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*Submitted via email*

Dear Ms. Thompson:

**Re: Long-Term Energy Planning Framework Consultations**

AMPCO is the voice of industrial power users in Ontario. Our mission is industrial electricity rates that are competitive and fair.

Attached are AMPCO's comments to the Ministry of Energy, Northern Development and Mines on its 2021 Long-Term Energy Planning Framework Consultations. AMPCO appreciates the opportunity to provide such feedback.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Colin Anderson'.

Colin Anderson  
President

## Long-Term Energy Planning Framework

### Submissions of the Association of Major Power Consumers in Ontario (AMPCO)

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#### EXECUTIVE SUMMARY

Ontario's Long-Term Energy Planning Framework is in need of attention.

Over the years, it evolved to become less of a planning exercise and more of a political one. It is entirely appropriate at this time to review the existing process and to overhaul it, as required, to arrive at something more effective, more efficient and more practical.

It is appropriate to start with a consideration of goals, since ultimately they will decide the entire direction of the exercise. There are a number of objects set out in Section 25.29 of the *Electricity Act* that pertain to LTEP. Reviewing, consolidating and summarizing those results in a much more simplified list:

- First, electricity must be reliable. All customers must be able to count on power being available when they need it.
- Second, it must be affordable. Because the greenest, most reliable system in the world is useless if customers can't afford it.
- And third, it must be sustainable. AMPCO's Member companies have been making improvements for decades in regard to sustainability. We expect the same of our electricity system.

As with any three-legged stool, when only two of its legs are intact, the stool falls over. In AMPCO's submission - that is where we are today, having neglected the principle of affordability in exclusive deference to sustainability in the recent past. Affordability needs to be the paramount consideration, going forward.

These goals set out our destination and prescribe *where* we are going. The following considerations speak to *how* we will get there:

- The point of this exercise is the achievement of a workable LTEP process that accomplishes the required goals while not being so onerous as to collapse under its own weight. That should be a constant beacon in designing this framework.
- There needs to be a general objective associated with Stakeholdering, the ability to participate and inclusiveness in a transparent process.
- We need clearly defined, complementary roles for the Government and its Agencies.
- Specific oversight mechanisms should be established to monitor both the development of policy direction as well as the implementation of that policy.
- And finally, metrics and a process need to be created that will permit an objective assessment of the success of the process in an after the fact evaluation, as well as at some appropriate mid-point. The mid-point review will allow for course corrections, in the event that shortcomings are identified.

AMPCO supports the Government's consultation on the 2021 Long-Term Energy Planning Framework (ERO#: 019-3007) and appreciates the opportunity to provide these comments.

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## INTRODUCTION

Ontario's electricity system is complex and always changing. AMPCO provides Ontario industries with effective advocacy on critical electricity policies, timely market analysis and expertise on regulatory matters that all affect their bottom line. We are the forum of choice for major power consumers who recognize that their business success depends on an affordable and reliable electricity system.

These are the submissions of the Association of Major Power Consumers in Ontario in relation to the Ministry of Energy, Northern Development & Mines' consultation on the 2021 Long-Term Energy Planning Framework (ERO#: 019-3007). AMPCO's Members are major power consumers, responsible for approximately 15 TWh or over 10% of annual total electricity demand in the province. A robust, efficient and affordable energy supply is critical to the success of their businesses, which is why AMPCO has an interest in this consultation.

Changes to the long-term energy planning process require careful consideration. The process does not simply set out a supply mix for electricity for the province. The output of the planning framework charts a course to establish the future of Ontario's energy system and the government's responsibility to maintain a reliable supply of clean, affordable electricity that benefits customers and supports the province's competitiveness. The process by which this takes place is as important as the content of the final product.

Also, while AMPCO understands that "energy" in Ontario is comprised of electricity, natural gas and petroleum, we have reserved our comments in this consultation to only address electricity issues.

AMPCO has summarized its key recommendations at the end of this submission. AMPCO appreciates the opportunity to provide feedback and looks forward to continued dialogue with the Ministry.

