September – Draft Speech Outlines for Rose

<u>September 6 – EDA (2:00 – 2:45 p.m. right after Minister's lunch address)</u> – Theme – "We the North" – want a bit of a northern twist

Topic: Update on OEB changes/direction (45 minutes)

(First two bullets just FYI)

- Past EDA speeches – EDA AGMs (Mar 27/17, Feb 29/16, Mar 9/15, Mar 21/14), EDA District Meetings, Sept 17/15, Sept 4th, 10th, 19th, 25th)

- NE District LDCs – Algoma, Chapleau, Espanola, Greater Sudbury, Hearst, North Bay, Northern Ontario Wires, PUC – NW District LDCs – Atikoken, Fort Frances, Kenora, Sioux Lookout, Thunder Bay

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- Continue to be guided by our 4 strategic directions: empowering consumers, enhancing utility performance, enabling access to competitive energy choices and enhancing regulatory effectiveness

- Number of initiatives we are continuing to pursue with an emphasis on consumer education and engagement, measures to enhance utility performance, regulatory implications of the changing dynamics of the energy sector and the implementation of the CCAP and LTEP

- Delivering value to consumers continues to be a key priority – reached out to them more directly and more frequently than ever before

- Discussions with 100 member consumer panel – saw firsthand how important plain language needs to be in all of our communications

- From BP – on enhancing utility performance – future of sector – assess the need for regulatory reforms which encourage optimal investment decisions and support the evolution of the sector (including reforms that may be needed in the pricing on network services, infrastructure planning, incentives for distributors and transmitters, and others featured in the RRF)

- From BP – on regulatory effectiveness – under strategic directions, we have adopted the principle of 'continuous improvement' in our approach to regulating the energy sector – extends to our work in adjudication and regulatory policy development

- Development of new procedures designed to promote the proportionate and efficient review of applications **– this speech is before Sept 22nd CEOs meeting – do we want to say anything about this now?**

- RRRP and guidance on pilot programs for pricing/TOU (CustomerFirst Pilot – 7 utilities) – addressing different needs of different regions like the north) – recognized differences – seasonal – **ask Ceiran – update on status**

- Cost responsibility – Dx/Tx – different rules about connecting/upgrading systems – will support regional planning, help to integrate more northern issues into regional planning – **ask Andres for concrete examples**

- C&I rate design – (Brian anticipating report ready in October)

- Maybe s. 71 – northern/smaller utilities may want to get into new business opportunities – do we mention anything about ability/flexibility to pursue non-Dx opportunities?

- We are all thinking about the future/modernization together – need to work collaboratively – know that you have already thought about what the future holds for LDCs and the future you aspire to in Power to Connect paper

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- Any other 'northern issues' or First Nations' issues we want to mention? – EW, W-Power, FN Rates, FHP?
- Serge speaking in morning on "Addressing the Northern Ratepayer Challenge"
- FHP – "You will automatically get additional reductions on your bill starting July 1, 2017 if you're a customer of:
  - Hydro One (low and medium density customers)
  - Northern Ontario Wires
  - Lakeland Power (Parry Sound)
  - Chapleau Public Utilities Corporation
  - Sioux Lookout Hydro
  - InnPower
  - Atikokan Hydro
  - Algoma Power

- The credit you receive will vary depending on your distribution company.

- If you live on-reserve, the delivery charge and the monthly service charge will be removed from your bill. You will save an average of $85 per month if you're an on-reserve First Nations residential customer"

Reference - From EDA's LTEP Submission:

(Just cut and pasted for your reference)
A modern, innovative electricity distribution sector is pivotal to the successful adoption of technology changes and integration of increased distributed energy resources. LDCs are eager serve customers in more innovative ways and pursue new business opportunities. However, the pursuit of innovation and modernization by LDCs has been deterred by compounding regulatory requirements and government policy decisions. Ontario needs a strong, streamlined, modern regulatory framework that can support future changes to the electricity system such as the growth of distributed energy resources, modernization of the grid, electricity storage and emissions reductions.

