

Submitted electronically to:

Ms. Rachel Thompson  
Policy Coordinator (Acting)  
Ministry of Energy, Northern Development and Mines, SNAP Division  
77 Grenville Street, 6th Floor  
Toronto, ON M7A 2C1

April 27, 2021

Dear Ms. Thompson,

**RE: Reforming the Long-Term Energy Planning Framework (ERO #019-3007)**

On behalf of Alectra Inc. (Alectra) and our municipal shareholders, we appreciate the opportunity to provide the following comments in response to the Ministry of Energy, Northern Development and Mines' (ENDM) proposal to refocus Ontario's long-term energy planning framework. Alectra supports the government's proposed objective to empower independent, agency-led planning that ensures the affordability, reliability, and cost-effectiveness of the energy system. We agree that customers are best served when the processes are transparent and evidence-based.

That said, the sector is diverse and there are often competing perspectives on how to fill a given energy need. Furthermore, the sector is evolving. Changing customer expectations and technological advancements are exposing old paradigms for their inefficiencies and biases. As the local distribution company (LDC) serving several of the province's largest and fastest-growing municipalities, Alectra has unique insight into the needs of the energy customer (residential and business) at the community level, and the needs of the system across the economic and geographic spectrum of the province. Our expertise is on-the-ground, customer-facing, and locally developed, guided by the experiences of our employees.

Our responses to the Guiding Questions which have been posed will reflect this expertise and we trust they will inform the Ministry's plans for reforming long-term energy planning in the province. An effective and accountable long-term energy planning framework in Ontario must work on both the macro and the micro levels. Alectra believes that by embracing the indisputable trends of Decarbonization, Decentralization, Democratization and Digitalization (the four "D's") driving our industry and being guided by the local priorities of our communities, we can make the system more effective and accountable to the customers we ultimately serve.

**Alectra Inc.**

2185 Derry Road West, Mississauga, ON L5N 7A6 | t 905 273 7425

[alectra.com](https://www.alectra.com)

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

For Alectra and many other businesses, the COVID-19 pandemic forced us to pivot quickly and rethink how we would continue to ensure the delivery of reliable power, while keeping our employees safe. But even while we were thrust into emergency operations mode for the majority of last year, the energy sector continued to evolve. Advancements in technology are giving customers greater autonomy and more choice. How customers create and use electricity is rapidly changing, and the implications go far beyond the utility sector.

The four “Ds” are forces that are impacting global trends and changing business environments. These forces have modified the behaviours of our society, especially during the pandemic.

**Decarbonization** is the increasing pressure for people and businesses to transition towards a low carbon economy through fuel switching and energy efficiency. Public concern is on the rise, and several of our municipal shareholders have declared climate change emergencies. Ontario’s grid is largely decarbonized. However, it is projected to become more carbon intensive in the coming years, particularly after the shutdown of Pickering Nuclear Generating Station (NGS). This projected increase in carbon intensity is at odds with the overwhelming consensus of municipalities. Alectra believes the government and agencies’ energy planning framework should reflect that consensus.

Energy supply is becoming increasingly **decentralized** as advancements in electricity generation and storage continue. As stewards of the distribution grid, Alectra and other LDCs will be the natural provider of the new kinds of energy solutions that customers are seeking, away from traditional centralized generation. Today, Ontario’s industrial and commercial businesses are exploring how to produce their own power to both reduce their electricity costs and improve reliability. They are shifting away from the traditional one-way power flow of the grid and are instead moving toward two-way flows from multiple distributed energy resources (DERs). One crucial objective of a renewed planning framework should be to establish a path for distributed resources (synonymous with decentralized in this context, e.g. solar and storage) to fulfill the incremental needs that arise when nuclear baseload starts to drop off in 2024-2025. As Ontario’s energy system and regulations are set up today, no small-scale solar or storage can participate directly in IESO-administered markets. The Federal Energy Regulatory Commission (FERC) recently addressed this exact issue in the U.S. system by approving Order 2222, which has the effect of leveling the playing field for emerging technologies and

enabling their participation.<sup>1</sup> In addition to enabling DER participation in the wholesale market through something like FERC 2222, establishing local electricity markets in key areas of need can be a practical and affordable tool to defer and avoid traditional investment on the grid.

