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Hydro One

Q. The public has made its opposition to the sale of Hydro One very clear. Why are you pushing ahead instead of pulling back?

This is part of our plan to unlock the value of certain public assets to help support unprecedented investments in transit, transportation and other priority infrastructure projects. Our plan represents the largest infrastructure investment in Ontario's history – more than \$130 billion over ten years, making 110,000 jobs possible each year.

It is important from a market perspective for the Province to show progress on broadening the ownership of Hydro One, reassuring the market that it is continuing on this path.

The government plans to continue with subsequent share sales in the future, ultimately selling down to approximately 40 per cent ownership.

By proceeding in a careful, staged, and prudent manner over time, the government is taking a responsible approach for the benefit of all Ontarians.

Q. What is the current status of the ownership of Hydro One?

In April 2016 the Province completed a secondary share offering of Hydro One shares, generating approximately \$2 billion in gross proceeds that will now be dedicated to critical investments in transit and infrastructure throughout Ontario and pay down debt.

The government continues to hold approximately 70% of Hydro One and will proceed with future offerings in a careful, staged, and prudent manner, over time reducing the Province's stake to 40% while remaining the largest shareholder.

By proceeding in a careful, staged, and prudent manner over time, the government is taking a responsible approach for the benefit of all Ontarians.

Q. Won't rates rise as a result of your sale of Hydro One? Isn't the interest of the private sector to increase profit by raising rates?

Hydro One does not set its own electricity rates. Rates continue to be set by the independent Ontario Energy Board (OEB).

The OEB is an independent regulator with a mandate to protect the interests of Ontario's electricity consumers. Applications from electricity companies like Hydro One are reviewed by the OEB and the OEB makes the final decision.

The government has passed legislation that enhances the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection and reliability. These changes will provide the OEB with:

- Stronger compliance and enforcement powers by increasing penalties to companies that are not complying with the OEB's rules and directions;
- Enhanced ability to ensure reliability and continuity of service if distribution or transmission companies are unable to fulfil their license obligations;
- Enhanced oversight for ensuring best practices on utility consolidation activities; and
- Stricter oversight of retailers and more protection for consumers who sign energy retail contracts.

In addition, Hydro One has hired a dedicated Ombudsman, similar to those found at other public companies. The Ombudsman will receive and investigate customer complaints.

Q. Hydro One customers continue to experience billing problems. What are you doing to help them?

In proceeding to broaden the ownership of Hydro One, one of the Province's objectives was to promote improved corporate performance, including customer service.

Our understanding is that Hydro One has been working diligently to address the customer service issues raised by the Ontario Ombudsman and to become a more customer-focused organization.

Hydro One has indicated it has improved the quality of their call center interactions through improved training, staffing and performance management.

Hydro One appointed Fiona Crean as its Ombudsman and the Office of the Hydro One Ombudsman became operational on March 14, 2016.

Hydro One's Ombudsman is an important independent advocate for fair process, fair decision-making and equity in the treatment of every person who deals with Hydro One.

As Hydro One is now a publicly traded company, any questions or concerns should be directed to Hydro One.

Q. Is Hydro One planning on acquiring smaller LDCs?

Hydro One has indicated publicly that it continually stays in dialogue with Local Distribution Companies (LDCs) across the province and that it is currently in discussions with Orillia and Peterborough.

As Hydro One is now a publicly-traded company, any discussions regarding mergers with Hydro One would be a matter of commercial negotiation between Hydro One and that utility.

Q. How are you going to keep 40 per cent ownership?

Legislation was passed to enable the Province to remain the largest shareholder with at least 40 per cent share ownership in Hydro One – and no other single shareholder or group of shareholders working in concert will be permitted to hold more than 10 per cent of the company's shares.

The Province cannot sell shares if through that sale it would go below 40 per cent. If Hydro One issues new shares and dilutes the Province below 40 per cent, the Province must take steps to increase its interest back to at least that level.

Q. The Auditor General's most recent report on Hydro One's asset management painted a picture of the company that was at odds with the glowing description in the initial prospectus. How do you account for that difference? Did Hydro One misrepresent itself to investors?

Hydro One had already begun acting on the issues raised in the Auditor General's report before the prospectus was released.

The Auditor General's report on Hydro One's asset management provided a thorough review of what Ontarians, and in particular Hydro One customers, already knew – that Hydro One can be a better-run, better-managed company that delivers better value to ratepayers.

With a strong new management team, Hydro One will focus on improving performance, customer service excellence, and system reliability. Private sector management will bring much-needed fiscal discipline to Hydro One and a renewed focus on customer service excellence.

Following the IPO, we are already seeing a number of improvements made by the Board and new management team.

The AG report is a helpful roadmap for the new management team to find savings. And these actions will of course mean savings that are passed on to ratepayers by the OEB.

Q. Why did you remove Hydro One from the reach of the Auditor General?

Hydro One is a publicly traded company. Even though the government remains the largest shareholder, Hydro One now has different structures and oversight. Similar changes occurred when there were shares released to the public for Air Canada, Petro-Canada and CN Rail.

And Hydro One will continue to be captured by the Ontario Business Corporations Act (OBCA) and the Ontario Securities Act. It will continue to file financial information with the Ontario Securities Commission.

- Various companies were removed from the list of Crown Corporations in the federal Financial Administration Act (FAA), including Air Canada in 1988, Petro-Canada in 1991 and CN Rail in 1995.
- The federal Auditor General Act also ceased to apply to these same three companies when they were removed from the FAA list.

- Similarly, the federal Access to Information Act did not apply to Air Canada, Petro-Canada or CN Rail at the time of their privatization.

Q. Will Hydro One employees be captured by the “Sunshine List”? If not, why not?

No. Only public sector employees are included on the Sunshine List.

As a publicly traded entity, Hydro One is no longer required to report salaries earned after December 31, 2014 under the PSSDA. Hydro One will continue to be governed by Ontario laws, including the Business Corporations Act and the Securities Act, and will continue filing information with the Ontario Securities Commission.

In addition, Hydro One will annually disclose its compensation of the chief executive officer, chief financial officer and the three other highest-paid executives of the corporation.

Q. What are Hydro One’s top executives paid? Why did the Province vote in favour of these exorbitant compensation arrangements?

Consistent with other publicly-traded companies, the Hydro One Board of Directors determines the compensation policy.

In preparation for Hydro One to become a publicly traded company we put in place a new Chair and board of directors at Hydro One whom we felt would serve the company well, including developing a compensation program.

Overall, the Board of Hydro One has to strike the right balance and they have set out their thinking in detail in the Circular. Hydro One’s Human Resources Committee is transitioning to a new compensation program for 2016 and beyond. The program is designed to provide total compensation opportunities that are market based and competitive.

We believe that this incentive-based approach also benefits ratepayers – because, as executives perform strongly they are also generating efficiencies that results in downward pressure on rates through the OEB.

As Hydro One is now a publicly traded company, any questions or concerns regarding details of its compensation program should be directed to Hydro One.

Q. As a majority shareholder, does the Province have any comments on Hydro One’s recently released financial results?

We expect Hydro One to continue into 2016 with a renewed focus on customer service excellence and improved performance and reliability.

Agreement with Chiefs of Ontario

Q. What is this deal you’ve made to sell the Chiefs of Ontario Hydro One shares?

In July 2016 the Province and the First Nations in Ontario (as represented by the Chiefs-in-Assembly) announced an agreement-in-principle for the Province to sell up to approximately 15 million shares of Hydro One Limited, depending on the level of First Nation participation.

Q. What are the terms of the deal?

The shares would be sold to a new collective investment fund owned by First Nations. The Province will continue to own over 67% of the shares of Hydro One after the sale.

The First Nations investment vehicle would purchase the shares with a 25-year loan provided by Ontario. The interest rate for the loan would be the Province's relevant borrowing rate, plus 15 basis points.

Q. How will this benefit First Nations communities?

This is a significant opportunity for First Nations communities and represents important progress towards sustainable economic development opportunities for Ontario's First Nations.

One of the cornerstones of ENERGY's policy framework is supporting and encouraging participation in the energy sector through business partnerships and job creation as a driver for sustainable economic development.

Q. So what does this deal mean for First Nations?

If ratified, a new investment fund collectively owned by First Nations would be able to buy shares through a loan from the Province at \$18 per share, which is above the Province's book value for the shares.

The Province would also contribute up to \$45 million in cash to the First Nation investment fund over the next three years, depending on the level of First Nation participation, to provide additional seed capital for investment.

Q. How can you justify loaning First Nations the money to buy shares above the book value? Won't that lower both the government's and Hydro One's revenue from the share sale?

Only the Province (not Hydro One) has raised money in the Hydro One share sales to date. This transaction is with the Province and does not involve Hydro One.

We broadened the ownership of Hydro One to create lasting public benefits and ongoing public protections.

This proposed agreement-in-principle helps to support both of these goals.

This does not impact the Province's expectation to raise up to \$9 billion to support infrastructure investment and pay down debt.

Q. Is this new? If not, why are we just hearing about it now?

No. The Province and First Nations communities began engaging in discussions regarding potential equity ownership as part of the initial stages of the Initial Public Offering (IPO).

This was described in the October 2015 Hydro One Supplemented PREP Prospectus, and can be found on pages 108 and 172.

Q. Does this deal include Métis communities? If no, why not?

No, this deal does not include Métis communities.

The Métis Nation of Ontario has expressed an interest in a dialogue with the Province in relation to this offering. The Province has also indicated that it is prepared to engage in a dialogue with the Métis in relation to the broadened ownership of Hydro One.

This was described on pages 108 and 172 of the October 2015 Hydro One Supplemented PREP Prospectus.

Hydro One Brampton

Q. Who is involved? What is the status of the merger and sale?

The merger of Hydro One Brampton with PowerStream, Enersource and Horizon is moving forward following shareholder approvals.

The Municipal Councils for the Cities of Barrie, Markham, Vaughan, Mississauga, Hamilton and St. Catharines have all voted to proceed with the merger. The Province has now executed a Share Purchase Agreement with PowerStream Inc., Enersource Hydro Mississauga Inc., and Horizon Utilities Corporation (collectively the Purchasers).

The transaction and the creation of the new company are subject to certain closing conditions, including Competition Bureau and Ontario Energy Board (OEB) approval.

OEB approval is based on the “no harm” test, requiring the OEB to ensure that the transaction would not have an adverse effect relative to the status quo of each of the Applicants and their customers in keeping with the Board’s objectives. This will require an application by the merging LDCs to the OEB. The OEB may hold a hearing to determine whether it should approve the merger.

Q. Why has the government decided to do this with Hydro One Brampton?

The Province is moving forward with the Premier’s Advisory Council on Government Assets recommendation to sell its interest in Hydro One Brampton to three other large utilities – PowerStream, Enersource and Horizon. The Council recommended using Hydro One Brampton as a catalyst for LDC consolidation in the Greater Toronto and Hamilton Area (GTHA), thereby strengthening competition in the electricity distribution sector.

The merger of these three utilities with Hydro One Brampton will create the second-largest electricity distributor in Ontario. The merged entity would deliver efficiencies and economies of scale while continuing to provide safe, reliable and affordable electricity.

This represents a major step forward in promoting Local Distribution Company (LDC) consolidation in Ontario, in line with the recommendations made in the 2012 Ontario Distribution Sector Review Panel Report, led by Murray Elston, Floyd Laughren, and David McFadden.

Q. How much will you make? What is happening to the money made?

The transaction and the creation of the new company are subject to certain closing conditions, including Competition Bureau and Ontario Energy Board (OEB) approval, anticipated to occur in late 2016.

The purchasers have agreed to pay \$607 million for Hydro One Brampton Networks Inc., subject to post-closing adjustments.

Ontario will direct all net revenue gains from the province's sale into the Trillium Trust, which, in turn, will be used to fund infrastructure projects that will create jobs and strengthen the economy.

