

Rising Costs and Conservation Opportunities

“Opening Remarks”

A presentation by

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Thank you for this invitation. I always enjoy getting out of the office and hearing what's on your mind.

I often find that driving to events like this gives me lots of time to reflect, too.

On my way here this morning, I found myself with enough time to go by Mill Pond and Centennial Park.

It's beautiful and I wish it were in my neighbourhood.

Ironically, the only traffic jam I found myself in was in getting from there to here.

But as I drove past the Pond, I found myself thinking about its significance.

It's not just a scenic spot but an historic landmark. And a place where people have come together, to meet, for nearly two centuries.

But it's more than a meeting place. The Mill Pond is an important landmark because it's also a symbol of possibility.

In 1825, Jasper Martin had an idea. An idea that he could harness the pond's water power to fuel his gristmill.

Not only did his business prosper, but his mill also served as the foundation for a town and Milton's future prosperity.

It's not unlike what we're doing in Ontario today.

Harnessing nature—the power of the wind and sun—to build our economic future.

And that's what I'd like to talk to you about today: The future.

A future in which you have an opportunity to play a bigger role. An even more important role in the electricity sector.

This morning, I've been asked to speak about two critical issues—issues that are becoming increasingly significant as we reach new milestones with the

implementation of the Green Energy Act and our Feed-in Tariff program—the cornerstone of the Act.

Pricing and conservation.

But first, before I get to where we're going—I'd like to talk a bit about the past.

I'd like to pause for a moment and reflect on the year that was.

It's been a watershed time.

A time to clean our air. To stimulate the economy. To create green collar 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 through our FIT program. It's the first and most comprehensive of its kind in North America.

And it's certainly put Ontario on the map.

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

After all, we're leading Ontario through the greatest transformation our electricity system has seen in decades—if not a century.

I recently told 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.

We've got a very good story to tell. Here it is in a nutshell:

We've got a big push on renewable projects.

We're more active on climate change. In getting out of coal and reducing the carbon footprint by 75 per cent. We're rejuvenating our transmission system and making it greener and smarter.

And best of all, we can ensure the system is reliable—that the lights and air conditioners will stay on throughout the summer. And just a few years ago, that wasn't always the case.

We've also got a great story about regional development and creating jobs.

But we're not just building a greener electricity future. We're building a manufacturing base that will position Ontario to become a North American powerhouse in the clean energy economy.

And we're creating a platform for the greening of our transit system and the arrival of electric vehicles.

We've also got ambitious conservation targets. A reduction in peak demand of 6,300 megawatts by 2025. That's the equivalent of taking one in five users off the grid.

I truly believe that together, we are making Ontario a better place.

I want to take this opportunity to say thank you.

I know Milton Hydro has been at the forefront of a number of conservation initiatives, including introducing residential and small, commercial time-of-use pricing. As well as introducing education programs in schools.

I also want to say thank you for all of your hard work over the past year—in helping us gear up for our FIT program. And in helping us move from design to launch—and now to implementation.

The first two of our FIT projects are already operational and supplying clean energy to the grid. They are just two of nearly 694 mid and large-sized, renewable energy contracts announced in the past few months.

All together these clean energy projects are capable of generating more than 2,500 megawatts of electricity—enough to power 600,000 homes. What's that? About 30 Miltons?

We expect that about 200 of these projects will be up-and-running within a year. And all of them will be generating electricity within three years.

And we expect to be making more announcements in the coming months. I am aware that there are 3 FIT applications in the Milton area for our capacity allocation exempt projects that have yet to be reviewed.

And also that there are 33 microFIT applications in the region that are at varying stages of review.

I'm pleased to say that consumers are really embracing the microFIT program. We've received more than 13,500 applications and made 3,518 conditional offers. Many of them are very small rooftop projects.

Our microFIT program is just one new tool that puts consumers in the driver's seat, allowing them to earn revenues which can help offset increases in their electricity bills.

We've had a successful year on the conservation front. And it's likely to be much the same this year as you are taking on an even greater role in the electricity sector.

Whether it's by engaging consumers and driving the culture of conservation in Ontario. Or taking on new responsibilities for achieving your own conservation targets.

We'll need to work as collaboratively this year as we have in the past.

We'll need to work together to give consumers factual information as to why costs are rising and what they're getting in exchange for higher costs.

