generation of electricity is primarily from heat or fuel that is a waste by-product of a facility.

Ontario's Balanced Supply Mix

- In 2016, Ontario produced more than half of its electricity from nuclear, with renewable resources providing a significant portion and emitting generation accounting for less than 10 per cent of total generation.
- Conservation helped by reducing energy consumption by about 9 per cent.
- This is a significant transformation compared to 2003, when one-third of all generation came from non-emitting sources. This is due to investments in clean generation and the shut-down of coal-fired generation.

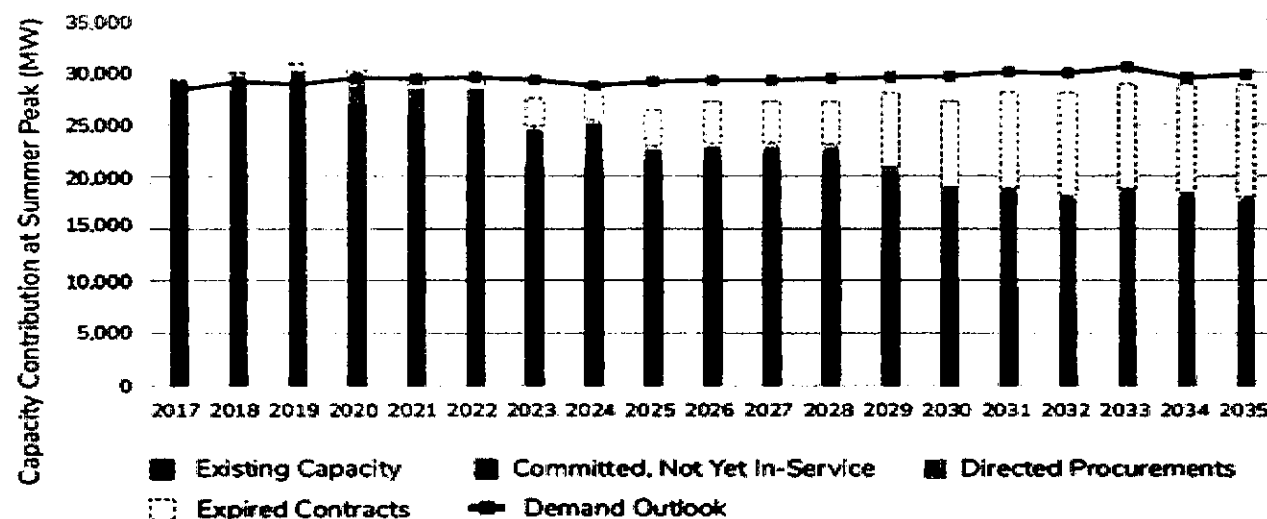


Source: Ministry of Energy

Note: Generation reflects the sum of transmission and distribution connected sources. Conservation value represents persistent savings in 2016 from programs and codes and standards since 2006

Robust Supply in the Near-Term

- The LTEP forecasts that electricity demand will be relatively steady over the planning period. In the longer term, the IESO projects an increase in overall demand as electrification of the economy increases. The outlook assumes the equivalent of approximately 2.4 million electric vehicles by 2035 and includes demand from new electrified transit across the province.
- The 2017 LTEP supply outlook over the planning horizon maintains the flexibility to respond to future variations in the supply and demand forecasts.
- While there is currently an adequate supply of electricity, a shortfall in capacity is expected beginning in the early-to-mid 2020s as the Pickering Nuclear Generating Station reaches its end of life, and nuclear units at Darlington and Bruce are temporarily removed from service for refurbishment.
 - In addition, 18 GW of existing supply resources will reach the end of their contract term by 2035.