Electricity Prices

Q. For over 100 years Ontario's reliable and affordable power helped build up this province. Now, Ontario residents are paying way more than our neighbours for electricity – and Ontario's manufacturing sector has been destroyed. Why do you continue to implement your expensive energy policies?

Our government continues to make the investments necessary to ensure a clean, reliable, and affordable electricity system for all Ontarians.

At the same time, our government is working hard to minimize the impact of these investments and help Ontarians manage their electricity costs. We've introduced a number of programs and have taken a number of steps to reduce ratepayer costs:

- Introducing the concept of planned flexibility, or planning the electricity system for a wide range of possibilities, but only committing resources as needs become clearer.
- Introducing wind dispatch to save ratepayers money through more efficient operation of the electricity system and changes to related IESO wind contracts.
- Renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by \$3.7 billion
- Deferring the construction of two new nuclear reactors at Darlington Nuclear Generating Station, avoiding an estimated \$15 billion in new construction costs.

[HOLD FOR PRICE MITIGATION LANGUAGE, PENDING ANNOUNCEMENT].

[COULD POLICY ADD LANGUAGE THAT THE IESO'S OPO REPORT PROJECTS SLOW RISE OF COSTS FOR THE NEXT 8-10 YEARS]

On August 25, 2016, the FAO released a report indicating that home energy costs in Ontario are lower than many other Canadian provinces, including Atlantic Canada and Alberta. The report also concluded that from 2010 to 2014, Ontario experienced average increases in home energy costs relative to residents of other provinces.

Q. Ontario businesses have repeatedly expressed concerns over the rising costs of electricity, some have even said they will have to close or leave Ontario. How do you respond to this?

[HOLD FOR PRICE MITIGATION LANGUAGE, PENDING ANNOUNCEMENT]

We understand how important it is to help businesses in Ontario address electricity costs. While we seek to reduce costs through conservation initiatives and prudent system planning, we have also implemented a wide range of programs to reduce the cost of electricity for businesses.

These programs include:

- Industrial Electricity Incentive (IEI);
- Industrial Conservation Initiative (ICI);
- Industrial Accelerator Program (IAP);
- saveONenergy for Business conservation programs for commercial and industrial consumers;
- Demand Response Auction; and
- Northern Industrial Electricity Rate Program (NIERP).

We developed Ontario's *Five-Point Small Business Energy Savings Plan* to help small businesses manage electricity rate increases by taking advantage of Ontario's conservation and energy efficiency programs.

In addition, the Budget Measures Act 2015 sets a fixed date for removing the DRC for commercial, industrial and other non-residential electricity users on April 1, 2018, nine months earlier than previously estimated.

Ontario's industrial electricity rates remain competitive with jurisdictions across North America.

Ontario's industrial electricity prices are lower than the U.S. average as reported by the U.S. Energy Information Administration (EIA).

In 2015, large customers paid an average of \$84/MWh according to the most recent Ontario Energy Report.

Q. What is the Global Adjustment?

The cost of electricity is a blend of the wholesale market price known as the Hourly Ontario Energy Price (HOEP) and Global Adjustment (GA).

The vast majority of electricity generators in Ontario are contracted by the Independent Electricity System Operator (IESO) or regulated by the Ontario Energy Board (OEB). These

generators are generally paid fixed prices for their output or have contractual minimum revenue requirements to cover their fixed costs.

Wholesale market prices are frequently insufficient to pay for these fixed prices and costs so the excess is collected through the GA. The cost of Ontario's conservation programs are also recovered via the GA. GA does fluctuate from month to month; however, the all-in commodity price is reasonably stable over time.

GA is calculated based on the difference between total costs related to generating electricity and market revenues from HOEP. These costs must be recovered and GA is the mechanism that does so.

GA reflects costs associated with contracted and regulated generation such as nuclear, natural gas and renewables, as well as the cost of conservation programs.

GA is a cost recovery mechanism as well as a charge paid by all electricity consumers in Ontario (i.e., it is included in the "Electricity" line on bills for consumers that participate in the Ontario Energy Board's Regulated Price Plan).

Q. Can you outline what ratepayers have been paying for global adjustment over the last year? What will ratepayers expect to pay over the next 5 years?

Historical data on the Global Adjustment is available on the Independent Electricity System Operator (IESO) website.

The projected values of GA for the next four years, in 2012 dollars, are:

2016	\$9.31 billion
2017	\$8.35 billion
2018	\$8.53 billion
2019	\$8.43 billion

Ontario Electricity Support Program (and end of Ontario Clean Energy Benefit)

Q. Why do ratepayers have to pay to fund the Ontario Electricity Support Program (OESP)? The uptake was slow and applying to it was difficult, so will you admit this program has been a failure?

We are encouraged by the response OESP has received so far. Since launching the OESP in early November, consumers have submitted more than 200,000 applications to the Ontario Energy Board (OEB). The program has been operating for just under six months, which works out to about 1,000 applications per day.

As of Aug 4, 2016, 205,284 applications have been submitted to the OEB and 121,887 have been approved to receive OESP.

The OEB will continue to work closely with intake agencies, utilities and other stakeholders, including grassroots organizations to ensure the program reaches those who need it most. People who need assistance with OESP can also contact the OEB directly at (855) 831-8151 or help@ontarioelectricitysupport.ca.

Q. Why do ratepayers have to pay to fund the OESP, especially if they do not benefit and have lost the 10% Ontario Clean Energy Benefit (OCEB) discount? How is this acceptable?

This is a rate relief program funded by all ratepayers for low-income ratepayers who have applied and meet the eligibility requirements.

For many low-income Ontarians, paying their electricity bill can be a challenge.

Electricity represents a significantly greater share of their monthly expenses. For households with an annual income of \$20,000 a typical electricity bill could be 10 per cent or more of their income.

The cost to ratepayers is \$0.0011 per kilowatt hour of electricity used for all ratepayers. For the typical residential customer, the amount is about \$1 per month.

Q. What is the government doing to lower electricity prices if people don't qualify for any lower income programs?

Our government continues to work to ensure a clean, reliable and affordable electricity system for all Ontarians.

The government removed the Debt Retirement Charge (DRC) from residential electricity bills as of January 1, 2016. This will save a typical residential electricity ratepayer who consumes 750 kilowatt hours (kWh) per month about \$65 per year.

Ontario also has a number of programs in place that help consumers manage rising electricity prices, including:

- Northern Ontario Energy Credit;
- Ontario Energy and Property Tax Credit; and
- saveONenergy for Home electricity conservation program.

For all consumers, conserving electricity is the best and easiest way to manage electricity bills.

Q. How much has the government spent on the development of the OESP program?

Costs associated with the implementation of the OESP will be funded through the ratepayers, and will have no impact on the government's fiscal plan.

Q. How many customers have successfully signed up for OESP? Are they already receiving their payments?

As of July 7, over 112,000 households had been approved for the Ontario Electricity Support Program (OESP) by the Ontario Energy Board (OEB).

Q. Many of our residents couldn't apply to the program before January 1st because of rollout issues. Will the program be retroactive to January 1st so that applicants can receive the credits for the months they missed?

The Ontario Electricity Support Program (OESP) was not designed to allow for this.

While retroactive payments are not possible, applicants can receive the credit for the full duration of eligibility starting on the date that the credit is first applied to the bill.

For the initial intake period, the Ontario Energy Board (OEB) has randomly staggered eligibility durations to avoid mass re-application every two years. The first eligibility period for an applicant may be between 24 and 36 months and will be communicated through their notice of eligibility. In addition, some recipients like seniors may qualify for the extended program eligibility period of five years.

Smart Meters

Q. Hydro One has admitted that 36,000 of the smart meters it installed are useless and are reading the meters manually again. How much longer will we be paying for Hydro One's mistakes? How much money has been spent on these useless meters?

In some parts of Hydro One's service territory where the communications network is not strong enough to consistently transmit information, the utility has moved certain customers to manual meter reads where necessary to reduce estimated bills and ensure more accuracy.

We will continue to work with Hydro One to ensure that customers receive the level of service they expect and deserve.

This process of transitioning customers whose billing accuracy could not be guaranteed from Time-Of-Use (TOU) back to two-tiered rates began in January 2016 and is expected to be completed by June 2016.

Customers will be notified in advance of the change by direct mail at least 40 days in advance.

If pressed about costs:

All costs related to smart metering undergo a review for prudence by the Ontario Energy Board (OEB) – only costs which the OEB accepts have been prudently incurred are allowed to be recovered from customers via rates.

The OEB is an independent regulator with a mandate to protect Ontario consumers with respect to electricity prices and ensure the financial viability of electricity distributors.

As with any large investment in infrastructure, the costs are up front and the benefits roll out over time. Now that we have a smart grid system in place, it is producing data and results that Local Distribution Companies (LDCs) say are valuable to them.

Q. Will you admit that the smart meter program has been a costly failure and unfairly burdened residents of rural Ontario?

Smart Meters provide environmental and system benefits, reduce costs over the long-term, and reward consumers who shift their consumption away from times when electricity is most costly to produce.

We are confident that the province can continue to build on the benefits for consumers, utilities and the system which have been enabled by the smart meter rollout.

Smart meters are rewarding consumers who shift their consumption to off-peak, helping LDCs manage their systems more efficiently and enabling our transition to a smarter grid. All of which provides environmental and system benefits and reduce costs in the long run.

Smart meters are the base technology for a modern grid which enables us to use emerging technologies and applications such as electric vehicles, electricity storage and other innovations we can't even imagine yet to make Ontario homes smarter.

Surplus Generation / Exports / Imports

Q. Ontario is exporting electricity at a much cheaper rate than Ontario residents pay for power. Why is that?

Ontario trades electricity with our neighbouring jurisdictions in Canada and the USA as part of the regular operation of the electricity system. Electricity trading provides additional grid reliability and is consistent with our goal of providing a clean, reliable, and affordable electricity system for all Ontarians.

Ontario exports to our neighbours when we have available power and we are able to rely on imports of power from our neighbours when it is cost-effective. Exports reflect the prevailing market price and are scheduled when it is economic for both Ontario and the associated importing jurisdiction.

Electricity trade is one way Ontario is working to ensure both that ratepayer value is maximized from existing transmission infrastructure and that the most economic generation resource is scheduled to produce electricity.

In addition, electricity exports create revenue for Ontario's generators, which helps to recoup some of the costs of maintaining their facilities. These are costs that would otherwise be borne by Ontario ratepayers who are paying to ensure that Ontario always has sufficient generating capacity to meet its peak demand.

The Independent Electricity System Operator (IESO) estimates that the benefit to Ontario from electricity trading in 2015 was approximately \$228 million. This amount represents the revenue received by the Province for off-peak exports, as well as revenue received from transmission tariffs for all exports.

Q. Why does Ontario have surplus baseload generation (SBG)?

The electricity system planning is done to ensure there is enough power to meet peak demand. While electricity supply and demand must always be balanced in real time, periods of low demand can lead to an excess in supply from time to time.

Surplus generation occurs when the available generation capacity from baseload and inflexible resources exceeds customer demand. These surplus conditions occur most frequently during low-electricity demand periods (such as weekends and overnight), particularly during the spring and fall.

Ontario has invested in new generation in anticipation of the nuclear refurbishment period when a significant amount of generating capacity at the Bruce and Darlington stations will be out of service. This replacement capacity had to be built well in advance of the refurbishments to ensure that system reliability was not put at risk.

Ontario has a number of tools to reliably and effectively mitigate SBG. Normal market mechanisms to mitigate SBG include – the economic scheduling of exports, wind curtailment and nuclear manoeuvring or shutdown while out-of-market control actions include curtailing imports.

IESO's dispatch rules provide consistency across the electricity market. The introduction of wind dispatch is saving ratepayers money through more efficient operation of the electricity system and changes to related IESO wind contracts.

