BRIEFING NOTE: Ontario PC Party 2018 platform

November 29, 2017

The Ontario Progressive Conservative Party released their 2018 election platform, *People's Guarantee*, on November 25. The plan is available here: https://www.ontariopc.ca/peoples_guarantee

This document includes a summary of the PC party's electricity and related sector policies. All figures and values represent PC party estimates.

SUMMARY

- Supports shift away from out-of-market capacity acquisition and Market Renewal
- Exit Cap and Trade to opt in to the Federal carbon price backstop (revenue neutral carbon tax) and cancel the Climate Change Action Plan, wind-down of obligations under CCAP would include GreenON. Platform budgets $1.5B in 2018/19 for wind-down of CCAP obligations, binding commitments and transfer payment partners.
- Enhance energy planning to make it expert led and transparent and restore local planning authority
- Pledge to enforce Green Energy Act contracts and use breaches as leverage to renegotiate or exit contracts where feasible
- Commitment to Pickering Nuclear Generating Station open until 2024 and to nuclear refurbishment
- Reform the Ontario Energy Board to reduce regulatory burden, to embrace innovation and increase adaptability to emerging technologies

ELECTRICITY SECTOR THEMES

Theme: Electricity Rates

1. **Lower the average hydro bill by an additional 12%** (residential, small business, and farmer)
    - Maintains the existing Fair Hydro Plan
    - Rebate government's portion of the Hydro One dividend (about $350M annually)
    - Move conservation funding to the tax base (about $433M annually)
    - Put a moratorium on new contracts (estimated $100M to $500M annually
    - Aggressively re-negotiate or cancel pre-notice to proceed (NTP) contracts where feasible, where there are "cancellation benefits" (about $200M annually)

2. **Create a competitive and stable electricity system for businesses**
3. **Lower hydro bills for businesses by moving conservation funding to the tax base (about $215M annually)**
    - "explore all options", including:
        - a single stable industrial rate, allowing manufacturers to access cheaper power when providing a direct economic benefit like an expansion,
        - providing support for combined heat and power (CHP) programs, or
        - exploring fuel switching programs that allow for Ontario companies to purchase power at an affordable rate instead of sending it to competing jurisdictions at a loss.

4. **Remove the Smart Meter Charge from hydro bills immediately**
    - Move Smart Meter Charge (SMC) to the tax base

Considerations:

- *The PC Platform incorrectly states that the SMC is due to be removed from hydro bills as of October 2018. This error may be because the current SMC ($0.79) is due to expire in October 2018; the IESO has applied to the OEB for a new reduced SMC ($0.59) to be effective January 1, 2018 and is not aware of a policy to remove the SMC from hydro bills*

5. **Rebate the government's portion of Hydro One's dividend directly to ratepayers on their hydro bills**
    - Will not allow any further sale of Hydro One to private investors
    - Assuming the dividend will grow

<u>**Theme: Renewables Procurement and Contracting**</u>

6. **Repeal the Green Energy Act**
7. **Enforce every Green Energy Act contract to the letter, using any contract breaches as leverage to renegotiate or exit them whenever feasible and possible.**

<u>**Theme: Energy Planning**</u>

8. **Restore local planning authority over renewable energy projects and force wind project operators to track bat and bird deaths**
9. **Reform the energy planning system to make it expert led and more transparent than ever**
    - Future LTEPs must be brought before a legislative committee to be studied in depth, in public, and with the Minister of Energy and the expert staff at IESO and other core agencies required to explain their decisions. Selected quotes:
        - "Energy planning decisions in Ontario are made by political staff instead of by the energy experts at the Independent Electricity System Operator (IESO)."
        - "IESO, through no fault of its own, no longer provides a check and balance function in the planning process."
        - "Bill 135 results in [IESO] simply implementing government direction instead of giving government its best advice on what should be done."

10. **Ask the IESO to study and report on potential options - rooted in evidence - to reduce the amount of hydroelectric power the province wastes annually.**
    - The platform also states IESO should be required to "study a range of policy goals, but not force them on the system operator" and includes evaluating the impacts net-metering

Considerations:

- *The IESO is currently studying the impacts of net-metering and virtual net metering is in scope of a Distributed Generation demonstration projects the IESO was directed to administer under the LTEP*

<u>Regulatory and Sector Change</u>

11. **Reform the Ontario Energy Board to reduce red tape, drive costs out of the system, and create a flexible regulatory body**
    - Improve the efficiency of the OEB to cut administrative burden and the cost of rate applications to take additional costs out of the system and enable a flexible regulator to embrace innovation instead of stifling it efficient and nimble energy system to adapt to emerging technologies

12. **Move forward with market renewal, keep Pickering Nuclear Generating Station open until 2024, and proceed with nuclear refurbishment in Ontario**
    - IESO should be tasked with advising the OEB on changing technologies, and "large system reforms" list market renewal and nuclear refurbishment

<u>Carbon pricing</u>

13. **Cancel the Climate Change Action Plan, dismantle cap-and-trade, and withdraw from the Western Climate Initiative (WCI).**
14. **Opt in to the federal carbon price backstop.**
15. **Return 100% of carbon price revenue back to Ontario families and taxpayers in the form of corresponding tax relief, as verified by the Auditor General.**
16. **Ensure businesses are not made worse off from the transition from cap-and-trade to a carbon price, so long as they act in good faith prior to the transition.**
17. **Ensure carbon pricing is listed as a separate line item on natural gas bills.**

- Exit cap-and-trade and opt in to the federal carbon pricing benchmark (carbon tax) as of July 1 2019.
    - Carbon tax would result in $2.4 billion more than cap and trade would by the 2021-22 fiscal year. Extra revenue would fund personal income and other tax cuts ("Revenue Neutral")
- Platform cites a study that concludes the federal carbon pricing benchmark will be more effective at reducing emissions over the same period (29 vs 18.5 MT)
- Cancel environmental initiatives under the CCAP (i.e. including electric vehicle supports and building retrofits
- Platform cites EcoFiscal commission study that concludes a "smooth transition from [cap and trade] to the [federal system] is entirely feasible" without gaming of credits under cap and trade
- Carbon pricing as a separate line item on natural gas bills would act as a signal to consumers to reduce/conserve (citing California and Quebec already doing so under their linked Cap and Trade markets)

Considerations:

- *Platform budgets $1.5B in 2018/19 for wind-down of obligations, binding commitments and transfer payment partners*
- *Wind-down of obligations under CCAP would include GreenON*

Theme: Other Sector Policy

18. Rein in exorbitant executive salaries at Hydro One and OPG.

19. Will complete the environmental assessment for the GTA-West Highway Corridor.