

Ministry of Energy

2017 Long-Term Energy Plan and implementation directives

Four OIC's

Profile at a Glance**Priority:** Consequential to Commitment**Public Interest:** Moderate**Key Stakeholder Interest:** Very high**New Costs/Burdens:** No for Stakeholders; No for Government**New Savings/Opportunities:** No for Stakeholders; No for Government**Proposed Items for Review**

1. Three Order in Councils under the *Electricity Act, 1998*:
 - a. OIC to approve the 2017 Long-Term Energy Plan: Delivering Fairness and Choice
 - b. OIC to approve the implementation directive to the Independent Electricity System Operator
 - c. OIC to approve the implementation directive to the Ontario Energy Board
2. One Order in Council under the Ontario Energy Board Act, 1998
 - a. OIC to approve amendments to a 2014 OEB directive

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	N/A	July 26, 2017 August 31, 2017
TB/MBC	N/A	N/A

Deputy Minister_____
Date_____
Minister_____
Date

s. 1 Proposal and Context

- The Ministry of Energy is seeking final Cabinet approval on the 2017 Long-Term Energy Plan: *Delivering Fairness and Choice* (2017 LTEP).
- ENERGY followed the process outlined in the *Electricity Act, 1998* (“the Act”) to develop the 2017 LTEP.
 - This process requires that Cabinet approve the LTEP and implementation directives to the IESO and OEB setting out requirements for each agency to implement LTEP objectives.
- ENERGY received Cabinet approvals regarding the 2017 LTEP:
 - **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.
- The 2017 LTEP is consistent with these previous approvals.

s. 2 Approach and Intended Outcomes

- Cabinet approval of the LTEP and implementation directives is required by the Act. The final LTEP and implementation directives are consistent with previous Cabinet approvals.
- As outlined in previous Cabinet approvals in July and August 2017, the 2017 LTEP, *Delivering Fairness and Choice*, focuses on the energy consumer, positions the sector for the future, and builds off the 2013 LTEP’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.

- As was minuted by Cabinet in July 2017, the 2017 LTEP sets out the following goals and objectives:
 - Ensuring affordable and accessible energy;
 - Providing a flexible energy system;
 - Improving value and performance for consumers;
 - Reaffirming a commitment to conservation;
 - Preparing for the future and innovation;
 - Responding to the climate change challenge;
 - Supporting Indigenous capacity and leadership; and
 - Responding to regional priorities.
- The LTEP includes a number of initiatives to address these objectives.
- Consistent with the direction received by Cabinet in August 2017, the LTEP includes the following outlooks and forecasts for electricity:
 - A moderate demand outlook that accounts for significant electrification, in particular of the transportation sector, and continued conservation savings;
 - A supply outlook that meets the projected demand while maintaining the flexibility to respond to future variations in the demand forecast;
 - A residential cost outlook that shows progress from the 2013 Long-Term Energy Plan and reflects government initiatives to reduce costs, including through Ontario's Fair Hydro Plan;
 - An industrial cost outlook that is relatively flat in real dollars and reflects the elimination of the Debt Retirement Charge in April 2018; and
 - A greenhouse gas (GHG) emissions forecast that remains low, but provides a range for lower potential emissions dependent on a number of factors, including grid electricity demand, supply choices, market mechanisms and technological innovation.
- ENERGY 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.

- As per the process in the Act, 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.

s. 3 Direction and Urgency See Appendix G, Variance Memo

- In July 2016, the government passed changes to enshrine the long-term energy planning process.
- O. Reg. 355/17 under the Act came into force on September 1, 2017. The regulation stated that the first LTEP under the new process would be released within 90 days of the regulation coming into force.
 - Per this regulation, the LTEP must be released by November 30, 2017.
- The Ministry of Energy intends to release the LTEP on October 26, 2017.
- To comply with the Act's requirements, ENERGY sought Cabinet approval on LTEP 2017 policies and programs in July 2017.
 - The minute from this meeting stated required ENERGY to prepare for approval a 2017 LTEP.
 - The minute identified a number of specific initiatives under each of these objectives.
 - The 2017 LTEP, which ENERGY will issue publicly, is consistent with this approval.
- The minute from July also states:
 - ENERGY prepare LTEP implementation directives to the IESO and OEB, as necessary, including requiring the IESO and the OEB to submit their implementation plan in a timely manner.
 - ENERGY prepare an amending directive to the OEB to support enhancements to conservation demand management (CDM),
- The three directives prepared for approval are consistent with the policies contained in the July 26 minute.

