

Remarks for the Hon. Bob Chiarelli
Minister of Energy
Ontario Energy Association Gala

Check Against Delivery

October 7, 2014

Good Evening:

Thank you Max for that kind introduction and congratulations on your appointment as Chair of the OEA. Good evening everyone, bonsoir et bienvenue à tous.

And thank you to the Ontario Energy Association for allowing me to address your Energy Gala once again, and for your leadership in the energy sector and helpful collaboration with the Ministry of Energy throughout the year.

Thank you, outgoing chair Steve Baker for your leadership over the past year.

Your availability and facilitation has been appreciated.

I'm also happy to acknowledge MPP John Yakabuski, the new Energy Critic for the PCs. John is an Eastern Ontario colleague from Pembroke, which is near the Chalk River Nuclear Research Facility, and I look forward to working with John to lean on the Federal Government just a little bit to help sustain those 4,000 high end nuclear jobs in Chalk River.

I and my colleagues were obviously pleased, maybe elated, to have won a majority government and having another four years.

And now I know how it would feel to be a Toronto Maple Leaf player winning the Stanley Cup.

The odds makers incidentally, have it 42 to 1 against the Leafs winning the Cup this year. I have a lot of empathy for the Leafs because the Provincial Auditor General reports I have to answer for read somewhat like the Toronto media after a Leafs' loss.

[PAUSE]

I'd like to spend my remarks this evening outlining what four years of stability will mean for Ontario's electricity sector in our majority government.

Because we can't confuse political stability with stagnant public policy.

In fact, as I'll outline, the political stability now affords us an opportunity to take a step back and collectively review the electricity and energy sector and make some careful, yet bold moves to implement our long term energy plan, together with some overdue systematic reform

Last year, when I spoke at this Conference, we were in the midst of the consultations that helped us craft our updated Long Term Energy Plan.

Our plan, called *Achieving Balance*, continues to be the framework from which all of our policy decisions emanate, from which we will derive an energy system that will continue to be predictable and sustainable.

When we launched the LTEP in December 2013, it had the support of generators and consumer groups, of environmental activists and unions.

This was because each group had a role in the consultation process and could see elements of their submissions included in the final product.

Because it was truly a collaborative exercise and an important lesson for our Ministry and Agencies that the best outcomes in this sector are those which are driven by collaboration and mutual respect are those that tap into your knowledge, experience, and innovation.

And ... Since the launch of the Plan, our Ministry and Agencies have undertaken to bring to life the vision set out in *Achieving Balance*.

I'd like to refer to several examples:

- In the spring, IESO ran the first phase of storage procurement, and also is hard at work on a robust study of Ontario's Intertie capacity.
- This summer, I met with my federal counterpart, Minister of Natural Resources Greg Rickford, to discuss how Ontario and Canada will need to partner for new transmission to connect Ontario's remote first nation communities.
- Right now, the OPA is in the midst of evaluating the RFQ submissions from the first Large Renewable Procurement and is set to launch a renewed Combined Heat and Power program later this fall.
- And this coming January 1st, the Ontario Power Authority and Independent Electricity System Operator will be formally merged, to create a more efficient procurement & planning system operator.

- In the months ahead, the Ministries of Energy and Economic Development are working to develop a pilot project to connect remote, rural communities to natural gas pipeline infrastructure, helping consumers save hundreds in winter heating.

In sum, we are working to implement our LTEP commitments.

So, in my remarks this evening, I wanted to speak about what you can expect from our Government, in terms of aggressively implementing our LTEP and beyond.

[pause]

In our Government's Speech from the Throne, you would have heard reference to Premier Wynne's vision to govern from the "activist centre".

Well, for our Ministry that means dynamic yet practical changes to our system to ensure that we are not only keeping pace with other leading jurisdictions, but continuing to foster innovation, the smart grid, and smarter collaboration with industry and our LDC partners.

That's why with any change we undertake, we will first ensure robust industry and stakeholder consultation.

And this is only natural. You are all experiencing technological and business changes, if not creating them yourself.

This innovative approach will continue to inform our public policy vision; I will use three examples this evening to drive home my point.

First, the Government's approach to energy and electricity will be driven foremost by our Conservation Agenda.

Last year, we published our *Conservation First* white paper, which sets out to challenge the entire sector to deliver system benefits from reduced consumption – be it electricity or natural gas use.

At the present time, the OPA and OEB are in the process of giving life to the Government's conservation vision with updated CDM and DSM frameworks.

We'll admit, the targets are, in fact, aggressive.

And budgets across the board continue to be tight.

But the pace of innovation and technological change in the world today highlights that we can be nothing short of bold and aggressive when it comes to conservation.

We look to leading jurisdictions like Australia, Japan and the EU when it comes to efficiency codes and standards for home electronics because we know that we can, and must do better.

New York State and Manitoba have launched successful on-bill financing programs that better highlight for customers the energy savings associated with upgrading infrastructure such as heating, cooling and insulation products.

I'm pleased to report that last month, the Ministry of Energy held a consultation session to discuss how Ontario can move faster in this direction.

And Ontario's time-of-use pricing has been successful in reducing peak demand, but some jurisdictions have gone even further.

For example, Ohio and Oklahoma have run critical peak pricing events with extremely positive results. Average bill reduction per participating customer over summer period was around \$260 with peak demand reduction of about 125 megawatts.

Conservation is the cheapest energy resource and, over the long term, will lower system cost and lead to lower bills for Ontario families and businesses.