**Democratization** is the phenomenon of customers increasingly demanding flexibility and choice. The costs of renewable energy and energy storage is declining,<sup>2</sup> while the cost of conventional centralized generation is rising. Through our direct interactions with customers, Alectra knows that they are acutely aware of these trends. Customers increasingly understand that they can increase reliability and lower their long-term energy costs by investing in on-site, or “behind-the-meter” (BTM) solutions – demand response (DR), generation, storage, or a combination of these. Another objective of a renewed planning framework should be to enact regulatory and market reforms that democratize BTM resource participation. This would benefit customers by maximizing the value of their investments; benefit the grid by reducing asset redundancy and increasing flexibility; and benefit ratepayers by protecting against mass grid defection and stranded assets. Enabling customer owned and sited assets to play an integral role in fulfilling Ontario’s future energy and capacity needs has the potential to create a more equitable and cost-efficient electricity sector.

Computing costs are also falling and allowing modern energy systems to become increasingly integrated through the process of **digitalization**. The rise and adoption of big data and internet-based applications are altering the habits of personal energy usage. They are also stimulating the rapid development of new business models for existing utilities, start-ups, and aggressive Big Tech firms who wish to participate in the electricity sector. Taken together, big data, analytics and behavioural modelling can create conditions for “hyper-personalized” energy products that serve every type of customer need.

The mega-trends of decarbonization, decentralization, democratization and digitalization are creating new challenges and forcing energy sector players to evolve faster than ever. Alectra, and the province of Ontario at large, needs to stay ahead of these changes by adapting to changing customer demand and technology advances. Alectra applauds the government’s move to create customer choice in rate optionality last year.

---

<sup>1</sup> <https://www.ferc.gov/news-events/news/ferc-opens-wholesale-markets-distributed-resources-landmark-action-breaks-down>

<sup>2</sup> Levelized Cost of Energy (LCOE) compares the cost of all the different types of energy generation. The metric and analysis is produced annually by leading financial advisory firm, Lazard, and is a recognized standard in the electricity industry: <https://www.lazard.com/media/451456/lcoe-lcos-2020-press-release.pdf>

We believe there is opportunity to go even further to create a suite of rate plans from which customers can choose to best fit their lifestyle. Done well, this could have system benefits, customer benefits and environmental benefits by shifting more consumption off peak, encouraging and rewarding EV adoption, and reducing pressure on Ontario's gas generators. The Government, the OEB and the IESO's roles collectively should be to enable the optimization and modernization of the existing grid while encouraging the growth of Made-in-Ontario solutions for current and emerging energy requirements. Together, these will lead to a better customer experience and build up an energy system that is sustainable, responsive to change, and supports our province's COVID-19 recovery.

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

Alectra supports the government's desire to see more transparent, accountable, and effective energy planning. Three conditions must be enshrined within the planning framework to realize these goals. First, the government should continue to engage meaningfully with sector stakeholders in advance of finalizing guiding policy or binding legislative and regulatory changes. Stakeholders possess a great deal of specialized knowledge and can provide valuable context that supports the better energy decisions. We have endeavoured to maintain continuity of service in the best interests of our customers and have heard from them first-hand about the importance of energy affordability, stability, and reliability. In our presentation to the Ministerial Advisory Council on Energy (E-MAC) in May 2020, Alectra highlighted the cost pressures of the Global Adjustment (GA) experienced acutely by small and medium-sized businesses. In response to this issue, the government's creation of the Comprehensive Electricity Plan (CEP) is a perfect example of how an engaged sector can support effective energy policy.