- In August 2017, Cabinet approved the outlooks to be included in the 2017 LTEP. The outlooks in the final LTEP are consistent with what was presented to Cabinet at this meeting.
- One addition to the LTEP and implementation directive to the IESO relates to hydrogen.
 - ENERGY will work with the IESO to evaluate the development of a pilot project that explores the energy system benefits and GHG emission reductions from the use of electricity to create hydrogen.

s. 4 **Impact Assessment and Costs**

- The LTEP has been developed as per the legislative process outlined in the Electricity Act, 1998.
- Specific LTEP initiatives required legislative amendments. These were approved by LRC in September 2017. They include:
 - **Province-wide implementation of Green Button**
 - Amendments to the *Green Energy Amendment Act 2009* and *Ontario Energy Board Act, 1998*.
 - Amendments will enable a legislative and regulatory framework to mandate province-wide implementation of Green Button for electricity and natural gas distributors, and voluntary implementation for water utilities.
 - Also includes a new regulation to require utilities to develop or procure a software platform – requiring IT system upgrades – and to certify the implementation of the platform with an accredited certification body, as proposed, by July 1, 2020.
 - **Updates to net metering framework**
 - Amendments to the *Ontario Energy Board Act, 1998*.
 - Proposed amendments to the net metering legislative framework would enable ENERGY to proceed with making the appropriate amendments to the net metering regulation (O. Reg. 541/05: Net Metering) required to implement the 2017 LTEP net metering updates.

- The updates are intended to support customer choice in generating clean, renewable energy, help reduce demand on the electricity system and enable innovative technologies and customer-utility relationships.
- Specific impacts related to these amendments are included in the respective September 25, 2017 LRC submissions.
- To enhance reliability and customer satisfaction, ENERGY is directing agencies to establish new reliability metrics and standards that provide insight into local reliability performance, establish customer service guidelines, increase transparency of performance reporting, and create accountability for improvement through incentives and/or penalties. The Board and IESO would be expected to consider regulatory burden in developing new metrics and standards.
- ENERGY will return to LRC for additional regulatory amendments related to specific LTEP initiatives (e.g., redesign of the electricity bill).
- Other initiatives within the LTEP may require regulations in future (e.g., storage), but these are intended to remove barriers and not expected to create any additional regulatory burden.
- The majority of initiatives contained in the proposed LTEP are either anticipated to be funded from internal allocations or are already funded by the rate base, with two specific exceptions:
 - **Smart Grid Fund Renewal:** ENERGY received TB/MBC approval in August 2017 for \$60 million over five years to renew the Smart Grid Fund.
 - **International Energy Demonstration Fund:** Consistent with direction received in July 2017, ENERGY will seek TB/MBC approval through the PRRT process for funding an international energy demonstration pilot program.

s. 5 Implementation

See Appendices B and C

- Implementation of the LTEP will be carried out by ENERGY, IESO, and the OEB.
- Implementation of initiatives led by ENERGY is underway.

- Directives to the IESO and OEB will require the agencies to submit implementation plans that outline the steps for how they will implement the objectives pertaining to their jurisdictions.
- The directives require the agencies to submit their implementation plans by January 31, 2018.

**s. 6 Delivery and
Results Tracking**

- The IESO and OEB implementation plans will have the steps the agencies will take to address the LTEP objectives they are responsible for. The plans will include timelines for completing these steps.

**s.7 Stakeholder
Consultations**

- ENERGY engaged the public, energy sector stakeholders and Indigenous communities and organizations about the 2017 LTEP beginning fall 2016.
- Engagement began on October 13, 2017 with the posting of *Planning Ontario's Energy Future: A Discussion Guide to Start the Conversation* on the Environmental Registry (EBR Registry # 012-8840).
- The consultation and engagement process was also supported by two technical reports on Ontario's electricity and fuels systems and an Indigenous Workbook.
- The Ministry visited 17 communities across Ontario between October and December 2016. At each location there was a stakeholder session as well as a public open house.
- The Ministry also held 17 parallel sessions in First Nations and Metis communities. The last session took place in January 2017. The Ministry promoted the Environmental Registry posting at all of these meetings.
- The Ministry received a total of 1,535 comments through the Environmental Registry during the 65 day comment period, as well as another 213 comments by email and mail.

- Additionally, the Ministry received 2,835 submissions and 41 private messages through an online comments tool and survey.
- We heard from the public, municipalities, Indigenous groups, public sector organizations, energy supply groups, transmission and distribution groups, and from the private sector.
- Feedback was grouped into 6 topics: energy supply, conservation and energy efficiency, innovation, energy delivery, energy prices, and Indigenous communities.
- Developing the 2017 LTEP was a collaborative process. ENERGY held a Multi-Ministry launch event on May 24, 2016 and worked with partner Ministries through a number of avenues:
 - ADMs' forums were held on September 9 2016, December 5 2016, and May 3 2017 to provide updates to other Ministries.
 - Multi-Ministry meetings were held August 16 2016, March 14 2017, and June 19 2017 to give the Ministry of Energy the chance to provide progress updates on the 2017 LTEP planning, engagement feedback, and development.
 - A reading room was set up on August 30 and September 1, 2017 to facilitate review of the draft plan by other Ministries.
- The Ministry reported back by releasing summaries of LTEP feedback to the public and to First Nations in the spring of 2017.
 - A summary report was emailed to all First Nations session invitees and participants, and the Ministry hosted an LTEP First Nations wrap-up event on May 17, 2017.
 - The Ministry published an interactive map on June 23, 2017 to describe the LTEP consultation and engagement process and summarize feedback.
- All comments were reviewed and considered by the Ministry as it prepared the LTEP.
- The following list describes the expected reaction to the 2017 LTEP by stakeholders and partners:

