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2022 Annual Report,
Auditor General

Ministry of Energy

Ontario Energy Board

1st Session
43rd Parliament

Monday 16 October 2023

Comité permanent des comptes publics

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vérificatrice générale :

Ministère de l'Énergie

Commission de l'énergie
de l'Ontario

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Lundi 16 octobre 2023

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Clerk: Tanzima Khan

Président : Tom Rakocevic
Greffière : Tanzima Khan

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CONTENTS

Monday 16 October 2023

Appointment of subcommittee	P-179
2022 Annual Report, Auditor General.....	P-179
Ministry of Energy; Ontario Energy Board.....	P-179
Mr. Jason Fitzsimmons	
Ms. Susanna Zagar	
Mr. Harneet Panesar	
Ms. Karen Moore	

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
PUBLIC ACCOUNTS**

**COMITÉ PERMANENT DES
COMPTES PUBLICS**

Monday 16 October 2023

Lundi 16 octobre 2023

The committee met at 1230 in committee room 1.

APPOINTMENT OF SUBCOMMITTEE

The Chair (Mr. Tom Rakocevic): Good afternoon, everyone. I would like to call the meeting of the Standing Committee on Public Accounts to order. As there is a vacancy on the subcommittee, we will begin this afternoon with the appointment of a member to the subcommittee to fill this vacancy.

I look to the committee for a motion. MPP Cuzzetto, I recognize you.

Mr. Rudy Cuzzetto: I move that MPP Stephen Crawford be appointed to the subcommittee on committee business.

The Chair (Mr. Tom Rakocevic): Is there any debate? Shall the motion carry? All those in favour? Opposed? Carried.

Now we will pause briefly so that we can move into closed session to continue our business.

The committee recessed at 1231 and resumed at 1346, following a closed session.

2022 ANNUAL REPORT,
AUDITOR GENERAL
MINISTRY OF ENERGY
ONTARIO ENERGY BOARD

Consideration of value-for-money audit: Ontario Energy Board: electricity oversight and consumer protection.

The Chair (Mr. Tom Rakocevic): I would like to call this meeting of the Standing Committee on Public Accounts to order. We are here to begin consideration of the value-for-money audit, Ontario Energy Board, electricity oversight and consumer protection, from the 2022 annual report of the Office of the Auditor General.

Joining us today are officials from the Ministry of Energy and the Ontario Energy Board. Welcome. You will have 20 minutes, collectively, for an opening presentation to the committee. We will then move into the question-and-answer portion of the meeting, when we will rotate back and forth between the government and official opposition caucuses in 20-minute intervals, with some time for questioning allocated for the independent member.

Before you begin, the Clerk will administer the oath of witness or affirmation.

The Clerk of the Committee (Ms. Tanzima Khan): Good afternoon, everyone. I will start with the oath for the deputy minister first.

Deputy Minister, there is a Bible in front of you. Do you solemnly swear that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. Jason Fitzsimmons: I do.

The Clerk of the Committee (Ms. Tanzima Khan): Thank you so much.

For the affirmation, I will read out the affirmation and each of the three presenters who are remaining can state your name for the record when the mike turns on for you and then state whether you affirm or not.

Do you solemnly affirm that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth?

Ms. Karen Moore: Karen Moore. I affirm.

The Clerk of the Committee (Ms. Tanzima Khan): Thank you.

Ms. Susanna Zagar: Susanna Zagar. I affirm.

The Clerk of the Committee (Ms. Tanzima Khan): Thank you.

Mr. Harneet Panesar: Harneet Panesar. I affirm.

The Clerk of the Committee (Ms. Tanzima Khan): Thank you.

The Chair (Mr. Tom Rakocevic): Thank you very much. I would invite you each to introduce yourselves for Hansard before you begin speaking—so once again, if you could introduce yourselves. You may begin when ready. Please proceed.

Mr. Jason Fitzsimmons: Jason Fitzsimmons, Deputy Minister of Energy.

Ms. Karen Moore: Karen Moore, ADM of strategic network and agency policy with the Ministry of Energy.

