

April 27, 2021

Ministry of Energy, Northern Development and Mines,
Strategic Network and Agency Policy Division
77 Grenville Street, 6th Floor
Toronto, ON
M7A 2C1

Sent via Email.
Attention: Rachel Thompson

Dear Ms. Thompson:

Re: Reforming the Long-Term Energy Planning Framework in Ontario

TransAlta Corporation ("TransAlta") appreciates the opportunity to provide comments on the Ministry of Energy, Northern Development and Mines' ("ENDM") proposal (ERO #019-3007¹) to implement a new, more transparent, predictable, and reliable planning process.

TransAlta owns and operates a significant portfolio of more than 1,070 MW of gas, wind and hydro generating facilities in Ontario and we support enhancements to the planning process that would enable better use of resources and increase benefits to customers. Our comments and responses below are organized by the list of guiding questions provided in the consultation proposal.

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

Planning is a process that is best implemented with a rigorous framework that sets clear requirements and deliverables at each stage

Transparency, accountability and effectiveness of the energy planning and decision-making process can be promoted by:

- (1) implementing a rigorous process of information gathering (including consulting with stakeholders) to develop and consider future scenarios;

¹ <https://ero.ontario.ca/notice/019-3007>

- (2) developing thorough analysis that is reviewed by stakeholders and refined based on stakeholder input; and
- (3) decision-making that:
 - a. identifies and explains the alternatives considered,
 - b. clearly references the analysis/evidence relied upon to evaluate the alternatives,
 - c. explains how stakeholder input was considered, and
 - d. provides the rationale for the decision including considerations of risks/opportunities.

Jurisdictions use different approaches

We recognize that long-term energy planning (“LTEP”) is done in different ways across jurisdictions. In our view, the strongest governance approaches enshrine the responsibility, timing and review process in the legislative and regulatory framework. The strength of this approach comes from specifying the mandatory requirements and clarifying the roles and responsibilities of the regulatory agencies and government in developing and approving the plan.

Ontario already has a legislative foundation to build on

Ontario’s already has the outlines of its LTEP embedded in a legislative framework and may only need further formalize the process for developing and reviewing the LTEP along with delegation of certain ministry responsibilities. We recommend that ENDM embed the new LTEP framework in legislation or regulation to promote strong governance, transparency, accountability and signal its commitment to an effective energy planning approach.

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

Ontarians need reliable delivery of electricity at a reasonable price

TransAlta views the overarching goals, which are included in the *Electricity Act*, to be:

- the cost-effectiveness of energy supply and capacity, transmission and distribution; and
- the reliability of energy supply and capacity, transmission and distribution, including resiliency to the effects of climate change.

Ontario's legislative framework includes many objectives that may be difficult to translate into a regulatory test that can be passed onto the regulatory agencies

Ontario has also included other objectives in the *Electricity Act* that factor into its decisions in the LTEP including:

- 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.

The other objectives should be read to be consistent with the overarching goals but in circumstances where the objective may conflict with the goals, achieving the goals should take priority. Ultimately, choices within the LTEP will require trade-offs between objectives. LTEP decisions should provide transparency regarding how these objectives were factored into decisions and the rationale for trade-offs between objective.

The current framework provides ENDM discretion and latitude in how it considers the goals and objectives in LTEP, which may contribute to the impression of non-transparency in decision making. Other jurisdictions utilizing independent entities (similar to the Ontario Energy Board ("OEB")) to review and approve planning, provide opportunities for stakeholders to have their opposing views heard and adjudicated in a formal process. This imposes a high standard on the regulator to explain and justify their decisions based on the evidence, analysis and submissions provided in the regulatory proceeding. However, we acknowledge that an adjudicated process for approving LTEP could also be time consuming and costly for the regulatory agencies and stakeholders.

Transparency, accountability and effectiveness can be improved even under the existing model

Ontario should consider how its transparency objective can be achieved by transitioning to a more open process that demonstrates how stakeholder input is considered in decision making, provides the decision-making criteria for evaluating alternatives, and justifies the LTEP decisions based on evidence and analysis.

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

The Government sets the policy framework

The Government's key role is setting the policy framework for electricity and electricity infrastructure development in the province. This includes setting the vision for Ontario's electricity sector and providing policy clarity in situations where the policy goals for electricity

and electricity infrastructure development may encroach upon or otherwise conflict with other government policies.

A clearer legislative framework, including development of regulatory tests, will be needed if the regulatory agencies take on a decision-making role for the energy plan

As explained above, Ontario has numerous objectives under the *Electricity Act* in addition to other government policies that need to be factored into LTEP. ENDM has a more direct role in LTEP now, which provides the authority to make decisions, albeit less transparently. If ENDM chooses to delegate these responsibilities, ENDM should carefully consider:

- the processes to manage delegated decision making including how ENDM participates in the process;
- establishing formalized decision criteria; and
- the scope and boundaries of the regulatory agencies' decision-making authorities.

The IESO is the transmission system planner, procurement agent and contract administrator, and market designer

The IESO is the key technical expert for transmission system planning and performs a critical role in forecasting, performing analysis, and providing advice and expertise to the Government on electricity system matters. It performs a key role in procuring supply and demand resources to meet system requirements as well as designing and administering the electricity markets.

Transparency can be improved by making the information and advice provided by the IESO to the Government available to stakeholders (through public release). Planning processes like LTEP are well suited to standardized and formalized information sharing with the public and stakeholders. In this respect, we believe that even greater transparency could be achieved if Government and the IESO interactions on LTEP were formalized in the planning process, and communications were publicly released.

