



SOCIETY *of*
UNITED PROFESSIONALS
IFPTE 160

ENERGY PLANNING FRAMEWORK CONSULTATION

SUBMITTED TO:

**THE MINISTRY OF ENERGY, NORTHERN
DEVELOPMENT AND MINES**

SUBMITTED BY:

THE SOCIETY OF UNITED PROFESSIONALS

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INTRODUCTION

The Society of United Professionals (“Society”) is the union of choice for more than 8,700 Ontario engineers, scientists, supervisors, accountants and other professionals. Most Society members work in Ontario’s energy system, including in energy generation, distribution and regulation, as well as within the system’s supply chain. Members’ employers include Ontario Power Generation, Hydro One, Bruce Power, Independent Electricity System Operator, Ontario Energy Board, Toronto Hydro and BWXT among others. The Society is a democratic and nonpartisan organization that has advocated for evidence-based energy policy since its founding in 1944.

The Society welcomes the Ministry of Energy, Northern Development and Mines’ (MENDM) Long-term Energy Planning Framework Review. As the knowledge workers that develop and apply energy system policies based on the province’s energy laws, plans, regulations and directives, Society members have experienced the shortcomings of past and present processes firsthand. It is our fervent belief that the province can and must do better long-term planning in order for Ontario’s energy system to meet the province’s needs for generations to come.

Through the IESO, the province has access to world-class technical expertise in electricity system planning. Yet the current long-term planning framework hampers IESO experts’ ability to plan the most effective energy system. The Society recognizes that the government is ultimately accountable to Ontarians for shortcomings in long-term energy planning and that this can lead governments to intervene in decision-making processes. However, the long-term success of Ontario’s energy system depends on governments of all stripes exercising discipline. If technical planning decisions are turned into political decisions the reliability and affordability of Ontario’s electricity system could be jeopardized.

Poor planning has been the greatest threat to Ontario’s energy system over the past 50 years because it leads to misaligned procurement, rising costs, unbearable risks to government, and finally political intervention. Forecasting errors of the 1970s led to over-procurement. The move to a market-based system saw brownouts from under-procurement in the 2000s. An ideological approach to green energy combined with declining and then stagnant demand growth saw costs skyrocket in the 2010s. Today, Ontario is under-procuring supply and returning to higher emission generation sources in response to the financial costs endured by ratepayers over the previous decade.

Ensuring these mistakes are not repeated yet again requires a government with the foresight to reform long-term energy planning and the discipline to allow the improved process to unfold without undue politicization. A technically sound planning regime will take time but it will also produce the best results for the province and ratepayers, as well as reduce political risks to the government of the day. In that spirit, the Society urges the government to empower its technical experts to plan the most effective energy system according to the government’s mandate.

In a letter to stakeholders dated January 28, 2021, the Minister of Energy, Northern Development and Mines provided a list of questions regarding the new framework. Given our members’ experience, this submission will address the questions posed by MENDM.



QUESTION 1:

HOW CAN WE PROMOTE TRANSPARENCY, ACCOUNTABILITY AND EFFECTIVENESS OF ENERGY PLANNING AND DECISION-MAKING UNDER A NEW PLANNING FRAMEWORK?

A transparent planning framework begins with a process that clearly articulates the government's energy policies for the public to review and scrutinize. These policies should address in broad parameters how considerations such as cost, reliability, environmental sustainability and economic development should be weighed against one another by IESO. Intentionally broad policies provide the experts at IESO with as much leeway as possible to develop options that meet the government's objectives as effectively and efficiently as possible. Additionally, the government should set key success factors that can be used to evaluate the efficacy of the plan once it is implemented. This would lead to the OEB undertaking a rigorous public process using its expertise combined with public input to recommend a final plan to the government. This public process of identifying and recommending policy options to the government allows the public to see and scrutinize any gaps between expert advice and political decisions.

The elements outlined above will support a technically effective process. However, one of the shortcomings of recent long-term planning initiatives has been timeliness. The Society believes that minimizing oral presentations and largely relying on written submissions for OEB hearings on IESO policy options could reduce the time and resources required in past OEB processes that largely relied on lengthy in-person hearings. Written submissions could be supplemented by focused in-person hearings that only address predetermined major policy questions arising from the options presented by IESO.

Historically, the Society has been critical of Ministers' use of directives to supersede long-term energy plans. Though the Society sees the need to maintain Ministers' power to intervene in certain circumstances, ministerial directives tend to undermine openness, transparency and accountability within the system. MENDM should establish criteria for the appropriate use of ministerial directives to enhance openness and transparency and enable the public to hold the Minister accountable when they do use a directive in place of the standard process.

