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April 27, 2021

Ms. Rachel Thompson  
Ministry of Energy, Northern Development and Mines  
Strategic Network and Agency Policy Division  
77 Grenville St., 6<sup>th</sup> Floor  
Toronto, ON M7A 2C1

Dear Ms. Thompson:

**Re: Notice of Proposal to refocus the current long-term energy planning framework (ERO-019-3007) – Toronto Hydro Submissions**

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Toronto Hydro-Electric System Ltd (“Toronto Hydro”) is pleased to provide this response to the Ministry of Energy, Northern Development and Mines (“MENDM”) on the proposed initiative to refocus the current framework governing long-term energy planning (“LTEP”). Toronto Hydro believes that in energy public opinion, a rising tide floats all boats. A planning process that is evidence-driven, informed by customer and stakeholder engagement, and appropriately scrutinized builds public faith and enhances industry accountability – outcomes Toronto Hydro submits are both important and attainable in a reformed LTEP framework. This is particularly true at times when customer preferences and the demands of our energy system are shifting, such as the heightened focus on climate change mitigation and GHG emissions in recent months in many parts of Ontario society, including municipal governments.

Toronto Hydro’s advice herein is directly informed by what it hears from its own customers and builds upon its advice provided to the Minister’s Advisory Committee in 2020. Toronto Hydro is a member of the Ontario Energy Association and is also signatory to that submission, which it strongly endorses. Toronto Hydro is not a member of the Electricity Distributors Association.

## Toronto Hydro

Toronto Hydro is the local electricity distribution company (“LDC”) for the City of Toronto, serves 781,000 customers, and delivers 19% of the electricity consumed in Ontario. Toronto Hydro’s customers range from residential consumers in single family dwellings and multi-unit buildings to large industrial and commercial businesses. The utility powers non-residential customers from a variety of sectors, including dozens of hospitals and healthcare care operations; hundreds of schools, colleges, and universities; data centres; and large industrial and manufacturing facilities. The utility also serves thousands of multi-unit residential condominium and apartment buildings, each of which can have dozens or hundreds of units behind the meter. Toronto Hydro implemented a rate reduction of 17.4% for the typical residential customer in 2020, the first year of a five-year plan approved by the Ontario Energy Board (“OEB”). Among other things, that plan sought and received approval to use Distributed Energy Resources (“DERs”) in lieu of traditional utility investment to better serve Toronto Hydro's customers. In addition, Toronto Hydro is a leading enabler of non-utility DERs, with more than 2,000 connected to its grid.

## Recommendations

### *Scope, roles, and responsibilities*

- **Retain long term energy planning as an activity in the Province of Ontario.**
- **Reassign responsibilities for the LTEP process amongst the Ministry, its agencies, and utilities and other implementation agents.** The Ministry should establish strategic policy objectives and process parameters for LTEPs, the IESO should retain responsibility for developing the LTEP, and the OEB should be granted the authority to scrutinize the LTEP.
- **Integrate the LTEP process across all fuels.** Toronto Hydro’s submission focuses primarily on electricity planning. Electricity has historically been the focus of LTEPs in Ontario and is expected to in the future as other fuels, such as transportation fuels, are displaced by electricity over time.

### *Customer and Stakeholder Engagement*

- **Employ genuine customer and stakeholder engagement in the LTEP process.** Genuine engagement helps to build plans that deliver the right balance of outcomes, gives legitimacy to plans once they are finalized, and builds faith in the planning process itself and the entities involved in it.
- **Engage customers and stakeholders using methods that work for them.** Just as customer needs are not homogeneous, customer engagement needs vary. Customers and stakeholders should be engaged in ways that are meaningful to them.
- **Use engagement as an input into the LTEP process and to test pre-final LTEPs along the way.** To be genuine, engagement that informs planning processes must occur at the appropriate time. Toronto Hydro has had tremendous success engaging customers about needs, preference and priorities at the outset of a planning cycle, and then engaging customers as plans come into shape to evaluate trade-offs between various choices.
- **Place reasonable and transparent constraints around engagement.** Customer engagement is not a magic bullet and should not be solely determinative in a process that is as complex as energy planning. Engagement is one input among many, including technical needs, legal obligations, and financial constraints. It should be treated as such.

#### *Public Interest Review*

- **Subject LTEPs to review by the OEB.** The OEB is a newly modernized institution that already oversees a wide range of planning processes: investment plans (Distribution System Plans); construction plans (Leave to Construct), business plans (MAAD applications), regional plans, and rate-regulated generation plans. Until now, LTEPs stand out as the exception to the rule that energy plans be subject to appropriate public interest review.
- **Constrain OEB review to a test of reasonableness.** One of the criticisms that can be fairly leveled against the Integrated Power System Plan (“IPSP”) was that its forecasts for demand and supply were evaluated for correctness, a level of precision that is unduly burdensome. This contributed to the lengthy and ultimately incomplete review. LTEPs should be evaluated by the OEB against a test of reasonableness. Are the planning assumptions reasonable? Were the options considered reasonable? Was the customer and

stakeholder engagement process reasonable? If the LTEP continues to be an iterative process, updated on a regular basis, a test of reasonableness should be sufficiently precise.

