



Policy Solutions for Ontario's Prosperity

# Reforming Provincial Energy Planning: Summary and Analysis from Ontario 360's Expert Roundtable

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The *Ontario 360* project is grateful for financial support from the W. Garfield Weston Foundation and The Donner Canadian Foundation. We also recognize the support of the University of Toronto and the Munk School of Global Affairs and Public Policy as the *Ontario 360* project's intellectual and administrative home. The support of these partners enables us to commission evidence-based research and facilitate dialogue between policy experts and policymakers in the Province of Ontario. Our advisory council, authors, and Munk School faculty, students, alumni, and supporters do not necessarily endorse or affirm the policy recommendations advanced by the different contributors.

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# Introduction and Overview

The following is a report on a virtual roundtable discussion hosted by Ontario 360 on March 29, 2021. It provides a context for the Ontario government's long-term energy system planning and an overview of the key ideas expressed at the discussion. The roundtable convened numerous energy experts to discuss the long-term energy planning process in Ontario. (See Appendix A for the full list of participants.)

The event was chaired by Ontario 360 co-project director Drew Fagan, with opening remarks by Ministry of Energy, Northern Development and Mines (ENDM) assistant deputy minister Carolyn Calwell. The discussion was held under "Chatham House Rules." As such, no perspectives are attributed to specific participants in this report.

Over recent months, ENDM has been soliciting input on how to refocus the current long-term energy planning process. The stated goal of this ongoing policy work is to "promote transparency, accountability, and effectiveness of energy planning

decision-making, increase investment certainty, and ensure the interests of ratepayers are protected."<sup>1</sup> The purpose of the roundtable, then, was to solicit expert input as part of ENDM's broader consultation process on the province's long-term energy planning.

Ontario 360 would like to thank the expert participants for providing their time and perspectives, ENDM for encouraging and supporting the session, Joerg Wittenbrinck and Rachel Thompson from ENDM for their correspondence, and Sherry Naylor and Sheila Kay for helping to organize the event.

<sup>1</sup> Environmental Registry of Ontario. (2021). *The Ministry of Energy, Northern Development and Mines is reviewing Ontario's long-term energy planning framework with a view to implementing a new, more transparent, predictable, and reliable planning process.* Retrieved from <https://ero.ontario.ca/notice/019-3007>

# The Context for Ontario's Long-Term Energy Planning

Ever since the Conservative politician Adam Beck led the public power movement and the establishment of the Hydro-Electric Power Commission in 1906, the sector has played an important role in Ontario's industrial strategy and economic growth by providing "power at cost" to all Ontarians. The supply of accessible and low-cost electricity even to rural areas of Ontario has historically granted the province a competitive advantage in attracting investment and promoting its industry.

Over this more than century-long history, the sector has been and indeed remains integral to the province's prosperity. In 2019, for instance, the energy sector contributed nearly \$20B to Ontario's nominal GDP with nearly 52,000 Ontarians working in the sector.<sup>2</sup>

Yet this history of Ontario's energy sector is certainly not without controversy or faults.<sup>3</sup> Ongoing challenges with respect to Ontario Hydro's performance and excessive debt as well as rising electricity prices for businesses and households ultimately led the Harris Government to re-structure the electricity system and "unbundle" the near-century-old monopoly in the late 1990s.<sup>4</sup>

In the roughly 20 years since Ontario's electricity market opened, the sector has faced a unique set of challenges.

The late 1990s saw governments across North America explore deregulation and the opening of electricity markets to bolster private investment. The early 2000s saw governments start to use energy policy as the means to address conservation and climate change issues. In Ontario, for instance, there has been a considerable shift in the supply mix, moving away from coal generation to cleaner renewable generation and renewal of the province's nuclear baseload.

The 2008-09 recession fundamentally altered the province's industrial and commercial demand, while COVID-19 has added further uncertainty. Furthermore, emerging developments and issues including distributed energy resources across local systems, electrification,

<sup>2</sup> Natural Resources Canada. (2020) *Energy and the economy*. Retrieved from <https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-facts/energy-and-economy/20062#L4>