QUESTION 2:

WHAT OVERARCHING GOALS AND OBJECTIVES SHOULD BE RECOGNIZED IN A RENEWED PLANNING FRAMEWORK?

The goals and objectives of a new planning framework should be to:

1. Produce evidence-based plans that look sufficiently far into the future to allow technical planners to evaluate the best supply alternatives and avoid limiting available supply options for meeting Ontario's long-term energy needs;
2. Provide predictability to the energy sector, thereby enabling the sector to achieve the government's plan; and



3. Develop long-term energy plans in an open and transparent process that empowers citizens and interested parties to subject the Ontario's energy policy options and their underlying assumptions to rigorous analysis and in so doing establishes social license for Ontario's energy future.

QUESTION 3:

WHAT RESPECTIVE ROLES SHOULD EACH OF THE GOVERNMENT, IESO, AND THE OEB HOLD IN ENERGY DECISION-MAKING AND LONG-TERM PLANNING?

The Society proposes the following key roles:

GOVERNMENT

- Receives results of OEB public and stakeholder consultation on broad policy parameters and key success factors for a new long-term energy plan;
- Sets broad policy parameters for the forthcoming long-term energy plan that address issues such as system cost, reliability, environmental sustainability and economic development, including the relative importance to the government of each;
- Receives a recommended long-term energy plan based on IESO's policy options and OEB's recommendations, and approves the final plan; and
- Sets criteria for using ministerial directives with the intention of using them sparingly and within the spirit of the long-term energy plan to maintain openness, transparency and predictability for the sector.

IESO

- Provides OEB a range of policy options that meet the government's broad policy parameters and key success factors;
- Develops and publishes multiple scenarios for Ontario energy demand and supply based on the government's broad policy parameters, OEB recommendations, as well as factors such as expert research in the field, the impact of relevant jurisdictions' policies, and market forces;
- Publishes recommendations to the government on major procurement decisions to meet Ontario's long-term energy needs;
- Conducts procurement for small- and medium-sized projects required to implement the long-term energy plan; and



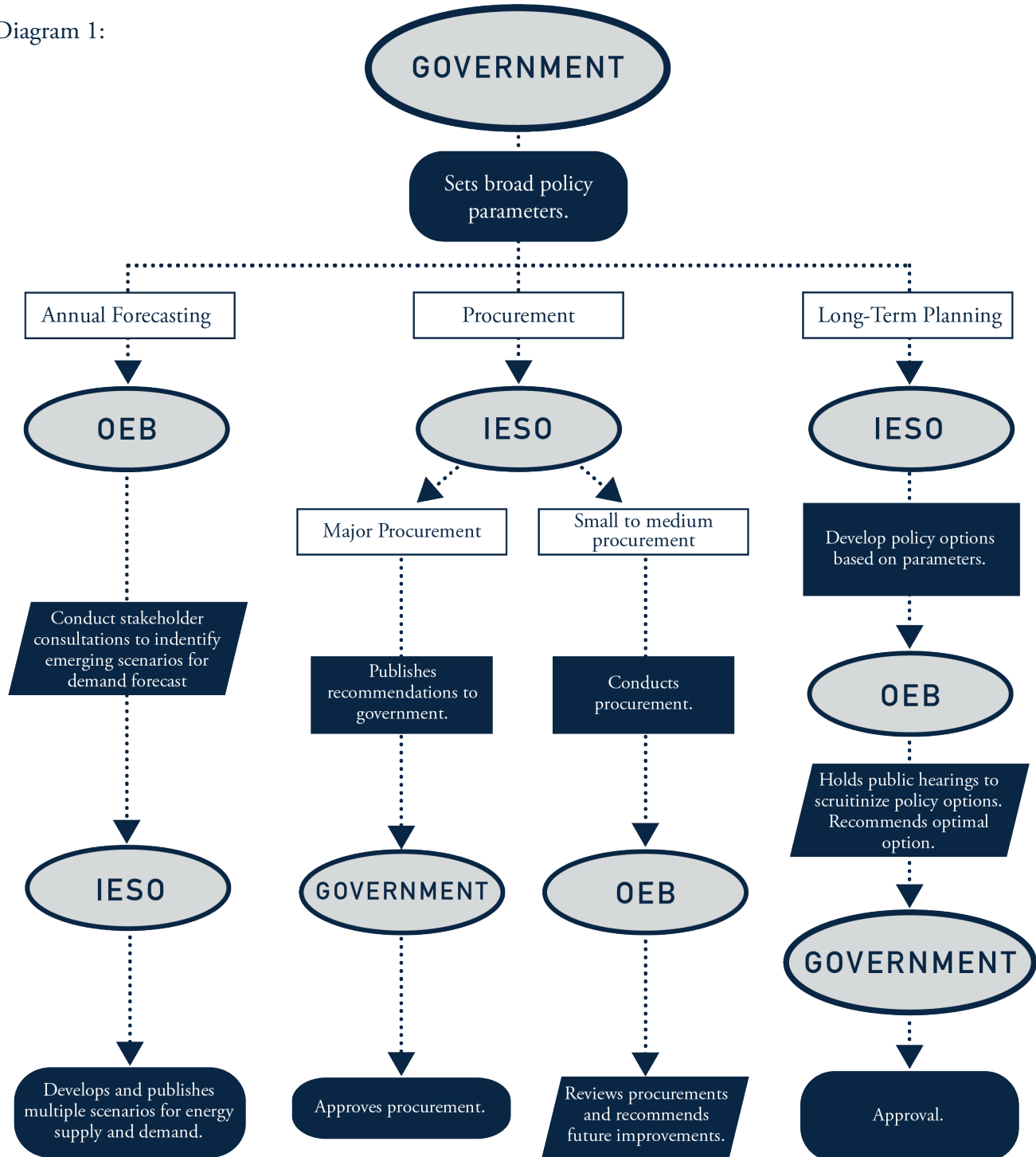
- Seeks OEB approval for small- and medium-sized procurement projects that are beyond the scope of the long-term energy plan.

