

PROPOSAL

# Long Term Regional Energy Planning Proposal

SUBMITTED BY:

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Electric Concepts  
(CHEC)

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## Introduction and Summary

The electricity distributor members of Cornerstone Hydro-electric Concepts Inc. (“CHEC”) note the following key statements put forward as guidance by the Ministry of Energy, Northern Development and Mines (“MENDM”), in its letter of January 28, 2021 soliciting feedback on Ontario’s long-term energy planning framework:

- “..commitment to promote transparency, accountability, and effectiveness of energy planning and decision-making in order to increase investment certainty and to ensure the interests of ratepayers are protected.”
- “A desired outcome of the new planning framework would be to empower expert technical planners, such as Independent Electricity System Operator (“IESO”), to plan the most reliable and cost-effective system.”
- “..whether the IESO and Ontario Energy Board (“OEB”) have the appropriate mandates and authorities to undertake the expanded planning and resource acquisition role. This could include the development of a new approval process for certain types of policy-driven decisions.”
- “This new framework, with your support, will ensure that future decisions are made with an eye to cost, and in the best interest of Ontario’s electricity customers.”
- “..is committed to building a transparent long-term energy planning framework that is free from political interference and prioritizes Ontario’s energy consumers.”

The MENDM’s letter is an opportunity to revisit the Long Term Energy Planning (“LTEP”) framework with a fresh perspective. CHEC appreciates the candor and openness of the MENDM. The openness to change that the MENDM is showing in this consultation is further bolstered by the changes currently being undertaken at the OEB through its modernization initiatives. CHEC sees these two actions of modernization as foundational to the implementation of an LTEP framework that is free from political interference, transparent, uses the available technical expertise, and delivers a cost-effective process.

CHEC’s proposed new Long Term Regional Energy Planning framework (“LTREP”), developed with the assistance of Utilis Consulting Inc., is founded on a framework that assigns decision-making authority to the appropriate entity and delivers a framework that is simplified such that every Ontarian can understand it. To achieve these goals, CHEC is proposing Ontario’s energy plan be built upon individual regional energy plans that represent Ontario’s planning regions from the ground-up, rather than solely relying on a centralized provincial plan pushed from the top-down. By recognizing the importance of planning across individual regions, the LTREP will better represent the uniqueness of each municipality, have a closer tie to each municipalities’ energy plan, facilitate quicker adoption of emerging energy solutions, and better hold municipalities accountable to their energy plans.

CHEC believes Ontario has the fundamental pieces required to oversee and manage the Province’s energy sector via the MENDM, the IESO and the OEB. The establishment of new or additional governance entities, such as legislative committees or additional government agencies, is unlikely to bring additional strengths these organizations do not already have between them, and risks the creation of unnecessary process and bureaucracy. However, and as indicated in the MENDM’s consultation questions, there is always room for improvement. CHEC’s recommendations to establish a LTREP are

predicated on each of these three organizations receiving clarified roles, responsibilities and accountabilities, with the goal of focusing each organization on its core strengths.

Further to the MENDM's stated goal of improved transparency in energy planning and decision-making, CHEC encourages the MENDM to publicly post all submissions received in the course of this consultation.

CHEC is a collaborative association of 16 Local Distribution Companies in Ontario. Members include Centre Wellington Hydro, EARTH Power Corp., Fort Frances Power, Greater Sudbury Hydro, Grimsby Power, InnPower, Lakefront Utilities, Lakeland Power, Niagara-on-the-Lake Hydro, Orangeville Hydro, Ottawa River Power, Renfrew Hydro, Rideau St. Lawrence Distribution, Tillsonburg Hydro, Wasaga Distribution, and Wellington North Power.

