

EDA Annual General Meeting Gala

Keynote Remarks for Minister Bob Chiarelli

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Key Quotes from Minister Chiarelli's speech

"We need to address issues related to sector efficiency and consolidation with a fundamental re-think of ownership structures..."

"To be clear, we are not advocating for massive privatization, but certainly we do need some major reform"

"A balkanized grid of utilities that range in size ... just doesn't make sense."

"... our system has established and enshrined some major inefficiencies that disadvantage ratepayers. And it's time that we collectively address these issues."

"The common theme here is one of rate mitigation for consumers."

Pages 6 to 9 of the Minister's speech speak directly to the benefits of LDC consolidation and the subsequent benefits to ratepayers, customers and stakeholders.

Thank you, **Jim** [Hogan, Chair of Electricity Distributors Association].

Good evening everyone and welcome.

In preparation for my remarks this evening, I realized that this is the third year in a row that I've had the pleasure of speaking from this podium.

That either means that Premier Wynne thinks highly of the work that I'm doing at the Ministry – or – she wasn't able to find anyone else willing to take the job.

But, before I begin, I want to acknowledge Charlie Macaluso for his years at the helm of the EDA. As you know, Charlie has announced his retirement after more than a decade as CEO.

Congratulations on your retirement and best of luck as you tackle future projects.

This evening, I want to touch on three key topics that we at the Ministry of Energy foresee as important issues for LDC's, heading into the next year and beyond.

First, is bringing life to the Conservation frameworks that all LDCs have now signed onto with the IESO.

We all agree that Local Distribution Companies are closest to the customers, be they individuals and families or large industrial or commercial operations.

And this close relationship needs to be reinforced as we collectively seek to meet our aggressive CDM targets.

Over the next 6 years, each LDC will be asked and indeed challenged to meet their targets because we know that Conservation is one of the cleanest and most cost-effective energy resources.

And we know, historically, for every dollar invested in electricity conservation, the system has avoided two dollars in costs.

At Queen's Park, we believe that Conservation also provides individual consumers with the most practical way to better understand and manage their bill.

And in many ways, large industrial and commercial players have already seen the value in Conservation savings and are undertaking major projects to help maximize these electricity savings.

Home Depot, for example, is a leader in helping save energy, reducing system costs and managing their own commercial electricity costs.

Home Depot has completed 191 conservation projects province wide.

And these have reduced energy consumption by more than 29 million kilowatt-hours since 2012, enough electricity to power more than 3,000 typical Ontario homes for a year.

Last year, 245 Tim Horton's' restaurants underwent renovations that included energy-saving measures like switching to LED lighting and installing white roofs.

Through its combined conservation efforts, last year Tim's estimated it would save around four million kilowatt hours of electricity province-wide.

And this year's Super Bowl was held for the first time at a stadium entirely lit by LED's, cutting energy use by an estimated 75%. In Ottawa, the home of the Ottawa Senators, Canadian Tire Centre has done the same.

The challenge for all of us now will be to drive this kind of conservation savings into every business and household.

As a result of our successful and ongoing consultation with LDCs, our new framework enables locally developed programs for individual communities with unique needs.

We've heard you loud and clear on this point.

So, I want to take a moment to recognize some of the early action and innovation that has already been taken by some LDC's in this regard.

For example, PowerStream's CDM plan set out energy efficiency investments that will be tailored for the specific customer segments in their service territory.

Residential customers will have access to a 'Heating and Cooling Incentive' to help improve their homes' energy efficiency while lowering their electricity bills.

Customers will be able to upgrade the energy-efficiency of their furnace and central air conditioning units, as well as a voucher program for which customers can receive additional discounts on a wide range of energy-efficient products, such as LED light bulbs for residential use.

And Niagara Peninsula Energy is planning a local hotel and motel program targeted at the local tourism sector, specific to their marketplace.

They are planning to partner with Enbridge as well as the Ontario Restaurant Hotel and Motel Association (ORMA) to pursue a program which will include lighting and fan retrofits, education and self-assessment tools for management, and in-suite heating and cooling control upgrades in hotel rooms.