O E B

- Holds public and stakeholder consultation on broad policy parameters for forthcoming long-term energy plan and provides the results of the consultation to government;
- At OEB discretion, holds public hearings and/or consultations to scrutinize the policy options developed by IESO; and
- Through stakeholder consultation, identifies emerging scenarios IESO should consider in demand forecasts.
- Given the policy options provided by IESO and information gleaned through public hearings, OEB recommends the optimal policy choices for achieving the government's broad policy parameters
- Post-hoc review of IESO small- and medium-sized procurements, and makes recommendations to improve future procurement processes; and
- Approves IESO procurement that is not approved within long-term energy plan.

ENERGY DECISION-MAKING AND LONG TERM PLANNING ROLES

Diagram 1:





QUESTION 4:

WHAT KINDS OF DECISIONS SHOULD BE MADE BY TECHNICAL PLANNERS AT THE IESO AND OEB AS REGULATORS?

Technical planners at IESO and OEB should be given broad discretion to conduct research and publish their work and recommendations to the government.

Regulators at the OEB should decide, based on consultation with the public and stakeholders, which alternative scenarios for energy supply and demand the IESO should consider in its long-term forecasting. These scenarios would include, but are not limited to, issues that emerge from new research in the field, direct and indirect impacts of other jurisdiction's policies, as well as general market forces.

Working within the policy parameters set forth by the government, and using forecast scenarios recommended by the OEB, technical planners at the IESO should be empowered to make decisions on the optimal supply mix and procurement options to meet the province's long-term energy needs. While major procurement decisions would require government approval, IESO should be able to make final procurement decisions on small- and medium- sized projects consistent with the long-term energy plan. These procurements would be reviewed post-hoc by OEB; OEB would publish recommendations to improve future procurements. Should the need arise for small- and medium-sized procurements that are not contemplated by the long-term energy plan, IESO would seek OEB approval prior to conducting the procurements.

QUESTION 5:

WHAT KINDS OF DECISIONS SHOULD REQUIRE GOVERNMENT DIRECTION OR APPROVAL?

The government should provide direction to long-term energy plans at the outset of the process through the broad parameters discussed above. Once the process of developing a recommended plan is complete, government should review and approve the final plan.

Additionally, the Society believes the government should provide direction and approval on major procurement decisions. These decisions should be made with the benefit of IESO's advice and recommendation. Major procurement decisions, such as building or refurbishing a nuclear generating station, have such extraordinary implications on the energy system, government accounts and provincial economic development that the government must provide approval in order to proceed.



QUESTION 6:

ARE THERE GAPS IN THE IESO AND THE OEB'S MANDATES AND OBJECTIVES THAT LIMIT THEIR ABILITY TO EFFECTIVELY LEAD LONG-TERM PLANNING?

IESO and OEB long-term planning efforts are hampered by narrow mandates. IESO and OEB should be granted broader responsibility to model and evaluate projections for energy supply and demand based on the government's broad policy parameters as well as external factors such as impacts of other jurisdictions' policies and market forces as well as emerging trends and technological changes. Further, these agencies should be required to publish their models to allow for the public and interested parties to scrutinize and comment on the assumptions that underlie the models that will shape Ontario's energy system.