## A Long Term Regional Energy Planning Framework

### Process and Structure

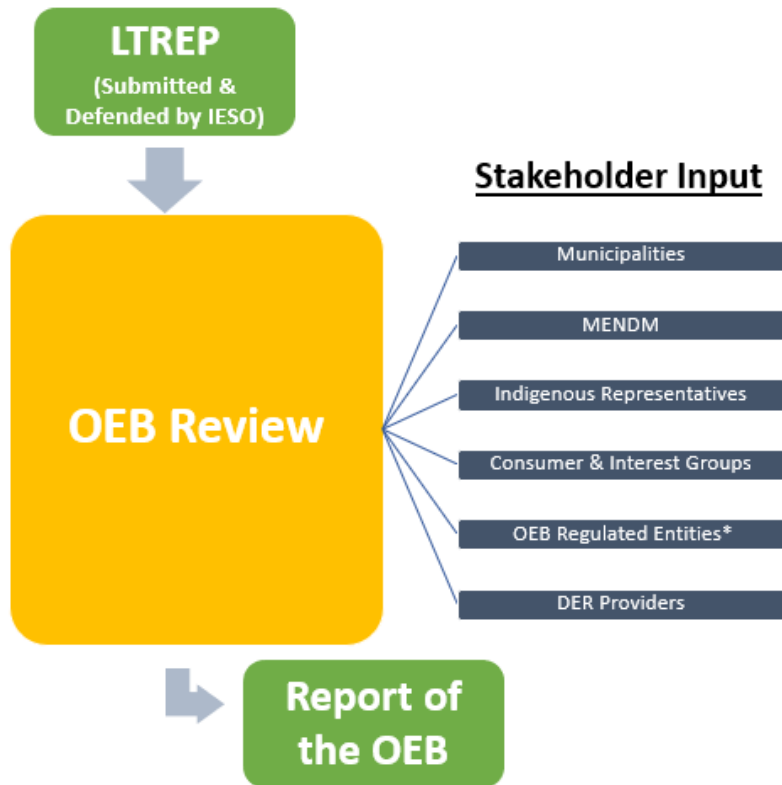
CHEC believes a LTREP can be achieved via the following high-level process and structure:

1. The Government of Ontario, MENDM should start the LTREP process by providing a mandate letter that sets out its goals and objectives for Ontario's energy policy. For clarity, the goals and objectives should be strategic in nature, or metric based outcomes, but not prescriptive actions. The MENDM mandate letter should also set out a timeline for the completion of the LTREP. It shouldn't let the process be conducted without a time-limit. Any prescriptive actions outlined in the LTREP, should arise from the development of the LTREP.
2. The LTREP should provide for an overall view of Ontario's long-term energy plan, but be built up from individual regional long-term energy plans. CHEC proposes the individual geographical regions be defined as those set out in the IESO's regional planning model.
3. The IESO should be made accountable to facilitate and develop the individual regional long-term energy plans and produce the consolidated LTREP.
4. The regional long-term energy plans should require verification that Regional Municipalities have been consulted in the planning phase, and that the LTREP is consistent with the Municipal Energy Plans within each planning region.
5. The completed LTREP should undergo a transparent public review and consultation process conducted by the OEB. The OEB's transparent processes provide for the appropriate testing and expert review of the LTREP. The OEB processes allow for all voices to be heard, for evidence to be tested, and for decisions to be made with clear reasons.
6. The final, approved LTREP should set out actions for the Ontario government, OEB and IESO, to review and implement.

Figure 1: LTREP Creation Led by IESO



Figure 2: LTREP Review Led by OEB



\*Electricity generators, transmitters, distributors; gas transportation, distribution, storage; energy retailers; unit sub-metering providers; etc.

## Regionally Approved Plans with Independent Review Make for a Stronger LTREP

A key element for the success of any Ontario long-term energy plan is the inclusion and acceptance of the diversity that exists across the Province; specifically, the diversity amongst municipalities. A regionally developed LTREP will deliver buy-in across Ontario and drive accountability at the municipality, where implementation of the LTREP's actions can be appropriately monitored. The expected increase in constituent engagement should result in better decisions with more local buy-in.

Another key element for success of a long-term energy plan is identified in one of the key statements made in the MENDM letter; to minimize future political interference in the LTREP. To this end, CHEC gives credit to the MENDM for its awareness and willingness to tackle this challenging governance issue.

CHEC believes that the proposal to establish a regionally built-up LTREP will help minimize future political interference. A regionally based LTREP will be consistent with local action plans for energy, as opposed to a centrally dictated vision which may not take into account the individual circumstances of a given region. Future governments would be hard-pressed to challenge or change the will of Ontarians when exercised so locally and directly.

An additional and important step that will support the success of the final long-term energy plan is to mandate the OEB as the reviewer of the LTREP. A review of the LTREP by the OEB, after transparent consultation at a regional level, will provide the broader review of both the regional and overall LTREP, which will bring confidence to stakeholders that the LTREP is free of political interference, and provide a strong roadmap for Ontario's energy future. An additional benefit of an OEB review is the opportunity for recourse it grants Municipalities where required. To the degree a Municipality believes its regional needs were not adequately reflected in the LTREP, it would have the opportunity to intervene in the OEB's review of the LTREP to make those views known and seek appropriate modifications.

