

Energy in Ontario: Priorities and Opportunities

Ontario Energy Sector Leadership Forum

May 16, 2019

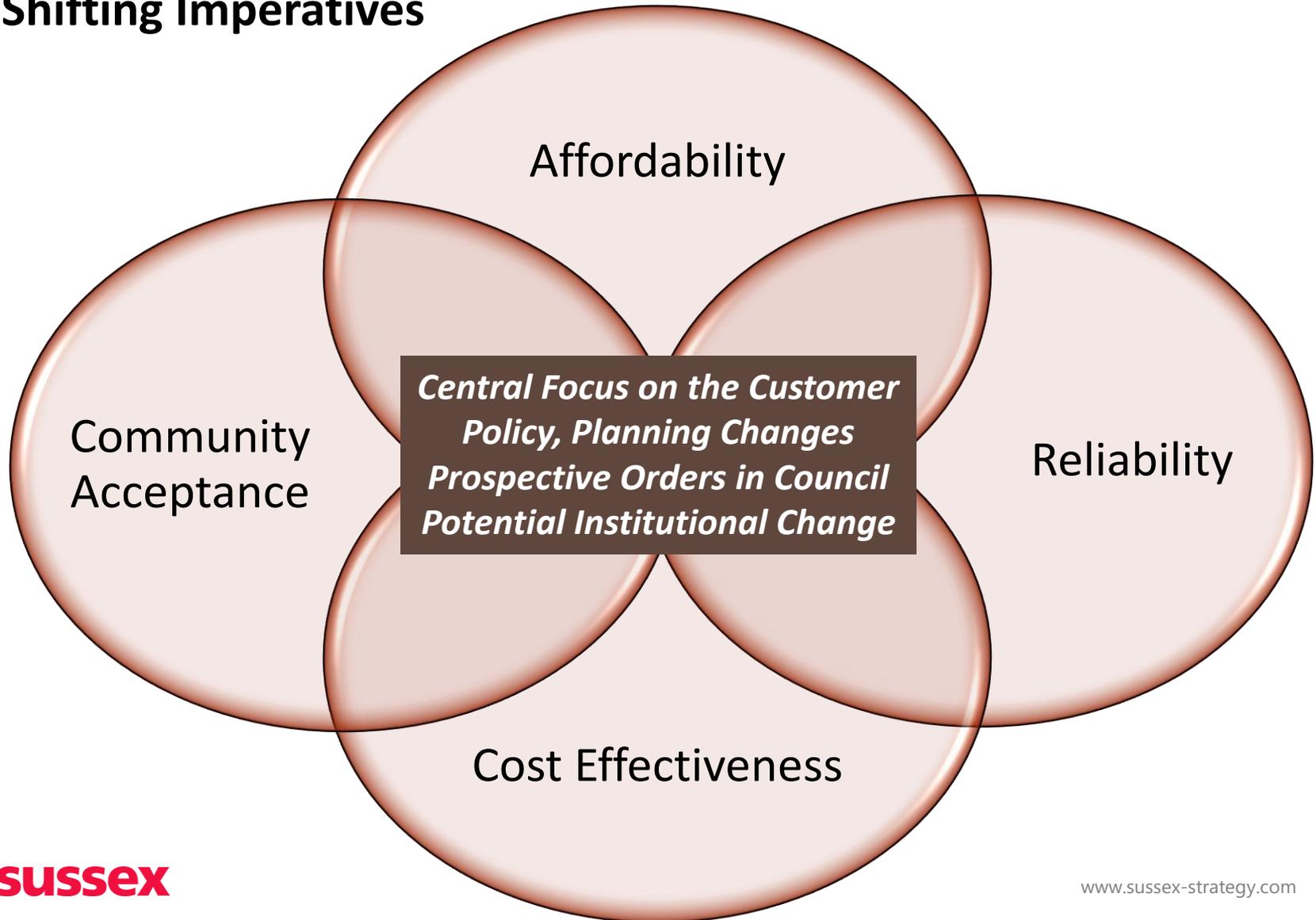


Presentation Topics

1. Electricity Policy
Development/Implementation
 - a) Shifting Imperatives
 - b) Priority Issues
 - c) Accomplishments to Date
 - d) Things to Watch
2. Administration and Key Decision-Making
3. Key Actions for Industry



Shifting Imperatives



Priority Issues

During the election, the Party committed to:

1. **Jobs and Economic Growth:** Ontario is “Open for Business”, cut red tape, reduce cost of living and taxes
2. **Electricity:** Lower electricity prices and scrap the *Green Energy Act*, fire Hydro One CEO
3. **Environment:** End the cap and trade system and challenge the federal carbon tax
4. **Government Accountability:** Audit government spending and end culture of waste
5. **Health Care:** Add long term care beds, invest in mental health, addictions and dental care for seniors
6. **Transportation and Infrastructure:** Commit \$5 billion for transit, develop Ring of Fire
7. **Housing:** Preserve rent control for existing tenants and increase affordable housing in the GTA.