Several utilities are also recognizing the benefits of energy comparison and social benchmarking to meet their targets, drive program uptake and improve customer satisfaction.

For example, Kingston Hydro, Greater Sudbury Hydro and North Bay Hydro have launched a program called "energy insights", which uses smart meter data to send comparative home energy use reports to residential customers.

These reports provide helpful information on usage for similar homes and provide tips for residential conservation savings.

And because it is going to be vital that LDC's and the IESO have an efficient and effective, ongoing working dialogue to support the design and management of CDM programs.

We were pleased to see the launch of the "Conservation First Implementation Committee" that will be co-chaired by the IESO's Terry Young and Toronto Hydro's Chris Tyrell.

Terry and Chris will be the key points of contact for LDC's looking for support or advice as we seek to meet our conservation targets.

The committee will be able to integrate conservation program opportunities and foster collaboration between electric and gas utilities.

This will ensure that programs and practices incorporate innovation and encourage the adoption of best industry practices.

We understand this committee will establish several working groups to design and support the management of CDM programs and that membership of these working groups will include representatives from LDC's from around the Province.

This is a process that will enable LDC's to share ideas and information, discuss best practices and shared successes.

At the same time, I'm challenging these co-chairs to remain lean and nimble, because for CDM to be a success, we don't need layers of bureaucracy and mountains of paperwork.

Many technologies exist today in the marketplace we just need to make these products easier and simpler for consumers to implement.

2015 will also mark an important milestone for Ontario electricity consumers.

As we know, later this year, the Ontario Clean Energy Benefit will end and together we will need to address the important issue of cost and rate mitigation for some residential customers.

So, first as announced in our 2014 Budget, coincident with the sun-setting of the Ontario Clean Energy Benefit, our Government will remove the Debt Retirement Charge from residential ratepayers, two years ahead of schedule.

For many low income and vulnerable Ontarians the mandated end of the Ontario Clean Energy Benefit in December 2015 may be cause for some rate shock.

There are several important facts that are front and centre at the Ontario Energy Board.

For a household with income above \$80,000 the annual percentage of household income spent on electricity is 2 percent or less.

But for households with income under \$40,000 per year that rises to 5%; and goes up to 10% for those making \$20,000 per year.

So, disproportionately, those least able to afford it are paying an ever rising cost for electricity delivery.

While the Ontario Clean Energy Benefit has helped ease the burden for all ratepayers, it is not only a significant drain on the fiscal plan.

But also, high-income earners are receiving 10% less on their monthly electricity bills, matching seniors on a fixed income and working families.

This initiative is one more tool to add to our arsenal to battle poverty in this province.

By helping the most vulnerable Ontarians with their energy bills, recipients will be able to focus more on what's important: their families and making a meaningful contribution to our society.

So, since last April, the province has been working with the Ontario Energy Board and other key stakeholders on a new electricity consumer initiative to help make electricity more affordable for low-income families.

The proposed Ontario Electricity Support Program would provide ongoing assistance directly on the bills of eligible low-income electricity consumers after December 31, 2015.

It would provide targeted assistance to those who need it most, ensuring all Ontarians have continued access to clean and reliable electricity.

And in a few weeks' time, Ontario's 2015 Budget will outline the exact program details, but it will be no shock to anyone in this room that implementation of the new OESP will require LDC action and support.

This program will provide on-bill savings, to help qualifying families during each billing period as opposed to a single lump sum annual tax refund.

The removal of the Ontario Clean Energy Benefit and the deletion of the Debt Retirement Charge coupled with the implementation of the low-income Ontario Electricity Support Program will require changes to the electricity bill, in both form and function.

The OESP will be a more targeted program that only qualifying individuals and families will be able to participate in.

By definition, this will mean more complex administration.

But quite simply it is the right thing to do, to help support those who need a little extra help with their monthly bills.

Over the next few months, the Ministry of Energy will work with the OEB and LDC's to ensure a smooth transition and effective rollout of these on-bill changes.

Conservation savings and the new OESP are going to have a direct impact on customers, so we are going to need to work together to implement these programs in a way that is simple and easy to understand.

Finally, I wanted to address the elephant in the room – I know that many of you in this room have questions about the Premier's Council on Government Assets.