Wind dispatch allows for more efficient management of baseload resources and helps minimize costly nuclear shutdowns and the corresponding use of replacement natural gas-fired generation. Nineteen nuclear shutdowns were avoided as a result of wind dispatch capabilities in 2015.

Commented [L1]: Wording from Estimates Wind Power note.

Q. Why does the government continue to sign power deals when we have a surplus of power?

Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas (GHG) emissions and provides cleaner air for this and future generations of Ontarians. The Large Renewable Procurement (LRP) process is an important component of Ontario's ongoing commitment to building a cleaner and more sustainable energy system.

Commented [TL(2)]: Deleted. ESP has indicated that the surplus is now forecast into the mid 2020s. ESP to review and revise as appropriate.

Ontario's 2013 LTEP includes targets for renewable energy:

- 10,700 megawatts (MW) for wind, solar, and bioenergy to be online by 2021; and
- 9,300 MW for hydroelectricity to be online by 2025.

We set those targets to fulfill our commitment to replace coal-fired generation with cleaner sources of energy, which not only benefits our environment but also the health of Ontarians.

The diversity of the current supply mix also insulates Ontario against sudden changes in cost or availability of any one source, and is one of the greatest strengths of Ontario's electricity system.

Each of the supply mix elements, including hydroelectric, nuclear, natural gas, non-hydro renewables, conservation and clean imports, plays a unique role in delivering a reliable and cost-effective source of energy to Ontarians.

Electricity Trade Agreements

Q. In September 2015, Ontario and Quebec signed an agreement regarding electricity trading between the two provinces. What are the benefits for Ontario ratepayers?

Imports and exports are an important aspect of Ontario's supply mix and help maintain a reliable, cost-effective and competitive electricity system.

Ontario will consider opportunities for firm import agreements with other jurisdictions where they provide benefits to the electricity system and are cost-effective for Ontario ratepayers.

Under the Capacity Sharing Agreement, Ontario is making up to 500 MW of capacity available to Quebec over four years starting in winter 2015/16, and in return Quebec will make available an equivalent amount of capacity to Ontario in future years during the summer with some flexibility to reflect Ontario's need for capacity.

This 10-year agreement takes advantage of the complementary seasonal peaks of electricity resources and needs in both provinces.

Ontario's need to procure additional capacity will be reduced over the life of the agreement. This will provide value and savings to Ontario ratepayers.

Along with Hydro One and IESO, Ontario will continue to evaluate how the Seasonal Capacity Exchange agreement may impact the need for enhancements to the transmission system.

If pressed on the medium-term MOU:

A medium-term agreement for energy (subject to seasonal availability) over Ontario's planned nuclear refurbishment period could potentially provide system benefits and value to ratepayers in both provinces.

The September 11, 2015 MOU specifies that Ontario and Quebec will mandate their energy ministers to direct their energy agencies to engage in discussions and make necessary efforts to conclude a medium-term electricity trade agreement.

Such an agreement would have to mitigate anticipated increases in electricity sector greenhouse gas emissions; provide value to Ontario ratepayers and commensurate value to Quebec and complement other electricity policy initiatives in Ontario and Quebec.

Q. I understand that a number of provinces have created a task force relating to the use on diesel power in remote communities. What do you expect this task force to accomplish?

The governments of Manitoba, Quebec, Newfoundland and Labrador, Nunavut, The Northwest Territories, Yukon, and Ontario have established a Pan-Canadian Task Force to reduce the use of diesel fuel to generate electricity in remote communities.

Reducing or eliminating diesel use in these communities would reduce harmful emissions, strengthen local economies, and create well-paying jobs.

The Pan-Canadian Task Force is chaired by Manitoba, and consists of officials from each of the provincial and territorial ministries and agencies that have policy responsibility for electricity supply in remote off-grid communities and remote off-grid Indigenous communities.

Key objectives of the Task Force include identifying barriers to diesel reduction and opportunities for collaboration, including the preparation of a joint report.

Nuclear Refurbishment at Darlington Generating Station

Q. Given all the clean hydropower we can import from our neighbours, why do we need to refurbish Darlington and what assurance can you provide that it will be completed on time and on budget?

The government is committed to a diverse energy portfolio that includes nuclear power. It is a reliable, cost-effective source of electricity that does not produce greenhouse gases and will continue to be the backbone of our electricity system.

Consistent with the 2013 LTEP, Ontario is on-track to refurbish the first nuclear unit at the Darlington Generating Station in October 2016 as part of the government's plan to supply reliable emission-free power for the next 40 years.

The refurbishment of the four units at Ontario Power Generation's (OPG's) Darlington Generating Station is expected to involve about 30 million hours of work over 10 years and cost approximately \$12.8 billion.

During refurbishment, Ontario Power Generation (OPG) will be subject to strict oversight to ensure safety, reliable supply and value for ratepayers.

In order to minimize risk to ratepayers and government, refurbishment of Ontario's nuclear assets will be guided by the seven principles set out in the 2013 LTEP:

- Minimize commercial risk on the part of ratepayers and government;
- Mitigate reliability risks by developing contingency plans that include alternative supply options if contract and other objectives are at risk of non-fulfillment;
- Entrench appropriate and realistic off-ramps and scoping;
- Hold the private sector operator, Bruce Power, accountable to the nuclear refurbishment schedule and price;
- Require OPG to hold its contractors accountable to the nuclear refurbishment schedule and price;
- Make site, project management, regulatory requirements and supply chain considerations, and cost and risk containment, the primary factors in developing the implementation plan; and
- Take smaller initial steps to ensure there is opportunity to incorporate lessons learned from refurbishment including collaboration by operators.

As OPG's sole shareholder, the government receives regular updates from OPG on the progress of the refurbishment project.

The government retained an Independent Oversight Advisor to provide regular updates on the progress of the Darlington Refurbishment project during the planning phase. The Government

will continue to ensure effective robust oversight of the project in accordance with the 2013 LTEP principles and has retained an external advisor to provide oversight during the execution phase.

OPG provides regular public updates on the progress of the refurbishment project.

Semi-annual Performance Reports by OPG communicate major milestones and outline progress against timelines and budgets.

Q. How much has the Darlington Refurbishment cost so far?

Life-to-date capital expenditures for Darlington were \$2,612 million as of June 30, 2016.

The approved project budget for the four-unit refurbishment is \$12.8 billion.

Q. What is the timeline for the Darlington Refurbishment?

The first unit refurbishment is scheduled to commence in the fourth quarter of 2016, with the last unit completed by 2026.

Project work including construction of facilities, infrastructure upgrades and installation of safety enhancements is being completed in support of the execution phase of the project.

Nuclear Refurbishment at Bruce Generating Station

Q. Can you discuss the government's decision to proceed with nuclear refurbishment? What are the advantages?

Nuclear power currently provides around 60% of the electricity used by Ontarians and the refurbishment of units at the Bruce Nuclear Generating Station will help nuclear continue to be the single largest generation source in Ontario.

Ontario's nuclear reactors are designed to provide electricity generation for approximately 25 – 30 years. Refurbishment and replacement of key reactor and station components is necessary to allow for continued operation for approximately 30 additional years.

Refurbished nuclear is expected to be one of the most cost-effective generation resources available to Ontario for meeting base load requirements.

Existing stations are located in supportive communities with access to high-voltage transmission.

Nuclear generation produces no greenhouse gas emissions.

During refurbishment, Bruce Power will be subject to strict oversight to ensure safety, reliable supply and value for ratepayers.

Q. Why do we need Bruce and how are you going to coordinate Darlington and Bruce to maximize efficiencies, meet deadlines and mitigate ratepayer costs?

The government is committed to nuclear power. It will continue to be the backbone of our electricity system. It is a reliable, cost-effective source of electricity and its generation does not produce greenhouse gases.

The nuclear units at Bruce Power contribute nearly half of Ontario's round-the-clock power and like the nuclear units at Darlington, will also undergo refurbishment starting in the near future.

Q. When is the scheduled start date for refurbishment of the Bruce Station?

Bruce Power has received approval to extend its refurbishment implementation agreement. Under the amended Bruce Power Refurbishment Implementation Agreement (BPRIA), refurbishment of the first of six units will begin in 2020.

The amended BPRIA will cover the refurbishment of the four Bruce B units, in addition to two Bruce A units.

The amended BPRIA will provide a long-term contract for the whole Bruce facility.

Q. How much will the power cost?

The initial price under the amended BPRIA was set at \$65.73/MWh, beginning January 1, 2016. In 2020, Bruce Power will begin refurbishment. The initial price will increase as Bruce Power invests capital in each unit's refurbishment. The average price over the life of the contract is estimated to be \$77/MWh, or 7.7 cents per kilowatt hour (kWh).

The price for Bruce Power's generation will be within the range assumed in the 2013 LTEP for refurbished nuclear energy.

The pricing structure in the amended BPRIA is more flexible than in the existing BPRIA and is subject to change based on factors such as Bruce Power's level of investment.

Note that Bruce Power takes all of the execution risk on the refurbishments and the ongoing operational risk of the units. The government also has the opportunity to exercise off-ramps which would change Bruce Power's expected investment in the project and lead to price adjustments.

Pickering Generating Station Operations

Q. Does the province have a plan for the Pickering Generating Station?

Pickering plays an important role in meeting our energy needs.

In 2015, the Pickering Station provided about 14 per cent of Ontario's power and achieved its highest ever level of reliability.

2013 LTEP assumed that Pickering would operate until 2020 before being shut down. Since then, OPG has undertaken technical analysis and assessments on the condition of key equipment and expressed confidence in Pickering's ability to safely operate to 2024.

In January 2016, the Province approved Ontario Power Generation's (OPG's) plan to pursue the continued operation of the Pickering Generating Station beyond 2020 up to 2024.

OPG will engage with the Canadian Nuclear Safety Commission and the Ontario Energy Board to seek approvals required for the continued operation of Pickering Generating Station.

OPG will seek final government approval to proceed with ongoing Pickering operation after receiving all necessary regulatory approvals.

Ongoing operation of Pickering up to 2024 would ensure the province has a reliable source of emission-free replacement baseload electricity during the Darlington Generating Station and initial Bruce Generating Station refurbishments.

If asked about costs:

OPG expects to spend an additional \$307 million between 2016 and 2020 in order to enable ongoing Pickering operation up to 2024. The estimated cost for the 62TWh of additional power from Pickering ongoing operation is about \$65/MWh, significantly lower than the average price of electricity generation in Ontario, which in 2015 was \$92/MWh.

OPG electricity rates are regulated by the Ontario Energy Board (OEB). All costs to enable ongoing Pickering operation will be subject to review and approval by the OEB through a public and transparent process to ensure they are prudently incurred.

Q. Why did the government decide to explore the ongoing operation of the Pickering station?

Ongoing operation of Pickering up to 2024 would ensure that the province has a reliable source of emission-free replacement baseload electricity during the Darlington and initial Bruce refurbishments.

Ongoing operation would also protect 4,500 jobs across Durham region, save the electricity system up to \$600 million and reduce greenhouse gas emissions by at least eight million tonnes.

Q. Is Pickering safe? Wasn't OPG fined over \$30,000 by the Canadian Nuclear Safety Commission (CNSC) in January of this year for failing to comply with licensing conditions?

This is a procedural matter which has no bearing on the safety of the plant or the public. For security reasons, OPG cannot talk about the events in question, but at no point was the safety of the plant ever compromised.

The alleged violations raise notification protocol issues about security measures OPG had in place, not safety violations.

All OPG plants continue to operate to the highest security standards.

Q. So you feel confident with the CNSC's decision to grant a 5-year license to the Pickering Station?

The Government of Ontario is pleased with the decision.

Nuclear currently provides approximately 60% of our power and is the backbone of the electricity system. Pickering Nuclear Generating Station is a key part of that.

Q. What do you have to say about the recent whistleblower letter to the Canadian Nuclear Safety Commission (CNSC). The letter claims information is being withheld by CNSC staff from those making the decisions about the licensing of Canada's nuclear plants, including OPG's. How can we be sure OPG's plants are safe?