- **Develop clear processing and procedural parameters.** Participants in the LTEP review should understand at the outset the timelines of the proceeding, and applicants should have clear and right-sized filing guidelines in advance in order to prepare effective evidence. Toronto Hydro submits that existing materials already developed by the OEB could serve as an effective starting point. For example, Chapter 5 filing requirements for Distribution Rate Applications obligates applicants to provide certain types of information, including planning approaches, linkages to other plans (e.g., regional planning), and options analyses. Toronto Hydro notes too that the OEB recently updated internal performance standards for processing a range of non-rate applications. These are well-refined reference points for a prospective LTEP review. Moreover, as part of its policy making responsibilities, the Ministry could further reinforce expected timelines for the development and review of the LTEP at the outset.
- **Coordinate intervenor participation.** Like other judicial and quasi-judicial bodies, intervention is an essential component in an effective process. It can also be accommodated in ways that are efficient. Courts and other energy regulators, such as FERC, have found means to streamline legal processes in the review of other matters as similarly broad and complex as energy planning. To the extent these are already in use by the OEB, an LTEP review would be an opportunity to test further innovations to procedure that could trickle down to other OEB application processes.

## **Analysis**

The value of long-term planning is its ability to provide clear direction and affect coordination among parties responsible for achieving that vision. In setting an effective long-term planning framework, industry stakeholders will find clarity and transparency in their roles and responsibilities, such that the natural demands and challenges of planning for, managing, and fine tuning a modern energy industry can be successfully achieved. The challenge is in finding the

appropriate balance in these roles, as both deregulation and over-regulation can lead to planning failures at the expense of electricity customers.

Public opinion finds that Ontarians view energy sector stakeholders as one entity. Negativity about one is negativity about all. Governments have tended to intervene more in the sector when they perceive deep public and stakeholder dissatisfaction. This can lead to less stability in the sector, which decreases investor confidence and increases sector costs and cost of capital. In the end, the customer pays more.

Beyond helping to build better plans and underpinning their legitimacy, sophisticated customer and stakeholder engagement can contribute to LTEPs that are better attuned to customer needs, as it did for Toronto Hydro in the development of its current Distribution System Plan. The likelihood of costly and public missteps and other materialized risks can also be reduced. Empowering the modernized OEB to fairly scrutinize LTEPs using efficient and established review processes would further enhance industry and public faith and creating new pathways for innovative planning and procurement decision making in the future.

By establishing an integrated process that delineates clear responsibilities, sector certainty, and improving transparency and stakeholdering, the Ministry can create a long-term planning framework that rises the tide to floats all boats.

- Customers and stakeholders (including utilities) would have a clear path to provide structured and meaningful input with the confidence that an independent and expert regulator would evaluate whether that input had been reasonably considered in the development of the LTEP.
- The Ministry would no longer be primarily responsible for the design and oversight of the LTEP and could freely return to its natural role providing strategic policy direction.
- The OEB could leverage and apply its subject matter and process expertise from other types of applications to design and execute an appropriate and efficient test of the LTEP, including whether it met Ministry policy objectives, technical considerations, and was adequately informed by customer and stakeholder input.
- Industry would benefit from the transparency of a public LTEP process and the certainty that would come with a final regulatory decision. Those benefits would include the

prospect of a lower cost of capital (borrowing costs) that would flow naturally from greater stability and less frequent Ministerial intervention.

## **Conclusion**

Now is an optimal time for the Ministry to take note of the issues and opportunities laid out above. Redesigning an LTEP with public interest outcomes could create a long-term planning model that promotes transparency, accountability, and effectiveness in planning decision-making. Leveraging familiar oversight processes, building on industry expertise, and engaging customers and stakeholders can be the cornerstones of a new LTEP framework.

Toronto Hydro appreciates the opportunity to provide its comments and would be pleased to speak more directly on any or all parts of its submission.

Sincerely,

*[original signed by]*

**Andrew J. Sasso**

Director, Energy Policy & Government Relations  
Toronto Hydro-Electric System Limited

## Appendix A: MENDM Guiding Questions Feedback

<b>1. How can we promote transparency, accountability, and effectiveness of energy planning decision-making under a new planning framework?</b>
<b>2. What overarching goals and objectives should be recognized in a renewed planning framework?</b>
<b>3. What respective roles should each of the Government, IESO, and the OEB hold in energy decision-making and long-term planning?</b>
<b>4. What kinds of decisions should be made by technical planners at the IESO and the OEB as regulators?</b>
<b>5. What types of decisions should require government direction or approval?</b>
<b>6. Are there gaps in the IESO and the OEB's mandates and objectives that limit their ability to effectively lead long-term planning?</b>
<b>7. Should certain planning processes or decision by the IESO, the OEB, or the government receive additional scrutiny, for example through legislative oversight or review by an expert committee?</b>
<b>8. How often and in what form should government provide policy guidance and direction to facilitate effective long-term energy planning?</b>
<b>9. How do we ensure effective and meaningful Indigenous participation in energy sector decision-making?</b>