<sup>3</sup> In addition to the monopoly's significant debt (cumulating in some of the largest write downs in Canadian corporate history), delays/cost-overruns with the construction of its nuclear generators, and inaccurate demand forecasts, the energy regulatory structure "subverted public transparency and fostered government micromanagement." Sources: Daniels, R.J., and Trebilcock, M. J. (1996). *The Future of Ontario Hydro: A Review of Structural and Regulatory Options*, in R. Daniels, ed., *Ontario Hydro at the Millennium: Has Monopoly's Moment Passed* (p.6).; Yauch, B. (2020). Ontario's Electricity Market Woes: How Did We Get Here and Where Are We Going? *Energy Regulation Quarterly*, 8(2). Retrieved from <https://www.energyregulationquarterly.ca/articles/ontarios-electricity-market-woes-how-did-we-get-here-and-where-are-we-going#sthash.NhgXiEZY.dpbs>

<sup>4</sup> Government of Ontario. (1997). *Direction for Change: Charting a Course for Competitive Electricity and Jobs in Ontario*. Retrieved from <https://collections.ola.org/mon/2000/10270087.pdf>

storage and hydrogen all present pressing complexities in the sector.

In addition to these external challenges, there have been several significant structural changes to Ontario's energy policy framework since the 1990s reforms. Legislative changes made by different governments over the years have affected the governance of the sector's institutions, the mandates and policy tools of its actors and how energy system planning is developed. The situation has led to a complex assortment of private and public actors in the system, all with different and sometimes confusing remits and responsibilities.

Most notably, the government has taken on a more direct, prescriptive role in electricity planning. This has included prescribing and setting the province's electricity supply mix. This is said to have originated in the mid-2000s with the desire to replace the province's coal-fired generation.<sup>5</sup> However, this prescriptive role by government is no means an isolated case. It has since continued beyond the closing of Ontario's coal plants and has in effect become the default.

The current long-term planning process is primarily driven by ENDM's Long-Term Energy Plan (LTEP). The LTEP sets out the planning framework and

the policy priorities and responsibilities of the key sector actors and can include such goals and objectives as improving the cost-effectiveness of energy supply and capacity, increasing the reliability of energy transmission and distribution and prioritizing measures related to conservation or energy demand management. The first LTEP was released in 2010, followed by another version in 2013, and the latest plan in 2017. The LTEP process was entrenched in legislation as part of reforms to the *Electricity Act, 1998* in 2016. Further regulations (since repealed) required the crafting of a new LTEP every three years.

The LTEP has been characterized as prescriptive in its framework, with ENDM controlling the planning, implementation and oversight. The LTEP has been accompanied by government directives to supposedly arm's-length agencies, including the Independent Electricity Systems Operator (IESO) and the Ontario Energy Board (OEB). The use of these directives has become increasingly commonplace. Between 2005 and 2015, the government issued 114 directives to the system's agencies, which basically made the arm's-length agencies, in the view of some experts, instruments of government policy – not independent expert agencies.<sup>6</sup>

<sup>5</sup> Vegh, G. (2017). Report on Energy Governance in Ontario: To the Ontario Energy Association and the Association of Power Producers of Ontario. *Ontario Energy Association*. Retrieved from [https://energy-ontario.com/wp-content/uploads/2018/04/Governance\\_Report\\_to\\_OEA\\_and\\_APPrO.pdf](https://energy-ontario.com/wp-content/uploads/2018/04/Governance_Report_to_OEA_and_APPrO.pdf)

<sup>6</sup> Yauch, B. (2020). Ontario's Electricity Market Woes: How Did We Get Here and Where Are We Going? *Energy Regulation Quarterly*, 8(2). Retrieved from <https://www.energyregulationquarterly.ca/articles/ontarios-electricity-market-woes-how-did-we-get-here-and-where-are-we-going#sthash.NhgXiEZY.dpbs>

Prior to the LTEP, the Integrated Power System Plan (IPSP) was to be the guiding blueprint regarding the province's future energy demand, especially regarding electricity planning. (The IPSP was the responsibility of the Ontario Power Authority (OPA), which was merged with the IESO in 2015 under the IESO moniker.) The IPSP was to be reviewed and approved by the OEB to ensure a more expert-oriented adjudicative process and to ultimately protect the interests of rate-payers. However, the first IPSP was abandoned midway through its OEB hearing in 2008 due to a ministerial directive, while the second did not even proceed to a hearing.<sup>7</sup> The IPSP model would ultimately be abandoned with the government signalling its support for ministerial planning in the form of the first LTEP in 2010. While the IESO provides a technical report to guide the government's planning, the LTEP remains a ministerial report that is not reviewed or approved by the OEB.

