

OEB Staff Compendium

OPG Motion Hearing

EB-2016-0152

December 16, 2016

Electricity Act, 1998

PART II.2

PLANNING, PROCUREMENT AND PRICING

Long-term energy plans

25.29 (1) At least once during each period prescribed by the regulations, the Minister shall, subject to the approval of the Lieutenant Governor in Council, issue a long-term energy plan setting out and balancing the Government of Ontario's goals and objectives respecting energy for the period specified by the plan. 2016, c. 10, Sched. 2, s. 7.

Same

(2) For the purposes of subsection (1), a long-term energy plan may include goals and objectives respecting,

- (a) the cost-effectiveness of energy supply and capacity, transmission and distribution;
- (b) the reliability of energy supply and capacity, transmission and distribution, including resiliency to the effects of climate change;
- (c) the prioritization of measures related to the conservation of energy or the management of energy demand;
- (d) the use of cleaner energy sources and innovative and emerging technologies;
- (e) air emissions from the energy sector, taking into account any projections respecting the emission of greenhouse gases developed with the assistance of the IESO;
- (f) consultation with aboriginal peoples and their participation in the energy sector, and the engagement of interested persons, groups and communities in the energy sector; and
- (g) any other related matter the Minister determines should be addressed. 2016, c. 10, Sched. 2, s. 7.

Technical reports by IESO

(3) The Minister shall, before issuing a long-term energy plan under subsection (1), require the IESO to submit a technical report on the adequacy and reliability of electricity resources with respect to anticipated electricity supply, capacity, storage, reliability and demand and on any other related matters the Minister may specify, and the Minister shall,

- (a) consider the report in developing the long-term energy plan; and

- (b) post the report on a publicly-accessible Government of Ontario website or publish it in another manner, before undertaking any consultations under subsection (4). 2016, c. 10, Sched. 2, s. 7.

Consultation required

(4) The Minister shall, before issuing a long-term energy plan under subsection (1), consult with any consumers, distributors, generators, transmitters, aboriginal peoples or other persons or groups that the Minister considers appropriate given the matters being addressed by the long-term energy plan, and the Minister shall consider the results of such consultation in developing the long-term energy plan. 2016, c. 10, Sched. 2, s. 7.

Notice

(5) The Minister shall publish notice of consultations under subsection (4), together with any relevant background materials or other information the Minister considers appropriate, in the environmental registry established under section 5 of the *Environmental Bill of Rights, 1993*. 2016, c. 10, Sched. 2, s. 7.

Participation

- (6) The Minister shall take steps to promote the participation of the persons or groups with whom the Minister intends to consult under subsection (4), including,
- (a) scheduling one or more consultation meetings, where the Minister considers it appropriate to do so, that the persons or groups are entitled to attend in person; and
 - (b) providing for the participation of persons or groups in consultations through electronic or other means not requiring personal attendance. 2016, c. 10, Sched. 2, s. 7.

Publication

(7) On issuing a long-term energy plan under subsection (1), the Minister shall post it on a publicly-accessible Government of Ontario website or publish it in another manner, and shall also post or publish any other information, such as key data and cost projections, used in the development of the long-term energy plan that the Minister determines should be made publicly available. 2016, c. 10, Sched. 2, s. 7.

Section Amendments with date in force (d/m/y)

Implementation directives

To the IESO

25.30 (1) The Minister may, subject to the approval of the Lieutenant Governor in Council, issue a directive to the IESO setting out the Government of Ontario's requirements respecting the implementation of the long-term energy plan by the IESO and any other related requirements, and the date by which the IESO must submit an implementation plan to the Minister under subsection 25.31 (1). 2016, c. 10, Sched. 2, s. 7.

To the Board

(2) The Minister may, subject to the approval of the Lieutenant Governor in Council, issue a directive to the Board setting out the Government of Ontario's requirements respecting the implementation of the long-term energy plan in respect of matters falling within the Board's jurisdiction, and the date by which the Board must submit an implementation plan to the Minister under subsection 25.31 (2). 2016, c. 10, Sched. 2, s. 7.

Amendments

(3) The Minister may, subject to the approval of the Lieutenant Governor in Council, issue an amendment to a directive issued under subsection (1) or (2). 2016, c. 10, Sched. 2, s. 7.

Same

(4) An amendment issued under subsection (3) may change or remove requirements or set out new requirements, and shall specify the date by which the IESO or the Board, as the case may be, must submit a corresponding amendment to its implementation plan to the Minister under subsection 25.31 (3). 2016, c. 10, Sched. 2, s. 7.

Section Amendments with date in force (d/m/y)

Implementation plans

By the IESO

25.31 (1) On the issuance of a directive under subsection 25.30 (1), the IESO shall, within the time specified in the directive, submit to the Minister an implementation plan containing an outline of the steps the IESO intends to take to meet the requirements set out in the directive including, if the directive requires it, the development of processes for entering into procurement contracts, processes for selecting transmitters, or both. 2016, c. 10, Sched. 2, s. 7.