- the following Guiding Principles should govern the streamlining of regulatory requirements:
  - There is a need to balance costs of regulation with the benefits to customers;
  - The amount of regulation and reporting requirements should be proportionate to the policy objective/outcome;
  - More emphasis should be placed on policy outcomes, not process;
  - Duplication and overlap of reporting requirements should be eliminated;
  - Administrative burden to LDCs should be minimized, streamlined;
  - Distributors should be provided flexibility to address their local circumstances;
  - Distributors should not be involved in addressing social problems;
  - Distributors should be allowed to recover their costs to address aging infrastructure in a timely manner;
  - Increased certainty and transparency should be provided for cost recovery by distributors; and
  - Decision-making by regulators needs to be timely.

September 25 – OEA (9:10 a.m. – right after Opening Keynote by Dan Reicher, Exe. Dir. @ Stanford and before Panel on "Regulatory Evolution" – Gordon Kaiser, Indy B., Joseph Kelliher/NextEra/FERC)

Topic: OEB's Perspective on Regulatory Evolution (10 minutes)

- This is how we are going to change the way we regulate – RRF, focus on customers, now working on how to encourage utilities to do something different

- What have we been talking about for the past several years - pace of innovation, technological change, and customer needs and expectations related to energy are accelerating, the regulatory framework needs to keep pace with the speed and degree of transformation in energy markets and systems to ensure that Ontario homes and businesses have access to energy sources that are aligned with GHG reduction targets, secure and reliable, good for the economy, and are affordable.

- Tech innovation presents challenges in how we operate and value our grid but affords opportunities as well – also offers benefits and opportunities to customers – more choice, more control and more information

- We have robust internal and external frameworks in place to position Ontario's energy sector for a future that is more performance-based, more outcome-driven, and more consumer centric than ever before

- What did OEA say in their LTEP submission? (maybe we answer some of these but not in context of rebuttal…just in general…we are modernizing regulatory framework and this is how…cut and pasted from their LTEP submission below for your reference)

Reference – from OEA's LTEP Submission

Ontario's energy industry is evolving, and long term energy planning in Ontario needs to evolve with it. Climate change objectives will have a major impact on the energy sector. The pace of innovation and technological change is accelerating, changing options for the production and consumption of energy. Consumer expectations and preferences are resultantly changing with this innovation. As these changes accelerate, Ontario needs a regulatory system that will adapt and be forward-looking in a way that allows energy companies, consumers and our economy to thrive. These changes bring both challenges and opportunity to Ontario; LTEP 2017 should provide Ontarians with a roadmap to meet these challenges and take advantage of the opportunities provided by an evolving energy market.

- A modernized regulatory framework should keep pace with the speed and degree of transformation in energy markets and systems
- Regulatory barriers at the OEB that prevent or dissuade regulated utilities from investing in innovative technology should be removed
- The use of innovative technologies within rate base should be permitted and encouraged
- The OEB should establish fast and efficient processes to facilitate increased dialogue between the OEB, regulated entities, and stakeholders on key priorities, trends, challenges, and opportunities confronting the energy sector to inform their policy making decisions with respect to the proper regulatory treatment of new technologies and services (e.g. energy storage, electric vehicle charging)
- Regulatory frameworks should be sufficiently flexible so as to enable regulated utilities to participate in energy markets while ensuring a level playing field for all participants
- Customer choice of providers of innovative technology should be facilitated
- Regulated utilities and other providers of innovative technology should be granted sufficient flexibility to compete for those customers and to help the government achieve its objectives
- Regulatory and market reforms must continue to evolve and be progressive to enable greater customer participation and to factor in impacts to customers
- The OEB should be required to keep pace with other jurisdictions that operate genuine incentive regulation frameworks for regulated utilities that not only invest in infrastructure but that provide platforms for regulated and unregulated companies to market services to customers

September 28 – OEN Lunch

Topic: Modernizing Energy Regulation to Keep Pace with an Evolving Sector (30 minutes)

- Should speak to our journey
- Talk about modernization through cost issues, tech issues, integration of electricity/gas, climate change, EV, DER

Intro

- No shortage of conferences with themes about what the future holds, what energy services and service providers will look like in the years ahead and how regulation is going to change and modernize to keep pace with an evolving sector

- We are looking at innovation – that's where we are now….gone through the transformation…now writing our blueprint – action plan for next 5 years – keeping pace with change

- I am going to remind you of some of what we've done to-date, what we are currently working on and while I have don't have a crystal ball….how we are striving to anticipate and be ready for the future ahead