The letter appears to refer to an internal CNSC staff disagreement with respect to compliance with regulatory requirements under the federal nuclear licensing process. As such, we cannot comment on the specific allegations.

Ontario's nuclear plants continue to operate safely and are subject to continuous monitoring by CNSC staff.

Safety is our top priority – and nuclear power has been safely powering our homes and businesses for over 40 years.

OPG and Bruce Power have an excellent track record of safety. In 2016, an international industry assessment recognized Darlington as one of the safest and best performing nuclear stations in the world, for the third time in a row.

CNSC is a world-class regulator with a rigorous and transparent regulatory process. We are confident that CNSC will take necessary steps to thoroughly investigate the concerns raised in the letter.

We expect OPG and Bruce Power to work closely with CNSC and appropriately address any valid concerns that have been raised.

Ontario Power Generation's Deep Geological Repository (DGR)

Q. A number of environmental organizations have expressed opposition to OPG's proposed Deep Geologic Repository for Low and Intermediate Level Nuclear waste. Does your government still support the project? How do you respond to specific concerns about the risks of storing nuclear waste so close to Lake Huron, one of the largest bodies of surface fresh water in the world and a source of drinking water to millions of Canadians and Americans?

Ontario Power Generation (OPG) has been storing nuclear waste in Ontario safely for over 40 years. Ontario has a strong interest in seeing that nuclear waste continues to be managed in a safe and responsible manner.

OPG's deep geological repository (DGR) proposal for low and intermediate level waste (LILW) has been reviewed by a panel, appointed by the federal nuclear regulator – the Canadian Nuclear Safety Commission (CNSC). This is the most comprehensive form of Environmental Assessment under Canadian legislation.

On May 6, 2015, the Joint Review Panel (JRP) recommended that the former federal Environment Minister approve the license for construction of the LILW DGR.

On February 18, 2016, the federal Minister of Environment asked OPG to conduct and submit additional studies on the proposed DGR before a decision on the JRP's recommendation is made. .

The Federal Minister has requested the following studies:

- A study that details the environmental effects of alternative locations for the LILW DGR that are technically and economically feasible;
- Analysis of the cumulative environmental effects of the LILW DGR in light of assessments undertaken by the Nuclear Waste Management Organization; and
- Providing an updated list of environmental mitigation commitments.

We are pleased with the Federal Government's response and collaborative approach to decision-making.

OPG has confirmed it is committed to working with the Federal Government to provide the necessary information and research to inform an eventual assessment decision by the federal Environment Minister.

Q. The Federal Minister of Environment has requested studies on the cumulative effects of NWMO's current Used Fuel DGR and OPG's LILW DGR existing in the same area. Does this mean the NWMO has narrowed down its search to the Bruce region?

No. The NWMO's site selection process for finding a willing host for a used fuel DGR is still underway with nine sites remaining. The NWMO does not plan to decide on a final site until 2023.

In the current NWMO site selection process, three of the nine sites being considered are within the Bruce region. With OPG's LILW DGR proposed for Kincardine, the Federal Government has asked OPG to consider the possible cumulative effects of having both DGRs within the same region.

Renewable Energy

Q. Communities continue to express concerns about wind projects. What is the government doing to address these concerns?

We have listened to concerns from communities regarding siting of large renewable energy projects, including wind energy projects, and that's why we have changed how these projects are developed in Ontario.

In 2013, The Independent Electricity System Operator (IESO) was directed to develop a new competitive procurement process for large renewable projects to ensure local needs and considerations are taken into account. The resulting process, known as Large Renewable Procurement (LRP), requires developers to engage with local communities before a proposal is considered for an electricity contract. Engagement with local project communities, municipalities and Indigenous communities is central to the competitive LRP process.

Under the first phase of the LRP process (LRP I), proposed projects were required to complete a mandatory engagement process in the communities in which they were proposing to locate. The required engagement process was focused on informing the local community(ies) and receiving feedback from residents and municipal officials. The mandatory engagement requirements included: creating a project website; developing a community engagement plan; holding at least one public meeting; and initiating one meeting with municipal and/or Indigenous community representatives.

In addition, the LRP I process included optional engagement elements, referred to as rated criteria, for projects that were able to demonstrate additional community support and Indigenous participation. These optional rated criteria activities included:

- Obtaining support from abutting landowners/leaseholders;
- Receiving local municipal/Indigenous support resolutions;
- Entering local municipal/Indigenous community agreements(s); and
- Having at least 10 percent Indigenous participation in a project.

Proposed projects that completed these optional rated criteria activities could obtain a rated criteria score, which could improve their likelihood of success in the LRP I Request for Proposals (RFP) process. However, municipal and community support was not a mandatory requirement for LRP I.

LRP I projects could also improve their likelihood of success during evaluation by proposing lower prices; helping to ensure the best value for electricity ratepayers.

Ultimately, the LRP process is designed so that proposals are evaluated using three key elements: community support, Indigenous participation, and price. The objective is to obtain cost-efficient and well-supported large renewable projects.

As with all large renewable projects, successful LRP proponents are required to obtain all licenses and environmental approvals, such as a Renewable Energy Approval (REA) or an Environmental Assessment, before they can build their projects. This will include additional community engagement.

As part of the development of the second phase of the LRP process (LRP II), the IESO will rely on and incorporate feedback received from stakeholders, municipalities and Indigenous communities.

Using the methods outlined in their Engagement Plan – which include webinars, online surveys and in-person meetings – IESO intends to consider any lessons learned from the LRP I process in the design of the LRP II process.

With the LRP process, our goal is to provide municipalities with a stronger role going forward, but not to provide a veto. We are committed to working with local communities, municipalities and Indigenous communities to ensure there is meaningful involvement in electricity system planning while maintaining the reliability of the electricity system.

Q. Can you please provide a breakdown of the Large Renewable Procurement (LRP) contract awards that were announced on March 10, 2016, by the IESO?

LRP is an important component of Ontario's ongoing commitment to building a cleaner and more sustainable energy system. Procurement targets for LRP I included up to 300 MW of wind, 140 MW of solar, 50 MW of bioenergy and 75 MW of waterpower.

On March 10, 2016 the IESO released a list of 16 contracts that were offered under the first phase of LRP, known as LRP I. These contract offers represent almost 455 megawatts (MW) of energy generation capacity, which will contribute to the province's renewable energy targets.

The LRP I results include:

- Five (5) wind energy contracts for 299.5 MW;
- Seven (7) non-rooftop solar contracts for 139.9 MW; and
- Four (4) waterpower contracts for 15.5 MW.

Of the 16 contracted LRP I projects, more than 80 percent include participation from one or more Indigenous communities, including five projects with more than 50 percent Indigenous participation.

In addition, 75 percent of the successful LRP I projects received support from local municipalities and more than 60 percent had support from at least 75 percent of abutting landowners.

While municipal and community support was a significant factor in the evaluation of LRP I project proposals, it was not a mandatory requirement.

The LRP process introduced strong competition between developers of large renewable projects, to help drive down price. The procurement also included a maximum acceptable price for each renewable technology. These maximum prices were established using IESO's internal data, industry feedback, and international and North American pricing trends for large renewable projects.

The results for LRP I show that the weighted average price for solar projects (15.7 ¢/kWh) is more than 40 percent below the maximum price for solar, and the weighted average price for wind projects (8.6 ¢/kWh) is more than 20 percent below the maximum price for wind accepted in the Request for Proposals (RFP).

The full list of contract offers, including project locations and contact information, can be viewed on the IESO's website: www.ieso.ca/Documents/generation-procurement/lrp/lrp-1-final/LRP-I-RFP-Selected-Proponents-List.pdf.

Q. What do you say to the citizens of Community X, who made their opposition to Project X known? Why don't their concerns matter to you?

We listened to municipal concerns about the way larger Feed-in Tariff projects were being procured, and responded to those concerns with the new LRP process.

LRP was designed to provide municipalities, communities and the public with a stronger voice and additional opportunities to participate in the development of large renewable energy projects.

For the first LRP process (LRP I), local support – either from the municipality, Indigenous community and/or from landowners abutting the project – was a factor in project evaluation.

However, municipality and community support was not a mandatory requirement for a project to be successful. One of the goals of the LRP process was to provide municipalities with a stronger role going forward, but not to provide a veto.

It is important to acknowledge that there were successful LRP I projects that did not have the formal support of the municipality where they are going to be located. It is vital that project developers continue to actively engage with municipalities about these projects and continue to seek their support. We know that when municipalities play an active role in the renewable energy development process, they help to ensure that projects meet community needs.

In addition, the successful LRP I proponents will have to obtain all required licenses and approvals, such as a Renewable Energy Approval (REA) or an Environmental Assessment before they can start construction on their projects. The environmental approval processes include additional community engagement requirements, and provide further opportunities for communities to express any concerns that they may have about the proposed project.

Q. How many of these contracts for large renewable projects are being offered in municipalities and communities that support them?

Of the 16 contracted LRP I projects, more than 80 percent include participation from one or more Indigenous communities, including five projects with more than 50 percent Indigenous participation.

75 percent of the successful LRP I proposals received support from local municipalities and more than 60 percent of successful proposals had support from at least 75 percent of abutting landowners.

The full list of contract offers, including project locations and contact information, can be viewed on the IESO's website: www.ieso.ca/Documents/generation-procurement/lrp/lrp-1-final/LRP-I-RFP-Selected-Proponents-List.pdf.

Q. What is included in the latest renewable procurement directive to the IESO?

As part of Ontario's continued commitment to a clean energy future, on April 5, 2016, the IESO was directed to procure up to 930 MW of renewable energy under a second phase of the competitive LRP process (LRP II) and issue contracts by May 1, 2018.

The LRP II procurement target includes up to 600 MW of wind, up to 250 MW of solar PV, up to 50 MW of waterpower and up to 30 MW of bioenergy.

Subsequently on June 10, 2016, the IESO was directed to increase the overall LRP II procurement target to 980 MW by re-allocating 50 MW of capacity from prior procurements targets that have not been met. In addition, the IESO was directed to explore opportunities to procure generation resulting from technological upgrades to and optimizations of existing renewable generation facilities.

The IESO is currently engaging with stakeholders, municipalities and Indigenous communities to ensure that any learnings and opportunities for improvement derived from the evaluation of the LRP I process are taken into account in the development of LRP II.

The IESO launched the LRP II Request for Qualifications (RFQ) process on July 29, 2016. The RFQ application window was open until September 8, 2016, and the IESO expects to notify successful Qualified Applicants in November 2016.

On April 5, 2016, the Minister of Energy also directed the IESO to launch another round of the FIT program, with a procurement target of at least 150 MW for smaller renewable energy projects (up to 500 kilowatts) plus 50 MW of microFIT projects (up to 10 kilowatts) for 2017.

On August 26, 2016 the IESO released updated program materials for the next round of the FIT program (FIT 5), following stakeholder engagement. The FIT 5 application period will begin on October 31, 2016.

On August 31, 2016, the IESO published the 2017 FIT/microFIT price schedule. New prices will take effect on January 1, 2017, including FIT contracts offered through the FIT 5 procurement, that are issued on or after that date.

Commented [CQ3]: From IESO FIT website.

Mandated annual reviews of FIT prices have led to a significant reduction in the price paid for renewables. FIT and microFIT prices for new solar projects have been reduced between 50 and 75% since 2009.

Q. Why have you directed the IESO about LRP II when you are about to embark on a Long-Term Energy Plan engagement process?

Achieving Balance, Ontario's 2013 Long-Term Energy Plan (2013 LTEP), is the province's blueprint for a safe, clean, reliable and affordable energy future.

Thousands of Ontarians participated in the consultation process that helped shape the plan, which represents Ontario's long-term vision for the province's electricity system. The 2013 LTEP laid out specific targets for renewable energy in Ontario:

- 10,700 MW for wind, solar, and bioenergy to be online by 2021.
- 9,300 MW for hydroelectricity to be online by 2025.

