

EDA 2010 AGM

“OPA 2010 and Beyond”

A presentation by

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Thank you for this wonderful invitation.

It is nice to follow both Gord and Howard since over the last number of months, the Power Authority has been working so closely with their organizations. I always learn something.

It's also especially nice to speak after them because they usually get the first word AND the last word. Not this time. It's my turn.

I also want to make one thing clear at the outset. Howard and Gord may have seen me grimacing during their remarks. It wasn't because of what they were saying—this time. Rather I messed up my back sanding floors this weekend and was trying to get comfortable. So don't anybody read too much into my facial expressions.

It's great to see a group with so many familiar faces. Talking about groups brings me to the most important point I want to make today.

We have come here today from different parts of the province. From small organizations and large ones. And from different parts of the sector. Or, like me, from an agency.

But we have all come together, acting as one group to play a defining role in the transformation of Ontario's electricity system.

I'm not exaggerating when I say that the world is watching us very closely.

Developing new sources of green and clean energy is on everyone's agenda. Not just in Europe, but across North America.

Ontario has a really good story to tell because we're moving ahead on so many fronts. We're moving ahead aggressively on

conservation, on renewable energy and the smart grid. We're also expanding our transmission system and getting out of coal.

In fact, Al Gore recently called Ontario's new plan "the single best green energy program on the North American continent."

Two weeks ago I was asked to tell Ontario's story at CERA, which is North America's largest oil, gas and electricity conference. After I was finished, my fellow panelist, the chair of the California IESO said: "Well now, we should all move to Ontario." Not bad when you can get someone from California interested in moving to Ontario in the month of March.

I don't have to tell you that 2009 was a watershed year. As Howard said, what a difference a year makes. A time to clean our air. To stimulate the economy. To get going on 50,000 green jobs while building the foundation of Ontario's future prosperity.

The Green Energy Act positions Ontario as a global leader in both conservation and renewable energy.

You play a critical role in both of them.

I'd like to start this morning by saying: Thank You.

Thank you for all of your hard work over the past year--in helping us gear up for our Feed-in Tariff program—the cornerstone of the Green Energy Act—moving it from design to launch to implementation.

And thank you for all of your hard—and successful—work on the conservation front.

As many of you already know, we've seen encouraging results. Here are a few of the highlights:

- o Since we launched the program in 2007, we've collected 215,000 fridges in our Refrigerator Roundup program
- Under our Power Savings blitz, more than 63,000 small business retrofits have been done—far exceeding our targets.

And we have high hopes for the success of conservation programs again this year.

We work as partners in delivering Ontario's conservation programs. But when you think about it, what we're doing is actually much bigger. It can't just be measured in pie charts. Or on spreadsheets.

We're changing the mindset of Ontarians. We're helping to build a culture of conservation.

But we can't do that without giving consumers new tools. Tools that will empower them and help them to become more engaged in Ontario's electricity system.

We're doing that in a very big way with time-of-use rates and by piloting smart grid technologies. Combine that with the microFIT program and our conservation initiatives and we're enabling Ontarians to participate more actively than ever before—as producers as well as consumers of electricity.

And when they are doing either, they are more likely to be thinking about using their electricity more wisely as a result. That is going to help them manage their bills in an era of rising electricity costs

We want the culture of conservation to follow them wherever they go. Whether it's at home or at work, school or at the shopping center.

And on that note, I'd like to say a few words about this past weekend. Once again, people across the province turned off their lights last Saturday to recognize Earth Hour.

It certainly is one of the most dramatic conservation awareness efforts—made more so by being world wide. Our job at the Power Authority is to convert that momentum into meaningful, long-term results. We like to say Every Hour can be Earth Hour.

In the next few days and weeks, we'll be teaming up with World Wildlife Fund Canada to launch a province-wide summer long conservation campaign to demonstrate that a few simple and meaningful conservation actions can have lasting financial rewards and help fight climate change. I won't give the launch away, but stay tuned for another major step in Ontario's drive to achieve a culture of conservation.

But back to how we help the province achieve its conservation targets.

Our roles in conservation are expected to evolve. Utility companies are taking on an even bigger role—a role with more responsibility including your own individual conservation targets.

We do know that consumers are increasingly becoming concerned about higher rates.

Higher rates are the natural result of transforming an outdated electricity system in need of rejuvenation. Clearly, we can't replace aging infrastructure and equipment without cost increases.

That's one reason we need consumers to become even more engaged in conservation.

Conservation is a major focus of the Green Energy Act—for both the OPA and LDCs in the coming year.

But there will be some changes ahead. And we are working even more closely and collaboratively than ever.