Accomplishments to Date

✓ **Executive Salaries:** Addressed executive compensation at Hydro One by securing a new Board and CEO, and passed the *Hydro One Accountability Act, 2018*, which requires Hydro One to establish a new compensation framework for executives, the CEO and all members of the Board.

✓ **Fight Carbon Pricing:** Effective July 3, 2018, the government cancelled the cap and trade regulation and prohibited all trading of emission allowances. This in turn led to the cancellation of GreenON programs and other GHG reduction programs. The Government has also launched a constitutional challenge to the federal carbon tax on provinces that don't have their own carbon pricing system.

✓ **Terminate Pre-NTP and Pre-KDM renewable energy contracts:** On July 13, 2018 the government issued a directive to the IESO to immediately terminate 758 renewable energy contracts that had not met the NTP or KDM milestones.

✓ **Repeal the Green Energy Act (GEA):** Bill 34, The Green Energy Repeal Act, has been passed by the legislature, with the pending regulations set to restore municipal control under the Planning Act and revises the requirements for Renewable Energy Approvals (REAs).

✓ **Cancel the Fair Hydro Plan:** Bill 87, *Fixing the Hydro Mess Act, 2019*, received Royal Assent May 9. Cost of Fair Hydro Plan to be officially moved onto the province's books – off the rate base.

✓ **OEB Reform:** Among other things in the Bill 87, the government has adopted most of the recommendations from the OEB Modernization Panel Review.

Active Priorities

Cut Electricity Rates by 12%: The Plan for the People committed to reducing hydro rates by 12% for families, farmers and small businesses. The Minister has since clarified that rather than the January 2019 date, they would approach this target incrementally over time.

Move conservation programs to the tax base: On March 21, 2019, the Minister of Energy, Northern Development and Mines has directed the IESO to centrally deliver energy-efficiency programs in the province by implementing a new Interim Framework to take effect from April 1, 2019 to December 31, 2020. This framework will take the place of the Conservation First Framework with a new suite of Save on Energy programs to serve business and low-income customers, as well as Indigenous communities.

Return Hydro One dividend to ratepayers: Part of the strategy to hit the 12% rate reduction included a commitment to return the Hydro One dividend to Ontario ratepayers.

Stabilize industrial rates: In addition to committing to a 12% rate reduction for RPP customers, the platform committed to providing more certainty on industrial rates. The government has launched a consultation to solicit feedback on this topic through the end of May.

Red Tape Reduction: The Ford government has pledged to introduce – twice a year – new legislation to reduce “red tape” and “overregulation” as part of its comprehensive Open for Business approach.

Other Actions to Watch



Market Renewal: Significant decisions will have to be made over the next year regarding market design. While the government has been content so far letting the IESO run with Market Renewal, growing push-back from stakeholders may derail the initiative.



Supply Needs: Related but distinct from Market Renewal, the government will need to decide its approach to meet the supply needs emerging in the 2020s as the surplus wanes.



Regulatory Reform: Changes to the Boards and Executive Teams of various energy agencies (OEB, IESO, Hydro One, OPG) are likely to continue. As the government settles into its term, further regulatory changes may also result.



Operating Assets: Diligence is advised to ensure strict compliance with obligations. Operators will be held closely to their obligations.

Administration and Decision-Making

- Minister Rickford is responsible for what had **previously been three separate Ministries:** Ministry of Energy, Ministry of Northern Development and Mines, and the Ministry of Indigenous Affairs. This has the effect of:
 - Reducing total staff working on energy matters
 - Prioritizing files and lowering total workload
 - Changing stakeholder relations



Key Actions and Approaches

- The industry will need to **rebuild trust** as credible, sophisticated solution-providers.
- Key messages will need to be re-worked to speak to government priorities of **lowering prices and reducing costs**.
- **Environmental benefits** are now a bonus rather than a driver of new policy, as the government is prioritizing affordability and cost of living.
- **Opportunities may arise** from market renewal, changing supply needs, and distributed energy resources; however industry will have to make a hard case in favour of these opportunities.
- **Continued input** into Market Renewal and other consultation initiatives is advised through formal and informal means.



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