By the Board

(2) On the issuance of a directive under subsection 25.30 (2), the Board shall, within the time specified in the directive, submit to the Minister an implementation plan containing an outline of the steps the Board intends to take to meet the requirements set out in the directive. 2016, c. 10, Sched. 2, s. 7.

If amendment issued

(3) On the issuance of an amendment to a directive under subsection 25.30 (3), the IESO or the Board shall, within the time specified in the amendment, submit to the Minister a corresponding amendment to its implementation plan. 2016, c. 10, Sched. 2, s. 7.

Amendment proposed by IESO or Board

(4) If the IESO or the Board wishes to make a change to its implementation plan in order to facilitate the meeting of the requirements set out in the applicable directive or amendment to a directive, the IESO or the Board, as the case may be, may submit to the Minister an amendment to its implementation plan. 2016, c. 10, Sched. 2, s. 7.

Review by Minister

(5) The Minister shall review every implementation plan submitted under subsection (1) or (2) and shall,

- (a) approve the implementation plan, with or without changes; or
- (b) reject the implementation plan and refer it back to the IESO or the Board, as the case may be, for further consideration and resubmission to the Minister.
2016, c. 10, Sched. 2, s. 7.

Same

(6) Subsection (5) applies with necessary modifications to,

- (a) amendments to implementation plans submitted under subsection (3) or (4);
and
- (b) implementation plans or amendments to implementation plans resubmitted to the Minister under clause (5) (b). 2016, c. 10, Sched. 2, s. 7.

Planning Ontario's

ENERGY FUTURE

A Discussion Guide to Start the Conversation



INSIDE

1	Minister’s Message	4
2	LTEP 2017	
	Welcome	5
	The LTEP Process	6
	Energy Use and Climate Change	7
	Towards a Broader Energy Focus	7
3	Ontario’s Energy Mix at the End of 2015	
	Electricity Supply	8
	Use of Fuels	10
	Emissions	11
4	Demand Forecasts	
	Demand Forecasts for Electricity	12
	Demand Forecasts for Fuels	13
5	Energy Pricing	
	Electricity Pricing – Overview	14
	Electricity Pricing – Rate Mitigation	16
	Fuels Pricing – Overview	19
	Fuels Pricing – Rate Mitigation	20



—————▶ **6** **Changes on the Horizon**

- Distribution and Grid Modernization21
- Microgrids23
- Transmission24
- Storage28
- Innovation and Economic Growth29
- Conservation and Energy Efficiency32
- Clean Energy Supply38
- Regional Planning42
- Indigenous Energy Policy44
- Supply Mix46

—————▶ **7** **Glossary**47

1. MINISTER'S MESSAGE

As we launch formal consultations and engagement for the next Long-Term Energy Plan, the most pressing question is this: are we well-positioned for the future?

If the recent *Ontario Planning Outlook* and *Fuels Technical Report* are any indication, the answer is yes. We have invested in our fuel and electricity infrastructure. We have a robust supply of all forms of energy for at least the next 10 years. We have wisely acted on reducing greenhouse gas emissions, while many other jurisdictions are only beginning to tackle this challenge. We have a clean and diverse electricity supply mix. And through our government's *Climate Change Action Plan*, we have vision and direction on future clean prosperity.

The pace of change in the energy sector is high. Fuel switching, electric vehicles, the emerging potential of the Smart Grid, behind-the-meter generation, conservation and demand management, renewable fuels and international efforts to fight climate change are all factors in this change. To be successful, we will need both a strong energy foundation to support our communities and businesses, and the agility to adapt to future sector evolutions.

Our consultations and discussions will address many important issues.

- How can we better represent the interests of our Indigenous communities?
- How will local energy plans integrate with broader planning?
- And how do we ensure that we better integrate fuels and electricity planning with broader community planning?

I look forward to hearing the many voices and perspectives across our province. I am reassured that as we enter into these discussions, the Ontario energy sector enjoys a position of strength and stability.

Sincerely,

Glenn Thibeault
Minister of Energy

2. LTEP 2017

Welcome

This discussion guide is intended to help Ontarians participate in the development of the province's *Long-Term Energy Plan* (LTEP). The LTEP is a road map setting out the direction for Ontario's energy future for the next 20 years. Your involvement is important, as it will help maintain the principles that residents and businesses say are important to them: cost-effectiveness, reliability, clean energy, community and Indigenous engagement, and putting conservation and energy efficiency first before building new energy infrastructure.

There are many ways people can play a part in the development of this latest LTEP. Ontarians can attend any of the Open Houses that are being held across the province or dial into telephone Town Halls. Visit ontario.ca/EnergyTalks to learn where you can participate in the Long-Term Energy Plan consultations in person and online.

The questions in this discussion guide are just a starting point that should in no way limit the scope of the discussion. The guide also includes a glossary to help clear up the mystery often associated with acronyms and technical terms.

The Ministry of Energy is also undertaking a robust engagement with Indigenous communities across the province. Indigenous communities can bring unique perspectives and energy experiences to the long-term energy planning process, and it is important to reflect this in our updated plan and related policy priorities.