Educating consumers and helping them find ways to manage their electricity use will then become more important than ever. We do realize that you are on the frontlines when it comes to explaining price increases to consumers.

It's easy for us—both at the Power Authority and as members of the LDC community—to understand that rising prices are the result of progress. Progress that comes along with improvements to an electricity system that was aging and badly in need of rejuvenation.

We need to remind consumers of all that we're doing. I'd like to take a moment to outline some of those key improvements.

- It's our role at the Power Authority to ensure a reliable and sustainable electricity system—now and for the future. To achieve this, we've seen a \$3-billion investment in the system to refurbish and replace aging electricity infrastructure.
- Costs are also rising because we're getting out of coal. Our coal-fired generation will be gone by 2014. At one time, it accounted for 20 per cent of our supply mix and it's now at its lowest level in 45 years.
- In phasing out coal, we're reducing our carbon footprint by 75 per cent.
- There's an initial cost to putting consumers in the driver's seat—installing a Smart Grid, and tools that will help consumers manage their costs, including smart meters and time-of-use pricing. But these tools will eventually help consumers save money.
- Since 2003, we've had about 7,000 MW of energy come online. Over the next few years, we're expecting to add about three to four thousand megawatts of renewable energy to our supply. Some of this is already in the pipeline and some of that we are contracting under our Feed-in Tariff program.
- We expect that generation contracts under management by the OPA will double in megawatts to 26,000 and triple in dollar value to over \$44-billion. On a 36,000 megawatt system—give or take—that's a lot of investment and growth.
- Together, all of these things translate into better supply reliability for consumers. No more summers with our fingers crossed as to whether the lights and air-conditioning will stay on.
- But they do come at a cost.
- Back in 2007, people forget that in our long-term plan, the IPSP, we predicted prices would rise by 25 per cent in real dollars between

2005 and 2015. Since then, the Green Energy Act has introduced new initiatives that will also cause prices to increase.

- And that's why conservation will become even more important in the future.
- As I've already said, we do have ambitious conservation goals. Conservation is cheaper than building new resources and better for the environment.
- We're in good shape—nearly one-third of the way there. And we believe we may reach the target of reducing peak demand by 6,300 MW by 2025 ahead of time.
- You have contributed to these results.
- 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—exceeding OPA targets by a large measure.
- And we have high hopes for the success of conservation programs again this year.
- As many of you already know, we've recently launched our PowerPledge campaign. It's a major conservation awareness initiative focusing on reducing phantom power—the energy being used by electronic devices when they're not being used but are still drawing power. The campaign will run until the end of the summer. So far, 44,000 Ontarians have taken the pledge. That adds up to about \$14-million in electrical savings.
- It's also spawned a friendly competition between Ontario communities for bragging rights as the most conservation-conscious community. There are now 78 communities, representing more than 80 per cent of Ontarians that have committed to the challenge. I understand that just this week, Milton joined the fray. Congratulations and good luck!

- Now, I'd like to turn my attention to the big changes to how conservation is delivered in Ontario.
- The OEB will assign individual conservation targets to the LDCs, develop a conservation code, approve LDC portfolios and monitor performance, and administer incentives.
- LDC portfolios can have three different types of conservation programs: Tier 1 are province-wide programs developed by OPA in conjunction with LDCs. Tier 2 programs are developed by groups of local distribution companies, also called multi-LDC programs. And Tier 3 is for unique programs designed by individual LDCs.
- The OPA will continue to provide province-wide coordination of conservation. That will include designing Tier 1 province-wide programs with your input. As you know, we're currently working on the 2011 to 2014 portfolio.
- In fact, I spent one full day last week with the EDA/OPA Steering Committee reviewing province-wide program designs developed by the joint working groups.
- We are also providing advice to the OEB on LDC target-setting.

And finally, I'd like to note that we are currently working on the latest iteration of our long term plan, the IPSP. What shape that will take is still being worked out. So stay tuned for more news on that.

I think if there's one message I'd like to leave you with today, it's this: We're at a critical moment—a time of both challenge and opportunity.

We have challenges ahead in educating consumers, and in working together to streamline our programs.

But I believe these are not just challenges but opportunities.

Opportunities to create a better future.

Just like Milton's founder, Jasper Martin, had in mind all of those years ago. When he harnessed nature to fuel his gristmill.

Thank you for your time this morning.