

Remarks for
Hon. Glenn Thibeault, Ontario's Minister of Energy
Empire Club of Canada
December 14, 2017

*****Check Against Delivery*****

Good Afternoon.

Thank you **Barbara** [*Jesson, President, Empire Club of Canada*] for that kind introduction.

Aujourd'hui représente une étape importante pour moi: cela fait exactement 18 mois que j'ai été nommé ministre de l'Énergie de l'Ontario.

Certains jours, j'ai vraiment l'impression que cela fait beaucoup plus longtemps.

Today is a milestone for me – as it marks exactly 18 months since I was appointed Ontario's Minister of Energy.

Some days it feels like much, much longer.

What is it they say about dog years? That they're seven dog years to one human year?

So, if you measured my time as Energy Minister in dog years, today is about my 10 year anniversary.

I'd ask my two dogs back in Sudbury – Ella and Keesha – but they're too busy monopolizing my daughters' attention.

While sometimes it may feel like a grind, I have to say that I am invigorated by the dedicated professionalism of the staff and public servants from across the Ministry and Agencies that support our work.

Over the course of the past year:

- Ontario Power Generation (OPG) has commenced the next phase of the Darlington refurbishment project and is currently ahead of schedule and on budget. We can't say it often enough that this is the largest clean energy project in Canada, with 96 per cent of the project's budget invested in Ontario companies;

- The Independent Electricity System Operator (IESO) has launched the Market Reform Working Group which is leading the way to modernize the foundation of our electricity sector and will be the most significant overhaul since market opening – an effort that is estimated to save ratepayers up to \$5.2 billion; and,
- The Ontario Energy Board (OEB) has ramped up the Ontario Electricity Support Program and as we sit here today, over 200 thousand low-income Ontarians are receiving vital on-bill financial supports. We have more work to do in order to get everyone we can signed up, but we are well on our way.

At the same time, this past year, we worked together:

- To launch Ontario's Fair Hydro Plan – a 25 per cent reduction in Ontario electricity rates – the single largest measure to help lower bills in our province's history; and
- We worked collectively – sector partners, agencies and Government – to deliver Fairness and Choice, the Province's 2017 Long-Term Energy Plan (LTEP).

When you think about our shared accomplishments, this year was really quite remarkable.

And it was a year we should all be proud of.

But **this** afternoon, as the Legislative Assembly of Ontario prepares to break for the annual holiday recess;

And everyone in this room is on a count-down to much deserved vacations – I won't bore you with a rehash of 2017 accomplishments.

J'aimerais parler de ma vision concernant l'avenir du secteur d'électricité de l'Ontario, et de ce que notre gouvernement entreprend pour préparer cet avenir.

[I want to discuss my vision for the future of Ontario's electricity sector; and what our Government is doing to prepare for that future.]

Le plan *Garantir l'équité et le choix*, lancé il y a environ deux mois, décrit la façon dont nous pensons que le secteur de l'énergie évoluera à court, moyen et long termes.

[Delivering Fairness & Choice, launched about two months ago is an important outline for how we see the energy sector unfold in the short, medium and longer term.]

But what went unrecognized, or at least unspoken, as part of the public dialogue regarding the 2017 LTEP – is the evolution of our Government's thinking about the **role** of political actors in the administration of the energy and electricity system.

The 2017 Long-Term Plan is important, as much for what it **does not** say or do.

We are **not** launching any new procurements; and when we look forward to a potential supply gap in the early 2020's as Pickering comes offline, we are keen to hear from experts before we embark on any new capacity contracts.

Now, for many in this room, this amounts to a "no brainer".

But for those of us on the political side, I must admit, we have sometimes micromanaged the sector a bit too much over the course of the past decade.

Often for valid and important reasons.

Coal closure and our transition to green energy were important goals that helped to create the diverse and robust system that we have today.

But as some of you have undoubtedly heard me say before – it wasn't the "what" but the "how" where we lost our way. Which is exactly the kind of micromanagement I'm referring to.

With this Long-Term Energy Plan, we are turning the page on period of management, and effectively managing the sector at the appropriate altitude.

