

The Empire Club Presents



**THE HONOURABLE
GLENN THIBEAULT,
MINISTER OF ENERGY**

WITH: DELIVERING FAIRNESS AND CHOICE

Welcome Address, by Barbara Jesson President of Jesson + Company Communications Inc. and President of the Empire Club of Canada

December 14, 2017

Good afternoon, ladies and gentlemen. From the Hilton Hotel in downtown Toronto, welcome, to the Empire Club of Canada. For those of you just joining us through either our webcast or our podcast, welcome, to the meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our Head Table Guests.

I would ask each Guest to rise for a brief moment and be seated as your name is called. I would ask the audience to refrain from applauding until everyone has been introduced.

HEAD TABLE

Distinguished Guest Speaker

The Honourable Glenn Thibeault, Ontario's Minister of Energy

Guests:

Mr. Chris Benedetti, Principal, Sussex Strategy Group Inc.; Second Vice President, Empire Club of Canada

Ms. Indy J. Butany-DeSouza, Vice President, Regulatory Affairs, Alcegra Utilities Corp.

Ms. Cara Clairman, President and Chief Executive Officer, Plug'n Drive

Mr. Darryl Hill, Director, CLEAResult

Mr. Jeff Lyash, President & Chief Executive Officer, Ontario Power Generation

Mr. James Scongack, Vice President, Corporate Affairs and Environment, Bruce Power

Mr. Ryan Shaw, Client Portfolio Group Lead – Canada East, CLEAResult

Mr. Tim Smitheman, Senior Government Affairs Advisor, Enbridge; Director, Empire Club of Canada

My name is Barbara Jesson. I am the President of Jesson + Company Communications and the President of the Empire Club of Canada. Ladies and gentlemen, your Head Table.

Most of you in this room probably know that the first commercial oil well in North America was not in Texas or Calgary, but right here in Ontario, in Lambton County. For the most part, the history of energy, in our province, is the story of power generation. From hydro generation to battery cells, steam combustion and nuclear fission, our methods of generating power have evolved radically in a century keeping pace with the growth of our cities and their demands on power in our province.

We are now in the midst of the next innovation in the energy sector. Solar panels, wind turbines and thermal generation are

becoming more and more ubiquitous. Through optimization, hydro is becoming more efficient and far less environmentally invasive. Caps and phase-outs on fossil fuels and coal firing legislated provincially are helping to nudge the industry toward these emergent technologies, and, for the most part, they are doing so with very little kicking and screaming.

In concert with this assortment of power-generating technologies, the fundamental challenge that has been central to energy is that whereas once the all-prevailing concern would have been: Can we generate enough energy? the question has now become Can we generate this energy sustainably, reliably and cleanly? To the credit of our legislators and innovators, we have mostly conquered the problem of volume, despite higher-than-ever demand, and we can now focus on exploring ways to keep the lights on and keeping our ecosystem intact.

Through the release of its “2017 Long-Term Energy Plan,” the Ontario Provincial Government has reaffirmed its commitment to clean, accessible and affordable energy and laid down a roadmap for handling issues of grave importance, such as climate change and First Nations impact.

We are joined today by the man who is guiding this ambitions plan and helping to realize our commitment to innovation and efficiency.

The Honourable Glenn Thibeault was appointed Ontario’s Minister of Energy in June 2016. As Minister of Energy, Mr. Thibeault has focused on ensuring all Ontarians have access to clean, reliable energy. Beginning in the fall 2016, he has been leading consultations across the province on Ontario’s

renewed “Long-Term Energy Plan.” He brings considerable expertise on the topic of environmental impact to the role, having served as Parliamentary Assistant to the Minister of the Environment and Climate Change, focusing on bringing forward the “Climate Change Action Plan.” Prior to entering provincial life, Mr. Thibeault was the Member of Parliament for Sudbury and the Executive Director of the Sudbury United Way.

We are very pleased to be joined by our guest today as he dives into the provincial and private partnerships that will take our energy sector into the future. Please, join me in welcoming to the Empire Club stage, the Honourable Glenn Thibeault.

The Honourable Glenn Thibeault

Good afternoon, everyone. Wow. How many speeches have I done that people have come to? We will try that again. Good afternoon, everyone. There we go, much, much better.

Thank you, Barbara, for that kind introduction. First off, I think, for those of you that were at the LTEP launch, the burning question in your mind is “What are the socks today?” Today, I am festive. I have elf socks. I cannot lift it up for everyone to see at the back. I am not that flexible, but, trust me, they are elf socks.

[Remarks in French] Aujourd’hui représente une étape importante pour moi, cela fait exactement 18 moi que j’ai été nommé Ministre d’Energie de l’Ontario, certains jours, j’ai vraiment l’impression que cela fait beaucoup

plus longtemps. Today is a milestone for me as it marks exactly 18 months since I was appointed Ontario's Minister of Energy. Some days it feels much, much longer. What do they say about dog years, that there are seven dog years to every one human year? If you measured my time as Energy Minister in dog years, today is my 10-year anniversary.