The OEB is an independent regulatory agency responsible for adjudicating regulatory matters and could be used to review and approve the LTEP

The OEB is primarily responsible for overseeing regulated utilities including reviewing and approving distribution system planning, tariff, rates and IESO-administered markets. The OEB adjudicates matters in transparent and formal regulatory processes that provide due process and fully document publicly available decisions that are subject to review/appeal. We understand that the Minister can issue implementation directives to the OEB related to the LTEP but the OEB does not currently have a mandated role to review or approve the LTEP.

As noted above, the OEB could lead a regulatory process to review and approve the LTEP in a public process to enhance transparency – in a manner similar to adjudicating bodies in other jurisdictions with respect to Integrated Resource Plans. However, we also recognize that this could lead to higher regulatory costs, less timely LTEPs and less certainty of LTEP finalization (due to the possibility of appeals), which may ultimately reduce the efficiency of the energy planning process. Additionally, we expect that increasing the OEB's accountability for LTEP could also require additional OEB staff with deep expertise in transmission and generation

planning. These considerations should be weighed in any decision that could change the OEB's role with respect to LTEP.

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

IESO is a technical expert not a policy expert

The IESO has a long history of making decisions about transmission system planning and operating a reliable integrated electric system. Its knowledge, expertise, and experience place it in the best position to make decisions about identifying system needs, evaluating the technical merits of generation and transmission solutions, and considering how those solutions will impact and aid the system in future. Furthermore, the IESO enables the integration of energy resources by coordinating the inter-operability of the system with an understanding of the mechanics of the energy market design and its various market rules and regulatory requirements.

OEB should not make policy decisions

The OEB conducts substantive reviews of regulatory applications, considers and tests evidence from multiple parties that may be adverse in interest and positions, and interpret and apply the legislative and regulatory requirements to arrive at an adjudicated decision. The OEB is most suited to make impartial decisions where the criteria/tests are clearly articulated in legislation and regulation. The OEB is not well suited to make decisions when the objectives in legislation and regulation can conflict such that a clear regulatory test cannot be applied. The OEB **should not** be making policy decisions.

5. What types of decisions should require government direction or approval?

The government should make decisions about policy. Policy should include establishing the framework of goals, objectives, and principles for the energy plan but can also include defining a course of action.

Should the government wish to shift more decision-making authority to the regulatory agencies, more detailed legislative, regulatory, and/or policy guidance should be provided than currently exists in Ontario. This would inform the framework for decision-making including the implementation of planning standards, how the various government policy objectives should be factored into the decision-making criteria, and the regulatory tests that should be applied by the regulatory agency in its reviews and approvals.

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

As explained above, we believe that the IESO is the key regulatory agency with the technical capability and most suited to lead long-term planning. It is already the agency that leads the planning activities for the transmission system and has been highly involved in the LTEP including its development and implementation.

The OEB does not appear to have mandates or objectives to lead long-term planning activities. However, the OEB currently reviews and approves regulated utility plans and

tariff/rates applications. The OEB’s mandate does not include leading the development of the LTEP and we have not seen a jurisdiction where a similarly mandated agency leads LTEP/IRP development. However, OEB could be used, as explained above, as a reviewer and approver of the LTEP to increase transparency and add an independent review process.

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?**

A review by an expert committee would enhance the existing process

Technical issues and matters such as forecasting, scenario planning, and evaluation of technical solutions should be subject to scrutiny and reviewed by experts or an expert committee. These are areas where the specialized knowledge of industry experts should be applied to ensure that the planning process and decisions are reasonable and sound – for example reviewing an IESO technical report before acceptance.

Significance and materiality should be factored into the standard of review

Oversight and review processes could be established for material and significant procurements with a threshold that is based on the dollar value or impact to consumers. A threshold or scale of values should ensure that the reviews are commensurate with the impact to consumers and could contemplate an escalating scale of review requirements dependent on the value of the procurement.

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

Policy guidance and direction is required before the LTEP process begins

The policy guidance and direction should be finalized before the LTEP exercise to facilitate efficiency and an effective planning process. A change in policy direction within the LTEP process can create confusion for agencies and stakeholders, increase the likelihood of re-consultation and rework, and generally disrupt the planning process. While it may not be possible to avoid any change in policy guidance or direction, it is better to start the process with this clarity or to provide the guidance or change as early into the process as possible.

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

Early and consistent engagement will aid in ensuring better Indigenous participation.

The Government should consider early engagement as a key method for ensuring effective and meaningful Indigenous participation in energy sector decision-making. Meaningful Indigenous participation involves early and deliberate engagement with the Indigenous communities with the intent to build a relationship and establish clear communication channels. Early engagement helps inform the Government in designing engagement practices that improve communication, promote information sharing and build respectful relations. With this strong foundation, the Government may be able to gain a strong understanding of Indigenous group priorities and interests in energy sector development and

gather meaningful feedback on how these may be addressed or considered in the decision-making process.

TransAlta thanks ENDM for engaging stakeholders in this important discussion. We fully support a transparent and effective LTEP process and a legislative framework that clearly lays out accountabilities of the government and regulatory agencies. Please feel free to contact me directly at 403-267-7304 or by email at akira.yamamoto@transalta.com if wish to further discuss our feedback.

Yours truly,

TRANSALTA CORPORATION

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