Providing high-level directional leadership, while leaving more of the important details about implementation up to experts at the IESO and the OEB to undertake.

I look forward to seeing more of that in the "Implementation Plans" that are due early in the New Year, and I want to thank all those who are working on giving life to those plans.

After concluding the LTEP this fall, you would have expected the folks at the Ministry of Energy to take a bit of a break.

But that's not our style. And that's not what this sector needs.

There is still plenty of work to be done.

And while we will not rush to embrace and procure the "next big thing" – we **do** need to prepare for our electricity market's evolution.

Ontario's regulatory and public policy governance structures need to evolve, to keep up with this ever-changing marketplace.

This is a key foundational element that we need to get right.

Through our Long-Term Energy Plan, our Government signaled our intention to become less prescriptive and allow for leaders at all segments of the value chain to enter the energy market without a heavy-handed regulatory model getting in the way.

This means that Government will need to take a step back from picking specific technologies, winners and losers, to allow for a more dynamic, outcome-based approach.

Technology specific procurements that stifle competitive tensions and discourage innovation will be replaced by more transparent and competitive market mechanisms.

Let me give you an example. Just a few weeks ago, the IESO revealed that, in this years' Regulation Services procurement, the successful contract winners came from two innovative battery storage providers.

For me, this underscored that new and innovative technologies can compete and win against traditional and established market participants.

And it also means that the era of Government directives – designed to prop up specific technologies – is over.

As we turn toward the future, we will focus public policy attention on the important outcomes that we all want to achieve together: Innovations that drive down system costs **and** carbon emissions – should be encouraged.

That's why we are focused on enabling those well-suited to take on the role of sector innovators to figure out ways to meet these objectives.

And that's why I'm pleased to announce that the IESO will be launching an important Request for Information (RFI) specific to non-emitting resources, with an eye toward filling any future supply gap that may materialize after the closure of Pickering Nuclear in 2024.

Driven by the IESO through grassroots collaboration with the Non-Emitting Resource Sub-Committee, this RFI will be a direct input into the Market Renewal Process.

The IESO will outline the need, specify criteria for market participants and new entrants to offer any resource product that can help Ontario meet our future capacity requirements, without increasing carbon emissions and helping us to drive down costs.

As the results of the recent regulation services procurement showcase – competition is an important ingredient in Ontario’s evolution towards an incremental capacity auction.

While this represents one small step for the energy sector towards a level playing field for those looking to supply electricity in Ontario;

It’s a giant leap for Queen’s Park’s, as politicians get out of the way of our system operator and market participants.

The outcome of this RFI will directly support IESO’s Market Renewal work and will undoubtedly lead to important price discovery that will drive us to our Government’s goal of reducing total system costs.

This RFI is being launched immediately and the first stakeholder webinar will be held next week.

This approach underscores what the IESO and our government have been saying for over two years – that Market Renewal must proceed through a “Made in Ontario” approach.

I’m especially pleased that this undertaking is not the result of a government regulation or Minister’s Letter of Direction. Instead, it’s the result of the collaborative partnerships that have underpinned the Market Reform Working Group since its launch last year.

At the same time, Ontario’s distribution sector is also preparing for its own evolution.

In fact, many predict a major disruption in the Local Distribution Company (LDC) marketplace.

In a very real way, the distribution sector may now be at a point which the telecommunications companies occupied in the late 1980s:

Technological innovations and customer demands for better services and products are driving a remarkable pace of change.

Some of our more innovative LDCs have found that they can supply new load growth more economically by using innovative technologies, such as Distributed Energy Resources, as opposed to a traditional “poles and wires” approach.

These LDCs should not face financial disincentives to this new and less costly approach, because of a regulatory model stuck in the 1980s.

To that end, recognition needs to be paid to the OEB for taking major steps towards updating their systems over the course of the past decade, including:

- The renewed regulatory framework helping to set out a more customized and flexible relationship between LDCs and the OEB;
- Fixed pricing for residential distribution service, which gives consumers a better signal of cost and value; along with
- Legislative changes over the past three years that have enhanced the OEB’s consumer protection powers relating to electricity retailers, winter disconnections and unit sub-meter providers.

