

Message

From: Teliszewsky, Andrew (ENERGY) [Andrew.Teliszewsky@ontario.ca]
Sent: 2017-08-13 10:00:24 PM
To: Imbrogno, Serge (ENERGY) [Serge.Imbrogno@ontario.ca]; Hume, Steen (ENERGY) [Steen.Hume@ontario.ca]; Peter Gregg [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=eecb5b8abe1a4998a2ee7b2d68b31ccc-Peter Gregg]; Cory, Ehren (IO) [Ehren.Cory@infrastructureontario.ca]
Subject: Fwd: Ontario eyes Quebec as source for clean power

Good Evening:

This was just posted by RoB (Shawn McCarthy); will probably run in Monday's Globe. Rehash of last week; but with reference to EMMC bilateral, in passing.

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Begin forwarded message:

Ontario eyes Quebec as source for clean power

Ontario's Liberal government is looking at imports from Quebec to provide additional sources of low-cost, clean electricity in order to meet ambitious plans to electrify transportation and space heating in buildings while reducing the grid's reliance on natural-gas generation.

While each province currently has more generating capacity than is required, both forecast those surpluses will shrink. In Ontario's case, it will disappear entirely as older facilities come off line and demand increases. However, Quebec has plans to add additional capacity in the coming years and is aggressively looking for markets to sell its surplus energy, including Ontario.

Some analysts question whether Quebec has the capacity to be a long-term supplier of baseload power to its provincial neighbour, rather than merely an opportunistic exporter at peak-demand hours. Baseload power is the amount of electricity needed to meet minimum demands.

Premier Kathleen Wynne and her Quebec counterpart, Philippe Couillard, have forged a close working relationship with a shared commitment to enhance electricity trade between the two provinces. But the politically inspired drive for a commercial arrangement is running up against market realities in Ontario, which faces tremendous uncertainty on its long-term electricity supply and demand picture.

The Ontario government recently rejected an offer of a new power contract put forward by Hydro-Québec, a proposal that was leaked to LaPresse last week. Ontario Natural Resources Minister Glenn Thibeault said that the Hydro-Québec offer to provide some nine-terawatt/hours per year (twh) of electricity – about 6 per cent of Ontario's consumption – would mean curtailing power from local wind and solar generators, and would raise prices for consumers.

Mr. Thibeault and Quebec Energy Minister Pierre Arcand met Sunday on the sidelines of this week's federal-provincial ministers' meeting in New Brunswick to continue to explore options for further electricity trade. Looming over the discussion is Ms. Wynne's political vulnerability on the electricity issue ahead of next year's election, as soaring prices prompted a consumer backlash and a government effort to lower prices.

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In a letter to Mr. Arcand dated July 24, which his office released in response to the LaPresse article, Mr. Thibeault laid out three principles for a long-term deal: That Hydro-Québec commit firm capacity to back up the agreement, that the imported power displace Ontario's natural-gas generation and thereby reduce greenhouse-gas emissions, and that it lower prices for consumers in the province.

Those conditions may be tough to satisfy in an Ontario power market that is facing more than the usual uncertainty.

The province's demand for electricity has fallen over the past decade, but that could change if federal and provincial governments succeed with their climate-change policies to encourage the use of more electric vehicles, and more electricity to heat buildings.

In a 20-year outlook published last year, the province's Independent Electricity System Operator (IESO) laid out four demand scenarios for 2035, with a huge range from 133 twh to 197 twh; the difference lay in the degree to which consumers make the transition to using electricity in areas such as transportation and the heating of buildings. In 2015, the province consumed 143 twh.

The wide variance in the demand forecast further complicates the province's long-term planning, even as its aging nuclear fleet requires massive rebuilding and, in the case of the Pickering generating station, faces closing over the course of the next decade.

"Electrification of the system is factored into all the planning that we do," said Mr. Thibeault's spokesman, Colin Nikolaichuk. "As the uncertainty diminishes over time, we have to adjust the planning as we go."

Ontario's stated goals with regards to a new Quebec power deal appear somewhat muddled, said Marc Brouillette, an consultant with Strategic Policy Economics in Toronto.

The two provinces signed an agreement last fall that boosted peak-hour trading of electricity, which has increased Quebec imports in the summer and led to some modest Ontario sales to Quebec in winter. In Ontario, peak demand is typically met by natural-gas generators that only fire up when consumption exceeds what nuclear, hydro and renewable sources can produce.

While Mr. Thibeault said any new deal should target natural gas, Mr. Brouillette said Hydro-Québec is competing well in that market, given the limitations of the transmission system. Rising carbon prices will strengthen Hydro-Québec's competitive position against gas.

Indeed, the proposal put forward this summer by the Quebec utility aimed at displacing existing low-GHG sources such as the Pickering nuclear plant or wind and solar generation.

Without major expansions of transmission and of Quebec's generation capacity, Ontario has to either count on its neighbour for peak-load power or to meet baseload needs, but it can't do both, Mr. Brouillette said.

Hydro-Québec is currently facing a tight supply situation in winter months, especially when temperatures drop sharply for an extended period of time. However, the provincially owned utility plans to add another 640 megawatts of capacity by 2020 with the last two phases of its Romaine project, plus another 500 megawatts by 2025 by increasing capacity at existing facilities.