It is no surprise therefore that the Auditor General noted in 2015 that "...Ontario's energy system has not had a technical plan in place for the last ten years."<sup>8</sup>

This is despite having legal requirements from 2004 to 2015 to have such a technical plan in place.<sup>9</sup> Thus, the government has not utilized the significant expertise available through the IESO and OEB when crafting policy on long-term energy system planning to the degree envisioned within the original IPSP process.

It must be emphasized that, because of the critical role that energy plays in the economy, provincial governments have always engaged in energy policy. However, in recent years, criticisms and concerns have been raised over many aspects of the current energy planning process and the government's use of directives. Energy policy expert (and past Ontario 360 contributor) George Vegh, for instance, has outlined issues with this prescriptive model, including an increased the risk of political decision-making at the agencies and an accompanying decline in integrity of the regulatory/planning principles.<sup>10</sup> Additionally, energy lawyer Robert B. Warren notes that the scope of the changes in the sector and degree of explicit government direction in the last few decades has been "unusual."<sup>11</sup>

<sup>7</sup> Ibid.

<sup>8</sup> Office of the Auditor General of Ontario. (2015). *Annual Report 2015*. p.213. Retrieved from [https://www.auditor.on.ca/en/content/annualreports/arreports/en15/2015AR\\_en\\_final.pdf](https://www.auditor.on.ca/en/content/annualreports/arreports/en15/2015AR_en_final.pdf)

<sup>9</sup> Office of the Auditor General of Ontario. *Electricity Power System Planning: Follow-Up on VFM Section 3.05, 2015 Annual Report*. p.63. Retrieved from [https://www.auditor.on.ca/en/content/annualreports/arreports/en17/v2\\_105en17.pdf](https://www.auditor.on.ca/en/content/annualreports/arreports/en17/v2_105en17.pdf)

<sup>10</sup> Vegh, G. (2017). Report on Energy Governance in Ontario: To the Ontario Energy Association and the Association of Power Producers of Ontario. *Ontario Energy Association*. Retrieved from [https://energy-ontario.com/wp-content/uploads/2018/04/Governance\\_Report\\_to\\_OEA\\_and\\_APPrO.pdf](https://energy-ontario.com/wp-content/uploads/2018/04/Governance_Report_to_OEA_and_APPrO.pdf)

<sup>11</sup> Warren, R. B. (2015). The Governance of Regulatory Agencies: A Case Study of the Ontario Energy Board. *Council for Clean and Reliable Electricity*. p.11. Retrieved from [https://www.weirfoulds.com/assets/uploads/15118\\_CCRCRE-The-Governance-of-Regulatory-Agencies.pdf](https://www.weirfoulds.com/assets/uploads/15118_CCRCRE-The-Governance-of-Regulatory-Agencies.pdf)

In reviewing the province's long-term energy planning in 2015, the Auditor General concluded that government intervention through its procurement directives has led to significant costs to consumers. The report called for greater transparency in planning and more responsibility for technical experts. These recommendations have not been adequately addressed. Instead ongoing government intervention has contributed to a vicious cycle of soaring electricity prices and in turn pressure on governments to freeze electricity prices as well as to subsidize ratepayers' electricity bills using general revenues.

To address some of the challenges facing the sector, the current government repealed<sup>12</sup> the *Green Energy Act, 2009*<sup>13</sup> and passed Bill 87, the *Fix the Hydro Mess Act*. The *Fix the Hydro Mess Act* and other related regulatory initiatives include, among other things, changes to the corporate governance of the OEB to ensure “a greater separation of its administrative and adjudicative functions”; the centralization of

conservation program delivery by the IESO away from local distribution companies;<sup>14</sup> and the replacement of the Fair Hydro Plan with a different rate relief structure to keep customers' bills stable and government accountable.<sup>15</sup> However, notwithstanding the legislation, many of the described issues of the energy planning process remain unresolved. Put differently: the *Fix the Hydro Mess Act* (and other related initiatives) may have made some marginal improvements to the system but the government has, at least to date, continued to rely on a highly-prescriptive model for energy planning.

The government now wishes to refocus the current long-term energy planning process. In anticipation of this re-evaluation, the government repealed *Regulation 355/17*, which mandated that an LTEP be delivered every three years.<sup>16</sup> As part of this consultation and review, ENDM is aiming to determine how and where the government can more directly rely on the technical expertise of expert planners, such as that provided by the IESO and the OEB. Toward this end, ENDM is “considering

<sup>12</sup> This was not a full repeal; some provisions of the *Green Energy Act, 2009* were re-enacted in the *Electricity Act, 1998*.

