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Hon. Bob Chiarelli  
Minister of Energy  
Hearst Block - 4th Floor  
900 Bay Street  
Toronto ON M7A 2E1

Dear Minister Chiarelli:

**Re: Long Term Energy Plan Review:**

The creation of a revised Long-Term Energy Plan (LTEP) as a guiding document for energy conservation, generation, transmission and distribution is welcomed by municipalities. Our members are very large consumers of energy, accounting for over \$1 billion of energy supplies in Ontario annually. We are also owners of local distribution companies (LDCs) which form the links between Ontario's residents and the provincial electricity supply. We also own a large stock of buildings and facilities in need of investment to support the government's energy conservation and greenhouse gas reduction goals. Municipalities also host, and sometimes partner, in energy projects that are critical to Ontario's sustainable future and opportunities in the green economy. Municipalities will continue to be key partners of the government in implementing this plan and deserve a place at the table as a result.

A LTEP that addresses crucial energy, economic and environmental issues is needed as provincial energy policy and goal changes have recently been too frequent and in turn have stunted innovation, investment and progress. Lack of clarity about direction and roles has resulted in public scepticism about energy policy and economics. Long-term planning should rectify this situation. Municipalities support regional energy generation with the understanding that regional plans will integrate local and provincial goals. The Municipal Energy Plan (MEP) program is a step forward to assist municipalities with less capacity to grapple with local/regional energy conservation, demand and other types of planning documents. It allows integration of local infrastructure needs and plans to broader energy considerations. This in turn will result in a more business-like approach aimed at future expectations rather than a focus on addressing deficiencies. The potential for economic development will rely on affordable and reliable energy.

The LTEP must support regional variations. Some LDCs and municipalities have the strength to generate and offer transmission if allowed. Other regional plans may focus on new partnerships to strengthen LDCs so that they can support new technologies. Some areas will set upgrades to transmission as a priority; others will look toward changes in the generation mix. The large number of municipalities in Hydro One territory will need to be accommodated in some other fashion. The Ontario Energy Board (OEB) must respond in support of regional plans to foster a vigorous economy, innovation and locally responsive decision making.

The Ministry is encouraged to think about the public as the centre of long-term energy planning. Thus, broader support for the LTEP can be achieved. The public must believe that conservation is in their best interest and achievable by them. The public must understand and be convinced of the value of the cost of energy (including all the cost of the commodity, distribution, investment in the system, debt retirement).

The public needs assurances that this public good is being managed well which will require greater transparency for the rationale behind policy decisions, clarity of roles and responsibilities and assurances that decisions make good economic sense while leaving room for innovation. To that end, AMO recommends taking full advantage of the AMO-Ontario Memorandum of Understanding (MOU) process as a means of testing each policy component and major investment of the LTEP as well as through early and ongoing consultation with affected municipalities. As the order of government closest to the public, our members can provide valuable advice on program development and siting issues before major decisions are made—which will reduce the potential for major reversals and save time and money at the end of the day. Early and consistent consultations with municipalities will not only avoid many expensive and unpleasant standoffs with residents but may present alternative, superior solutions to issues facing our shared energy system that may not have been considered by the plan's developers.

### **Conservation:**

1. *Conservation First:* A holistic view of energy must be employed for a new framework. Conservation is not just about electricity but should include natural gas and other fossil fuels plus thermal energy. Oil consumption must also be taken into account, particularly if reduction of Green House Gases (GHG) is a goal. The economics of energy must make sense and to do so, all energy consumption should be considered. Existing divisions in how the regulatory, provincial energy agencies and utilities neglect one form of energy in favour of another, causes inefficiencies and must come to an end. The consumer, be it a municipality, a business or a resident, will drive conservation. The consumer needs to be the focus of policy and program initiatives. Conservation is cheaper than new generation and it creates local jobs. Conservation as a policy direction is important and needs to be communicated. Further, government actions need to be consistent with this principle (lead by example). It is important that the public see how costs have been avoided, it is also important that demand be reduced and not just shifted. The framework should include all energy uses, not just those associated with fixed buildings.
2. *Behavioural Changes:* This is the lynchpin upon which conservation and demand shift hinges. As stated previously, a customer orientation in policy and programs will drive behavioural changes. Behaviour will change if the actions required are understandable, affordable and clearly understood to be in the interest of the individual or business.

Decisions will not be made on the basis of environmental benefit alone. Currently, energy bills are confusing (the term “global adjustment” for example is not understood by consumers) and the public is poorly informed about the social, economic and environmental pros and cons of the various supply mix options available. Within this background, those making energy decisions are less likely to consider conservation. Investing in energy efficiency often has a payback period longer than an individual or business may own the asset. Social marketing is required to move behaviour toward investing in energy efficient assets, shifting demand and displacing load. Continued financial supports for programs are essential. However, these supports must be shown to make economic sense, be responsive to the local situation and enable enough flexibility to allow for some experimentation and innovation. A one size fits all approach will be doomed to failure. For example, at times the LDC will lead conservation efforts, at other times it may be the municipality and at other times the private sector may be the lead partner. AMO has demonstrated that a sector specific approach to conservation works well as driven by its subsidiary Local Authority Services (LAS). Sector organizations understand their members’ needs and speak the same language, which is essential to marketing and navigating the approvals processes required. The OEB must accommodate a breadth of ideas and relationships as it undertakes approvals.