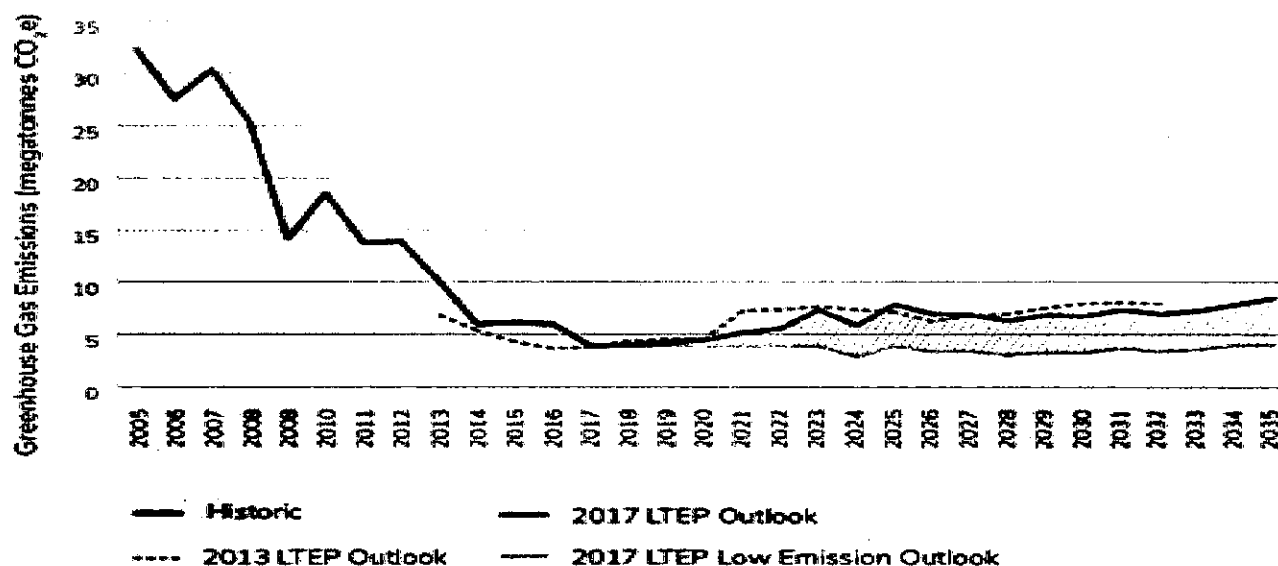


Source: IESO

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Significant Decline in GHG Emissions

- About 90 per cent of the electricity used in Ontario in 2016 was free of GHG emissions, generated from sources such as water, nuclear, wind, solar and bio-energy. Our investments in these types of clean generation sources, along with the elimination of coal-fired electricity generation, have significantly reduced GHG emissions in the province.
- Emissions are expected to remain well below historical levels and to be relatively flat over the planning period of 2017-2035, with a range of potential emissions outcomes beyond 2023.
- Ontario will continue to look for ways to keep GHG emissions in the electricity sector low, and work with carbon-free generators to meet the Province's emissions targets.

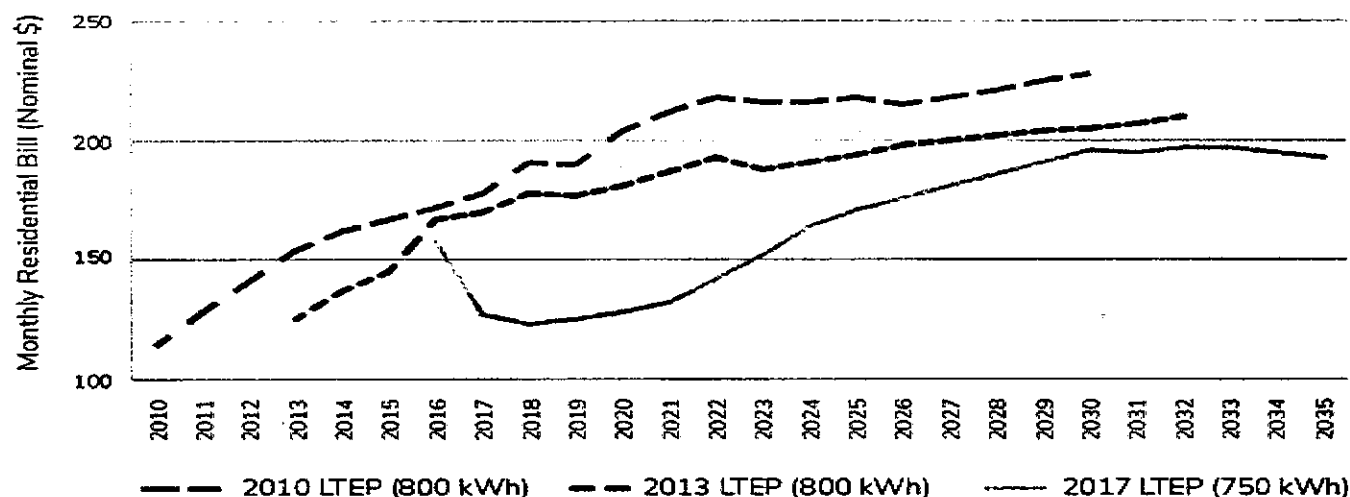


Source: IESO, Environment Canada and Climate Change

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Progress on Residential Electricity Prices

- The residential price outlook in the 2017 LTEP remains below the 2013 LTEP outlook for the full forecast horizon due to Ontario's Fair Hydro Plan, removing costs from the electricity system, the anticipated benefits from implementing Market Renewal initiatives and more efficient consumption of electricity.
- The LTEP highlights Ontario's Fair Hydro Plan lowers typical residential electricity bills by 25 per cent and will hold any increases to the rate of inflation for four years. Following the inflationary cap, residential electricity rates increase at an average of about 5 per cent over the 7-year period from 2021 to 2027, levelling out by the early 2030s.



Source: IESO, Ministry of Energy

Note: Forecasts used in *Delivering Fairness and Choice* reflect prevailing patterns of consumption. Between late-2009 and mid-2016, the OEB defined the typical residential customer as a household that consumed 800 kWh of electricity per month. As of May 2016, the OEB changed their typical residential consumption to 750 kWh per month, due to declining household consumption.