<sup>13</sup> Legislative Assembly of Ontario. (2018). *Bill 34, Green Energy Repeal Act, 2018*. Retrieved from <https://www.ola.org/en/legislative-business/bills/parliament-42/session-1/bill-34>

<sup>14</sup> Ministry of Energy, Northern Development and Mines. (2019, March 21). Ontario Reducing Costs by Centralizing and Refocusing Conservation Programs. *Government of Ontario Newsroom*. Retrieved from <https://news.ontario.ca/en/backgrounder/51630/ontario-reducing-costs-by-centralizing-and-refocusing-conservation-programs>

<sup>15</sup> Ministry of Energy, Northern Development and Mines. (2019, March 21). Ford Government Taking Bold Action to Fix Hydro Mess. *Government of Ontario Newsroom*. Retrieved from <https://news.ontario.ca/en/release/51635/ford-government-taking-bold-action-to-fix-hydro-mess>

<sup>16</sup> Environmental Registry of Ontario. (2021). *The Ministry of Energy, Northern Development and Mines is reviewing Ontario's long-term energy planning framework with a view to implementing a new, more transparent, predictable, and reliable planning process*. Retrieved from <https://ero.ontario.ca/notice/019-3007>



revoking the provisions of the *Electricity Act, 1998* related to long-term energy plans, implementation directives and implementation plans.”<sup>17</sup>

With the acknowledgement and support of ENDM, Ontario 360 convened a roundtable session with energy policy experts to discuss the possible governance, operational, and policy reforms required to improve the province’s energy policy outcomes. The purpose of the roundtable, in particular, was to help ENDM consider different perspectives on how to create the conditions for a more transparent, accountable, effective system in which rate-payers are sufficiently protected and investors are provided greater certainty for their projects.

<sup>17</sup> Ibid.

# What We Heard at the Roundtable

The following section outlines key areas of discussion that occurred at the roundtable.

## “Integration” in the Planning Process

One of the topics discussed among participants was the integration of the energy system as well as the integration of policy considerations in the province’s electricity planning process. These are separate yet related questions rooted in a broadly-shared view that Ontario’s energy governance and its energy policymaking ought to be holistic.

On one side was the view that the planning process should take a more integrated approach. Some participants raised how the electricity system and the sector needs to be able to address multiple critical policy objectives beyond merely procuring and distributing sufficient energy to meet provincial demand. These broader objectives might include: environmental policy, climate change goals and the transition to net-zero emissions; social policy and addressing energy poverty<sup>18</sup> and incorporation of health and well-being determinants; Indigenous reconciliation; and economic development and job creation. The planning process should then integrate and more holistically incorporate these policy considerations and governmental objectives into

energy planning rather than think about electricity-related policy in a siloed fashion.

The idea here is that energy policy is more than just about matching energy supply and demand and instead is a “vehicle” for achieving greater equity and competitiveness. One participant, for instance, recommended looking into environmental, social and corporate governance (ESG) standards not just for regulated private entities but also for the province’s regulators in order to optimize their work and achieve greater integration. Furthermore, it was noted that the Auditor General has previously called for greater integration of the province’s energy plans into its broader climate change agenda in order to help achieve the government’s emission reduction targets.<sup>19</sup> While it was not determined how an integrated approach might function or which specific policy considerations should be incorporated, many participants agreed that the government should not think about energy planning in isolation, but as part of a broader system and indeed a wider range of overall policy goals.

<sup>18</sup> Energy poverty refers to: “individuals, households, or communities that are unable to access and afford adequate energy/fuel for basic necessities of life, such as heating and cooling” Source: Canadian Observatory on Homelessness. (2021). *Energy Poverty*. Retrieved from <https://www.homelesshub.ca/povertyhub/basic-needs/energy-poverty>

<sup>19</sup> Office of the Auditor General of Ontario. (2020). *Value-for-Money Audit: Reducing Greenhouse Gas Emissions from Energy Use in Buildings*. Retrieved from [https://www.auditor.on.ca/en/content/annualreports/arreports/en20/ENV\\_reducinggreenhousegasemissions\\_en20.pdf](https://www.auditor.on.ca/en/content/annualreports/arreports/en20/ENV_reducinggreenhousegasemissions_en20.pdf)

That said, other participants were less encouraging of this view for an integrated or more holistic approach to electricity planning. Some emphasized, in particular, that the scope of the energy process and the roles of its actors ought to be more narrowly focused with respect to its public policy objectives. The idea here is that energy policy in general and the OEB as the energy regulator in particular, ought to be guided by the narrow objective of economic efficiency – which is to say that the overriding priority should be to procure and distribute sufficient energy to meet demand at the lowest cost available.