This direction will help the province meet our 2013 LTEP targets.

On July 1, 2016, the *Energy Statute Law Amendment Act, 2015 (Bill 135)* came into force.

It enshrines in legislation the kind of planning process that we used to develop our 2013 LTEP.

The Energy Statute Law Amendment Act ensures that energy planning takes a transparent and pragmatic approach, and that future LTEPs are developed consistent with the following principles:

- Cost-effectiveness;
- Reliability;
- Clean energy;
- Community and Indigenous engagement; and
- Emphasis on conservation and demand management before building new generation.

The development of future renewable energy projects will be considered as part of the upcoming LTEP process.

Q. How much will the LRP II procurement add to future electricity bills?

When designing the LRP II process, we expect the IESO to rely on and incorporate the feedback received as part its LRP II Stakeholder and Community Engagement Plan (“Engagement Plan”) that is currently underway.

Working with the IESO, the province will continue to ensure renewable energy procurement encourages the selection of projects with local support and competitive prices, as well as projects with Indigenous participation.

Based on the results of LRP I, it is expected that \$3.3 billion in LRP program costs will be removed relative to the 2013 LTEP forecast. This is estimated to save the typical residential electricity consumer an average of \$1.67 per month on their electricity bill over the forecast period.

Commented [KM4]: Consistent with final Minister’s Table Deck.

Q. With the increased procurement target for wind under LRP II (up to 600 MW), are you not going to force more projects on unwilling host communities across the province?

Our government’s priority is to build clean, reliable and affordable energy in a way that gives municipalities a stronger voice in renewable energy development.

In 2013, the Ministry of Energy directed the IESO to change the procurement process for large renewable projects (generally greater than 500 kW) for reasons that included municipal concerns about earlier large Feed-In Tariff (FIT) projects.

The Large Renewable Procurement (LRP) process was launched in 2014 to provide local communities with a stronger voice and additional opportunities to participate in the development of renewable energy projects.

Under the first phase of the LRP process (LRP I), mandatory engagement requirements were introduced in order to facilitate early relationship-building between the developer and the municipality. Regardless of whether municipalities passed resolutions to indicate their willingness or unwillingness to host projects, LRP I proponents were required to engage with municipalities and take into account local needs and considerations before proposals were submitted.

In addition to mandatory engagement requirements, LRP I also included optional engagement elements – referred to as rated criteria – which allowed developers to demonstrate they had gone to extra lengths to obtain local support for a proposed project.

LRP I projects could also improve their likelihood of success during evaluation by proposing lower prices; helping to ensure the best value for electricity ratepayers.

We are committed to working with local communities, municipalities and Indigenous communities to ensure there is meaningful involvement in electricity system planning while maintaining the reliability of the electricity system.

Commented [CCM5]: This material is already captured (sometimes more than once) in the responses above.

As part of the development of the second phase of the LRP process (LRP II), the IESO will rely on and incorporate the feedback received from stakeholders, municipalities and Indigenous communities.

Using the methods outlined in their Engagement Plan – which includes webinars, online surveys and in-person meetings – IESO intends to consider any lessons learned from the LRP I process in the design of the LRP II process.

In order to facilitate active municipal involvement in the renewable energy development process, in 2015 the Ministry released an updated guide for municipalities that, among other things, describes how renewable energy projects are developed in Ontario and provides an overview of the regulatory approval processes involved in project development. This guide is available on the Ministry of Energy's website.

Q. Why is the government bringing so much expensive green power online?

Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas (GHG) emissions and provides cleaner air for this and future generations of Ontarians.

Ontario's 2013 Long-Term Energy Plan (LTEP) includes targets for renewable energy:

- 10,700 MW for wind, solar, and bioenergy to be online by 2021.
- 9,300 MW for hydroelectricity to be online by 2025.

We set those targets to fulfill our commitment to replace coal-fired generation with cleaner sources of energy, which not only benefits our environment but also the health of Ontarians.

The diversity of the current supply mix also insulates Ontario against sudden changes in cost or availability of any one source, and is one of the greatest strengths of Ontario's electricity system.

Each of the supply mix elements, including waterpower, nuclear, natural gas, non-hydro renewables, conservation and clean imports, plays a unique role in delivering a reliable and cost-effective source of energy to Ontarians.

We have moved the procurement of future large renewable energy projects to a competitive procurement model, designed to strike a balance between early community engagement and achieving value for ratepayers.

Commented [CCM6]: Description used in the 2013 LTEP.

To ensure competitive prices and value for ratepayers, the LRP process sets maximum prices that are accepted for each technology. Only project proposals that are below these price caps are considered for a contract.

The results for LRP I show that the weighted average price for solar projects (15.7¢/kWh) is more than 40 percent below the maximum price, and the weighted average price for wind projects (8.6 ¢/kWh) is more than 20 percent below the maximum price.

Based on the results of recent renewable procurements, combined costs associated with the FIT, microFIT and LRP programs are expected to be reduced by about \$4.1 billion relative to the 2013 LTEP forecast as a result of lower prices and revised procurement schedule. This

represents an approximate reduction of about \$2 per month on a typical residential electricity bill over the forecast period.

Regional Planning and Siting

Q. What is the government doing to address electricity planning in rural communities? The Integrated Regional Resource Plans (IRRP) posted online all seem to address needs in Toronto and the surrounding areas.

Since 2003, approximately \$15 billion has been invested to enhance and renew Hydro One's systems, including upgrades to over 15,000 kilometres of power lines (including both transmission and distribution lines).

The IESO estimates that significant transmission projects over the last the ten years have increased the transmission capacity by about 10,000 MW.

New transmission priorities identified in the 2013 LTEP include: a new Northwest Bulk Transmission Line to increase supply and reliability to the area west of Thunder Bay and the connection of remote northwestern First Nation communities to the electricity grid.

The East-West Tie and the new line to Pickle Lake remain priority projects.

The first Integrated Regional Resource Plan (IRRP) released by the IESO under the new regional electricity planning process was for the North of Dryden sub-region in Northwest Ontario. In June 2015, in response to a request from the community, the IESO released an interim IRRP for the Greenstone-Marathon sub-region to address near-term needs while the full IRRP for the area is being developed.

Plans are being developed in other Northern and rural areas including Thunder Bay, West of Thunder Bay, Parry Sound-Muskoka and Barrie-Innisfil.

The plans in rural Ontario recognize the diverse needs of these areas, and the plans are focussed on addressing those unique challenges.

Q. In July 2016, Wataynikaneyap Power LP (Watay Power) was selected as the preferred transmitter to implement the line to Pickle Lake and the connections to the remote First Nation communities. It appears that there were competing proposals. Why was Watay Power the successful bidder?

For transmission "connection assets", it is the end customers that are responsible for building the connection assets, or choosing a transmitter to build them (e.g. a mining company or large industrial customer would be responsible for choosing how to connect themselves to the grid).

In this case, the end customers and beneficiaries of the line to Pickle Lake are the First Nation communities who have expressed an interest in connecting to the grid. First Nation communities that propose to be grid-connected have come forward with a project proposal.

Watay Power is a partnership between 20 First Nations, including 16 remote communities that would be the eventual customers/beneficiaries of both the line to Pickle Lake and the remote community connections.

The OEB oversees the activities of licensed transmitters to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

Q. A new line to Pickle Lake was first identified as a priority in the 2010 LTEP, and then again in 2013. Why are you just doing this now? Why has this taken so long?

Ontario is working diligently towards delivering on its 2013 LTEP commitment to connect remote First Nation communities in Northwestern Ontario to the electricity grid. The construction of a transmission line to Pickle Lake is one part of a larger undertaking, as this project will enable the connection of 16 remote First Nations communities to Ontario's electricity grid.

New electricity transmission projects are proponent driven in Ontario and timelines are largely driven by forces outside of the Ministry's control. These projects generally have a long lead time, taking into account planning, a variety of external approvals required and a thorough consultation process.

Once possible transmission solutions are identified, ENERGY works with various stakeholders to gather input. On this particular project, for example, extensive consultation meetings took place in more than a dozen First Nations communities to address concerns and challenges.

All of this due diligence and planning is in Ontario's best interests, ensuring that we proceed in the most timely and cost-effective manner that protects ratepayer interests.

Q. Twenty-one of Ontario's 25 remote communities have been identified as priority projects in the 2013 LTEP. Sixteen are being connected with this project. How were these communities chosen?

The Independent Electricity System Operator's (IESO) analysis indicated that there is a strong economic case to grid-connect 21 remote First Nation communities. A draft Remote Community Connection Report was issued by the IESO in 2014, which contained details of this analysis.

Watay Power currently has 16 of these 21 communities in its partnership. Ontario's priority remains the connection of all 21 remote First Nation communities that are economic to connect, as identified in Ontario's 2013 Long-Term Energy Plan (2013 LTEP). Watay's project will connect 16 communities.

Q. Five communities are not being connected. What is the reason for this?

Ontario's priority remains the connection of all 21 remote First Nation communities that are economic to connect, as identified in Ontario's 2013 Long-Term Energy Plan.

The proposed Order in Council (OIC) and directive apply to 16 of the 21 connectable remote communities.

An OIC for the remaining five Matawa communities could be done later, once communities and the Ministry of Energy agree on how they will be connected and there is a tangible connection proposal.

Other funding sources such as the federal government are expected to contribute towards Watay's current project as well as the connection of additional communities.

Q. What are the costs associated with this project? Will ratepayers be on the hook?

Provincial ratepayers currently subsidize costly diesel generation in remote communities. The Ministry of Energy estimates that the connection of these communities to the grid will result in cost savings over the life of the project.

Ontario continues to work with the federal government on cost sharing arrangements for the project to ensure fair and equitable funding.

Ontario has also made regulatory amendments that will allow for a portion of the costs of the remote connection project to be recovered from provincial ratepayers.

Q. The government has been criticized for not holding consultations with First Nations about issues which directly affect them. Did consultations take place?

The Ministry of Energy held stakeholder consultations on the proposed policy supports for the remote connection project in Sioux Lookout, Thunder Bay, Dryden, Toronto and Mishkeegogamang FN in January and February of 2016.

Consultations took place with potentially affected Indigenous communities on actions that could be taken to reduce regulatory barriers and move the project forward in a timely and efficient manner, including identifying a transmitter.

Conservation First and the Green Investment Fund (GIF)

Q. Why are there no interim conservation targets in the 2013 LTEP?

Our long term conservation target of 30 TWh in 2032 and our goal to use demand response to meet 10% of peak demand by 2025 (approximately 2,400 MW) demonstrates a long-term commitment to conservation.

Ontario established a target of 7 TWh in 2020 to be achieved through Conservation First Framework to assist the province in achieving its long-term conservation target of 30 TWh in 2032.

The amount of conservation achieved each year can vary depending on several factors including the state of the economy, the demand for electricity and the price of fuels.

We want to ensure we have flexibility in our conservation investments so we can meet changing system conditions over the 20-year planning period. Setting a long-term conservation target allows us to do this.

Q. Why is there no peak demand target?

The 2013 LTEP established a goal of aiming to use demand response to meet 10% of peak demand by 2025, equivalent to approximately 2,400 MW under forecast conditions.

Achieving this goal is supported by a number of demand response initiatives aimed at reducing peak demand, including time-of-use pricing, IESO's demand response auction, the Industrial Conservation Initiative and dispatchable customer loads under contract in the IESO administered market.

In December, 2015, the IESO held its first demand response auction. About 390 MW were procured for the summer commitment period (May 2016 to October 2016) and about 400 MW for the winter commitment period (November 2016 to April 2017).

Further, through a competitive procurement process, the IESO secured up to 80 MW of DR from five companies representing 20 pilot projects ranging from 1 MW to 35 MW. The pilot projects are being used to assess the ability of the companies to follow changes in electricity consumption and help balance supply and demand.

