

2010 OEA Annual Conference

Building the Foundation for the Future

“Ontario’s Integrated Power System Plan”

A presentation by

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Good morning and thank you Elyse, George and John.

Some of you may recall that I approach the OEA conference each year with a certain amount of trepidation.

Last year, while I was at the mike, my cellphone rang. Kind of awkward.

And at my first OEA 2 years ago—day 4 on the job, I was at the podium when a directive from the then Minister was being released publicly.

This was a directive asking the OPA to reexamine parts of our long-term plan (the “IPSP”) which was in hearings at the OEB at the time. While I knew the directive was coming, I could pretty much time its exact arrival by the number of blackberries I suddenly saw being passed around in the audience.

So you could imagine my thoughts when I heard the Minister Duguid had chosen to talk about Ontario’s long-term energy planning at this year’s OEA—some form of déjà vu all over again?

Here I am at the mike again. What’s going to happen this year?

At least this time I knew for sure that I would be speaking AFTER the Minister.

But no less daunting because the organizers had already tasked me with talking about where we are at with the next IPSP in “10 minutes or less” – a document that was 7000 pages in length, I’d remind you.

Actually the Minister’s remarks last night and the organizer’s request turn out to mesh quite nicely because it gives me a chance to build on what the Minister had to say as well as talk about our approach to long-term electricity planning in this province and just how far we have come.

I also hadn’t seen Greg’s and Derek’s remarks in advance but I think what I was planning to talk about is pretty consistent with a number of themes they raised.

As the Minister announced last night, a very important next step is commencing with his invitation to all Ontarians to provide input into an updated Long Term Energy Plan and the next Supply Mix Directive.

And you'll notice that he used a key word in that description—"update"—because we are in the middle of implementing a very comprehensive and ambitious long-term energy plan.

And we are making GREAT progress.

Initiatives in the plan are transforming the electricity sector in this province.

And they've allowed us to turn our primary focus from restoring reliability to making the system greener and cleaner and smarter... to ensuring we have the right supply mix in place to meet our future needs.

This is probably a good time to share some figures that illustrate how far we've come.

Since 2003, more than 8000 MW of new supply has been added. And we've also got 11,000 MW in the pipeline. Reliability has been restored. By 2012, we expect to increase the megawatts the Ontario Power Authority has under contract to more than 23,000—both new and existing supply. We will continue to replace aging infrastructure and maximize what we're getting out of our existing infrastructure.

That means investment in the sector will increase by tens of billions of dollars. It comes at a time when our economy could use and continue to use the stimulus.

So, you can see we've achieved a lot in a short period of time. No more keeping our fingers crossed each summer about the lights staying on.

But there's more to do.

The good news is that thanks to decisions that have already been taken, and resources already in the pipeline, we continue to be in really good supply shape through to 2015. Better shape than we have been in a long time.

So let's talk about the broad brushstrokes of where we are headed—to ensure Ontario businesses and citizens have a reliable, sustainable and affordable electricity system—not just for today, but for tomorrow.

From a planning perspective, we look at our energy future in three phases.

The first phase is the period between now and the end of 2014—when our focus will be on bringing renewable energy on to the provincial transmission grid and phasing out coal.

The second period—from 2015 and 2022, we will be considering refurbishing our nuclear facilities and addressing emerging gaps in supply.

And the long-term, up to 2030—a period in which we'll see the widespread electrification of cars and public transit.

Long lead times mean we need to be thinking about these issues now, planning ahead and getting ready for decision-making.

But we also have breathing room that we didn't have before.

Our planning response will depend on where demand heads, as well as the progress we make in electricity generation and transmission.

As well as conservation, which I'd like to talk about first.

Conservation is always our first priority. It also the most effective way in which consumers can manage their electricity bills. And it is our least cost resource.

But it's not always the easiest resource to acquire. So how do we get more of it?

A good starting point is that we've got the most ambitious targets in North America.

Our goal is to reduce peak demand by 6,300 MW by 2025. I'm happy to say we're over 1,700 MW of the way there. While the economic downturn has slowed the pace in the near-term, we believe we'll meet that target a few years early and ultimately go beyond it.

Local utilities now have their own conservation targets and they'll be playing an even bigger role in helping Ontario residents and businesses conserve energy.

We've been working closer than ever with Laces over this past year to jointly revamp our conservation programs.

We'll be relaunching these programs in January, making it easier for consumers to take advantage of them and manage their bills.

And our summer Power Pledge campaign, which focused on encouraging households to save up to 15 percent of their electricity bills simply by unplugging cell phone chargers when they are not in use and using smart power bars, was a huge success.

These programs are especially important because costs are going up. They are increasing as much needed resources are coming into service and older infrastructure is retired. It's important to keep in mind that those cost increases are coming after nearly five years of relatively flat prices.

That being said, price increases are a challenge for many consumers and we are working on a program for low-income people and providing more tools to businesses.

We do expect conservation to deliver significant cost savings to Ontarians and huge net benefits to the system in term of avoided costs of building new generation and transmission.

While Howard didn't specifically mention it, other important steps are falling into place – on Friday the OEB finalized the new Conservation Code. All those benefits of effective regulation Howard mentioned also apply to effective planning and the two are obviously related.

And we will continue to focus on changes to codes and standards that also provide a significant portion of savings.

When we look to demand, there are a number of unknowns. Demand peaked in 2005, and has been declining ever since. We do expect it will be flat for the next few years as conservation efforts kick in and the economy continues to recover from the recession.

Much will depend upon how the economy restructures—what shape the industrial sector will take. And also what kind of carbon policies are in place.

I didn't see Derek's presentation in advance but our demand outlook is very consistent with what he presented today. Residential load stayed pretty solid through the recession. Small appliances, laptops and the like are the biggest sources of growth overall.

So, we're in good shape for now.

However, by 2015, a shortfall in supply could emerge. At that point coal is long gone and we are looking at significant necessary refurbishments to our nuclear fleet.

As more renewable energy is integrated into the system, flexibility and diversity of supply has become more important than ever.

We've seen capital investments of \$7-billion in our distribution system over the last several years. Over the next 20 years, investments in transmission are largely expected to be made to connect renewables to the grid. And we are working closely with Hydro One (and the OEB) to assess where the most pressing expansion priorities are.

So, those are the broad brush strokes—the future of the electricity system as we at envision it at the OPA.

No doubt we'll delve into more details as we go through the consultations.

Having not seen a flurry of Blackberries passing around. I hope I can presume there haven't been any IPSP/Long Term Energy developments while I was standing here so it's safe to wrap up.

As I said at the beginning, we do have a plan in place and we're making progress.

One thing you might find interesting – last week, like many of you, I was also at the World Energy Congress. One of the sessions was a roundtable of Canadian Energy Ministers. Almost all of them were there – maybe 2 or 3 were missing. Each had a chance to lay out their province's energy plans. In a crowd of 700 people, Ontario's plan was the only one to get a spontaneous round of applause.

A plan that includes ambitious conservation, cleaner generation, significant transmission, a smarter system, and a long-term approach.

But there's a lot more to do. Especially when you consider that 50 per cent of our existing capacity is going to need to be replaced in the next 20 years.

But like I said, we have breathing room.

Over the coming months you have the opportunity to provide your input into the development of Ontario's long-term energy plan. Let's not miss that opportunity.

So in sum—the IPSP of the future isn't necessarily going to be the IPSP of the past. Planning is an evolving process and the sum total of many distinct parts. We need to be flexible to respond to emerging circumstances.

But we also need to plan ahead.

And we are.