According to this perspective, other objectives, while no doubt important, might be more effectively addressed through other

mechanisms outside the technical long-term energy planning process. Simply put: equity or social policy concerns should not be loaded onto energy policymaking.

In this vein, the practicalities of a more integrated plan were also of concern in reference to timeliness of the process and the scope of what should be incorporated. As one participant noted, in loading too much onto the policy framework, the risk is that it may fail in all regards. Similarly, one participant, while noting that everyone was in agreement that addressing energy poverty and providing more opportunities to Indigenous communities were important to address, it was “almost impossible” to tackle all policy areas simultaneously and well.

## The Role of Politicians and Government

The roles of politicians and government, as well as expert agencies such as the IESO and OEB (see next section), was a major area of discussion. One of the tensions observed was the balance between the role that elected officials play in the planning process and effectively utilizing the expertise of unelected independent agencies such as the IESO and OEB.

In highlighting the role of politicians in Ontario’s long-term energy planning, many felt that in recent years the government and politicians have engaged in much more micro-management and intervention in the planning process. This is seen most explicitly through both the extensive use and expansion of authority to issue government directives to independent

agencies, particularly under the previous government. Some expressed concerns over seemingly constant political intervention in energy decision-making and the planning process, viewing it as a “normalization of politicization.” The view was expressed that politicization in electricity policy to this extent is not generally observed in other jurisdictions. It is fair to say that participants expressed serious misgivings about the role of politicians in the process.

There were, however, some participants who agreed that politicians were engaging in too much micromanagement of the system but expressed more of a pragmatic acceptance that this is somewhat unavoidable: politicians will always intervene in the process. They were of

the view that politicians were involved to such an extent in the energy file precisely because of its economic and political salience. One participant, for instance, brought up how the large electoral defeats of Progressive Conservatives in 2003 and Liberals in 2018 were to some extent due to energy policy matters. As another participant put it: “No government will give up the ability to set energy policy.” The process should thus be designed accordingly and have “deference to the politicians.”

However, there was a consensus that politicians should not be overly prescriptive when it comes to energy policymaking. Given these viewpoints, the question to address might be: how do we have a system in which elected governments set out general frameworks for long-term energy planning such that they are not acting in an overly prescriptive manner or involved in micromanagement of energy planning?

Some general ideas were considered. Participants believed that the planning process had to be flexible enough to incorporate political input and provide clarity over the role of the elected officials. They emphasized that politicians cannot be excluded: “otherwise they will find their way in” as one participant explained. Another participant recommended developing legislative limits on directives, including legislating outcomes for what directives can be issued, and having the regulator produce a cost-benefit analysis on individual directives. This would provide greater transparency over how directives are formed and how effective they are in achieving their desired

outcomes. Setting boundaries might make governments more careful over issuing such directives.

A more expert-oriented regulatory planning process can also help to reduce government micromanagement and instead allow politicians to focus more on larger public policy questions. By giving a larger role to the OEB and creating a more rational process (whereby the experts focus on the operational details), politicians can be protected “from wearing the consequences” of the planning process. Some saw this argument as a compelling political economy narrative, whereby a process is designed that protects and insulates them politically. Politicians might see virtue in an insulated planning system given past challenges. However, some concerns about this idea were noted. Most critically, that it was hard to provide for an arm’s length process given the reality that, for better or worse, elected governments were ultimately held accountable for energy policy outcomes.

## The Role of the Regulator in the System

Participants had varying thoughts on the role of the regulator and expert agencies in energy system planning. On one hand, there was a desire for greater operational independence for the expert agencies: one participant, for instance, expressed their “perfect world” for the regulatory framework in which the government would set long-term (as well as some short-term) policy objectives and then delegate as much as possible to arm’s length agencies such as the IESO and the OEB to operationalize the day-to-day planning.

Under this scenario, the IESO would use its technical expertise and robust consultative processes to engage with stakeholders and Indigenous partners and develop long-term scenarios, planning reports and/or technical cost-benefit analyses. The OEB, as the independent energy regulator, would “pressure test” the plan and/or its components using its public, adjudicative process based on the evidence.