Second, supply and demand forecasts, and the assumptions and scenarios upon which they are based, should continue to be made public. Alectra applauds the IESO's efforts in developing, publishing, and thoroughly stakeholdering the Annual Planning Outlook (APO); we expect the same process will be followed for the forthcoming Annual Acquisition Report (AAR). These documents are relied upon by the sector for short and long-term business planning. Therefore, transparency toward distributors, generators, and other energy service providers is critical for us to understand how decisions are made and how they can be accommodated commercially. As we prepare for the retirement of Pickering NGS over the next five years, the IESO will increasingly look to existing and emerging resources to fill the gaps. Alectra strongly supports the IESO's

#### **Alectra Inc.**

ongoing efforts to modernize the market to keep pace technological advancements.<sup>3</sup> The context for this is that the antiquated modelling systems, on which we currently rely, cannot dispatch new energy technologies (e.g., storage) when needed.

Finally, Alectra believes that local input and regional priorities should be incorporated throughout the energy planning decision-making process. Communities and local stakeholder groups understand the close ties between growth, economic prosperity, climate change, and energy consumption. They are no longer willing to be bystanders to their energy futures; a phenomenon clearly demonstrated by the recent establishment of numerous municipally-led energy committees and stakeholder groups. Several municipalities have declared climate emergencies and in Alectra's service territory, 15 of our 17 municipalities have active Community Energy Plans (CEPs) including aggressive emissions reduction targets. 4 of these (Hamilton, St. Catharines, Guelph, and Mississauga) have even more recently taken official positions on calling for the phase-out of Ontario's gas-fired power plants by 2030, along with 10 other municipalities served by other LDCs. As Ontario's largest municipally-owned LDC, Alectra has integrated the sustainability goals of our shareholders within our mandate. We recently formalized our carbon emissions reduction targets, committing to a 38% reduction from corporate operations by 2025 and reaching net zero by 2050.

Nevada and New York are two jurisdictions where state governments and market participants have achieved a working balance between vision and implementation in the energy sector, and the benefits to customers and the economy have flowed. The government of Ontario should consider applying similar principles in setting out a new long-term energy planning framework. In Nevada, the price of electricity declined by 14.5% between 2009-2018 even as it increased by 9.7% across the United States. This in spite of phasing out coal-generation and increasing the use of renewables throughout the period.<sup>4</sup> New York State's comprehensive Reforming the Energy Vision (REV) initiative is upheld by nine high-level goals which were set out at the forefront by the government<sup>5</sup>:

- Make energy more affordable for all [customers];
- Build a more resilient energy system;
- Empower [customers] to make more informed energy choices;
- Create new jobs and business opportunities;

---

<sup>3</sup> The IESO has identified the implementation of its Market Renewal Program (MRP) as a key 2021 priority.

<sup>4</sup> <https://thenevadaindependent.com/article/report-nevada-saw-largest-decrease-nationwide-in-electricity-costs-over-last-decade>

<sup>5</sup> <https://www.ny.gov/reforming-energy-vision/learn-more>

- Improve [the state's] existing initiatives and infrastructure;
- Support cleaner transportation;
- Cut greenhouse gas emissions 80% by 2050;
- Protect [the state's] natural resources;
- Help clean energy innovation grow.

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

Alectra believes that it is appropriate for government to set out a high-level vision for the energy sector, and importantly, a vision that is forward-looking. Technical agencies and economic regulators are the right entities to implement a plan, but they are not best positioned to create it, and they are not accountable to the public in the way the government is. The high-level objectives for the sector should proceed in accordance with the “4 D’s;” the indisputable trends that are driving the transformation of the global energy sector. As we begin to emerge from the COVID-19 pandemic and start to contemplate the massive recovery effort still ahead, the government has an opportunity to leverage the energy sector to support that recovery. Once the government articulates a vision for an energy sector that embraces Decarbonization, Decentralization, Democratization and Digitalization, it can set out guiding principles for this direction. The IESO, OEB, utilities, and other sector participants would then do their parts to ensure that our strategies and operations are aligned with this vision. For example, Alectra’s asset management plans would evolve to accommodate a more distributed and renewable supply mix. Ratepayers could be protected from the increased costs of grid modernization, but only if investors were confident that the government fundamentally supports Ontario’s energy transition.