Yes. I have two dogs back home in Sudbury. One is a Chihuahua that we rescued from the streets of Guadalajara, Mexico. The other one is a Yorkipoo. I have two daughters. Do not judge. They are not really dogs. I do not even know how I am here, but Ella, my Chihuahua, as I said, is from the streets of Guadalajara. We had to speak Spanish to it for the first few months because it did not understand English. All I know in Spanish is 'cerveza por favor' and 'baños'. Fortunately, my kids watched Dora, so they were able to talk to the dog a little bit more.

While sometimes this may feel like a grind, I have to say that I am invigorated by the dedicated professionalism of the staff and public servants from across the Ministry and the agencies that support our work. I think, over the course of the past year, we had OPG. They have commenced the next phase of the Darlington Refurbishment Project, which is currently ahead of schedule and budget. Congratulations, Jeff, keep it up.

We cannot say it often enough that this is the largest clean energy project in Canada with 96% of the project's budget invested in Ontario's companies. The IESO has launched the Market Renewal Working Group, which is leading the way to

modernize the foundation of electricity and will be the most significant overhaul since market opening, an effort that is estimated to save ratepayers up to \$5.2 billion. The OEB has ramped up the Ontario Electricity Support Program. As we sit here today, over 200,000 low-income Ontarians are receiving vital on-bill financial support. We have more work to do in order to get everyone we can signed up, but we are well on our way. At the same time, this past year, we worked together to launch Ontario's "Fair Hydro Plan," which aims at a 25% reduction in Ontario's electricity rates, the single largest measure to help lower bills in our province's history. We worked collectively—sector partners, agencies and government—to deliver fairness and choice through the province's "2017 Long-Term Energy Plan."

When you think about our shared accomplishments, this year was really quite remarkable. It was a year, I think, we should all be very proud of. And everyone in this room—well, maybe it is just me—is on a countdown to much-deserved vacations, but I did not think that as we prepared for our annual holiday recess this afternoon at the Legislative Assembly of Ontario was an opportunity for me to bore you and rehash all of the 2017 accomplishments.

[Remarks in French] J'aimerais parler de ma vision concernant l'avenir de secteur de l'électricité de Ontario et de que ce notre gouvernement être apprend pour préparer cet avenir. Le plan « Garantir l'équité et le choix » lancé il y a environ deux mois, décrit la façon dont nous pensons que le secteur de l'énergie évoluera à court moyen et long termes.

I want to discuss my vision for the future of Ontario's electricity system and what our government is going to do to prepare for that future. "Delivering Fairness and Choice," launched about two months ago, is an important outline for how we see the energy sector unfold in the short, medium, and long terms.

What went unrecognized, or at least unspoken, as part of the public dialogue regarding the 2017 LTEP, is the evolution of our government's thinking about the role of political actors in the administration of the energy system. The "2017 Long-Term Plan" is important as much for what it does not say or do. We are not launching any new procurements. When we look forward to a potential supply gap in the early 2020s as Pickering comes offline, we are keen to hear from experts before we embark on any new capacity contracts.

For many in this room, that seems like a no-brainer. For those of us on the political side, I must admit, we have sometimes micromanaged the sector a bit too much over the course of the past decade, often for valid and important reasons. Coal closure and our transition to a green energy economy were important goals that helped to create the diverse and robust system that we have today.

As some of you have undoubtedly heard me say before, it was not the what, but the how, where we lost our way, which is exactly the kind of micromanagement I am referring to. With this "Long-Term Energy Plan," we are turning the page of this style of management and effectively managing the sector at an appropriate altitude, providing high-level directional leadership while leaving more of the important details about

implementation up to the experts at the IESO and the OEB to undertake. I look forward to seeing more of that in the implementation plans that are due early in the new year, and I want to thank all of those who are working on giving life to those plans.

After concluding the LTEP this fall, you would have expected the folks at the Ministry of Energy to take a bit of a break. Right, Serge? That is not our style. That is not what this sector needs. There is still plenty of work that needs to be done. While we will not rush to embrace and procure the next big thing, we do need to prepare our electricity market's evolution.

Ontario's regulatory and public policy governance structures need to evolve to keep up with this ever-changing marketplace. This is a key foundational element that we need to get right. Through our "Long-Term Energy Plan," our government signaled our intention to become less prescriptive and allow for leaders at all segments of the value chain to enter the energy market without a heavy-handed regulatory model getting in the way. This means the government will need to take a step back from picking specific technology's winners and losers to allow for a more dynamic outcome-based approach. Technology-specific procurements that stifle competitive tensions and discourage innovation will be replaced by more transparent and competitive market mechanisms. Let me give you an example. Just a few weeks ago, the IESO revealed that in this year's regulation services procurement, the successful contract winners came from two innovative battery

storage providers. For me, this underscores that new and innovative technologies can compete and win against traditional and established market participants. It also means that the era of government directives designed to prop up specific technologies is over.