3. *Incenting Change*: The observations outlined in the Ministry's *Conservation First* document have been echoed by the AMO membership: conservation is the cheapest and most preferable supply mix option. The initiatives recommended also match the thinking of AMO members. AMO will continue to push for specific Conservation and Demand Management (CDM) programs developed for the municipal sector; something that has been lacking since the short-lived Municipal Eco Challenge Fund was abruptly cancelled in 2009. The municipal sector has a very large energy reduction potential but this will remain unrealized without capacity support. AMO is a strong supporter of energy efficiency and CDM initiatives because these programs save money, create local employment, improve system reliability and fight climate change. CDM programs are strategic investments of public money because they commonly leverage \$2-3 for every dollar spent while making our air cleaner and reducing environmental impacts. AMO has consistently supported these objectives through our policy positions and program delivery through our subsidiary, LAS. The current Energy Efficiency Service Provider (EESP) initiative being hosted by LAS and five other host organizations has proven itself to be an incredibly successful investment by the Province. Funded by the OPA until the end of 2014, the seven EESPs managed by LAS have, as of July 24, 2013, identified more than 24,745,721 kWh of potential reductions via specific energy efficiency projects in 77 different municipalities. This program is working very well and should be continued.

When working toward a new framework it is essential:

- a. to accommodate changes and be flexible and agile;
- b. to accommodate and empower the variety of municipal and LDC circumstances and initiatives;
- c. to invigorate innovation by reducing administrative burden or approvals processes; and
- d. to be risk tolerant while having clear targets.

## **Transmission**

Transmission is as important as generation. Transmission and distribution systems often appear to be afterthoughts in energy policy development and almost always contentious, time-consuming and expensive to construct in the field. AMO is concerned that the distinction between transmission and distribution has not been adequately considered and that planned enhancements may not achieve all of the province's economic and environmental objectives. The distribution level investment associated with smart grid and renewable connections should be considered in the context of a LTEP. Current requirements that each and every improvement in transmission or distribution must meet a 'business case', ignores the potential of such lines to contribute to economic growth in various parts of the province currently underserved. AMO urges that the LTEP support connecting communities to achieve other public policy goals such as improving the health and sustainability of First Nations and remote communities currently limited to stand-alone diesel as well as numerous would be renewable energy projects that cannot currently connect. Finally, we strongly recommend that system planners must sit down with all community leaders that will host any new major transmission project to ensure the most efficient and socially acceptable siting well before they begin to commence work on these projects.

### **Demand Response Programs to help reduce peak demand:**

The existing demand response (DR) programs are helpful and our members believe they should be maintained as a way to offset economically and environmentally expensive peak demand generation. However, AMO is concerned that the OPA is ignoring a significant DR opportunity by not encouraging an embedded distributed generation program using existing standby generation assets that all municipalities are required to own and maintain. Generator owners are typically mandated by the CSA to test run their generators regularly (approximately 14 hours per year) and this process is both time-consuming and costly.

In the times when the province is experiencing excessive power consumption and when area energy resources are low, these numerous backup generators could be called upon to feed power back into the grid.

### **Supply**

We would like to reiterate the fact that early consultation with affected municipalities will result in better decisions relating to the siting of new generation facilities as well as the infrastructure to support the new generation. Municipal leaders can provide valuable intelligence on not only what sites would work best, but also on how to improve community acceptance as well as how to maximize public investment by integrating new infrastructure into local land use and other planning. The proposed procurement process for Large FIT projects requiring the proponent to consult with the affected municipality is a step in the right direction.

AMO is neither for nor against any one particular type of generation as we believe a broad portfolio of supply options mitigates the risk of dependence on any one fuel supply but we are supportive of less GHG intense fuel sources. This portfolio should also be complimentary in terms of supplying base, intermediate and peak demands. We do maintain, however, that any potential hosts should have a say in the type of generation planned in their community and that any new generation should be the best available technology and should make use of all available energy types including thermal energy.

Converting biomass to energy eliminates costly problems, creating revenue rather than adding to costs. Examples include using residues from wood processing industries to create process heat and power, diverting municipal waste from landfills for energy waste disposal generation, tapping the gas produced by landfills for power production, using digester gas from sewage treatment plants, or from manure produced by livestock operations, for heat or electricity production. Bioenergy creates more than other energy sources. For the same capital investment, it creates almost twice as many jobs as other types of renewable energy, and three times as many as fossil permanent employment energy. Better still most of these jobs occur in rural and high unemployment areas. AMO believes biomass provides a huge economic opportunity for Ontario that should be explored fully.