- Significant transformations are causing a revolution in the way electricity, the vital fuel of global commerce and human comfort is produced, distributed, stored and marketed – a top-down, centralized system is devolving into one that is much more distributed and interactive – mix of generation shifting from high carbon to low carbon or no carbon (article from Strategy & Business)

- Electricity used to be a commodity over which consumers didn't have much control – now can choose from a wide array of potential power sources and providers – technology providing greater autonomy and more choice in way consumers source, use and store electricity – maybe even opportunity to make money at the same time – entered an age in which technology-power push and the customer-driven pull have beneficially collided (article from Strategy & Business)

- Focused on regulatory modernization – streamlining our regulatory processes to keep up with change- need to enable and facilitate, not be a barrier

- Continued focus on benefits to consumers – we are facing evolving customer expectations

- Pace of technological change is underway:
    - Cost and performance of distributed energy sources improving – i.e., solar – so may accelerate adoption for on-site generation
    - EV – increase demand on system
    - Grid-connected and distributed storage technologies may achieve breakthrough that will accelerate uptake
    - Development of microgrids, incorporating distributed energy and storage resources, may enable customers or communities to island themselves within or from the larger power grid
    - New info and communications technologies give system operators new capabilities for the management of networks, generation and loads

Now

- **Strat Plan – not out – but MAA will have by Aug. 8th – maybe publish Exe. Summary? (asked Ceiran for draft paper but didn't hear back yet)**

- Modernization clearly top of mind for stakeholders across the sector – industry, Ministry, working on LTEP, IESO, market renewal, and Climate Change Action Plan

- I know you've all of you thinking about what the future holds for your industries, electricity, gas, tech sector, etc. - future you aspire to is laid out in LTEP submissions, vision papers (i.e., EDA's Power to Connect paper)

- RRF said turn our mind to innovation and laid the foundation – focused on robust, local and regional system planning, asset management and grid modernization – it addressed many of the foundational requirements to enable Dx network of the future - fixed Dx rates – example of getting ahead of technology, storage, ToU, RRP Roadmap – now taking more structured look at future – customers are using the system differently, want to ensure change can happen but not to the detriment of other customers – recognized need to send proper price signals across the system

- Issues are not unique to us - reference other regulatory examples…REV/OFGEM on innovation – but they are good with branding – we are doing lots too – maybe just not focused on the branding of our innovative efforts but we haven't stood still – we've done lots of what's in REV, expanded renewables, PBR, optimal investment planning, utilities need to look at non-wire solutions – a lot of regulators looking at these changes – common theme is to remain focused on position of consumer – Rose's quote from *BP "…when considering how to best address the evolution of the sector and the future role of the utility, we want to stay true to our values and make sure the customer stays as the focus."*

- s. 71 – we advocated to take the shackles off LDCs – take credit for that

- make sure utilities have right incentives – have done that with residential rate design/pricing design – next C&I rate design coming as well – already consulting on that

- about changing the sector – allow consumer to make choices about getting and using power

- are turning our minds to technical and operational challenges and opportunities of grid modernization and new technology - grid can make investments it needs to boost flexibility – so people can put in storage, EV, and pay their share (reference market renewal initiative of IESO?)

- pacing, prioritizing and optimizing investments essential to achieving predictable and reasonable rates – an outcome valued by consumers (distributers required to file 5 year capital plans that integrate all system planning including smart grid planning – (from Smart Grid speech – maybe old news from Smart Grid speech/2013?)

- responding to changing landscape has been a priority of ours for some time – and made a lot of progress towards 'modernizing' – examples?? – was it a result of a tech change? (ask Brian/Andres for more concrete examples)

- Cyber security – done a lot here – fundamental changes are occurring within the energy sector, enabled by technological change and advancement in the way energy is produced, transported, and consumed – while new smart grid technology means enhancing reliability and utility performance, also carries risks related to privacy and security of the grid - security of the distribution system key – draft report on proposed framework issued June 1-17

- Natural gas expansion policy – not finalized but gives flexibility to utilities to expand to help customers – addresses changing needs – adapting to new government policy and climate change

- Established a common framework to enable this for communities not previously serviced by local utilities – rather than making rates equal for all customers which would mean existing customers would subsidize new customers, set a 'stand-alone' rate which reflects higher costs associated with connecting these communities to gas service

Future

- Everyone out there is talking about the future, what energy services will likely be available to customers in years to come – many activities going on about anticipating, planning, predicting for the future – in LTEP consultations, IESO's market renewal initiative, Climate Change Action Plan, EDA visioning document, market renewal initiative

- Is technology redefining possibility?