As we turn toward the future, we will focus public policy attention on the important outcomes that we all want to achieve together. Innovations that drive down system costs and carbon emissions—they will be encouraged. That is why we are focused on enabling those well-suited to take on the role of sector innovators to figure out ways to meet these objectives. That is why I am pleased to announce that the IESO will be launching an important request for information (RFI) specific to non-emitting resources with an eye toward filling any future supply gap that may materialize after the closure of Pickering Nuclear in 2024.

Driven by the IESO through grassroots collaboration with the non-emitting resource subcommittee, this RFI will be a direct input into the market renewal process. The IESO will outline the need, specify criteria for market participants and new entrants to offer any resource product that can help Ontario meet our future capacity requirements without increasing carbon emissions and helping us drive down costs.

As the result of the recent regulation services procurement showcase, competition is an important ingredient in Ontario's evolution towards an incremental capacity auction. While this represents one small step for the energy sector towards a level playing field for those looking to supply electricity in Ontario,

it is a giant leap for Queen's Park as politicians get out of the way of our system operator and market participants.

The outcome of this RFI will directly support the IESO's market renewal work and will undoubtedly lead to an important price discovery that will drive us to our government's goal of reducing total system costs. This RFI is being launched immediately, and the first stakeholder webinar will be held next week. This approach underscores what the IESO and our government have been saying for over two years, that market renewal must proceed through a made-in-Ontario approach.

I am especially pleased that this undertaking is not the result of government regulation or a Minister's Letter of Direction. Instead, it is the result of the collaboration and the collaborative partnerships that have underpinned the Market Renewal Working Group since its launch last year. At the same time, Ontario's distribution sector is also preparing for its own evolution. In fact, many predict a major disruption in the LDC marketplace. In a very real way, the distribution sector may now be a point which the telecommunication companies occupied in the late 1980s. Technological innovations and customer demands for better services and products are driving a remarkable pace of change. Some of our more innovative local distribution companies have found that they can supply new low-growth more economically by using innovative technologies, such as distributed energy resources as opposed to a traditional poles-and-wires approach.

These LDCs should not face financial disincentives to this new and less costly approach because of a regulatory model

that is stuck in the 1980s. To that end, recognition needs to be paid to the Ontario Energy Board for taking major steps towards updating their systems over the course of the past decade to include the renewed regulatory framework, which helps to set out a more customized and flexible relationship between the LDCs and the OEB, as well as fixed pricing for residential distribution service, which gives consumers a better signal of cost and value. There have also been legislative changes over the past three years that have enhanced the OEB's consumer protection powers relating to electricity retailers, winter disconnections and unit sub-meter providers.

[Remarks in French] Tout fois, parce que nous cherchons à renouvelait nos réseaux pour l'avenir, nous devons aussi admettre qu'un examen fondamental de la commission de l'énergie de l'Ontario est nécessaires pour oriente et soutenir l'innovation technologique avenir.

I should also mention, my Parliamentary Assistant: Nathalie Des Rosiers, is here today, hence, me practicing my French. I will get my critique afterwards because I think I mispronounced one of those. However, as we seek to renew our systems for the future, we must also acknowledge that a more fundamental and foundational review of the Ontario Energy Board is necessary to help guide and support the technological innovations that are coming.

Home electricity storage, more families driving EVs off the lots of car dealerships, distributed energy resources, net metering and transactive energy options are knocking on the electricity system's door. Government and regulatory struc-

tures need to ask if we are ready to take on these challenges and harness the opportunities at hand. To that end, I am pleased to announce that our government has appointed an expert review panel that will be charged with modernization of the Ontario Energy Board. Chaired by Richard Dicerni, the OEB modernization panel will spend 2018 consulting with industry, LDCs, innovators and economic regulators from other jurisdictions to deliver an action plan for regulatory modernization by about this time next year. With a history in both government and the energy sector, Richard is the right choice to lead this critical task.

The scope of the OEB modernization panel will be significant in recognition of the challenges ahead. Government will not presume or attempt to direct the outcomes. In my view, this panel is not a critique of our existing structures or systems, but rather a self-aware assessment that the status quo is changing. This is not about 2018 or 2020, but rather ensuring that we have a regulatory regime that is dynamic and prepared for the realities of 2025 and 2030. Simply put, a regulatory approach that worked for Ontario Hydro does not leave us equipped to tackle the challenges the future will bring.