## PROCESS VERSUS CONTENT

This consultation is not a precursor to a new Long-Term Energy Plan (LTEP), as it has been in the past. It is not intended to be an opportunity for stakeholders to provide comprehensive, content-focused feedback on the actual Plan itself. Rather, AMPCO's understanding of the purpose of consulting at this stage is for Government to communicate the proposed objectives of refocusing the planning process and to invite individuals, organizations, and Indigenous partners to share ideas and perspectives with the Ministry. AMPCO views this consultation as an invitation to discuss the LTEP *process* rather than the LTEP itself. These comments have been provided with that in mind.

Having said that, while providing process-focused feedback one must ask oneself "How will this process work?" One of the key elements of this entire exercise is the achievement of a workable LTEP process that accomplishes the required goals and objectives while not being so onerous as to collapse under its own weight. That should be a beacon in designing this framework.

## GOALS AND OBJECTIVES

Under Section 25.29 of the current *Electricity Act, 1998*, a long-term energy plan may include goals and objectives respecting:

- the cost-effectiveness of energy supply and capacity, transmission and distribution;
- the reliability of energy supply and capacity, transmission and distribution, including resiliency to the effects of climate change;
- the prioritization of measures related to the conservation of energy or the management of energy demand;
- the use of cleaner energy sources and innovative and emerging technologies;
- air emissions from the energy sector, taking into account any projections respecting the emission of greenhouse gases developed with the assistance of the IESO;

- 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
- any other related matter the Minister determines should be addressed.

In AMPCO's submission none of these legislative objects is misplaced. However, they could be condensed into a shorter, more concise list. Any electricity system - and Ontario's is no exception - is something of a three-legged stool:

- First, electricity must be reliable. All customers must be able to count on power being available when they need it.
- Second, it must be affordable. Because the greenest, most reliable system in the world is useless if customers can't afford it.
- And third, it must be sustainable. AMPCO's Member companies have been making improvements for decades in regard to sustainability. We expect the same of our electricity system.

As with any three-legged stool, when only two of its legs are intact, the stool falls over. In AMPCO's submission - that is where Ontario is today, having neglected the principle of affordability in exclusive deference to sustainability over the last decade or so.

In regards to the sustainability objective, progress that has been made in the past in making Ontario's electricity system cleaner - specifically, the phase-out of coal-fired generation and the subsequent increase in renewables. These actions have served this objective well.

Additionally, Ontario has enjoyed relatively good reliability in its generation and delivery of electricity over the past number of years. However, this could be threatened in the years ahead as the Pickering Nuclear Generating Station is decommissioned and other contracted resources expire. Considerable and careful attention needs to be paid to maintaining reliability to avoid catastrophic situations that have plagued markets like Texas and California. AMPCO appreciates that the IESO recognizes this.

Finally, as we approach a period of forecasted capacity deficiency in Ontario, AMPCO strongly believes that in serving the goals of reliability and sustainability, we cannot forget that the system must also be cost-effective. In AMPCO's submission, it is now time to focus ensure that the goal of affordability does not get set aside.

In addition to the three core concepts of Reliability, Affordability and Sustainability, there should be a general goal associated with stakeholdering, ability to participate and inclusiveness in a transparent process.

**Recommendation #1: Goals of the LTEP process should focus on the provision of reliable, affordable and sustainable electricity to all customers.**

**Recommendation #2: Currently, affordability should be regarded as the paramount objective.**

**Recommendation #3: All customers impacted by this provision should have the capability of participating in an open, inclusive and transparent stakeholder process.**

## GOVERNANCE AND ROLES

This section sets out the existing roles of Government and its Agencies (the Independent Electricity System Operator and the Ontario Energy Board), and provides some opinion on their points of intersection and interaction. The roles and aspects of governance outlined here deal exclusively with the context of the long-term energy planning process, and are not intended to be comprehensive in nature.

In addition to the specific duties and mandates set out below, at all times, it is necessary for the Government, the IESO and the OEB to understand their respective roles and to do everything possible to publicly present a unified approach to long-term energy planning. Unnecessary duplication of stakeholder forums, stakeholder discussions or areas of perceived responsibility creates the illusion of a fractured sector

lacking consistency, and creates unnecessary effort and confusion for participants. Every effort should be made to achieve consistency and reduce (or eliminate) duplication.