Through this process, it was argued, individual decisions would be viewed as more credible, transparent and removed from short-term political interference. While there was an understanding that this ideal scenario was unlikely, having greater clarity over the division of roles between expert agencies and government could contribute to a more efficient process

overall. Other participants supported this view, suggesting that the OEB can be a “stabilizing influence” in the planning process. With an appropriate structure that is open and transparent to different constituencies, the regulatory review process can confer a degree of legitimacy on the energy plan and/or its components.

The OEB’s role and authority of the province’s expert energy regulator was further discussed throughout the roundtable discussion. Participants noted several of the existential challenges of the regulator, including the tension between an arm’s length regulator on one side and the province’s Westminster parliamentary system and ministerial accountability on the other side. Additionally, participants disagreed over the extent that the OEB should decide on policy trade-offs through its adjudicative processes. Some participants spoke highly of the OEB’s process including “the wherewithal to assess the trade-offs.”

But others thought it was more prudent for the regulator’s mandate to be “simple and as focused as possible” on maximizing economic efficiency. Citing the arguments raised by University of Calgary economics professor Jeffery Church, some policy issues are simply too important for the public interest to be delegated to unelected regulators.<sup>20</sup> The government should still set

<sup>20</sup> Church, J. (2017). Defining the Public Interest in Regulatory Decisions: The Case for Economic Efficiency. *C.D. Howe Institute*. Retrieved from [https://www.cdhowe.org/sites/default/files/attachments/research\\_papers/mixed/Commentary\\_478.pdf](https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary_478.pdf)

directives outlining broader policy (outside of economic efficiencies) with the public ultimately holding the democratically-elected officials to account for their choices.

Despite differences on the extent to which the regulator should assess policy trade-offs or the scope of its mandate, there appeared to be consensus over giving the OEB explicit authority to pressure test components of the planning process. While participants had differing thoughts on what components the OEB should review (*i.e.*, the whole long-term energy plan, components of that plan, procurement plans, specific projects, and/or forecasting reports and their assumptions), a greater

role for the OEB in providing serious external review was seen as a “key starting point.” Such enhanced responsibilities would allow for greater expertise, transparency and accountability in the planning process. It was observed that the Auditor General in 2015 (and further in a 2017 follow-up), recommended that the OEB should “review and approve the Long-Term Energy Plan in order to protect the interest of electricity ratepayers.”<sup>21</sup> Despite being required to review the IPSP previously, the OEB does not currently have express authority to review or approve the LTEP and the IESO’s technical plan (for preparation for the LTEP).<sup>22</sup>

## Forecasting and the Planning Period

Forecasting involves predicting the province’s energy demand (through use of aggregated data, modelling, and projected policy and socioeconomic metrics/factors such as technology, demographics, prices and conservation) to determine energy needs over a planning period. Forecasting informs the province’s electricity planning and the procurement of energy supply to meet projected demand.<sup>23</sup>

Participants brought up the need for more robust and accurate forecasting as the basis for energy procurement and

how the province has faced challenges due to inaccurate forecasts guiding its energy procurement. For example, as Vegh notes in his Ontario 360 paper,<sup>24</sup> in the 1970s, Ontario Hydro predicted electricity demand to be 88,000 MW by 2000, by 1984 it had been reduced to 38,000 MW, and, in 2019, actual electricity consumption was 21,791 MW. Participants saw forecasting as an area of “striking weakness” in provincial planning. Inaccurate forecasts altered downstream planning by the province with real consequences.

<sup>21</sup> Office of the Auditor General of Ontario. *Electricity Power System Planning: Follow-Up on VFM Section 3.05, 2015 Annual Report*. p.63. Retrieved from [https://www.auditor.on.ca/en/content/annualreports/arreports/en17/v2\\_105en17.pdf](https://www.auditor.on.ca/en/content/annualreports/arreports/en17/v2_105en17.pdf)

<sup>22</sup> Ibid.

<sup>23</sup> Vegh, G. (2020). Electricity Procurement in Ontario: Time for a New Approach. *Ontario 360*. Retrieved from <https://on360.ca/policy-papers/electricity-procurements-in-ontario-time-for-a-new-approach/>

<sup>24</sup> Ibid.

In this area, participants saw a role for greater expertise and more enhanced external review and pressure testing. Conducted publicly either by the OEB or by other independent, third-party forecasters, the testing and challenging of forecasting assumptions could help the province to arrive at more accurate forecasts to guide long-term electricity planning.