- **General public** (including residential and small businesses) – Neutral: it is expected that the general public will be interested in supply choices, conservation and support programs and consequences with regards to electricity costs, emissions, safety (nuclear), and local economic development opportunities/consequences.
- **Large Industrial and Commercial Consumers** – Neutral to negative: it is expected that industrial and commercial consumers will be most interested in energy cost certainty during Ontario's transition to decarbonisation, and are in general supportive of conservation initiatives. MEDG / MRIS advise that some stakeholders will argue that the LTEP does not go far enough to make rates affordable and competitive with other jurisdictions and that new industry/SME programs are needed to help Ontario's industry regain competitiveness, attract capital investment, and retain businesses / jobs in Ontario.
- **Tenants** – Mixed: the Federation of Rental Housing Providers of Ontario (FRPO) and Housing Services Corporation (HSC) were supportive of conservation but concerned about the upfront capital required for energy retrofits. Based on their engagement feedback, it is expected that FRPO will be interested in the way that affordability and conservation initiatives will help low-income tenants in the rental housing sector who are not in sub-metered units.
- **Northern communities** – Neutral to negative: Northern communities raised concerns about the impact of electricity delivery costs, declining reliability, capacity constraints, and the costs of system expansion/enhancement on regional economic development. There may be some concern about government commitment to the East-West Tie, and a new phased approach for the Northwest Bulk project.
- **Indigenous communities** – Positive: First Nations and Métis should be generally supportive as the proposed initiatives respond to feedback received about energy costs, need for support for community energy plan implementation and small-scale, local energy opportunities, as well as continued support for conservation.
- **eNGOs** – Mixed: Environmental groups will be supportive of conservation, renewables, and continued development of the clean-tech sector. However, they may express disappointment regarding the commitment to nuclear refurbishment and the emphasis on electricity.

- **Natural Gas Utilities** – Neutral to positive: it expected that utilities will be interested in incentives for compressed and renewable natural gas and demand side management, and opportunities for innovation.
- **LDCs** – Mixed: LDCs will be supportive of an environment that starts to think through removal of regulatory barriers in the industry and provide the ability to innovate. There is also an emphasis of cost savings and efficiencies for the sector, and this will likely cause mixed reactions amongst LDCs. There may be some concern about strengthening reliability reporting and standards while still dealing with cost pressures.
- **Municipalities** – Mixed: Municipalities raised concerns over high electricity rates and requested greater transparency into system costs, global adjustment, and rate relief measures. Most municipalities are supportive of LDC lead initiatives, conservation, and are interested in enhancing energy literacy. Municipalities that support certain types of generation may be disappointed by a technology neutral approach. Municipalities are expected to be supportive of this LTEP taking a more holistic view of energy including natural gas. The Ministry briefed the Association of Municipalities of Ontario (AMO) on LTEP in April 2017.

s.8 Other Jurisdictions and Harmonization

- The framework and structure of Ontario's energy sector and the energy system planning process is unique to the province.

s. 9 Communications See Appendix H

- ENERGY will post the LTEP on an accessible website on October 26, 2017.
- On that day, ENERGY will host a launch event consisting of:
 - Technical briefing and Q&A session by Ministry in Macdonald Block for media;
 - Embargoed print copies of the 2017 LTEP will be provided;

- Technical briefing to be live-streamed for stakeholders in adjacent room; and
- 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:
 - LTEP document;
 - Website;
 - Highlights postcard;
 - News release;
 - Technical and consumer backgrounders; and
 - Consumer brochure.
- 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;
 - Climate change policies could have 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.

Contacts and s. 10 Appendices

Contacts		
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Appendices

Appendix A: OIC to approve the 2017 Long-Term Energy Plan: Delivering Fairness and Choice
Appendix B: OIC to approve the implementation directive to the Independent Electricity System Operator
Appendix C: OIC to approve the implementation directive to the Ontario Energy Board
Appendix D: OIC to approve amendments to a 2014 OEB directive
Appendix E: 2017 LTEP English
Appendix F: 2017 LTEP French
Appendix G: Variance Memo
Appendix H: Communications Snapshot