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Ministry of Energy and Electrification
Government of Ontario
77 Grenville Street
Toronto, ON
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Submitted via Environmental Registry of Ontario

Re: Integrated Energy Resource Plan Consultation (ERO number 019-9285)

Toronto Hydro-Electric System Limited ("Toronto Hydro") is the local electricity distribution company for the City of Toronto. Toronto Hydro serves over 790,000 customers and delivers approximately 18% of the electricity used in Ontario.

On October 22, 2024, the Ministry of Energy and Electrification ("Ministry") released an energy policy paper, "Ontario's Affordable Energy Future: The Pressing Case for More Power," which outlines the vision through which Ontario intends to create its first integrated energy resource plan ("IERP"). The Government intends to release the IERP in 2025. According to the posting, the IERP is meant to consider the long-term view of energy use across the economy and across all sources of energy, detailing actions and policy steps that will be taken to meet Ontario's needs through a clean, affordable, reliable, and abundant energy system. The Ministry is seeking input and perspectives from stakeholders to inform the integrated energy resource plan, and has posed a number of guiding questions in three broad groupings, growth, affordable and reliable energy, and becoming an energy superpower. Toronto Hydro appreciates the opportunity to provide its input, and has organized its comments along these themes.

Planning for Growth

Consistent with past submissions to the Electrification and Energy Transition Panel and other forums, Toronto Hydro recommends a coordinated approach to energy planning through which diverse, expert, evidence-based perspectives are sought, considered, and reflected through an orderly, well-understood, process that produces practical, actionable outputs. While centralized coordination (e.g. leadership,

project management) is essential, bottom-up inputs are too (e.g. forecasts, new technologies), as are lateral inputs (e.g. municipal plans, economic drivers). A high-quality process calls forth the best from all corners in a constructive exchange that results in a product of common value.

In the Ontario context, Toronto Hydro recommends a process that is overseen by the Ministry, but led by the entities best positioned to deliver the requisite outcomes. For example, the Ministry should continue to rely upon local electricity distribution companies ("LDCs") and natural gas distributors by turning to them to prepare Local Energy Plans that incorporate inputs from the communities that they serve. Similarly, the Ministry should continue to reply upon the IESO and Enbridge to prepare integrated energy plans – each for their own energy type – with province-wide scope. The IESO's Integrated Electricity Plan should be compiled based on inputs from LDCs, transmitters, and the IESO's own knowledge. Enbridge's Integrated Natural Gas Plan should be compiled based on its own Local Energy Plans, and those of other natural gas distributors. The OEB should review the Integrated Electricity Plan and the Integrated Natural Gas Plan, as well as the planning processes that produced them. This OEB review would ensure that the plans were developed in accordance with Government-specified IERP requirements, and provide the Government with sufficient information to produce an IERP that meets the Government-specified objectives, including an overall energy mix that is clean, reliable, affordable, and abundant.[1] Once the two OEB-reviewed plans are filed with the Ministry, the Ministry can then incorporate additional inputs from other branches of the Government to calibrate the IERP with the broader Ontario economy and additional public interest considerations. In issuing the IERP, the Government should also make the decisions necessary to authorize implementation, so that the IERP is not merely a document, but a basis for action. These authorized actions could, for example, be directions to the OEB to authorize appropriate investments by utilities.

One of the expected needs that will be identified in the IERP are investments that enable incremental supply. Investments that enhance the ability to connect and integrate more local generation, such as solar and energy storage, may avoid or defer future investment in large-scale generation and

[1] A common concern and criticism of OEB involvement in reviewing plans is the breakdown of the OEB review of the Integrated Power System Plan ("IPSP") a decade-and-a-half ago. In that proceeding, stakeholders were given the opportunity to challenge the Ontario Power Authority ("OPA") IPSP with their own bespoke proposals. Toronto Hydro submits that the Government and OEB can scope the reviews of the Integrated Electricity Plan and Integrated Natural Gas Plan such that the OEB solely confirms that due process in accordance with IERP requirements were followed, and that the resulting substance of the plans are sufficient, again based on IERP requirements. Where there are material deficiencies, the OEB could note those in its public report to the Government, but it would not be within the authority of the OEB to reject the plans.