Q. Why do we need energy conservation in a strong supply situation?

Electricity conservation and energy efficiency provides persisting, long lasting savings which decrease the demand for electricity over the long term.

Conservation and energy efficiency are the cleanest and most cost-effective energy resource, providing multiple benefits to Ontarians:

- Helping families and businesses manage their energy bills and improve their home comfort and quality of life.
- Reducing strain on our electricity system and the need to build expensive energy infrastructure, mitigating upward pressure on electricity prices.
- Reducing greenhouse gas (GHG) emissions and air pollution, contributing to a cleaner future for our children and grandchildren.

Ontario has been working for several years to create a culture of conservation by encouraging individuals and businesses to use energy wisely and at the same time building sector knowledge and capacity to deliver conservation and energy efficiency programs.

Between 2005 and 2014, Ontarians conserved:

- 9.9 TWh of electricity, enough to power the cities of Ottawa and Windsor in 2014.
- 3,628 MW—equivalent to more than the peak demand of Mississauga, Brampton and Ottawa combined in 2014.
- 

Conservation requires a long-term planning commitment and uninterrupted delivery to be effective.

Much like building new generation, you can't wait until the demand has materialized to start planning to meet it.

Commented [CM7]: Suggest deleting as question relates to electricity conservation

Conservation and energy efficiency are delivering electricity at a lower cost than any form of supply. Historically, for every \$1 invested in energy efficiency, Ontario has avoided about \$2 in costs to the electricity system.

Q. With the billions of dollars already invested in conservation what has been the impact on rate-payers?

Conservation and energy efficiency are the cleanest and most cost-effective energy resource, providing multiple benefits to Ontarians:

- Helping families and businesses manage their energy bills and improve their home comfort and quality of life.
- Reducing strain on our electricity system and the need to build expensive energy infrastructure, mitigating upward pressure on electricity prices.
- Reducing greenhouse gas (GHG) emissions and air pollution, contributing to a cleaner future for our children and grandchildren.

Ontarians are making progress in putting conservation first. Between 2005 and 2014, Ontarians conserved 9.9 TWh of electricity—enough to power the cities of Ottawa and Windsor in 2014.

Historically, for every \$1 invested in electricity conservation, Ontario has avoided about \$2 in costs to the electricity system.

Q. A recent report by the Fraser Institute found that the government's energy conservation programs are wasting public dollars and don't lower the cost of electricity. The report specifically challenges the government's claim that "between 2006 and 2011, investing \$2 billion in conservation allowed Ontario to avoid more than \$4 billion in new supply costs". How would you respond to the report's criticisms?

Conservation and energy efficiency provide persisting, long lasting savings which decrease the demand for electricity over the long term. Ontario has been working for over a decade to create a culture of conservation by encouraging individuals and businesses to use energy wisely and at the same time building sector knowledge and capacity to deliver conservation and energy efficiency programs.

The Independent Electricity System Operator, which is responsible for overseeing the delivery of electricity utility conservation programs in Ontario, uses industry-standard tests to screen conservation program proposals for cost-effectiveness.

With a few exceptions, such as programs for low-income households, all programs under the current framework are required to be cost-effective to receive approval to be delivered.

The Independent Electricity System Operator conducts rigorous independent third-party evaluations of the conservation and energy efficiency programs it funds to ensure the programs are meeting their goals.

As we plan for Ontario's energy needs for the next 20 years, conservation will be the first resource considered, wherever cost-effective.

Commented [YDT8]: OPA created in 2004/05)

It is the cleanest and most cost-effective energy resource, offers consumers a way to manage their energy bills and reduces the need to build new generation, transmission and distribution infrastructure.

The government intends to ensure that conservation will be considered before building new generation and transmission facilities, and will be the preferred choice wherever cost effective.

Between 2005 and 2014, Ontarians conserved:

- 9.9 TWh of electricity, enough to power the cities of Ottawa and Windsor in 2014.
- 3,628 MW—equivalent to more than the peak demand of Mississauga, Brampton and Ottawa combined in 2014.

Historically, for every \$1 invested in electricity conservation, Ontario has avoided about \$2 in costs to the electricity system.

Q. Ontario has previously given LDCs conservation targets that they were unable to meet. What makes you think LDCs will be able to meet these new ones the government has set out? Are the targets unachievable?

Ontario established an aggressive but achievable long-term conservation target of 30 TWh in 2032.

Between 2011 and 2014 LDCs collectively exceeded the provincial energy saving target, achieving 6,553 gigawatt-hours (GWh) of energy savings, and achieved 70 percent of the peak demand reduction target, generating 928 megawatts (MW) of demand reduction for the province.

Ontario's electric utilities are expected to achieve a combined 7 TWh in 2020 under the new Conservation First Framework to assist the province in achieving its long-term conservation target of 30 TWh in 2032.

Both conservation targets were established based on an achievable potential study conducted by the IESO. A formal mid-term review of the Conservation First Framework will assess conservation targets and their allocation, program budgets and lessons learned, among other items. The mid-term review is to be completed no later than June 1, 2018.

Targets may be adjusted, if needed, based on system projections and updated achievable potential study results.

Q. The government is planning to implement a required Home Energy Rating and Disclosure (HER&D) initiative. The ability to require HER&D has been available to the government since passage of the *Green Energy Act* (GEA) in 2009. Why is ENERGY exploring a HER&D initiative at this time?

Home Energy Rating and Disclosure (HER&D) involves the evaluation of a home's performance, and the disclosure of the home's performance report or rating to a prospective buyer at the time of listing or sale. The evaluation of a home's energy performance is useful information for both sellers and buyers to identify and compare the energy efficiency of properties and encourage energy efficiency improvements and GHG emission reductions.

Sellers can use the audit to identify areas for cost effective energy improvements prior to sale. Buyers can consider energy retrofits to increase energy efficiency.

Previously, and most recently in 2015, the province sought feedback on a potential HER&D initiative in Ontario. There was and continues to be significant support and benefits associated with proceeding with this initiatives.

In June 2016, Ontario released its Climate Change Action Plan (CCAP) that describes the actions the province will take over the next five years to reduce GHG pollution and help move to a prosperous low carbon economy. Ontario's CCAP committed the province to developing a HER&D program to support GHG reductions in the building sector.

The CCAP states the province will:

"Provide free energy audits for pre-sale homes. Energy audits would be required before a new or existing single-family home can be listed for sale, and the energy rating will be included in the real estate listing. These audits are intended to be provided free of charge under this plan. The Home Energy Rating and Disclosure program will improve consumer awareness by allowing homebuyers to compare homes by energy rating. It will also encourage the uptake of retrofit incentive programs. To meet the expected demand for home energy auditor, Ontario will support development of energy audit training programs and will further consult before launching this program in 2019."

This Fall, the Ministry of Energy plans to continue to engage with key stakeholders and government partners to help advance the development of a proposed for a HER&D program. A number of program elements will need to be examined and addressed as the implementation plan is developed.

Q. The Climate Change Action Plan calls for a HER&D program - how will a HER&D program reduce GHG emissions?

In June 2016, Ontario released its Climate Change Action Plan (CCAP) that describes the actions the province will take over the next five years to reduce GHG pollution and help move to a prosperous low carbon economy. Ontario's CCAP committed the province to developing a HER&D program to support GHG reductions in the building sector.

Ontario's experience with the former Home Energy Savings Program (HESP) that ran from 2007 to 2011, matched by the Federal government's ecoENERGY Retrofit Homes Program demonstrated a positive link between home energy audits and retrofits and GHG savings. HESP led to 428,000 homeowners completing home energy audits and 380,000 Ontarians complete home energy efficiency retrofits. At the end of HESP, total GHG savings in Ontario were estimated at over 600 KT per year, the equivalent of taking over 120,000 cars off the road annually. The HER&D program is an important component in unlocking energy and GHG savings in the residential sector.

Q. If an energy audit is required before a home can be listed for sale, will the audit delay the sale of a home?

This Fall, the Ministry of Energy plans to continue to engage with key stakeholders and government partners to help inform the development of a proposed HER&D program. Auditor market capacity, particularly in rural areas is an example of a program element that will need to be examined and addressed as the implementation plan is developed. Auditor capacity is already being enhanced through existing programs including the Green Investment Fund audit and retrofit program in cooperation with Enbridge Gas Distribution, Union Gas and Natural Resources Canada.

Green Investment Fund (GIF)

Q. Why is ENERGY providing \$100 million from the Green Energy Fund (GIF) to enhance the existing home energy audits and retrofit programs offered by Enbridge Gas Distribution and Union Gas?

Ontario is committed to taking action on climate change mitigation and adaptation while building a low-carbon economy. This \$100 million investment will help eligible homeowners across the province improve the energy efficiency of their homes, reduce their energy bills and cut greenhouse gas emissions. Working in partnership with Enbridge Gas Distribution and Union Gas allows us to leverage their extensive experience in delivering energy efficiency programs and will reduce the use of fuels that contribute to global warming including natural gas, oil, propane and wood. Enbridge and Union have been delivering natural gas conservation programs in the province for over 20 years.

The government is working with Enbridge and Union to ensure the Green Investment Fund home energy audits and retrofit programs are offered province-wide (i.e. outside of Union and Enbridge service territories) and to homeowners who heat their homes with other fuels, such as oil, propane and wood. This investment is expected to enable audits and retrofits of approximately 37,000 homes and save an estimated 1.6 Megatonnes (Mt) of cumulative lifetime greenhouse gas emissions, contributing to the province's GHG emissions reductions targets.

Funding will reward real, measureable actions by homeowners to reduce their carbon footprint, like replacing furnaces and water heaters and upgrading insulation. Homeowners will also conserve energy and save money on their energy bills.

The Enbridge and Union enhanced home energy audits and retrofit programs (using GIF funding) are available across the province starting in September 2016. Further details about the programs are available at <https://www.ontario.ca/page/green-investment-fund>.

Who is eligible for these programs and what are the eligibility requirements?

Homeowners across the province who heat their homes with natural gas and other fuels, such as oil, propane and wood, will have access to the Green Investment Fund Program, allowing these homeowners to improve the energy efficiency of their homes, save money on their energy bills and reduce greenhouse gas emissions.

You can learn more about the home audits and retrofit programs at <https://www.ontario.ca/page/green-investment-fund> or by visiting the Union and Enbridge websites directly.

You can access Union's website here: <https://www.uniongas.com/residential/save-money-energy/rebates-promotions/home-reno>

You can access Enbridge's website here: <http://knowyourenergyscore.ca/>

. How is this different from energy efficiency programs approved by the Ontario Energy Board through the 2015-2020 Demand Side Management (DSM) Framework?

This investment is incremental to and will expand the existing home audits and retrofit programs offered by Enbridge Gas Distribution and Union Gas across Ontario.

The home energy audits and retrofit programs funded through GIF are available to homeowners across the province who heat their homes with natural gas (including homeowners outside of Union Gas and Enbridge Gas Distribution service territories) and to homeowners who heat their homes with other fuels, such as oil, propane and wood.

The GIF investment will enhance the existing home audit and retrofit programs offered by Enbridge Gas Distribution and Union Gas to target approximately 37,000 additional homes that use greenhouse gas emitting fuels for primary heating.

You can learn more about the home audits and retrofit programs at <https://www.ontario.ca/page/green-investment-fund> or by visiting the Union and Enbridge websites directly.

You can access Union's website here: <https://www.uniongas.com/residential/save-money-energy/rebates-promotions/home-reno>

You can access Enbridge's website here: <http://knowyourenergyscore.ca/>

Q. How will the government measure the success of this program? How will you be able to tell if participation in the audit and retrofit programs are related to the GIF investment?

Success of the program will be based on several factors including the ability to reduce GHG emissions in the residential sector. Specific audits for each participating home will outline the actions undertaken through the program and associated energy savings.