Communications Narrative

- The Long-Term Energy Plan (LTEP) is a road map that sets out the direction for Ontario's energy future for the next 20 years.
 - We engaged with and listened to Ontarians in the development of our plan.
 - Ontarians said that affordability is a top priority and that consumers wanted more control and choice over how they use and pay for electricity.
 - The 2017 LTEP outlines Ontario's plans to improve fairness, flexibility and choice in the energy sector.
- Ontario's success in building a clean and reliable electricity system means we can maintain our focus on helping Ontarians and their families.
- The LTEP builds on our leading role in the global fight against climate change and supports the goals of Ontario's Climate Change Action Plan.
 - In 2016, Ontario's electricity system was 90% free of emissions that cause climate change.
- The strengthened regulatory powers outlined in the 2017 LTEP for the Ontario Energy Board will provide greater consumer protection.
- We are enhancing our commitment to conservation to improve affordability and choice for Ontarians.
 - Ontario is strengthening our commitment to Conservation First, and providing a coordinated, one-window approach to conservation across multiple energy sources and programs.

Communications Strategy

- Publish the 2017 LTEP in accessible formats targeted to stakeholders and Ontarians.
- Recognize contributors and echo their feedback.
- Sustain positive relationship with energy sector stakeholders.
- Mitigate and manage issues.
- Over the coming months, tell local good news stories about LTEP content.

Launch Event

- Ministry of Energy to host launch event on October 26, consisting of:
 - Technical briefing and Q&A session by Ministry and IESO in Macdonald Block for media
 - Embargoed print copies of the 2017 LTEP will be provided
 - Technical briefing to be livestreamed for stakeholders present in adjacent room
 - Minister of Energy will make remarks and be available for questions from the media
- The following materials will be produced and available at or following the technical briefing
 - 2017 LTEP document (print)
 - News release
 - Website
 - Technical and consumer backgrounders
 - Highlights postcard
 - Consumer brochure

Sustained Communications Outreach

- Stakeholder relations
 - Connect with and distribute the LTEP to engagement/consultation participants via email correspondence.
- Media relations
 - Engage with regional media to share good news stories emanating from the 2017 LTEP.
- Social media networking
 - Develop and publish organic social media posts on the Ministry of Energy's social media channels.
- Ongoing issues management and media monitoring

Issues Management

- The 2017 LTEP will draw public criticism, despite the substantial amount of good news within the document
- Likely contentious items included in the 2017 LTEP are:
 - A price curve, including OFHP impacts, that is better than was reported in media earlier this year, but still presents a communications challenge, especially in light of the Auditor General's recent report;
 - Emissions forecasts that could create vulnerabilities, including through implications for natural gas bills; and
 - A clear statement of the end to a number of energy sector procurements and associated economic development implications.
- Key messages have been developed to respond to these issues.

Messages – Forecast Bills

1. The government heard you, and took action:

- Ontarians said that their bills were too high. Relief was needed and something had to be done right away.
- We have spread out the costs of Ontario's clean energy investments over a longer period of time to allocate the costs of these investments more fairly among current and future ratepayers.
- The government delivered Ontario's Fair Hydro Plan to save Ontario families, farms and small businesses 25 per cent on average on their bills.

2. Down the road, rates rise, but we are driving savings everyday:

- Ontario has already taken a number of actions to lower electricity costs and we've found billions of dollars in savings for all consumers by:
 - Not going ahead with new build nuclear generation and suspending most future renewable procurements.
 - Adopting new electricity market approaches that will improve cost effectiveness and efficiency.
- Over the coming years Ontario will continue to drive costs out of the electricity system:
 - The Minister has directed energy agencies to reform the energy market and find efficiencies and cost savings.
 - Future innovations will bring savings opportunities.
- The 2017 LTEP bill forecast is lower than the one in the 2013 LTEP thanks to our cost cutting efforts.

Messages – Forecast Bills (cont'd)

- 3. The government will continue to protect low-income, rural and remote families with programs like the Ontario Electricity Support Program (OESP), Distribution Rate Protection and the First Nations On-Reserve Delivery Credit:**
- We increased monthly OESP on-bill credits (between \$45 and \$75) for the most vulnerable among us who need a helping hand.
 - Ontarians living in the most remote communities, where power is expensive, are supported through lowered delivery costs.
 - On-Reserve First Nations families are already saving almost \$1,000 per year.

Messages – Emissions Reduction and End of Procurements

Emissions Reduction and Sectoral Transformation

- Ontario is committed to doing its part to reduce GHG emissions and prevent climate change.
- We have a plan in place to manage GHG emissions.
- To get there, our approach to energy use will have to change, and the government will have the programs and supports in place, including conservation measures, to help Ontarians make that shift.

End of Procurements:

- We are now in a strong supply position. It is appropriate to slow down new procurement.
- We encourage our partners in the sector to participate in the market renewal process.
- The market renewal program underway will still provide opportunities for new development, within a framework of efficiency, technological specialization and cost competition.