transmission resources and should be pursued. However, regardless of whether generation supply comes from large facilities (e.g. nuclear power plants, hydro-electric dams, wind farms) or small-scale generation (e.g. rooftop solar panels), more local distribution infrastructure is required to get electricity from where it is generated to where it is needed. At the same time as the grid expands, it must be modernized. The grid must increasingly shift from a one-way system that only sends electricity to customers to a two-way system that also facilitates widespread, small-scale generation into the grid by customers. Grid modernization that allows the use of DERs to help manage peak demand may avoid investment in new or expanded generation, such as natural gas plants, at the bulk system level.

In planning for growth and the overall energy mix, natural gas is and will continue to be a key question. Many municipalities have passed resolutions opposing natural gas. However, it is also the case that many municipalities have passed resolutions renewing franchise agreements with their natural gas delivery company. Until municipalities begin modifying franchise agreements to limit natural gas distribution within their borders, or demonstrate the legal authority to close natural gas generators within their borders, the nature and pace of transitioning away from methane and other carbon-intensive fuels will be a matter of provincial policy and customer choice. In Toronto, some customers have made that choice in pursuit of a decarbonized footprint, a cleaner household environment, and even affordability. Over time, as gas usage decreases and customers "get off gas", those who have not will likely be faced with higher per unit prices, creating further energy affordability pressures.

The Canada Electricity Advisory Council's report to the Government of Canada earlier this year recommended the adoption of an "energy wallet" that will help Canadians track the amount of money they are spending in aggregate on energy. That tool has been advocated by other organizations as a means of helping customers evaluate energy transition choices. Toronto Hydro highlights it here as a way for the Government, OEB, and stakeholders to better understand the financial impacts of energy transition options (e.g. what, when, where, how) within the sector, through a customer lens. For example, what does an aggregate of the energy wallets look like for residential customers in rural areas, commercial customers in urban areas, or large industrial customers across the entire province? How are DSM or eDSM programs making a difference to energy wallets? Are customers with DERs that are under contract with the IESO or with their LDC (as a non-wires alternative) seeing individual benefits commensurate with their investment and how is that influencing their energy transition?
The Government could direct the OEB to establish LDC reporting requirements that collect data on customer-level economics. What decreases to customer energy bills would be achievable if certain

customers in certain locations at certain junctures were assisted in moving off petroleum, diesel, methane, or other fuels? Presently advocates of an expedited energy transition may assume we have already passed that inflection point where all electrification investments are economic, while opponents of the energy transition may assert that the inflection point is decades away, or perhaps will never exist for most customers or communities. Markets, customer relations, and democracy all function best when people are equipped with accurate information with which they can make informed choices. All-in, customer-specific, energy bill aggregation and analysis – be it through an energy wallet or otherwise – is a critical tool to bring better information to individuals, utilities, regulators, and Governments as we proceed forward together. Yes, Integrated Energy Resource Plans at province-wide scales are important, but so too is enabling individual customers to create for themselves integrated energy plans, and an energy wallet is an effective way to equip them.

Toronto Hydro notes that municipal energy plans are often raised in the context of IERP discussions. These are indeed relevant inputs for utilities and agencies to consider during their planning processes and should be acknowledged within the planning framework. However, municipal energy plans are not akin to the energy infrastructure plans of utilities and energy agencies. Toronto Hydro recommends incorporating those plans into broader infrastructure plans as additional inputs, rather than creating new or more complex parallel processes intended to accommodate federal or municipal energy planning on a stand alone basis. The Government should set broad guidance for how distributors incorporate municipal input into Local Energy Plans. The Government should also set broad engagement criteria, while distributors and municipalities can develop customized, detailed engagement plans for use during local energy planning that are community specific aligned with Government criteria.