Tied to forecasting was discussion surrounding the planning period: specifically, the extent to which one could predict future electricity demand as well as come to electricity planning decisions over the long-term. Rapid technological changes in the sector compounded by the realities of the four-year election cycle make the context more uncertain and make planning and forecasting difficult to get right over a long-term horizon. Long-term planning of 10-20 year increments was viewed as challenging to execute effectively: as one participant put it, “more than five years out, you are into a mug’s game.”

However, despite the challenges of long-term planning and some support for shorter term planning increments, there are trade-offs regarding stability and private investment certainty. That is, large-scale investments into the electricity sector require certainty over 10-20 year periods to ensure that private investors have a stable environment for their investment in the province. Greater stability and thus certainty over a 10-20 year period is still needed.

Ultimately however, most participants seemed to agree that some degree of flexibility and resiliency in long-term planning is desirable. The process needs to be able to respond quickly to account for unexpected circumstances and to adjust accordingly. A plan must be resilient to short-term pressures. A plan cannot be so rigid that, when a new government is elected, it needs to throw everything out and start again. Additionally, the plan should not be static in time, but rather an ongoing process with different players to achieve public interest objectives.

## Indigenous Communities and Companies in Ontario's Energy System

Participants noted the important role that Indigenous communities, in the context of the goals of reconciliation and meaningful participation, must play in the province's energy planning. Policymakers need to be aware of these contextual elements when carrying out energy planning. As one participant explained, reconciliation is more than just consultation and "requires pretty fundamental changes in fundamental ways." These elements should be integrated into the energy planning framework.

It was also noted how First Nations were already playing a broader role in both Ontario's as well as the country's energy systems. This includes land claims and power generation projects developed on First Nations land. However, participants suggested greater integration of Indigenous perspectives on other elements of the energy sector are needed. It cannot merely be about "right of ways" and generation. They cited examples of Indigenous-run companies that provide energy services and expertise to companies like Hydro One and Bruce Power and are integrated into the whole energy economy. They were enthusiastic about these types of projects and how First Nation communities' engagement and participation can have a positive impact for youth employment and economic growth. Thus, planning should involve Indigenous participation "beyond power projects and corridors for pipelines."

Finally, participants raised concerns over the seemingly constant "flip-flopping" of the province's energy planning and its effects on trust levels of Indigenous communities. They noted that communities have finally come to fully appreciate the energy process and the various players in the sector, and how they can effectively participate in the process. The more the province moves mandates/responsibilities around, the more likely it is that the system will lose people who would not normally participate in planning processes.

They added that there has been trust and capacity built with Indigenous communities, however, if the province does not continue to engage in trust-based conversations and equity-based participation, that credibility will be lost. Without that consultation and participation, there is concern over how many infrastructure projects will be built in the province and across Canada. Thus, the opportunity for Indigenous communities to engage in Ontario's energy planning process and to engage in conversations early in a consistent and clear way is vital.



## Trust Building

Near the end of the discussion participants were asked how the government can try to build trust and confidence in the energy process more generally.

In terms of generating trust from the public, one participant noted that, predominantly, people care about having a reliable, safe and affordable energy system. By changing the energy plan, government may be making potentially major changes in people's lives in terms of energy reliability and price. The government needs to communicate effectively with the public, explain what changes are occurring, as well as take into account public input regarding the plan's objectives.

Furthermore, it was noted that government needs to understand to what degree the public and stakeholders are willing

to accept changes in the process. One participant added that the planning process has changed frequently over the last few years and that stakeholders are just beginning to understand how the model works and what the respective roles are. As such, there is value in creating greater transparency and stability in the process including with respect to the roles of the different actors.

Lastly, it was re-emphasized that government and policy-makers should speak through overall policy rather than through micro-management. Government has increasingly engaged in a more active role in energy policymaking. Its role instead should be to articulate policy and tackle macro-level policy areas such as reaching net-zero emissions.

# Conclusion and Key Takeaways for Decision-Makers

This report has outlined the context of Ontario’s energy planning process and the key ideas expressed at the Ontario 360 energy expert roundtable event. The conversation was wide-ranging but still focused on some key areas including: the need for an integrated approach to planning and to incorporate other policy considerations in the process; the role of politics and government and how they can best engage and intervene in the sector while minimizing the risks of politicization; how expertise and arm’s length agencies can/should be utilized to improve the process; the role of forecasting and the time frame of the planning period; the important role of Indigenous communities; and how the government can build greater trust in the process.