The OEB is a governance body that is not tied to either government or industry, and can act as an independent reviewer for the LTREP. While this approach leverages the OEB's strengths as an expert and transparent adjudicator, CHEC recommends a simplified process be implemented for this review given its scope. Such a process should be limited in its number of process steps, as well as the time taken to complete the entire process. One option to accomplish this would be to facilitate LTREP review through an OEB consultation, rather than an adjudicative application by the IESO. A consultation would allow for stakeholder involvement, discovery, and the testing of evidence, and could culminate in the issuance of a Report of the Ontario Energy Board regarding the LTREP. Should the Report of the Ontario Energy Board find material issues in need of address, the Ontario Energy Board could initiate a proceeding of its own motion to use an adjudicative process to hear those specific, ring-fenced issues. Beyond the improved efficiency of a consultative approach, a non-adjudicative review would also recognize that despite the importance of the LTREP, its review does not require the OEB to exercise its authority to approve just and reasonable rates. This approach or a similar one can bring transparency and the testing of evidence, without adopting the full weight of process required for applications currently heard before the OEB..

Finally, legislative controls being put in place to as best as possible implement self-governance will help the MENDM and future Ministries of Energy from becoming more prescriptive in the LTREP mandate letters than they should be. The Government can pursue legislation which establishes that the MENDM's LTREP mandate letters be limited to goals and objectives, rather than prescriptive actions or outcomes. The legislation can also set out that the MENDM will accept receipt of any findings and actions outlined in the final, approved LTREP.

## Reforming the Mandates of Existing Organizations

The main participating organizations in Ontario's energy planning and implementation are the MENDM, IESO and OEB. CHEC does not see a need to fundamentally alter the form or mandate of these organizations for the implementation of an efficient LTREP. A restructuring of the LTREP development process, and incremental change to each of these three entities' mandates, will provide ample improvements relative to current state. The adjustments that CHEC proposes are intended to provide improvements to the current planning process, which relies on the use of Ministerial directives and IESO procurements under long-term contracts.

The IESO has the technical expertise and is currently the gatekeeper of Ontario's electricity supply and demand procurement process. Mandating the IESO to produce the LTREP by facilitating development of individual regional plans, is a natural extended use of its expertise. While the IESO is the most capable and logical choice to create the LTREP, it is by definition an electricity-focused organization. In an ideal future state, the LTREP should encompass all energy sources in an integrated and comprehensive fashion. In the immediate future CHEC encourages the Government to focus on creating a process which is practical and attainable, with room for continuous improvement moving forward. The first iteration of an IESO-led LTREP could be primarily an electricity plan, with the requirement however that other energy sources (e.g. natural gas) and energy uses (e.g. transportation) be explicitly considered and planned for, within the context of the electricity system.

As discussed above, the OEB, as the economic regulator, has a well established and transparent review process to evaluate plans. To scope the OEB's work, the LTREP review could focus on the impact of the plan or procurement approach on objectives such as protecting the interests of consumers with respect to price and reliability, consistency with Government mandate letters and Municipal Energy Plans, and ensuring the resources to meet system needs are used in an economically efficient manner.

CHEC acknowledges that the enhanced roles this proposal would provide to the IESO and OEB would represent a new challenge for both organizations, and expects their respective capabilities and skillsets would require expansion in the coming years to achieve success.

## Focusing and Empowering Three Strong Organizations

As noted, CHEC's recommendations to establish a LTREP are predicated on each of these three organizations receiving clarified roles and accountabilities, with the goal of focusing each organization

on its core strengths in an expanded manner. The following section provides additional thoughts on how CHEC believes each organization should participate in the development of the LTREP:

### Ministry of Energy, Northern Development and Mines

The MENDM should be focused on the creation of democratically informed, high-level policy direction. OEB and IESO executives, commissioners and staff are not democratically selected, and cannot provide the democratic will of Ontarians in the manner that the MENDM can under the leadership of elected representatives. This policy direction should be clear by way of mandate letters, and should be focused on the goals and objectives of the government with respect to Ontario's energy sector.

The establishment of appropriately flexible policy direction in this manner need not become political interference in the energy sector. Rather, political interference occurs when an entity such as the MENDM or legislators themselves shift from high-level, principle-driven policies toward prescriptive, actively directed outcomes. The MENDM should not undertake detailed investigation or implementation of specific technologies, approaches or outcomes which could more effectively be completed by the technically proficient IESO. CHEC is encouraged that the actions of this Government, particularly in the establishment of this consultation, indicate sincere willingness to restore the MENDM and the legislature to a higher-level, principled role in Ontario's energy governance structure.

### Independent Electricity System Operator

The IESO should be focused on the creation of technically proficient and practically implementable plans and initiatives. No other entity can deliver the technical expertise that the IESO is capable of delivering, and the IESO as an entity should not be fettered by overly specific or prescriptive directives or solutions from the MENDM. It is difficult however to effectively oversee, review or challenge IESO outcomes as a result of this deep expertise, which results in a governance gap whereby some IESO outputs are effectively developed, approved and implemented, all within the walls of the IESO.