Customer Connections Policy that Supports Growth

Reviewing and streamlining connections processes and procedures is also an important element in planning for growth and electrification. To this end, the OEB, under the Ministry's direction, is already in the process of implementing a number of its own recommendations, with further amendments expected to follow. Consistent with Toronto Hydro's recent submission on proposed regulations on this issue, Toronto Hydro recommends that the Government approach any proposal to do away with the "beneficiary pays" principle with extreme caution. That time-tested principle is not only deeply rooted in what the public would consider "fairness", but insulates homeowners and businesses from additional rate increases. When presented with situations such as this, customers often comment that "development should pay for development". Dissatisfaction and disengagement can be expected from

customers who are forced to absorb energy transition costs that they did not cause. Toronto Hydro recommends that the Government can best achieve its objectives by maintaining a fair balance in cost allocation matters as between connecting customers and existing ratepayers.

Affordable and Reliable Energy

Toronto Hydro agrees that affordable, reliable energy is a cornerstone of the Ontario economy. The Minister has rightly looked back over the past 100 years as a reference point in setting provincial energy policy in its appropriate context. Electric utilities have been central to the sector's success story, and what that has meant for Ontarians' quality of life, and the rise of Canada's industrial superpower. Through technological advancements, utilities have increasingly had the ability and taken the opportunity to draw customers into more active participation in contributing to the affordability, reliability, and non-emitting characteristics of Ontario's electricity system.

The Government can further empower consumers and the distribution utilities that are closest to them, with whom they have long-standing, trusting relationship. Utility-led, customer-facing programs in areas of energy efficiency, beneficial electrification, smart technology adoption, and DER program participation (e.g. demand response enrollment, supply procurement activation) can not only improve affordability, reliability, resiliency, and satisfaction among the customers in those programs, but their neighbours too, and even customers across Ontario. "Think global; act local," is an old phrase from a different context, but it rings true as a guiding light that is now possible through customer-scale technologies, distribution utility capabilities, and the broader provincial system needs and economics. Customer choice and customer engagement in local solutions led by local utilities should continue to be, and increasingly be, a guiding principle for the Government that puts customers and communities first.

Moreover, the Government should apply the same market-mindset and principles that are driving not just choice but also unprecedented bulk system procurements in rethinking its approach, the OEB's approach, and the IESO's approach to distribution utilities. Ontario now has 8 LDCs that each serve more than 100,000 customers, and that in aggregate serve approximately 80% of all customers by count and load. Similar to the Government's success with IESO market procurements, the Government, its regulator, and its agency can and should issue RFPs open to LDCs of all sizes to submit proposals to address near and longer term objectives that are outside or beyond the scope or scale of OEB-approved performance levels. For example, the Province could invite proposals to connect a large number of DERs, to accelerate load connection timelines for provincially-significant projects, and design and deploy

new local flexibility markets. In this way, the Government can tap into the market potential of a large pool of "large enough" LDCs to lead the way in ways responsive to community needs and preferences. There is sound regulatory theory behind such an approach: regulation is meant to operate where markets can't function effectively. Stimulating a more market-based approach to attaining deliverables above and beyond that which is regulated would be an innovation worth introducing as part of moving more quickly from needs to action.

Becoming an Energy Superpower

Toronto Hydro submits that becoming an energy superpower is a natural outcome of solid, well-founded policy decisions that are being considered in the near term. Pursuing prudent and cost effective policies as those discussed above and considered by the Government as part of this consultation, will in time, position the province to a status of energy strength, which could then be leveraged to increasingly attract investment, providing economic and other benefits to the province. The Government has already noted, and Toronto Hydro supports, the importance of nuclear energy as a major source within the province's energy mix. In addition, the continued deployment of innovative technologies like DERs, where warranted, will further modernize the province's energy infrastructure and add supply. In combination, such steps, when aligned with one another and enabled by efficient and effective regulation will contribute to reforming the provincial energy grid into one offering more capacity, flexibility, resiliency, and cost efficiency, all foundational elements of an energy superpower.

Toronto Hydro appreciates the opportunity to provide comment on the Government's energy planning process, and looks forward to working with the Ministry and other stakeholders in attaining the Province's energy and electrification objectives.

Sincerely,

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