Toutefois, puisque nous cherchons à renouveler nos réseaux pour l’avenir, nous devons aussi admettre qu’un examen fondamental de la Commission de l’énergie de l’Ontario est nécessaire pour orienter et soutenir les innovations technologiques à venir.

[However, as we seek to renew our systems for the future, we must also acknowledge that a more fundamental and foundational review of the Ontario Energy Board is necessary to help guide and support the technological innovations that are coming.]

Personal home electricity storage; more families driving EVs off the lots of car dealerships; distributed energy resources; net-metering and trans-active energy options are knocking on our electricity system's door.

And Government and regulatory structures need to ask if we are ready to take on these challenges and harness the opportunities.

To that end, I'm pleased to announce that our Government has appointed an expert review panel that will be charged with modernization of the OEB.

Chaired by Richard Dicerni, the OEB Modernization panel will spend 2018 consulting with industry, LDCs; innovators and economic regulators from other jurisdictions to deliver an action plan for regulatory modernization by about this time next year.

With a history in both government and the energy sector, Richard is the perfect choice to lead this critical task.

The scope of the OEB Modernization panel will be significant, in recognition of the challenges ahead.

And government will not presume or attempt to direct the outcomes.

In my view, this panel is not a critique of our existing structures or systems – but rather a self-aware assessment that the status quo is changing.

This isn't about 2018 or 2020, but rather, ensuring that we have a regulatory regime that is dynamic and prepared for the realities of 2025 and 2030.

Simply put, a regulatory approach that worked for Ontario Hydro is not equipped to tackle the challenges the future will bring.

Now, for those cynics in the room, I'll point out the obvious:

Both the IESO RFI and the important work of the OEB Modernization panel will be delivered next winter, early in the term of the next Government.

That is by design.

This important work cannot and should not be rushed.

These initiatives naturally follow from the 2017 LTEP, released not even two months ago.

These deliverables will form the foundation, along with IESO's Market Renewal activity, to deliver a complete renewal across our governance structures at the Ministry of Energy and our partner agencies at the IESO and OEB.

While I believe that an Ontario Liberal Government will be re-elected next spring, the two initiatives announced today are too crucial to wait until the Government's next mandate.

Regardless of who voters mark their ballot for next June, Ontario's electricity sector **must** prepare for the future changes that we all know are coming.

I believe that the evolution of the energy and electricity sector will naturally continue, encouraged by competitive forces.

And that, unshackled from technology-specific procurements, our supply mix will continue to evolve to deliver on Canada's low carbon agenda.

I believe that consumers will become more central actors in our energy sector.

That's the way it should be.

Driven by new technologies and consumer preferences, utilities will need to evolve their relationship with customers to deliver more "services" rather than a simple "commodity".

And I believe that each of you will continue to deliver the good ideas and thought leadership required to modernize our energy and electricity sector for the future.

L'Ontario est un lieu d'excellence et d'innovation remarquable; nous nous autorisons rarement le droit d'accepter les éloges et d'être fiers de nos réalisations.

[Ontario is home to such remarkable innovation and excellence; we rarely allow ourselves the occasion to accept praise and take pride in our accomplishments.]

La collaboration des personnes dans cette salle, des acteurs du marché et des partenaires du secteur de l'énergie partout en Ontario a permis de rendre notre réseau d'électricité plus vert.

[Working together, the individuals in this room, and market participants and energy sector partners across Ontario cleaned and greened our electricity system.]

You have built an impressive and globally recognized nuclear supply chain that is the envy of the world.

Small-scale entrepreneurs are disrupting, bit by bit, our established, regulated monopolies.

And we regularly hear from other jurisdictions, and sector thought leaders, asking us how we have built our success story.

When I was appointed Ontario Minister of Energy 10 dog years ago, I had no idea what I was in store for.

But today, I am in awe of all that we have accomplished together...

Excited for what work yet remains to be done. And hopeful for what the future holds for this sector in Ontario.

Thank you for joining me here today. Merci beaucoup.

Please have a safe and restful holiday season with friends and loved ones.

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