Perhaps a clear example of the strong IESO outputs without wide review or scrutiny is the recently completed auction for Capacity during the summer of 2021, which secured 992.1 megawatts (MW) of capacity at a final Ontario-wide clearing price of \$197.58/MW-day. While this may reflect an effective and well-executed outcome, it is difficult for the public to transparently ascertain given the current structure and mandate of the IESO. Another example of the IESO's strong capabilities with energy planning, but not appropriately addressing buy-in and approvals, can be found in their posting on the recently completed Integrated Regional Resource Plan – Toronto<sup>1</sup>. The key phrase for consideration in relation to the LTREP, is their statement that the Toronto Region's participation in the planning exercise will

*".. offer input for consideration into the recommendations that will be outlined in the IRRP."*

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<sup>1</sup> <https://www.ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Completed/Integrated-Regional-Resource-Plan-Toronto>



The IESO should be required to garner active involvement from the regional players when developing its plans, and should further be required to demonstrate that its regional plans are consistent with Municipal Energy Plans. Proficient as the IESO is in its core duties, the IESO has not been designed with transparency at its core. Certainly, the LTREP proposed by CHEC would benefit from some form of transparent review, and CHEC believes the OEB is in the best position to perform this function.

## Ontario Energy Board

The OEB should be focused on the review of applications and consultations, and the establishment of just and reasonable rates. No other entity combines technical and economic expertise specific to energy, as well as the regulatory principles and practices, that the OEB brings to bear. Not only is the OEB independent (and even more so on the creation of its new Board of Directors), it is inherently transparent in its operations through the publication of an evidentiary record. The OEB can be empowered to appropriately utilize this strength in additional areas requiring transparency and accountability, such as certain IESO initiatives (including the LTREP).

The above said, the OEB's overall effectiveness can be bolstered by improving OEB practices and procedures. For example, a small number of changes to OEB procedures such as more streamlined timelines, less expansive evidence requirements, and clearer guidelines for interested party interventions in applications will yield disproportionate improvements in effectiveness. CHEC is hopeful that the OEB's modernization initiatives and renewed leadership can make these and other improvements to its processes, and especially to its review of the LTREP. CHEC encourages the Government and the OEB to stay the course in current efforts.

## Conclusion

In conclusion, and in addition to the above detailing of CHEC's LTREP proposal, CHEC has answered the MENDM questions in Appendix A of this submission. CHEC thanks the MENDM for the openness of this consultation, and is pleased to provide this submission on a new path forward with Ontario's energy planning.

## Appendix A: CHEC Responses to Consultation Questions

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### **How can we promote transparency, accountability and effectiveness of energy planning and decision-making under a new planning framework?**

The objectives of transparency, accountability and effectiveness can best be achieved through refinement of the roles and responsibilities of the MENDM, IESO and OEB, and by more actively including regions in the development of energy plans. Effectiveness can be improved by focusing the MENDM and IESO on their core mandates, and in the case of the OEB by seeing through ongoing process and other improvements. Accountability and transparency can be improved by requiring that some IESO outputs require OEB review, and by ensuring that the MENDM issues policies for the IESO and OEB to implement, rather than directing specific outcomes itself via policy instruments. All three can be improved by taking a regional approach to energy planning; creating energy plans which are locally cognizant, consistent with Municipal Energy Plans, and more readily implementable in each region. One area where a tighter linkage between energy plans and Ontario's municipal regions can benefit and advance consumer interests is adoption of Distributed Energy Resources (DER). CHEC believes that its proposed LTREP approach can hasten the creation of a decentralized regional energy grid, which empowers Ontario's ratepayers.

### **What overarching goals and objectives should be recognized in a renewed planning framework?**

As outlined in this submission, a regional focus on energy planning should be a core goal and objective of a new planning framework. Adoptions of CHEC's approach to managing energy will demonstrate leadership and create a sustainable community whose energy future is efficient, secure, reliable, and environmentally progressive. It may be the case that many or all regions share core high-level goals or priorities, such as the maintenance of safe and reliable energy systems, cost management, and the reduction of greenhouse gas emissions. Despite such agreements, regions may differ substantially in their views with regards to the means to achieve these goals. These views may be informed based on the characteristics of the energy systems active in that region, the economic drivers and status of that region, or merely the democratic will of the populations residing in that region. There is ample room for a new LTREP approach to both set out high-level goals, and recognize that local regions can and should be empowered to decide on the means to achieve those goals.