#### A. The Role of Government:

Setting policy is the purview of government. Governments are democratically elected in order to give effect to the general views of its citizens and make decisions that serve those citizens' collective best interests. Almost universally, there will be competing objectives that mean policy decisions will be shaped by multiple considerations, weighted according to the interpretation of the particular members of government. Therefore, in setting policy, Government must consult with multiple stakeholders to understand those competing objectives and arrive at a reasonable means by which to assign weight to the various aspects that will be impacted by the policy being contemplated.

Practically speaking, in the case of a long-term energy planning process, goals dealing with reliability, affordability and sustainability must drive the setting of energy policy, with the balancing of those goals being informed by appropriate stakeholdering. Conducting that stakeholdering does not imply that Government is abdicating its decision rights in regard to overall policy direction - rather, stakeholdering is being used to inform its decisions. Discussions with its Agencies should form a part of the stakeholdering conducted by Government, as further detailed below.

Having said that policy setting is the purview of Government is a good start, but one also needs to consider how often that policy should be set. It must be revisited often enough to take into consideration major changes in critical inputs, but not so often as to be irresponsible since it is difficult to hit a moving target. Currently, LTEPs are contemplated every three years. This is probably a reasonable timeframe.

Once government has crafted policy, there should be a clear explanation of what that policy is, and why it was chosen, against what evaluative criteria or outcomes, so that



all stakeholders - public and private - understand the “rules of the road” and decisions can be de-risked against stable and thoughtful decision-making.

## B. The Role of the Independent Electricity System Operator (IESO)

Under the general category of long-term energy planning, the IESO currently has several objects under Section 6 of the *Electricity Act, 1998*. It has the statutory mandate to, among other things:

- “...engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario;”
- “...forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the short term, medium term and long term;” and
- “...conduct independent planning for electricity generation, demand management, conservation and transmission;”

In addition to these key objects, the IESO is also charged with the accountability to engage in activities relating to procurement contracting, the diversification of electricity supply sources (including the amounts of electricity to be produced from different sources), and promoting electricity conservation. In AMPCO’s submission, all of these objects and accountabilities cast the IESO in the role of expert advisor to Government in the area of long-term energy planning. This requires some additional clarification.

While it is true that Government retains the overall decision rights associated with energy policy, those rights must be informed by the expertise of the IESO in a number of critical areas. This creates a delicate interplay between Government and its Agent. While the Government sets policy, it is best served to pay close attention to the technical advice that is advanced by the IESO in the area of long-term energy planning so that the policy that ultimately emerges is firmly grounded in practicality and reason. Similarly, the IESO needs to understand and adhere to the established goals of the long-term energy planning framework without injecting its own biases into the process to

unreasonably influence the outcome. The IESO is a policy process participant; it does not drive the policy process - that is the unalienable role of government. Deferring this foundational responsibility creates confusion for all parties involved.

For additional clarity, specific IESO recommendations leading to electricity procurement and system design decisions should require objective criteria, comparison of alternatives, cost benefit analyses, robust and open stakeholder and public participation processes, and a full consideration of economic impacts. Additional oversight will help to ensure that these elements exist and were adhered to (see THE NEED FOR OVERSIGHT below).

### C. The Role of the Ontario Energy Board (OEB or the Board)

The Ontario Energy Board is an independent regulatory body that makes decisions and provides advice to the government in order to contribute to a sustainable, reliable energy sector and to help consumers get value from their natural gas and electricity services. There is much that can be unpacked from this mandate statement as it relates to long-term energy planning:

- The Board is independent. Notwithstanding its agency relationship with Government, the OEB must maintain an independent stance, approaching all issues with an objective focus. Appropriate balancing of customer objectives against the maintenance of a financially viable industry is necessary.
- The Board is an economic regulator. Many believe that regulation exists simply as a proxy for competition. More properly stated, economic regulators are responsible for ensuring that infrastructure services are delivered efficiently, where competition on its own is unable to achieve this outcome. Accordingly, within the context of a long-term energy plan, a regulator needs to be aware of the impact that a proposed supply mix might have on competition and electricity pricing, and to provide such guidance to Government. The Regulator's guidance should evaluate the weighting that has been applied to the goals and objectives

of the exercise, and render an opinion as to its appropriateness and the level to which it achieves reasonable balance.