- Need to balance the role of regulator with expectations of industry

- Need to define priorities collectively – with CEOs - new CAR – met on June 22, next meeting September 21st, also having a CEOs meeting to discuss Governance and proportionate reviews and then as mentioned in March EDA speech – will be launching a CEOs Forum on Innovation – stay tuned

- We are preparing for the future – enabling innovation by utilities and delivering value to customers

- RPP Roadmap – evolving into future – based on certain principles:
    - Supporting the investments Ontario needs in the electricity system over the long term.
    - Pricing energy in a way that increases system efficiency and reduces the need for expensive system expansion in the future.

  - And pricing in a way that gives customers the control they want.

- Examples of pilots approved – London, Oshawa & Alectra, & CustomerFirst pilot (7 LDCs in CustomerFirst**)? Ceiran?**

- Recognized one size does not fit all approach – 5 point plan to redesign our existing TOU pricing structure – critical peak pricing, different TOU daily and seasonal time periods and impact of automation such as in house monitoring devices, on bill-benchmarking – pilots to assess consumer behaviour and satisfaction

- Smarter distribution rates for commercial and industrial customers – referenced this in EDA March speech – rates better align with the way they are using and relying on the distribution network (Brian aiming for paper to be out in Oct – can reference something high level but at EDA speech but in March said the paper would be out this summer) – this is important, we need to get this right – this is group of customers most likely to adopt innovation and we want to create a pricing structure that enables and encourages customer choice

- Distribution companies have acted as a delivery route for power from the grid to consumers. In the future they will act more as a service platform offering services such as balancing, power quality, storage, and redistributing power from users connected to their systems. The rate design adopted by the OEB for distributors should position the companies for this future by linking the rate design to the cost drivers and making sure that customers value and pay their fair share for service

- The residential rate design project affects 90% of a typical distributor's customers, but only about one third of their load. C&I initiative addresses the remaining customers and load. These customers are likely more sophisticated in their approach to energy use and larger ones are more knowledgeable about use and costs. The ubiquity of interval metering creates new possibilities for rate design. As a result, there is a much bigger opportunity for using rate price signals for both optimizing the use of the system and focusing on long-term cost drivers for investment and cost containment.

- Know that impacts from CCAP will be felt – accelerated deployment of distributed energy technologies, EVs and electric powered mass transit, along with increased investments in energy efficiency which could impact utility operations, demand forecasts and system planning

- OEB and utilities it regulates will need to monitor, anticipate and adapt to these impacts

- Just as there are technological developments in the electricity sector, there are in the gas sector as well – i.e., use of LNG as a fuel in the transportation sector and development of renewable natural gas as a potential source of supply for ON gas distributors (emerging developments identified in CCAP and Conservation First framework

- From BP – complete review of natural gas supply planning – develop guidance and filing requirements regarding natural gas supply planning

- Goal/striking alignment:
  - Ensuring that our regulatory framework supports a strong future for the sector
  - Protecting customer interests
  - Maintaining investor confidence

- Our evolution into a more relationship-based, customer-centric regulator has been a challenging journey – and it's not over yet – we are making a transformative shift and can't do this alone – need input and collaboration from our customers, stakeholders and industry colleagues – a broad cross section – CEO's Advisory Forum (referenced in EDA speech as well – drafting ToR – thinking about composition) – we've taken some important first steps in planning for our energy future and will continue working on modernizing regulation but need help from you.

Reference – any need to mention market renewal initiative – role in modernizing markets – collaboration with regulatory modernization?

- IESO's Market Renewal Program (MRP) focused on designing a set of initiatives that will amount to a fundamental redesign of Ontario's electricity markets and prepare us for future structural and technological changes

Quotes? (just pulled from internet some quotes on innovation – Comms may have better ones)

"If you always do what you always did, you will always get what you always got." (A. Einstein).

"When people start telling you that you are crazy, you might just be onto the most important innovation of your life" (Larry Ellison, Cofounder and CTO of Oracle)