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2018 Cap-and-Trade Compliance Plan

EB-2017-0255

Public Hearing Presentation

Sue Flaman

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Purpose of Presentation

- Introduction
- Recap OEB Cap-and-Trade Framework guiding principles
- Overview of Union's 2018 Compliance Plan
- Review confidentiality requirements
- Review approvals sought



Introduction

3

- 2018 Compliance Plan filed November 9, 2017
 - Expanded in scope and analysis compared to 2017 Compliance Plan
 - Expanded consideration of customer and facility abatement
 - Application of OEB Long-term Carbon Price Forecast (LTCPF) and OEB Marginal Abatement Cost Curve (MACC)
- Union continues to pursue initiatives that could lead to future abatement
 - RNG procurement methodology
 - New technology initiatives
 - E.g. Low Carbon Initiative Fund



OEB Cap-and-Trade Framework Guiding Principles

4

Framework states the OEB expects:

"Compliance Plans that outline how [utilities] will meet their obligations", and will "review these Plans for prudence and reasonableness"

Guiding Principles:

- Cost effectiveness
- Rate predictability
- Cost recovery
- Transparency
- Flexibility
- Continuous improvement



Union's 2018
Compliance Plan

5

Union's 2018 Compliance Plan addresses the key elements in the Framework:

- Volume and emissions forecasts, carbon price forecast
- Compliance option analysis: Compliance instruments and customer and facility abatement
- Risk identification and management
- Governance structure
- Union's Compliance Instrument Procurement Plan
- Organizational resources and capabilities - People, systems, processes
- Customer outreach
- Deferral and variance accounts



Union's 2018
Compliance Plan:

What's New

6

Union's 2018 Compliance Plan reflects the following developments:

- The OEB's September 21, 2017 Decision and Order on Union's 2017 Compliance Plan
- Ontario linkage with the Western Climate Initiative effective January 1, 2018
- Consideration of incremental customer and facility abatement through application of the OEB issued LTCPF and MACC
- Establishment of an Abatement Construct to guide development of incremental abatement initiatives
 - Proposal of a Low Carbon Initiative Fund
 - Proposal of RNG procurement methodology
 - Does not require Board approval per Procedural Order No. 2



Union's 2018
Compliance Plan:

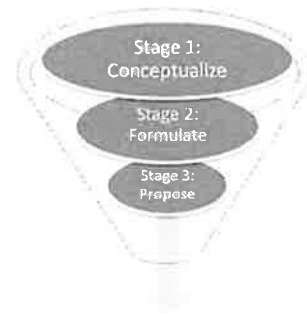
Expanded
Consideration of
Abatement

7

Abatement Construct

- Developed to drive forward potential abatement initiatives
- Initiatives may take time to develop and mature
- Complementary to Cap-and-Trade Framework Guiding Principles
- Supported by Low Carbon Initiative Fund that provides consistent and predictable funding

Initiative Funnel



Implementation



Union's 2018
Compliance
Plan:

Low Carbon
Initiative Fund

8

- Support the development of new technologies to facilitate future abatement opportunities
- Consistent, predictable level of funding to support the continuous flow of initiatives through the funnel

OEB Framework: *"The Utilities' Compliance Plans are expected to support the government's effort to reduce GHG emissions in Ontario"*



Confidentiality

9

Some elements of the Plan are Strictly Confidential:

- Required by Cap-and-Trade legislation (Bill 172) and reinforced in OEB Framework:
 - Auction confidential information; and
 - Market sensitive information.
- Disclosure would compromise Union's ability to cost-effectively execute its Compliance Plan
- Union cannot share (except with OEB) any information that:
 - Could reveal Union's purchase strategy;
 - Would compromise Union's position in the market; and
 - Would provide sufficient information to infer Union's compliance strategy.



2018 Approvals Requested

10

Union is requesting:

- A determination by the OEB that the cost consequences of Union's 2018 Compliance Plan are just and reasonable
- Approval of up to \$2 Million of cost consequences associated with a Low Carbon Initiative Fund in the Greenhouse Gas Emissions Impact Deferral Account
- Approval to dispose of the 2016 balance in Union's Greenhouse Gas Emissions Impact Deferral Account
- Final approval of 2018 Compliance Plan rates