It is important to recognize the OEB’s role in developing a modern energy planning process and framework. Currently, rate filings are weighed down by significant red-tape, onerous regulations, and overly influential intervenors, each of which adds meaningful costs to ratepayers without providing corresponding value. This has created an increasingly unpredictable regulatory landscape in which utilities are often left guessing. This dynamic in turn has hindered progress on important government priorities and cost saving opportunities such as further consolidation of the distribution sector. A modern regulator, on the other hand, would streamline the application and approval process by employing a proportionate review principle. Tactics to support this principle include maximizing written proceedings and reducing the number of intervenors per proceeding proportionate to the impact of the proposal in cases where sufficient evidence has not been presented by the applicant. This will allow the OEB to expedite proceedings while

still providing appropriate due diligence. A modernized regulator should also set policy and ensure that there is policy certainty in its implementation and adjudication in application hearings. Finally, an evolved regulator will enable LDCs to support a modernized grid, allowing for LDCs to include items such as energy storage and DERs in their comprehensive rate plans. The reality is that our sector is evolving, and the OEB should use the rate-base to support innovation for the benefit of customers. Utilities are eager to invest in the kind of innovation that meets the growing expectations of our customers, but we need the support of the OEB to do so. Innovative solutions are not always the cheapest, but our traditional methods for addressing needs in the energy sector are no longer always the correct solutions, and in some cases will leave us exposed to more expensive issues down the road. By providing regulated utilities with a fair and clear model for return on investments in DERs and other innovative technologies, the regulator would effectively incent the needed evolution of the regulated utility business model.

Enabling the IESO to oversee procurement of supply in a cost-effective manner keeps their technical expertise at the forefront of planning. The system operator is uniquely positioned to present options to meet Ontario's capacity needs on both a regional and system-wide basis. An independent decision-making process, with governmental input, will help provide a basis for longer-term planning. Alectra does encourage the government to consider energy efficiency as a low-cost, non-emitting resource in its consideration of supply options. LDCs retain significant latent capacity in supporting this initiative and using this capacity to defer or eliminate the need for new traditional electricity infrastructure protects all customers from rate increases while empowering them to better manage their own costs. Alectra urges the IESO to be mindful of municipal priorities around sustainability and emissions reductions as new energy needs begin to arise around 2025-2026 with the retirement of Pickering NGS. In 2020, a partnership between Alectra, the IESO, and NRCan developed Canada's first local electricity market in rapidly growing York Region. The project demonstrates the value of working with distribution system operators (DSOs) to competitively procure DERs as alternative supply options to help meet demand and to defer the need for traditional wires infrastructure. An electricity market at the distribution level allows us to meet system needs in a way that is cost-effective, reliable, and environmentally sustainable while giving customers the opportunity to earn a reasonable revenue from their DER investments.<sup>6</sup>

---

<sup>6</sup> The first capacity auction was successfully completed in November 2020. 17 participants registered 34.3 MW of capacity – well exceeding the 10 MW target. The bids were ranked and optimized to obtain a highly competitive clearing price of \$640/MW-day from a diverse group of 7 final providers.

Alectra applauds the government's efforts to engage meaningfully with stakeholders and is glad to offer the above submission in support of Ontario's new Long-Term Energy Planning Framework. The government's high-level goals for the sector should be informed by the indisputable trends of Decarbonization, Decentralization, Democratization and Digitalization. Once set out, these goals can be effectively executed by the technical experts at the IESO and an evolved OEB. LDCs have demonstrated experience integrating our local service territory priorities into our planning processes, and we can leverage this expertise for the benefit of customers and the economic recovery so long as we have a dedicated place within a transparent planning process. We thank the government for considering our comments and look forward to contributing to the evolution of a more reliable, affordable, and sustainable energy system.

Regards,



Brian Bentz  
President and CEO  
Alectra Inc.