While this report cannot speak for the participants themselves, there are, in our view, four key takeaways that the

government might wish to consider as it aims to refocus the current planning process.

## 1) There are several tension areas and trade-offs in the energy planning process

It was observed that many of the ideas regarding Ontario’s energy system were in tension with one another. This includes (but is not limited to) the trade-offs between efficiency and equity when considering the extent of integrating other policy factors in the process; short-term, certain decision-making versus long-term, uncertain decision-making; and expert/arm’s length policy processes versus political processes. This might also include the trade-offs that policymakers might risk by focusing on one policy consideration at the expense of another. As one participant put it, these tensions and conflicts define Ontario’s “energy conundrum.”

In describing the context of Ontario’s decision making process, participants cited the research of Positive Energy and the idea of “durable balance”; that is, reforms to energy systems need to strike a balance between competing priorities including “demands of communities for engagement, involvement, transparency and representation; requirements of investors for adequate stability, timeliness and predictability in decision processes and outcomes; demands of consumers for safe, affordable, reliable energy.”<sup>25</sup>

<sup>25</sup> “Cleland, M., Gattinger, M., Aguirre, R., and Beck, M. (2018). Durable Balance: Informed Reform of Energy Decision-Making in Canada. p.4. *University of Ottawa Positive Energy*. Retrieved from <https://www.uottawa.ca/positive-energy/sites/www.uottawa.ca.positive-energy/files/180418-db-report-final.pdf>

Governments need to be aware of the inherent tensions of the energy system and the planning process when determining the

appropriate balance for effective energy planning decision-making.

## **2) Critical principles are needed for an effective planning process**

There are key principles that participants believed were critical for an effective planning process. These include transparency, such that critical decisions are made with greater input and testing, and not behind closed doors; flexibility and resilience, such that the process can withstand electoral cycles and rapid technological change; and integration, such that the process takes into account broader contextual factors, such as emissions targets

and economic development, when developing energy policy.

Regarding the latter, it was not determined to what extent other policy considerations or components of the energy system should be “integrated”, with some participants concerned about overloading the system. However, ENDM should still consider these principles of transparency, flexibility and resilience, and integration when refocusing its planning process.

## **3) The planning process requires less micromanagement by government**

Politics and the role of government is integral to the energy process. This was emphasized by participants. However, there was also a consensus that governments were engaged in too much

micro-management of the process through the use of directives. Governments should focus and set higher-level policy objectives for the planning process rather than engage in its detailed operations.

## **4) There is room for an enhanced oversight role for the OEB**

There appeared to be consensus over giving the OEB greater authority to pressure test components of the planning process. This could mean oversight/review of the whole long-term energy plan, components of that plan, procurement plans, specific projects, and/or forecasting

reports and their assumptions. While it was not determined which exact components of the process to test, an enhanced oversight role in some capacity for the OEB would allow greater transparency, expertise and accountability in the planning process and should be considered.

## Appendix A: List of Energy Roundtable Participants

Name	Affiliation
Tabatha Bull	President and CEO, Canadian Council for Aboriginal Business
Carolyn Calwell	Assistant Deputy Minister, Ministry of Energy, Northern Development and Mines
Cynthia Chaplin	Executive Director, CAMPUT (Canada's Association of Energy and Utility Regulators)
Benjamin Dachis	Director of Public Affairs, C.D. Howe Institute
Lisa DeMarco	Senior Partner, DeMarco Allan LLP
Drew Fagan	Co-Director, Ontario 360; Professor, University of Toronto Munk School of Global Affairs and Public Policy
David Lindsay	Former Deputy Minister, Ontario Ministry of Energy and Infrastructure; Vice-Chair, Ontario Parks
David McFadden	Board Chair, Toronto Hydro; Member, MaRS Energy Board
Sean Speer	Co-Director, Ontario 360; Assistant Professor at the University of Toronto Munk School of Global Affairs and Public Policy
Ian T. D. Thomson	Policy Analyst, Ontario 360; Research Associate, University of Ottawa Positive Energy Initiative
Robert Walker	Senior Fellow, University of Ottawa Positive Energy Initiative
Mark Winfield	Professor, York University Faculty of Environmental and Urban Change
Terry Young	Interim CEO, Independent Electricity System Operator
Susanna Zagar	CEO, Ontario Energy Board

# ONTARIO 360

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