The natural gas utilities report on a number of performance measures, such as:

- Program participation
- Cost effectiveness
- Annual incremental energy savings
- Cumulative lifetime GHG savings

Q. What kind of accountability will there be? Will the government or the Ontario Energy Board have the ability to provide oversight of how these private companies use the GIF funding?

Funding provided to Enbridge Gas Distribution and Union Gas are overseen by the Ministry of Energy and governed by the principles and reporting mechanisms outlined in the Transfer Payment Agreements.

Enbridge Gas Distribution and Union Gas are required to report on program performance and costs.

The Ontario Energy Board will continue to provide oversight of programs and spending for natural gas related programs delivered under the Demand-Side Management Framework.

Are the Enbridge and Union GIF funded programs the same across the province?

GIF funding is being used to enhance existing home energy audits and retrofit programs offered by Enbridge Gas Distribution and Union Gas Limited. While these programs have a similar design, the existing programs were approved separately by the Ontario Energy Board and as a result have different funding structures and incentive levels.

Q. How are the programs offered by Union and Enbridge different?

Both programs require a pre and post audit and offer many similar retrofit measure incentives (furnaces, insulation, window, etc.).

The Enbridge Gas Distribution incentive structure is performance based, which means to qualify for retrofit rebates (and the cost of the post-renovation audit), a homeowner must achieve a minimum 15% annual gas or alternative fuel savings. The maximum incentive level including audit rebates is \$2,100.

The Union Gas incentive structure is measure based, which means that a homeowner is paid for each measure installed, up to a maximum of \$5,000. Union participants must complete both the pre- and the post-renovation audits to receive any rebates (audit and retrofit rebates).

Typical incentives are in a similar range for both the Enbridge Gas Distribution and Union Gas programs.

Q. Why can homeowners receive up to \$2,900 more in incentives from the Union program than the Enbridge program?

The Green Investment Fund is supporting the expansion of existing home energy audits and retrofit programs offered by Enbridge Gas Distribution and Union Gas. While these programs offer many similar retrofit measures, they were approved separately by the Ontario Energy Board, and as a result, have different funding structures and incentive levels.

Although program maximum incentives vary between Enbridge Gas Distribution and Union Gas programs, typical incentives paid for the most common retrofits to homeowners under the existing gas utility program are in a similar range. Please consult the utilities' websites for program specific information on their existing programs.

Pipelines

Q. How is the ministry ensuring Ontario's interests are protected?

The government must ensure the province's interests are taken into account.

The Minister of Energy asked the OEB to undertake consultations and complete a report on Energy East. The OEB's report was released in August 2015 and will inform Ontario's participation in the upcoming federal regulatory process for Energy East.

When it comes to pipeline projects that can span thousands of kilometers, across several provinces, such as TransCanada's Energy East proposal, it is vital that all governments take the time to hear from experts, community and municipal leaders, aboriginal groups, business leaders and other impacted groups to ensure that all voices can be heard during the regulatory process.

Additionally, the government will evaluate oil and natural gas energy pipeline projects using the following six principles:

- Pipelines must meet the highest available technical standards for public safety and environmental protection;
- Pipelines must have world leading contingency planning and emergency response programs;
- Proponents and governments must fulfill their duty to consult obligations with Aboriginal communities;
- Local municipalities must be consulted;
- Projects should provide demonstrable economic benefits and opportunities to the people of Ontario, over both the short and long term; and
- Economic and environmental risks and responsibilities, including remediation, should be borne exclusively by the pipeline companies, who must also provide financial assurance demonstrating their capability to respond to leaks and spills.

In November 2014, Ontario and Quebec agreed on these as joint principles and added the need to take into account the interests of natural gas consumers and greenhouse gas emissions.

Q. Does Ontario support TransCanada's proposed Energy East project?

Ontario is committed to ensuring that Energy East is in the best interest of Ontarians, which includes ensuring safety for the people of Ontario, protecting the environment, maintaining the reliability of Ontario's natural gas supply and establishing future benefits for the economy.

Ontario's position on Energy East will be based on a careful evaluation of TransCanada's National Energy Board (NEB) submission.

Ontario has been proactive in its approach to Energy East. In the 2013 Long-Term Energy Plan (2013 LTEP), Ontario set out six principles for how the government evaluates oil and natural gas energy pipeline projects.

In November 2013, the province asked the Ontario Energy Board (OEB) to undertake a province-wide public consultation and review of the Energy East project. The OEB report released August 13, 2015 will inform Ontario's participation in the NEB regulatory proceeding. The report provides advice on ensuring an appropriate balance between the economic and environmental risks of the project and the expected benefits for Ontarians.

In November 2014, Ontario and Québec formed a Working Group to identify common interests and positions concerning the project.

Q. On January 27, 2016, the federal ministers of Environment and Climate Change and Natural Resources Canada jointly announced interim changes to the regulatory process concerning the NEB review of energy projects, including TransCanada's Energy East. Can you summarize these changes?

The changes are informed by the following principles:

1. No project proponent will be asked to return to the starting line – project reviews will continue within the current legislative framework and in accordance with treaty provisions, under the auspices of relevant responsible authorities and Northern regulatory boards;
2. Decisions will be based on science, traditional knowledge of Indigenous peoples and other relevant evidence;
3. The views of the public and affected communities will be sought and considered;
4. Indigenous peoples will be meaningfully consulted, and where appropriate, impacts on their rights and interests will be accommodated; and
5. Direct and upstream greenhouse gas emissions linked to the projects under review will be considered by the federal government, but not as part of the NEB process. This reflects the current legislative authority of the NEB.

Q. What are Ontario's plans with respect to participation in the NEB's Panel Sessions?

Ontario has taken an active approach to reviewing Energy East and will participate in the National Energy Board's (NEB) regulatory process to ensure that Ontario's interests are taken into consideration.

Ontario is committed to ensuring that Energy East is in the best interest of Ontarians, which includes ensuring safety for the people of Ontario, protecting the environment, maintaining the reliability of Ontario's natural gas supply and establishing future benefits for the economy.

On July 20, 2016 the NEB issued its Hearing Order for Energy East. The NEB has until March 2018, to issue its recommendation to federal cabinet regarding the project.

If asked for additional details on the panel sessions:

The Panel Sessions are slated to be held between August through December 2016 in communities along the pipeline route. The first Panel Session is scheduled for August 8, 2016 in Saint John, NB.

The NEB is tentatively scheduled to hold Panel sessions in three Ontario cities: North Bay (November 1 – 4, 2016), Thunder Bay (November 28 – December 2, 2016), and Kingston (December 12 – 16, 2016).

NEB is expected to issue further details regarding the dates and formats of these sessions, including information on sessions to be held in Ontario, in the near future.

Ontario looks forward to the release of that information, which will inform Ontario's participation in this stage of the NEB process.

Non-Utility Generators (NUG) Contracts

Q. Last year, Cochrane Power was forced to shut down because its contract with the OEFC expired. Why isn't the government doing more to help companies who want to produce power?

We directed the Independent Electricity System Operator (IESO) to assess the framework for NUG re-contracting in the context of changing supply conditions and projected demand levels in the Ontario electricity system.

In developing recommendations, IESO relied on the principle of ensuring system reliability while minimizing ratepayer costs over the long term.

On September 1, 2015, IESO completed its report, NUG Framework Assessment. The report recommends the following path forward:

1. Pause NUG recontracting at this time given the strong supply outlook for the province;
2. Actively monitor evolving electricity sector conditions; and
3. Continue the development of capacity auction and capacity export markets with consideration given to broad participation in both, including that of NUGs.

On December 14, 2015, I directed IESO to end the process of negotiating new NUG contracts.

Going forward, Ontario electricity consumers can expect to benefit from IESO's transition to a market-based approach to procuring resources. We welcome the involvement of NUGs in this initiative.

Q. Why are you are still giving out contracts for renewable energy but refusing to support NUGs that local industry rely on?

Achieving value in energy contracts directly impacts the price we pay for electricity and the economic competitiveness of all areas of the province.

Any new procurement must demonstrate that it can provide value to the electricity system and to all electricity consumers in Ontario, including households, small businesses, farms, and industrial consumers.

Going forward, Ontario electricity consumers can expect to benefit from Independent Electricity System Operator's (IESO) transition to a market-based approach to procuring resources. We welcome the involvement of Non-Utility Generators (NUGs) in this initiative.

Q. The mayor of Cochrane recently criticized the government for approving 16 new renewable energy projects under the Large Renewable Procurement but not allowing Cochrane to bid. How do you justify that?

The new Large Renewable Procurement (LRP) process is designed for new renewable generation projects. Eligible technologies include wind, solar, waterpower and bioenergy.

We understand that Cochrane Power is an existing facility that co-fires biomass with natural gas. Facilities such as Cochrane Power are expected to have the opportunity to compete with other resources to meet the capacity needs of the province via IESO's upcoming capacity auction and capacity export initiative.

The LRP process is balanced and considers the views of local communities, while ensuring the long-term sustainability of Ontario's electricity system.

Formal engagement on the lessons learned from this LRP procurement and the development of the next round is expected to begin in April 2016. Stakeholders are welcome to provide feedback to the Independent Electricity System Operator (IESO) on this process – please see IESO's LRP website: www.ieso.ca/lrp.

The LRP program is administered by the IESO – further questions about this program are best directed to the IESO.

Legal and Trade Challenges

Q. What is the status of the NAFTA trade disputes launched by Windstream Energy?

It would be inappropriate to comment about the specifics of any case before the courts or currently under arbitration.

Q. What is the status of the NAFTA trade dispute launched by Mesa Power?

On March 31, 2016, the Tribunal issued its Award in Mesa Power Group, LLC v. Canada.

Ontario welcomes the Tribunal's decision in the NAFTA Chapter 11 investor-state dispute between US-based Mesa Power Group and Canada.

Ontario will continue to work with the federal government as we consider the Tribunal's decision and next steps.

Q. If asked about the June 13, 2016 Petition and Motion to Vacate the Tribunal's Award in Mesa Power Group, LLC v. Government of Canada

It would be inappropriate to comment about the specifics of this case because it is currently before the courts.

Q. What is the status of the litigation launched by Trillium Power?

It would be inappropriate to comment about the specifics of any case before the courts or currently under arbitration.

Nanticoke and Lambton Stations

Q. Does Ontario Power Generation (OPG) have future plans for the site of Nanticoke Generating Station and Lambton Generating Station?

OPG has started decommissioning the Nanticoke Generating Station. This is expected to be complete by December 2017.

In partnership with SunEdison Canadian Construction LP, OPG was successful in obtaining an LRP I contract for a 44 MW non-rooftop solar project (Nanticoke Solar).

OPG will continue the preservation of the Lambton Generating Station for one more year – until late 2016.

Q. Why is OPG not decommissioning both sites?

OPG has identified value in preserving the Lambton site due to its proximity to existing gas and transmission infrastructure.

Q. What is the Nanticoke Solar project?

Nanticoke Solar LP is a partnership between OPG, SunEdison Canadian Construction LP and the Six Nations Development Corporation. Six Nations is a 10% equity partner in the project.

Nanticoke Solar was selected under the Independent Electricity System Operator's (IESO) first Large Renewable Procurement (LRP) process to develop a 44 MW solar photovoltaic (PV) facility at OPG's Nanticoke Generating Station site on Lake Erie.

In March 2016, the partnership and the IESO executed a 20-year contract for the development and operation of the facility.

OPG is currently working with its partners to obtain the necessary regulatory approvals and permits to begin construction on the project.

Construction is expected to begin in 2017 and extend over a period of two years.

Q. In April 2016, SunEdison filed for bankruptcy protection. How will this impact the Nanticoke Solar Project?

OPG has stated publicly that development of Nanticoke Solar will continue.

OPG has indicated that it is premature to comment on whether this will occur without SunEdison's involvement.

Disconnections

Q. Ontario residents, especially in rural areas, are finding their electricity bills are higher than ever. What is the government doing about this?