Utilities have and will continue to be the public face of CDM.

And while the parameters continue to evolve, let's be clear: we expect LDC's to undertake robust activities to meet their targets.

Appropriate financial incentives will be in place to reward those who achieve and surpass their targets but if an LDC can't deliver on their goals, then responsibility will be transferred to others.

In the energy sector, the activist centre means achieving a culture of conservation in large, medium and small businesses, and in every home, institution and LDC.

It means that we need to bring about a more realistic paradigm shift with regards to our utility practices.

So our challenge this evening to the sector is to ensure that Ontario will become a culture of conservation, as envisioned by *Conservation First* and *Achieving Balance*.

And as a government we have the same passion and commitment for conservation as we had to abolish dirty coal.

[PAUSE]

My second example this evening is of procurement and market evolution.

The 'activist centre' means that we need to look at our procurement practices and determine if we can deliver the same clean, reliable electricity supply for Ontario consumers by tapping more into the entrepreneurship and creativity of the businesses in our sector, and by IESO and OPA being less prescriptive.

That's why our 2013 LTEP called on the IESO to undertake studies and consultations regarding the implementation of a Capacity Market to help guide our future supply mix needs, and how we will procure them.

And this also means government re-evaluating its role in the electricity system, while maintaining our strong commitment to a reliable, clean and affordable system.

In the past, our Government's own supply mix decisions were highly prescriptive.

Some might say we've down-right micro-managed the electricity system.

And there was certainly a time and place for that level of oversight. That time has passed.

We are contemplating a future where the IESO runs a capacity auction to secure firm resources, unconstrained by Government's pre-determined supply mix objectives.

For example to fill a particular Megawatt requirement, rather than directing procurement from specific types of resources such as hydro, solar, wind, and gas, the IESO could instead procure based on government principles such as – emissions free; system benefits; conservation, price, or indeed a combination to meet the Megawatt requirements being procured.

At the same time, we understand that a truly dynamic capacity market cannot operate in a vacuum.

So, IESO current Market Rules that constrain generators' ability to supply external markets beyond Ontario's borders will need to be reviewed, just the same as we are reviewing the ability of our Interties to support longer term electricity trade agreements with our neighbours.

Our point is that other system operators in other jurisdictions have been able to optimise system needs and reliability by reforming their procurement and contracting models, including use of a capacity market.

Our electricity and energy boards are becoming ever more porous and we are determined to ensure that Ontario ratepayers can benefit from this kind of market evolution, to create a system that is more reliable, more clean and more affordable.

These types of procurement changes will not occur overnight and will certainly include robust consultations to ensure that we don't end up with other, unintended consequences.

But the activism which will inform our Government's approach must cause us to look at our own market and procurement systems and determine if they are appropriate for the years ahead.

[Pause]

My final point this evening is to address the "elephant in the room" – the Premier's Advisory Council on Government Assets.

Under the leadership of TD Bank President and CEO, Ed Clark, the Government is in the process of reviewing the mandate, operations and ownership structures of several of the government's business entities.

Of particular interest in this room will be what recommendations the Clark panel will have for the future of OPG and Hydro One.

Governing from the "activist centre" means that from today and beyond we need to consider if a traditional crown corporation model launched in 1906 remains the best way to go about generating and delivering electricity for Ontario families and businesses.

And while the mandate of the Clark Panel is designed to unlock legacy asset values to allow the government to re-deploy capital, and to improve the government's fiscal plan, we are also looking forward to panel recommendations that will help mitigate electricity system costs.

So, in the weeks ahead, Ed Clark will provide Government with his recommendations and options, and Cabinet will ultimately need to consider his proposals.

We know that Hydro One and OPG have significant operations allowing them to return healthy dividends to the provincial treasury; we also know that there is real potential to unlock more value, if we choose to do so.

And obviously any realignment of the government agencies will place the ratepayer at the centre of the equation, so our overriding principle is that no re-alignment will take place if it puts upward pressure on electricity rates.

And it must be done in a fair, open and transparent way that will derive best value for Ontarians, and keep ratepayer considerations at the forefront of any reform.

[Pause]

At the beginning of my remarks I spoke about our collaborative approach to building our Long Term Energy Plan; I also provided several examples of how that plan is being implemented, such as conservation, the plan for Northwest Ontario, the pilot for a Capacity Market, the role out of our RFP model of Large Renewable Procurement, the merger of IESO and the OPA, and the extension of more gas service to rural communities.

As we did in the creation of our LTEP, and currently in the implementation of the LTEP, it is our Ministry's intention to continue to work together, closely,

- with the broad array of effective sector associations such as the OEA, and others
- with individual stakeholders, including environmental and union associations
- as well as our own agencies

I believe we have an obligation to do so.

[Pause]

And let's not forget how Ontario leads and how everyone in this room contributes to that leadership –

We're at or near the top:

- in nuclear power in scale and technology
- in renewable energy
- in transitioning out of coal
- in innovation
- in our smart grid
- in our supply mix
- in our clean system
- in system operations and management
- in demand management
- and in storage technology

And in the reliability of our transmission.

That's all, thanks to everyone in this room.

With Ontario's large endowed geography and our large diverse economy, we have both opportunities and challenges.

As a government, we will continue to work to provide stability, predictability and sustainability for our business and sector partners, and for a reliable, clean, and affordable system for our ratepayers.

Thank you.