And while conservation is a major focus, we haven't forgotten about renewable energy.

I'd like to update for you what's ahead for our Feed-in Tariff program.

I should start by saying it was an incredibly successful launch. This year, we will be moving aggressively ahead, implementing the details of the Green Energy Act and our FIT program.

Since launching the program on October 1st, we have received nearly 7,500 applications representing about 9,500 MW of potential renewable energy.

This includes about 6,000 for the microFIT program. Over 2,000 of those applications have already been given conditional offers. Again, I would like to say thank you. LDCs have been instrumental in getting this program up and running and we are now seeing real projects come to life.

As you know, the new legislation also provides new commercial opportunities for LDCs.

Two weeks ago, we announced 510 FIT contracts for capacity allocation exempt projects – these are projects that are 10 to 500 kilowatts. Among those that received contracts were a number of LDCs, including Essex Powerlines, Hydro Ottawa and PowerStream Inc.

And we expect we'll be making more contract announcements shortly. We'll be announcing our larger FIT contracts in April.

It's an exciting time.

This is going to be huge—another 2500 MW of projects on the way. And, just as significantly, the jobs and economic activity that goes along with it.

Let's pause for a moment here and reflect given the economic turmoil of the past year. Isn't it nice to be in a sector where we are creating jobs?

Clearly, some projects are going to get the green light ahead of others. The projects that are the most shovel-ready.

For the next, round of contracts, we're in the process of compiling a priority sequence of applications based on the terms laid out in the program rules.

In terms of the economic test, we're looking at whether it is economically viable to build additional transmission that would connect FIT projects. That will depend, in part, on where they are and how many of them there are—and whether there are enough projects to fill a transmission line.

I think it's important to recognize that just as we're working closely on the conservation front, we're also being asked to work even more collaboratively in building Ontario's supply of renewable energy.

That's why we are working closely with Hydro One to prioritize transmission system expansion projects.

We'll continue to work through issues that inevitably emerge when putting in place a new program. Howard alluded to some of those issues.

We are working hard to strengthen our day to day workings with LDCs. To that end, we do have a new communications tool—the LDC Portal, called ICON. It has recently been installed to facilitate

better communication between the OPA and the LDC community. So far, we're getting lots of kudos—we're being told it's a very effective way to interface with the OPA backshop.

And from our perspective, the conservation caucus and the joint EDA - OPA steering committee have been working really well to map out where we collectively go next on the conservation front this year. I trust that Brian, John, Max and Charlie agree.

But we, at the Power Authority, see our partnership as evolving even further. 2010 is a transformation year. So was 2009. And so will 2011 be.

We believe there are opportunities for LDCs to expand their responsibilities and opportunities.

For example, playing a more active role in the microFIT program. We think it's logical that LDCs will ultimately become administrators of the microFIT contracts. We would like to explore the possibility of a pilot project, ideally starting discussions soon and getting a pilot project in place this year. Are we seeing a volunteer?

And looking further out—to the future—there will also be expanded business opportunities for LDCs as a result of carbon pricing.

We do expect some sort of carbon pricing regime, and it will undoubtedly impact your business.

Clearly, in eliminating coal from our supply mix, we have captured significant greenhouse gas savings from the power sector—a reduction in our carbon footprint of 75%. The next place where there will be significant reductions is in the transportation sector.

Electrification of the transit system is on the horizon. And we expect that more of your customers are going to be buying electric vehicles, too.

Both Gord and Howard mentioned that we'll all have to adapt to whatever regime comes into existence with regards to cap and trade or carbon pricing—whether it's federal, regional or provincial. We're looking at carbon credits and the value they may or may not have in a voluntary market, in a compliance market. We stand behind the need for and the value of a long-term plan. So, far, we have been focusing on content with the Minister. Soon we will discuss the process for taking a long-term plan forward.

Also on the horizon—the IPSP.

Not only will carbon pricing affect your bottom line, but you'll be helping Ontario.

So, as you can see, there's a lot for us to talk about. And do. Lots of change. Lots of opportunities for you and us in the coming year—and beyond.

Whether it's to play a bigger role in conservation. Realize new commercial opportunities through FIT and microFIT. Or take on a greater administrative role with microFIT contracts.

The OPA is looking forward to working with you at this tremendously exciting time in the electricity industry.

On a personal level, I'd like to extend my thanks once again—individually and collectively--for your hard work over this past year.

I'd also like to thank you for giving me this opportunity to speak to you today. It's always a pleasure to speak to my favourite group of

distributors. Okay, you're the only group of distributors, but you're still my favourite.