Our members are particularly interested in exploring any biomass opportunities that pass a life cycle analysis because "Grown-in-Ontario" biomass can provide significant benefits to our electrical system, economy and environment. Ontario is blessed with vast, renewable agricultural and forestry sourced biomass. Biomass is carbon neutral and can be used on its own or with fossil fuels to produce low-carbon electricity. Better still, renewable biomass generated electricity can be dispatched when most needed, not just when the wind blows and the sun shines.

AMO supports new generation from clean sources and distributed generation as the means to enhance grid security, develop local economies and fight climate change. AMO supports the commitment to

eliminate coal by 2014 and is also supportive of the aims of the FIT program to incent the development of much needed renewable energy. Locally generated renewable energy raises awareness of how electricity is produced and consumed and, as a consequence, promotes conservation. Locally owned power projects also generate 5-10 times the local benefits than the traditional, centralized energy generation model. We urge the government to continue to explore economic models such as co-operatives to deliver on green energy goals.

District Energy (DE) solutions can provide important benefits in meeting the overall energy needs of many Ontario communities. Environment Canada estimates that approximately 46% of Canada's GHG emissions are produced through stationary (i.e. thermal-heating and cooling) uses of energy. In Ontario, approximately 60% of both the residential and commercial sector energy consumption is for space heating and cooling. DE systems are designed to address community thermal needs but can also be augmented to meet both thermal and electrical needs. Ontario has an opportunity to accelerate the deployment of DE systems in a way that support both local community energy needs and the broader public policy desire to make our delivery systems greener, cleaner and smarter. The LTEP can accelerate these community solutions by (1) ensuring DE systems are explicitly referenced as an important portfolio option; (2) enabling policy that recognizes the importance of community thermal energy systems by integrating it into land use and energy planning; and (3) supporting Combined Heat and Power (CHP) as an intermediate source of electricity at the community level.

The supply mix needs to reflect regional needs and capacities, not only to address green energy goals but also to foster economic competitiveness within the region and as a province.

### **Siting Large Energy Generation**

Choosing the right location requires not only the identification of energy need in a region, but an understanding of local plans, being responsive to local initiatives and concerns. There are a number of principles which should guide locating energy generation sites, no matter what type of energy:

- It is widely expected that energy generation developments need to take place where environmental impacts, both immediate and cumulative, are taken into account.
- Economic feasibility, including long-term asset management, needs to be introduced as part of the public process.
- Projects must be based on technical solutions, yet not only based on technical solutions.
- Local communities need to have a voice. They need to know how this voice has been heard or know why local ideas cannot be accommodated. Conflicts between local, regional and provincial goals or perspectives should be discussed.
- Successful regional energy planning will have to be designed to address various viewpoints and accommodate differences; and this means the Regional Energy Plans (REP) will be different from region to region.

When planning large infrastructure, the process needs to be designed with the understanding that municipal governments have differences in capacities and priorities. The Regional Energy Planning process needs to be efficient and accommodate municipalities that have few staff, lack expertise or the resources to purchase that expertise. It should be respectful of the timeframes required to undertake normal municipal business. For example, municipal council's policy making process is generally monthly

and depending on its cycle and committee structure could take two months. For the development of an Official Plan or Zoning By-law where multiple parties are involved, that process could take up to eighteen months before it is adopted, let alone approved.

As a final thought, it is important to note that providing incentives and a competitive process do not guarantee the right location. Municipalities are concerned that the economics of energy makes long-term sense and must be defensible. A competitive process could lead to the right price but at the wrong location. For example, often cheaper lands are environmentally important.

### **Impacts of the Plan on Municipal Consumers**

As very large energy consumers, we are concerned about the impacts of rising prices on the municipal bottom line, but we also weigh these impacts on large industrial users and other rate payers in our communities as well as the impacts on long-term system planning and other social or environmental policy objectives. AMO is in favour of market-based responses that will lower demand and benefit the entire energy system through greater efficiencies on both the demand and supply sides of the equation. Our members have had to deal with years of neglect and downloading that resulted in very substantial fiscal and infrastructure gaps that only began to be addressed recently. This experience has taught us that to avoid investments in energy infrastructure now will only result in downloading higher costs and reliability problems to our children in the future. We are also reminded that there is only one taxpayer and that taxpayer expects all orders of government to work together on their behalf to achieve the best possible return on their investment. These lessons underpin the importance of energy agencies working closely with municipalities on all aspects of energy.

We look forward to working with you on these matters to bring about positive change in the energy sector.

Yours truly,



R.F. (Russ) Powers  
President

cc: Julie Green, Senior Policy Advisor, Strategic Policy Branch, Ministry of Energy  
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