The LTEP Process

The development of the next LTEP follows the steps set out in recent changes to the *Electricity Act 1998*. These legislative changes include a requirement for consultation with local communities, stakeholders and other ministries, along with engagement with First Nation and Métis communities. The legislative changes also require a technical report the government must consider when it develops the plan. With the next LTEP, the Ministry of Energy intends to expand the discussion of Ontario's energy future by including a comprehensive review of the province's fuels sector and the supply of fuels such as oil, gasoline and natural gas.

In response to the requirement for a technical report, the Independent Electricity System Operator (IESO) issued the *Ontario Planning Outlook (OPO)*, which examines the province's future electricity needs, and how they might be met. The Ministry of Energy also released the *Fuels Technical Report (FTR)*, a report that examines the supply and demand for fuels such as oil, gasoline, propane and natural gas in Ontario.

The facts and analyses in these two reports mark the starting points for the development of the next LTEP and will help guide the consultation process. Both reports take into account other government commitments made in the *Climate Change Action Plan*, the *Climate Change Mitigation and Low-Carbon Economy Act, 2016* and the *Vancouver Declaration*.

There is no one path to ensuring an affordable, reliable and clean supply of energy for our residents and businesses. The province's LTEP needs to be flexible, so it can change to meet the needs of future technology, policies or programs. The Ministry intends to publish the next LTEP in 2017, and, together with its agencies, lead the implementation of its recommendations.

Energy Use and Climate Change

To combat climate change, Ontario released a five-year *Climate Change Action Plan* in June 2016. The *Climate Change Action Plan* outlines the approaches the government will take to reduce carbon emissions in the province. This plan is likely to have a significant effect on how energy is used in our province. It also proposes to use conservation, energy efficiency and fuel switching to reduce the use of fossil fuels such as oil, gasoline and natural gas and increase the use of clean electricity and clean fuels.

The *Climate Change Action Plan* will play a key role in the development of the 2017 LTEP, as it intends to share many of the same goals. The OPO incorporates the commitments and targets for 2020 set out in the *Climate Change Action Plan*. In addition, the proceeds from the cap and trade auctions will be used to fund programs that reduce energy use and greenhouse gas (GHG) emissions.

Ontario has already set high standards for building and sustaining a clean, affordable and modern electricity system. In 2014, the province completed the single-largest climate change initiative in North America by completely eliminating coal-fired electricity generation. GHG emissions from Ontario's electricity sector have fallen by 80% since 2005.

Towards a Broader Energy Focus

Three-quarters of the energy used by Ontarians comes from fossil fuels such as oil, natural gas, and their derivatives. Natural gas, for instance, is commonly used to heat water, homes and buildings in the commercial and industrial sectors. Products derived from crude oil, such as gasoline, diesel and jet fuel, are widely used to fuel cars, trucks, buses and planes.

Simply put, residents of Ontario rely on oil and natural gas to support their basic needs for heat and transportation. So any LTEP needs to take account of how these fossil fuels are used. Ontario produces very little of the oil and natural gas it uses. Almost all of it is delivered from outside the province by interprovincial and international pipelines that are under federal jurisdiction and regulated by the National Energy Board. Previous provincial governments have not focused on oil and natural gas the way they have on the electricity produced in the province.

That began to change in 2013. That was when Ontario, through the 2013 LTEP, established a set of principles the government would use to evaluate oil and natural gas pipeline projects. It also committed, where cost-effective, to put *Conservation First* in the planning processes for both electricity and natural gas before building new energy infrastructure.

This increased attention received new urgency with the government's *Climate Change Action Plan*, and its enabling legislation, the *Climate Change Mitigation and Low-Carbon Economy Act, 2016*. In light of the province's emission reduction goals, the 2017 LTEP should take a broader view of the province's energy needs and consider how the uses of electricity and fossil fuels influence each other. For example, because Ontario's electricity supply is largely emissions free, commitments in the *Climate Change Action Plan* foresee a switch from conventional fossil fuels to the use of electricity for heating and cooling buildings and powering transportation. In addition, electric vehicles are becoming a more prominent focus of this discussion.

Work is also underway to add a certain amount of renewable natural gas (RNG) from landfills, sewage treatment plants and agricultural operations to the province's natural gas supply. This would ensure a cleaner and more efficient use of our existing natural gas pipelines. In the future, it may become more economical to produce hydrogen or synthetic natural gas from clean electricity.

The changes sparked by climate change will affect all aspects of energy demand, and will require the government to take an integrated approach to planning for the transition to a low-carbon economy.

3. ONTARIO'S ENERGY MIX AT THE END OF 2015

Electricity Supply

Ontario produced 160 Terawatt-hours (TWh) of electricity in 2015.

That electricity does not come from any one type of generation. The province relies on a diverse number of sources to give it a secure and reliable supply of electricity. Nuclear, natural gas and renewable generation, such as hydroelectric, wind, solar and bioenergy, all produce the electricity Ontarians rely on.