Given the long lead time in procuring new generation, in order to match supply to demand in the long-run, the IESO needs the ability to forecast and plan for a variety of scenarios. Consider, for example, the long-term impacts of electrification. The most recent IESO Annual Planning Outlook assumes a modest adoption of electric vehicles over the next 20 years. While this forecast may be an accurate assessment based on current government policy, it could expose the electricity system to significant long-term risk if it has underestimated electric vehicle adoption. Given other jurisdictions' policies and private market forces, the Society is confident that IESO would model scenarios with higher electric vehicle adoption if it had the mandate to do so.

Continuing to prevent IESO from forecasting and planning for multiple scenarios means that Ontario will have fewer options to address future electricity demand. For example, if the technical planners were to determine that an inflection point is on the horizon for electric vehicle adoption, Ontario would need to invest in new generation by 2025. If the province fails to identify such an inflection point and it does materialize, the government would be left with more expensive and more carbon-intensive options for energy generation than it would with effective long-term planning.

QUESTION 7:

SHOULD CERTAIN PLANNING PROCESSES OR DECISIONS BY THE IESO, THE OEB OR THE GOVERNMENT RECEIVE ADDITIONAL SCRUTINY, FOR EXAMPLE THROUGH LEGISLATIVE OVERSIGHT OR REVIEW BY AN EXPERT COMMITTEE?

The Society believes that IESO and OEB are the appropriate agencies to provide independent analysis and oversight of Ontario energy policy. While these roles can be exercised within the current legislative framework, the OEB would benefit from legislation that articulates a framework for holding hearings on long-term energy plans.

While legislation would assure an OEB-led review process, the greatest challenge facing energy sector oversight is many years of austerity. Budgets that fail to keep up with costs have resulted in fewer resources



to perform these agencies' vital tasks. To enhance oversight, the government should appropriately resource IESO and OEB.

QUESTION 8:

HOW OFTEN AND IN WHAT FORM SHOULD GOVERNMENT PROVIDE POLICY GUIDANCE AND DIRECTION TO FACILITATE EFFECTIVE LONG-TERM ENERGY PLANNING?

The Society believes that it is valuable to have a public reset of the energy system's policy parameters at consistent intervals rather than an annual or rolling plan. Therefore, the Society recommends that a new long-term energy plan should be approved every three years but would not object to intervals of up to five years. A three-year interval provides for an appropriate balance between the predictability the sector needs to advance the government's plan and adapting to emerging needs and issues. Ideally, the government would limit its guidance and direction to the beginning and final stages of long-term energy planning. As the plan is implemented, the government would provide oversight by measuring the success of the plan against the plan's key success factors.

Recognizing that circumstances do arise that may call for the government to provide guidance and direction at other points within the three-year cycle, the Society proposes the following principles to help the government decide when it is appropriate to intervene:

1. Guidance and direction should be given as sparingly as possible outside of the normal long-term planning cycle
2. Where necessary, guidance and direction beyond the normal planning cycle should reinforce the underlying principles of the long-term energy plan in place at the time
3. The government should only deviate from the principles of the long-term energy plan in place at the time due to urgent health and safety or system reliability and security issues.

The Society believes that the government has an active role to play in major procurement decisions, which can be taken at any time but ought to be consistent with the long-term energy plan.

All government guidance and direction should be available to the public along with the policy options and recommendations the government receives from IESO and OEB. This is an essential pillar of an open, transparent and accountable provincial energy system.



QUESTION 9:

HOW DO WE ENSURE EFFECTIVE AND MEANINGFUL INDIGENOUS PARTICIPATION IN ENERGY SECTOR DECISION-MAKING?

The Society strongly supports effective and meaningful Indigenous participation in energy sector decision-making. The Society believes OEB should be required to proactively solicit Indigenous communities' input on planning matters that may affect any Indigenous community's treaty and other rights. We encourage the government to proactively work with Indigenous communities to determine what an effective and meaningful process would look like to them, and to support their participation through intervenor funding.

Further, in recent years there has been a rise in Crown-Indigenous business partnerships for infrastructure on Indigenous lands. Ontario should consider this model of working with Indigenous communities to ensure they are full partners in procurement decisions. Genuine Crown-Indigenous partnerships are both intrinsically valuable and produce social license that is vital to the success of Ontario's energy sector.

CONCLUSION

Over decades and across governments of all stripes, Ontario has experienced the hazards of planning an energy system based on political ideology. This review is an opportunity to change course and harness the potential of Ontario's world-class technical experts. Through this submission, the Society urges the government to adopt a technically sound planning process that is led by broad government policy parameters, driven by technical experts, and through openness and transparency builds social license to sustain Ontario's energy system.

The Society thanks MENDM for conducting the Long-term Energy Planning Framework Review and hopes that our contributions help shape the next generation of energy planning in Ontario. We would be pleased to meet with the Ministry to discuss our submission.