The government understands the financial pressures that rising hydro costs are putting on some Ontarians.

Commented [JH9]: Source: <http://www.sndevcorp.ca/fus/media/Six-Nations-Development-Corporation-Media%20Release-Nanticoke-Solar-IESO-Announcement.pdf>

Commented [MK10]: [Internal FYI]: No news or project update available online.

[HOLD FOR PRICE MITIGATION MESSAGING]

Our government continues to ensure a clean, reliable and affordable electricity system for all Ontarians.

Electricity rates are set by the Ontario Energy Board (OEB).

The OEB is an independent regulator with a mandate to protect the interests of Ontario's electricity consumers.

The government has passed legislation that enhances the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection and reliability.

Q. Why are rural Ontarians paying such high delivery charges?

The delivery charge on consumer bills includes the cost of delivering electricity from generating stations across the Province to homes and businesses via the high voltage (transmission) and low voltage (distribution) electricity systems and also includes the cost of distribution system losses.

The cost of distributing power to lower-density rural and remote areas is much higher than for urban and higher density areas.

To help offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations, eligible customers receive a credit on their bills under the Rural or Remote Rate Protection (RRRP) framework.

RRRP provides rate protection for customers living in low-density areas– including Hydro One's R2 customers, customers of Algoma Power and customers of Hydro One Remote Communities and James Bay First Nation LDCs.

Q. How are electricity prices set? Is there a formal process?

The Ontario Energy Board is the independent electricity regulator for Ontario and is responsible for setting Regulated Price Plan (RPP) rates twice a year so Ontarians know what to expect.

RPP prices are based on a projection of the cost to supply electricity over the upcoming 12-month period and a forecast of electricity consumption.

Q. People are losing their access to electricity completely because of your ruinous energy policies. What do you have to say about the increasing number of disconnections?

The government understands the financial pressures that rising hydro costs are putting on some Ontarians.

The Ontario Energy Board (OEB), as the independent regulator of Ontario's energy sector, is responsible for regulating the disconnections process.

Electricity consumers enter into a contractual relationship with a utility for their supply of electricity and consumers are responsible for paying for the energy they consume.

Without this ability to disconnect non-paying customers, utilities could be faced with higher levels of delinquent payments, increasing the costs to all energy consumers.

The OEB has strengthened the customer service codes which govern utility actions regarding customers in default of payment.

Q. What are the rules for disconnection?

Disconnections are used as a last resort, since utilities are interested in maintaining all of their paying customers.

The OEB has strengthened the customer service codes which govern utility actions regarding customers in default of payment.

Utilities are responsible for providing at least ten days' notice prior to a disconnection, to allow the customer time to pay their outstanding balance. In instances where the customer is unable to pay the amount owed, they have the option to enter into a payment plan with the distributor.

Utilities are also required to make a reasonable effort to contact a customer a final time at least 48 hours before disconnection.

Q. Is disconnection allowed in the winter months?

Disconnection for non-payment of electricity bills is authorized under section 31 of the *Electricity Act, 1998*, and may include a disconnection during the winter months.

Similarly, the natural gas utilities may disconnect customers during the winter for non-payment of their bill.

In practice, utilities have always been very reluctant to disconnect residential customers during the winter, and try to work out compromises such as the installation of a load limiter or timed service interrupter. These devices limit the power available to the customer, and hence the utility's liability, but allow the customer to use a small amount of power.

The government has recently introduced measures that would, if passed, provide the OEB with the power to make rules or licence conditions respecting the periods of time during which gas or electricity utilities could not disconnect electricity or gas service to low-volume consumers.

Q. How many customers have been disconnected in the province this year?

The government understands the financial pressures that rising electricity costs are putting on some Ontarians and continues to work hard to help Ontarians manage their electricity costs.

Utilities began reporting in 2014 showing their 2013 data. This information is available to the public on request.

These figures show that on average a little over 1 percent of residential customers (or about 54,000 customers) have been disconnected in each of the last three years.

As part of the OEB's commitment to consumer protection, we put into place robust rules that electricity utilities must follow if they disconnect a residential consumer.

Q. What are you doing to help families with electricity costs?

[HOLD FOR PRICE MITIGATION MESSAGING]

The government understands the financial pressures that rising hydro costs are putting on some Ontarians.

As of January 1, 2016, the government removed the Debt Retirement Charge from residential electricity bills. This will save a typical residential electricity ratepayer who consumes 800 kWh per month about \$70 per year.

Ontario has programs in place that help consumers manage rising electricity prices, including:

- Ontario Energy and Property Tax Credit;
- saveONenergy for HOME conservation programs, including the Home Assistance Program for low-income consumers.
- Northern Ontario Energy Credit; and
- Ontario Electricity Support Program.

The Ontario Electricity Support Program provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

The government encourages Ontarians to apply for support programs.

Climate Change Action Plan (CCAP)

Q. How will the electricity sector be affected by cap and trade?

Ontario has been taking strong climate-positive actions for years, such as successfully eliminating coal as a source of electricity generation and developing a long-term energy plan that focuses on a safe, clean, reliable and affordable energy future.

The elimination of coal-fired generation represents a 30 Mt reduction in greenhouse gas emissions since 2003. Ontario's electricity sector is now over 90% emissions free. As a result of these efforts, Ontario's electricity system is in a strong position as we move forward with implementing the province's cap and trade program.

Under the cap and trade program design, Ontario's natural gas distributors (i.e., Enbridge Gas and Union Gas) will be the "point of regulation" for Ontario's natural gas-fired electricity generators and users that are not directly covered under the program (i.e., those emitting less than the 10,000 t CO₂ opt-in threshold). This means that natural gas distributors will purchase allowances to cover emissions of natural gas-fired electricity generators and other consumers that are not directly covered under cap and trade.

As a regulated entity, costs incurred by gas distributors to comply with the cap and trade program would be passed on to natural gas consumers once reviewed and approved by the Ontario Energy Board (OEB).

Emissions from electricity generation would be subject to a carbon price through the cost of fuel.

Natural gas-fired electricity generators are expected to pass on to consumers the cost of carbon through increased offers into the wholesale electricity market.

Q. Are you really going to ban natural gas as part of the Climate Change Action Plan?

Natural gas remains a clean, reliable option, and it will continue to play a critical role in Ontario's energy mix.

In 2015, we announced a \$230 million investment to expand access to natural gas through rural Ontario.

Through the release of Ontario's Climate Change Action Plan, we are continuing our commitment to expand gas into northern and rural communities.

We are also looking at opportunities to lower the carbon intensity of our natural gas system through the inclusion of renewable natural gas. In May we announced we will be investing up to \$100 million in cap and trade proceeds over four years to support the introduction of renewable natural gas.

Renewable natural gas is a low-carbon fuel that does not add new carbon to the atmosphere.

It is fully interchangeable with conventional natural gas and uses the same infrastructure.

Our action plan supports energy conservation and the use of low-carbon alternatives — including natural gas.

Q. Is Ontario's transmission and distribution system ready to handle the shift towards electrification outlined in the Climate Change Action Plan? (i.e. increased demand from electric vehicle charging?)

The Ministry of Energy seeks to create a supportive policy framework that will increase the adoption and integration of Electric Vehicles (EVs) in Ontario.

Electric vehicles - and their batteries - can be considered as both controllable load during periods of lower demand and, with the appropriate technologies, a source of supply during times of higher demand. Using smart electric vehicle charging stations, customers would supply the grid or use the electricity to meet their own energy needs.

Q. Will Ontario consumers face increased electricity costs because of cap and trade?

As outlined in the 2016 Budget, the government intends to recycle a portion of the cap and trade auction proceeds to fund committed investments in electricity sector initiatives that reduce greenhouse gases (GHGs) such as conservation programs.

The government will also take steps to ensure that the net impact of cap and trade would not result in an overall increase in electricity costs for average commercial and industrial consumers, and that there would be a modest benefit of up to \$2 per month, on average, to residential consumers.

To address the 2016 Budget commitment, a range of approaches are being considered.

A final decision has not yet been made.

Q. Will Ontario consumers face increased fuel costs because of cap and trade?

Cap and trade is expected to increase the average cost per household heating with natural gas by approximately \$5.00 per month.

The 2016 Budget estimated that in 2017 cap and trade would lead to an increase in the cost of a cubic meter of natural gas by 3.3 cents.

This is a modest increase on a fuel that is currently at a very low price.

On March 10, 2016, the Ontario Energy Board (OEB) announced a consultation process to develop a regulatory framework for natural gas distributors' cap and trade compliance plans. The OEB encouraged all interested parties to participate in the consultation process. On July 28, 2016, the OEB issued a letter outlining its planned approach for how cap and trade will be presented on natural gas bills. In October 2016, OEB plans to have its regulatory framework in place to support cap and trade implementation which commences January 2017.

As a regulated entity, costs incurred by gas distributors to comply with the cap and trade program would be passed on to natural gas consumers once reviewed and approved by the Ontario Energy Board (OEB).

Natural Gas Cap and Trade Charges

Q. Why has the Ontario Energy Board (OEB) decided to include the Cap and Trade charge as part of the delivery charge on the bills of natural gas customers? Isn't this just a tax that is being buried in utility bills?

There are a number of reasons for the decision:

- The costs of complying with the new Ontario Cap and Trade program are part of the ongoing operations of the natural gas utilities. Ongoing operations costs are included in the delivery line on utility bills.
- Cap and Trade costs are similar to conservation program costs. Both are designed to encourage consumers to reduce their usage. The costs of energy conservation programs are included in the delivery charge, and are not broken out. The inclusion of Cap and Trade costs in the delivery line follows this model.

- Research conducted by the OEB shows that consumers want simpler bills and information that helps them manage their costs. The research shows that, when reviewing their monthly bills, consumers focus their attention on the amount they consumed and the total bill price; little attention is paid to specific bill line items.
- A review of other jurisdictions with Cap and Trade programs indicates there isn't a standard approach to bill presentment;

Q. Industry sources and opposition parties are suggesting that the OEB has made its decision not to include Cap and Trade costs on the gas customer bill to help the government hide this new tax. Did the government tell the OEB to bury the Cap and Trade costs in the delivery line of the bill? Isn't the OEB supposed to make independent decisions?

The OEB oversees the province's electricity and natural gas sectors through effective, fair and transparent regulation. The OEB makes independent decisions, keeping in mind the interests of energy consumers.

It's the OEB's job to make sure that customers get a fair and reasonable rate – that's what we've done. Customer protection and ensuring customers are well informed is our purpose for the framework we are developing and the letter we've issued today.

The OEB is developing the regulatory framework to facilitate the recovery of Cap and Trade costs using our regular open, transparent and public process. The OEB's decision on the design of the regulatory framework and the bill presentment were made by the OEB following consideration of input from the natural gas utilities, customers, and environmental groups.

Q. If the Cap and Trade costs are not presented on a separate line on the natural gas bill, how will consumers be aware of the new costs?

To help with consumer education, the OEB will provide key communications messages for the natural gas utilities to use in their full range of customer communications so that all consumers get clear and consistent information on the implementation of the Cap and Trade program.

Natural gas distributors are best positioned to educate their customers about provincial Cap and Trade costs, energy conservation programs, and how they can help to reduce the effects of climate change, through the customer communications that they currently use.

Q. The gas companies have provided research showing their customers overwhelmingly want to see the Cap and Trade cost broken down on the bill. Why are you ignoring their wishes?

Our decision was based on the need to:

- maintain a consistent approach to reflecting utility costs of operation, which are almost always included in the Delivery line of the bill;
- keep the natural gas bill as simple as possible, in keeping with what customers have told us with respect to information on their bills.

OEB research specifically asked consumers what they wanted to see on the bill and how they make decisions. It shows that they want a simple bill and that they focus on the bottom line – how much they have to pay.

We will be working with the natural gas distributors, who will provide information on the new Cap and Trade program and how it affects natural gas bills to their customers through the communications channels they currently use.