Remarks for

Deputy Minister of Energy Serge Imbrogno

Annual Auditor General Report

Monday, November 28, 2016

Time:
Location:

Prepared by: **Nicole Gottselig**

Good afternoon, everyone.

The Ministry of Energy is grateful for the work of the Auditor General's audit on our Government's climate change initiatives, and has responded to the audit in a timely manner.

We're now in a position of great strength. We have clean electricity, strong energy infrastructure, a diverse supply of energy, a growing culture of conservation, and a great culture of innovation.

Commented [EM1]: I think this is too strong given the concern over rising prices that will likely be the focus (recall the Premier's weekend comment about electricity prices).

Commented [EM2]: Can this be more specific?

Ontario is leading the fight against climate change with the release of the province's Climate Change Action Plan earlier this year.

Ontario has taken significant action to reduce greenhouse gas (GHG) emissions from the electricity sector through the elimination of coal-fired electricity generation and associated investments in emissions-free generation

The elimination of coal-fired generation has resulted in a 30 Mt reduction in greenhouse gas emissions since 2003. Ontario’s electricity sector was 90% emissions-free last year.

Ontario’s climate change strategy will build on this leadership as part of the government’s plan to invest in people, build modern infrastructure and support a dynamic and innovative business climate.

However, on page 25, the AG’s report implies that electricity prices are rising due to cap and trade, but this is inaccurate — the majority of the price increase is due to other costs.

The majority of these identified electricity bill increases were included in the 2013 Long-Term Energy Plan (2013 LTEP), which did not contemplate cap and trade.

The 2013 LTEP forecast also did not include the impact of other recent initiatives, such as:

- Recycling cap and trade auction proceeds to electricity consumers;
- Suspending the second round of the Large Renewable Procurement (LRP II);
- Introducing the 8% rebate equal to the provincial portion of the HST;
- Updating Rural or Remote Rate Protection; and
- Expanding Industrial Conservation Initiative (ICI).

Further, the final approach to how auction proceeds will be recycled has not yet been finalized. The Ministry of the

Environment and Climate Change and the Ministry of Energy continue to work together on finalising the approach.

The Independent Electricity System Operator’s (IESO) December 2015 modelling cost forecast indicates that before the recycling of auction proceeds, the impact of cap and trade on the average residential consumer’s electricity bill was expected to be + $0.37 per year in 2020 and on the average industrial consumer’s electricity bill was expected to be +2.08/MWh in 2020.

It should be noted that IESO’s cost estimates continue to evolve and are very sensitive to a number of factors, including weather and electricity demand.

In addition, page 22 of the report acknowledges that both residential and industrial electricity prices in 2016 are lower than they were forecast to be in the 2013 LTEP.

Commented [EM3]: I can’t confirm that this is true, but if it is, then I’ve recommended phrasing.

The 2013 LTEP forecasted that a typical residential electricity consumer with a monthly usage of 750 kilowatt-hours would pay about $159 per month in 2016. When in fact, residential consumers are paying $155 per month.

Similarly, electricity prices for industrial consumers are lower than expected, which the average large industrial electricity consumer paying about $85 per megawatts on average, which is an 11 per cent reduction from the forecast.

The 2017 Long-Term Energy Plan (2017 LTEP) will take a big-picture approach to all the different types of energy we need to keep Ontario operating, including electricity, natural gas, heating and transportation fuel, as well as putting conservation first.

Thank you.