- The Board provides advice to Government. As already stated, the Government should rely on its agencies for expert advice. In this case, the OEB should principally act as a guardian for ratepayers in considering the various policy choices that may exist. Long-term planning options and resource adequacy decisions will make assumptions about supply mixes, transmission and distribution infrastructure requirements, conservation and demand management. The Board must understand the impacts these activities will have on the system and on customers, who pay the bills.
- The Board supports sustainability and reliability. Two of the three legs of the electricity supply stool, these are table stakes. However, they must be carefully balanced with the third leg - affordability. See below.
- The Board supports consumers achieving value. Affordability and the achievement of value are not synonymous. Value creation means many things to many people. To some it may mean incremental service offerings. To others it may mean à la carte options on a bill, while others still may consider it to mean choices regarding supply options, reliability levels or payment options. None of these speaks to costs. While AMPCO has no doubt that all of these choices (and many others) represent some amount of value to some consumers, AMPCO Members are much more concerned with their costs (and with reducing those costs) than they are with these other choices. For this reason, AMPCO disagrees with the broadening of an objective specifically focussing on “affordability” or “cost reduction” to one of “value creation”. Cost reduction is specific - it requires the number at the bottom of the bill to get smaller, not bigger. Value creation, on the other hand, may not impact costs at all or may allow for cost increases in the belief that the benefit associated with the increase outweighs the cost. AMPCO submits that changes resulting from such increases in value should not be imposed upon those who have a strict cost focus. If the changes associated with long-term energy planning are uneconomic, then perhaps they

should be reconsidered at a point in time when they can demonstrate that they are economic.

**Recommendation #4: Setting policy should be the purview of Government. In setting policy, Government must consult with multiple stakeholders to understand competing objectives and arrive at a reasonable means by which to assign weight to the various aspects that will be impacted by the policy being contemplated.**

**Recommendation #5: The IESO should act in the role of a technical subject matter expert to Government in policy consultations. It should execute the directives given to it by Government in order to implement policy.**

**Recommendation #6: The Board must be independent and act in the public interest in all matters dealing with LTEP framework. The OEB should act in the role of a regulatory subject matter expert to Government in policy consultations. It should execute the directives given to it by Government in order to implement policy.**

**Recommendation #7: Every effort should be made by Government and its Agencies to achieve consistency and reduce (or eliminate) duplication.**

## THE NEED FOR OVERSIGHT

A long-term planning process is an important part of the province's overall energy considerations. The results of that process will resonate within the sector for many years, providing benefits and creating costs. It is critical to get it right. For this reason, it seems appropriate to consider some form of oversight within the process.

Currently, there is little oversight within the LTEP process. Government sets direction and then actions are executed by agencies or Government itself that are intended to carry out that direction. At no time is there an opportunity to reflect on the direction itself, or on the actions that give effect to the direction.

As part of the reformation of the LTEP process, some degree of oversight needs to be integrated, but when is oversight required and what form should it take? In AMPCO's submission, oversight should be considered at two main points in the process:

1. Oversight of Government policy direction should be accomplished through either legislative oversight - such as that for a provincial Budget - or by an expert committee. In the interests of transparency, the review that is undertaken must be subjected to public disclosure and participation.
2. Oversight of the execution of policy direction could be carried out by the OEB in a situation where IESO actions were deemed to require oversight, in much the same way as the Federal Energy Regulatory Commission (FERC) in the US oversees the actions of its system operators in certain matters. In some ways, this can be seen to bifurcate the functions of the OEB into "Operations", which would be responsible for providing regulatory advice to Government and receiving Directives, and "Adjudicative" which would act in an oversight capacity on the execution / implementation of policy. This OEB oversight process would require careful design so as not to re-evaluate the policy itself, nor to recreate a successor to an "Integrated Power System Plan" whose usefulness was far outweighed by its required effort and excessive scope.