For some of those cynics in the room, I will point out the obvious. Both the IESO RFI and the important work of the OEB modernization panel will be delivered next winter early in the next term of the next government. That is by design. This important work cannot and will not be rushed. These initiatives naturally follow from the 2017 LTEP released not even two months ago. These deliverables will form the foun-

dation, along with the IESO's market renewal activity to deliver a complete renewal across our governance structures at the Ministry of Energy and our partner agencies at the IESO and the OEB. While I believe that an Ontario Liberal government will be re-elected next spring, the two initiatives announced today are too crucial to wait until the government's next mandate. Regardless of who voters mark their ballot for next June, Ontario's electricity sector must prepare for the future changes that we all know are coming. I believe that the evolution of the energy sector will naturally continue, encouraged by the competitive forces. And so, unshackled from technology-specific procurements, our supply mix will continue to evolve to deliver on Canada's low-carbon economy agenda.

I believe that consumers will become more central actors in our energy sector, and that is the way it should be. Driven by new technologies and consumer preferences, utilities will need to evolve the relationship with customers to deliver more services rather than a simple commodity. I believe that each of you will continue to deliver the good ideas and thought leadership required to modernize our energy and electricity sector for the future.

[Remarks in French] Ontario est un lieu d'excellence et d'innovation remarquables. Nous nous autorisons rarement le droit d'accepter l'ouange et d'être fière de notre réalisation. La collaboration des personnes dans cette salle des acteurs de marche et de partenaire de secteur de l'énergie partout en Ontario a permis de rendre notre réseau d'électricité plus vert.

Ontario is home to such remarkable innovation and excellence. We rarely allow ourselves the occasion to accept praise and take pride in our accomplishments. Working together, the individuals in this room and market participants and the energy sector partners across Ontario cleaned and greened our electricity system. You have built an impressive and globally recognized nuclear supply chain that is the envy of the world. Small-scale entrepreneurs—there is my French again—are disrupting it bit by bit, our established regulated monopolies. We regularly hear from other jurisdictions and sector thought leaders asking us how we have built our success story.

When I was appointed Ontario Minister of Energy just a few ten dog years ago, I had no idea what I was in store for. Today, I am in awe of what we have all been able to accomplish together over the last little while. I am excited for what work yet remains to be done, and hopeful for what the future holds for this sector, in Ontario.

I want to thank the Empire Club for once again having me here, today. I want to thank all of you for being here this afternoon and for your constant support and work together over the last year. I do wish everyone a happy holiday and a Merry Christmas and a celebration of light. Also, tomorrow—speaking of lights—all the lightsabers.

The Last Jedi! Please, do not Tweet, because I cannot do it tomorrow. I do not want any spoilers. I have got to be able to see it for myself on the big screen. Again, everyone, have yourself a great holiday. Thank you very much.

**Note of Appreciation, by James Scongack,
Vice President, Corporate Affairs and
Environment, Bruce Power**

This is going to be a tough thank you to do because I know the networking has started. I will keep it very brief.

Minister, thank you very much for your remarks. I think everybody now is looking forward to a Christmas holiday where they can start drafting their responses to the RFI, so thank you very much for that. The consultants are going wild in the room.

I want to do a bit of a different thank you at the lunch this afternoon. It is the holiday season; Christmas is coming up. For people like the Minister and the Parliamentary Assistant, in politics, and public servants, there is no shortage of free advice, and there is no shortage of pundits looking forward to the next election.

I want to take this opportunity to recognize all the work of you and your Ministry over the course of the last year and for your public service. I am hoping you are going to get some time to spend with your family over the holidays. I know you and your family make tremendous sacrifices to do what you do. Let us give the Minister and the Parliamentary Assistant a round of applause and thank them for their contribution. The other thing I want to do, and Andrew Teliszewski is going to get mad at me, but if all of the Minister's staff and all of the staff from the Ministry of Energy and all of the staff from the Independent Electricity System Operator, if you could also,

please, stand for a round of applause. Come on, do not be shy. I see Serge. I see Peter Gregg.

Thank you very much for your public service as well. We can have our disagreements on policy from time to time, but you do all-important roles, and we thank you for your contribution. Merry Christmas. Happy Holidays and look forward to another exciting year in 2018. Take care.

Concluding Remarks, by Barbara Jesson

At the Empire Club, we pride ourselves in bringing important issues and discussions, like the one we have heard, to our podium. We could not do it without our wonderful sponsors. I want to thank them very sincerely—Bruce Power, CLEAResult and Alectra Utilities—for making this event possible. We are very, very grateful.

I would like to thank mediaevents.ca, Canada's online event space for webcasting today's event for thousands of viewers around the world.

Please, follow us @Empire_Club, and visit us at www.empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram. Join us for our next event, which will be in 2018, on January 11th, for our Investment Outlook at the Royal York Hotel.

I want to wish everyone a wonderful festive season. Thank you for your attendance today.

This meeting is now adjourned.