For over 8 months now, we have been guided by the work of retired TD Bank CEO Ed Clark.

He has uncovered some exciting opportunities and highlighted some significant challenges for Government.

Specific to Hydro One Mr. Clark has challenged Government to re-think its ownership structure and consider a dilution of our ownership interest.

At this point in time, no final decisions have been made by the Cabinet and we will have more to say in the upcoming Provincial Budget, but I'd like to share some thoughts and observations that have interested our Government at the present time.

To do so, I'd like to pose three key questions that have come to our minds as a result of the Clark panel's work.

First, we need to shake off partisanship and fear mongering to really address a fundamental question: in the 21st century, does the Province really need to be in the distribution business?

Jurisdictions the world over are able to effectively protect consumers via sound and predictable regulatory authorities without directly owning and operating their utilities.

Secondly, while it's pretty clear that our Government will soon take action with respect to the ownership structure of our own assets, as Minister of Energy, I'm also working to ensure that and changes made drive meaningful transformation and renewal in Ontario's electricity sector.

Our Government is addressing all potential barriers that may stand in the way of transformation and consolidations - whether they are provincial policies or elements of our tax regime.

Perhaps more pressing a question for many of you in this room: in the 21st century, do Municipalities really need to be in the distribution business?

For some, the answer might certainly be "yes" for others the answer may be "not necessarily", and for others it may be "maybe".

To be clear, we are not advocating for massive privatization of the LDC sector, but certainly we do need some major reform.

A balkanized grid of utilities that range in size from 1,200 to over 1.3 - million, in a province of only 5-million customers just doesn't make sense.

Over time, our system has established and enshrined some major inefficiencies that disadvantage ratepayers.

And it's time that we collectively address these issues.

And I want to underline, we don't think it's right for a Government at Queen's Park to dictate how many LDCs should service our Province.

And we don't believe that politicians should carve up and swap customers like trading cards.

But I do think that we have an obligation to look at our own structures and our own systems for potential reform that could save ratepayers and the electricity system significant sums of money in the long term.

Reform is never easy.

There are many interests that will seek to protect and reinforce the status quo.

But reforms that will offer new opportunity to maximize shareholder value and drive real, meaningful and sustained rate mitigation for Ontario consumers are coming.

This leads me to my third and final question of the evening: all of us, together, in this room and leaders in the electricity sector across the province: will we be the architects of these reforms or their antagonists?

Two years ago, our Government announced that we would not be forcing consolidation via legislation.

That remains our policy going forward.

However, since that time we have seen little or no action on the part of LDC's in this regard.

At the same time, we acknowledge barriers remain to more dynamic and structural reforms.

And we have certainly heard from this room and stakeholders throughout our sector that we need to take a long, hard look at the departure tax and the transfer tax.

So, in response, we're looking at those barriers, and others that may stand in the way of meaningful consolidation, and we hope to reduce and eliminate these barriers where we can.

To be clear, if we can address those barriers, then the ball will firmly and finally land in your respective courts given the more attractive opportunities that will present themselves.

In sum, we expect this and next year to see evolution and change.

Our Government's strong desire, if not expectation, is that Local Distribution Companies will see fit to take up that challenge and help drive this sectoral transformation.

The three topics addressed this evening speak to better value for customers and a more responsive and efficient distribution system.

We need to evolve the conversation with customers to deliver the conservation savings message broadly, to reinforce that simple actions can have a large impact on the electricity system and save consumers money.

We will adapt our billing and support systems with the sun-setting of the Ontario Clean Energy Benefit, the removal of the Debt Retirement Charge and support the launch of the new low-income Ontario Electricity Support Program. To better serve our customers.

And we need to finally address issues related to sector efficiency and consolidation with a fundamental re-think of the dynamics impacting the ownership structures of provincial and municipal utility assets.

The common theme here is one of rate mitigation for Ontario consumers.

In the years ahead, the desired flat load growth, or even net reduction in demand will put pressure on all of us to deliver the same level of service while also managing rate pressures.

We are confident that, when we work together, we will be able to address these challenges and find new means of delivering savings, ratepayer and shareholder value in the near future.

Thank you.