**Recommendation #8: Specific oversight mechanisms should be established to monitor both the development of policy direction as well as the implementation of that policy.**

## POLICY GUIDANCE

We have already established that Government is responsible for policy guidance, but there are a number of questions that arise in regard to how that guidance is given. The form of the direction, the frequency/timing of the direction and the level of detail included are all considerations in framing an LTEP process.

AMPCO does not plan on providing specific recommendations on these questions since that is better determined by Government. Rather, some general guidance is advanced:

- Disclosure of policy direction to the public can be at the discretion of Government in regard to form and frequency - the current minimum three-year requirement is reasonable.
- Policy direction to agencies should be in the form of Directives, where possible and permitted by existing legislation.
- Policy should not change frequently. It is expected that policy guidance would be issued once or twice per mandate. This is subject to the need for policy course corrections (see METRICS AND RESULTS section below).
- In terms of level of detail, a policy is essentially a statement of intent. It is a deliberate system of principles used to guide decisions and achieve rational outcomes. For this reason, policy should specify direction and intent without being prescriptive as to how that intent should be achieved. Details are better left to execution.

## TRANSPARENCY, COORDINATION AND CONSISTENCY

This section provides some general advice to government on how it should communicate and conduct its business as part of the LTEP process.

Throughout this submission, the term “Government” is used as a cohesive expression for the entire governing body. It encompasses various Ministries, political individuals, bureaucrats, Cabinet, Premier’s Office, etc. Obviously, all of these constituents do not always agree or move in lockstep. To the extent possible, “Government” should attempt to broadcast consensus opinions to the public and to stakeholders. AMPCO recognizes the difficulty associated with this, but feels that such an effort would be helpful in advancing consistency.

As much as possible, communications to agencies or others should be publicly available. The LTEP process impacts all Ontarians and as such should be as open as possible.

As already referenced in the section entitled GOVERNANCE AND ROLES, coordination and consistency amongst the various players in this process is essential. Government, the IESO and the OEB must all act in a way that consistently advances the goals of the process and duplication of effort must be avoided.

## METRICS AND RESULTS

Whether or not the process that is designed actually satisfies the goals and objectives that were developed up front needs to be assessed. For this reason, as part of the construction of the overall framework, metrics should be established that will permit an objective assessment of the success of the process. In fact, at least two separate evaluations should be conducted; one at the conclusion of the process, to assess overall success, and one partway through the process to evaluate progress, reconfirm the selected direction and to determine the likelihood of achievement of the stated goals and objectives.

This approach will allow for an after the fact evaluation to be conducted of the entire framework, but it will also provide an opportunity at some midway point for course correction in the event that shortcomings to the process are identified, and changes are required to ensure that goals and objectives are likely to be met.

Development of these metrics should likely be integrated into the policy oversight function, meaning that the entities responsible for overseeing policy formation should also develop measures to evaluate whether success (in both policy direction and execution) has been achieved, with appropriate stakeholder input.

**Recommendation #9: Metrics and a process should be established that will permit an objective assessment of the success of the LTEP process in an after the fact evaluation.**

**Recommendation #10: Metrics and a process should be established that will permit an objective assessment of the LTEP process at some appropriate mid-point. This will permit for course corrections, in the event that shortcomings to the process are identified.**



## SUMMARY OF AMPCO KEY RECOMMENDATIONS

Recommendation #1: Goals of the LTEP process should focus on the provision of reliable, affordable and sustainable electricity to all customers.

Recommendation #2: Currently, affordability should be regarded as the paramount objective.

Recommendation #3: All customers impacted by this provision should have the capability of participating in an open, inclusive and transparent stakeholder process.

Recommendation #4: Setting policy should be the purview of Government. In setting policy, Government must consult with multiple stakeholders to understand competing objectives and arrive at a reasonable means by which to assign weight to the various aspects that will be impacted by the policy being contemplated.

Recommendation #5: The IESO should act in the role of a technical subject matter expert to Government in policy consultations. It should execute the directives given to it by Government in order to implement policy.

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