### **What respective roles should each of the Government, IESO, and the OEB hold in energy decision-making and long-term planning?**

Each entity involved in energy planning should be empowered to focus on its core strengths through the assignment of clear accountability, and the active limitation of the exercise of authority outside of that entity's core strengths and mandate. The MENDM is led by elected representatives, and should provide high-level direction based on the collective will of Ontarians as expressed democratically. The IESO is a highly knowledgeable and capable planner, implementor, and operator of electricity systems and associated initiatives relevant to those systems. The OEB is a capable and independent regulator, whose public and adjudicative nature lends itself to credible, highly visible review and approval. Each entity will be better positioned to deliver on its core accountabilities if allowed the clarity and independence to do so.

## **Appendix A: CHEC Responses to Consultation Questions**

### **What kinds of decisions should be made by technical planners at the IESO and the OEB as regulators?**

The IESO is best positioned to create plans and recommend the path forward based on its technical expertise. However, despite its strengths, accountability and transparency can only be provided through external review. The OEB is best positioned to balance the public interest and review the recommendations of experts and applicants. While the OEB does not have the same level of technical capability as the IESO, it is ideally positioned to act as an overseer of certain IESO outputs, ensuring that the IESO's technical recommendations are in the public interest.

### **What types of decisions should require government direction or approval?**

The primary role of Government should be to deliver high-level policy and direction with respect to the Government's priorities, goals and objectives. This type of authority is best exercised on the front-end of policy development and implementation via direction to the IESO, the OEB and other entities as appropriate. Government should refrain from exercising authority on the back-end of initiatives by way of legislative or MENDM led approvals or reviews. Neither the legislature nor the MENDM has the technical expertise and capabilities of the IESO, nor the processes and transparency of the OEB. Once properly scoped and issued, policy directives should be left to the IESO and OEB to implement. Where review or approval is required, the OEB should be empowered to provide it given its core strengths as a reviewer and approver of highly complex matters.

### **Are there gaps in the IESO and the OEB's mandates and objectives that limit their ability to effectively lead long-term planning?**

While there are some gaps in the IESO and OEB's mandates, CHEC believes the recommendations of this submission can effectively fill those gaps. Specifically, one apparent gap is the active engagement of local and regional authorities. Regional authorities will ultimately be called to compliment or implement portions of IESO plans and any LTREP in one way shape or form, thus it is critical to ensure their alignment with the direction set out in these initiatives. A LTREP, which requires the active consultation of regional authorities and consistency with Municipal Energy Plans, would ensure that regional authorities are meaningful informed of the policies they are required to implement.

Another gap that can be identified is specific to the transparency and accountability of the IESO, which can be rectified by creating a more active link between the IESO and OEB. Implementation of the process CHEC has proposed between the OEB and IESO will better ensure Ontario's energy plan has been put forth with regional input reflecting different geographic needs, and will ensure that the technical recommendations of the IESO are also in the public interest.

### **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?**

CHEC believes its proposal increases the level of scrutiny across the entire LTREP development process. The requirement for the IESO to seek OEB review will provide stronger oversight than the legislature or

## **Appendix A: CHEC Responses to Consultation Questions**

an additional expert committee. As stated above, government and legislature are exclusively positioned to provide upfront policy guidance and direction to the Province's energy sector. However, due to the highly complex nature of the sector, these entities are not ideally positioned to act in a back-end oversight role, and the establishment of a separately appointed expert committee would be at best duplicative, and at worst political interference.

### **How often and in what form should government provide policy guidance and direction to facilitate effective long-term energy planning?**

CHEC agrees with the Government's decision to increase the flexibility of energy planning by removing a mandatory period. Providing for flexibility should enable better alignment of the LTREP with the planning cycles of the municipalities' community energy plans. It may well be that 4 years is an ideal timeline for review, but circumstances may change in or outside of government which necessitate alternative timelines, and government should be free to accommodate this. It also may be that an LTREP, as opposed to an LTEP, need not be assembled, reviewed and approved in its aggregate form. A LTREP could become an evolutionary document, with individual regions' energy plans being updated in concert with the development of municipal energy plans.

### **How do we ensure effective and meaningful Indigenous participation in energy sector decision-making?**

There are many opportunities for government to ensure this objective is met. One opportunity would be the inclusion of Indigenous leaders on the OEB and IESO's Boards of Directors. Another would be the establishment of an advisory committee, particularly in relation to IESO planning activities (as the OEB's intervenor process provides an ideal avenue for Indigenous communities in an advisory capacity). With respect to an IESO-led LTREP, specific address of Indigenous needs and perspectives would be a welcome inclusion.