Ms. Susanna Zagar: Susanna Zagar, CEO of the Ontario Energy Board.

Mr. Harneet Panesar: Harneet Panesar, chief operating officer of the Ontario Energy Board.

The Chair (Mr. Tom Rakocevic): Thank you. Please begin with your presentation.

Mr. Jason Fitzsimmons: Chair, Vice-Chair, committee members, as noted, my name is Jason Fitzsimmons, and I am the Deputy Minister of Energy.

In first order, I'd like to introduce a few officials who are also with us today. Behind me, I have my assistant deputy minister of energy supply policy, Steen Hume; Sean Keelor, chief administrative officer; and Tamara Gilbert, assistant deputy minister of conservation and renewable energy. We also have members from the Ontario Energy Board, in addition to the CEO and the chief operating officer: Carolyn Calwell, chief of corporate services and general counsel, and Lynne Anderson, chief commissioner.

It's a privilege to address the Standing Committee on Public Accounts today and to provide an update on the ministry's progress in implementing the recommendations from the Auditor General's report entitled Ontario Energy Board: electricity oversight and consumer protection. As you know, the audit found that, overall, the Ontario Energy Board has established a transparent adjudication process which takes consumer interests into consideration by allowing public participation in major applications and policy consultations.

The audit also identified areas of concern, specifically 12 recommendations, five of which were directed to the ministry individually or jointly to the Ontario Energy Board.

The ministry certainly appreciates the work of the Auditor General and welcomes the recommendations in the report. The report addresses topics that are ongoing priorities for the ministry, including protecting ratepayers, the modernization of the Ontario Energy Board, system planning and rate mitigation initiatives.

I joined the Ministry of Energy almost exactly a year ago and, in that time, two documents have been published that reinforce the system-wide and collaborative nature of our work. First is the Independent Electricity System Operator's report on Pathways to Decarbonization, colloquially known as P2D, in December 2022, which outlines projected electricity demands out to the year 2050. In response to that report, our ministry responded to some of the no-regrets actions that were recommended in the Pathways to Decarbonization report with our own report called Powering Ontario's Growth. These two documents lay out a few fundamentals of energy planning: Decisions are demand-driven. We procure or supply our electricity to ensure reliability at all times. Furthermore, all energy procurement decisions are driven by a commitment to cost effectiveness. How can we ensure a reliable supply of clean energy also at the lowest cost?

I mention this to underscore that every part of energy planning in the system, including the Ontario Energy Board, has a common goal of protecting ratepayers, and as someone who has had to present a rate application to the Ontario Energy Board, I know from personal experience that it is a thorough and demanding process.

On OEB modernization: The government of Ontario has made a commitment to reform the governance of the Ontario Energy Board to strengthen trust and transparency in Ontario's energy sector and improve regulatory processes for the benefit of Ontario ratepayers. This modernization was started under the former chair, Richard Dicerni, as I'm sure you know. Unfortunately, Mr. Dicerni passed away earlier this year. He was a large figure in the energy

community and his loss is still felt, but his legacy will continue in the form of an improved and enhanced board.

The Ontario Energy Board modernization has included organizational restructuring, changes in governance, more clearly defined roles, and new efforts to conduct outreach to the broader energy sector. This is delivering benefits for Ontarians. The modernized governance structure supports the independence of the adjudicative nature of decision-making under the leadership of the chief commissioner. The board continues to improve the timeliness of key decisions so that the sector has the certainty it needs to operate a secure, cost-effective and reliable system.

The OEB is also proceeding with an ambitious policy agenda, focusing on important issues that range from energy transition and electrification to innovation in the sector and efficiency. The ministry has engaged the OEB on items such as the ultra-low overnight price plan, the standard of Green Button implementation and enabling the emergence of distributed energy resources. The board also provided advice recently to the Electrification and Energy Transition Panel and delivered a report on improving distributor sector resiliency, responsiveness and cost efficiency.

Also as part of our system planning, the Independent Electricity System Operator is responsible for maintaining a reliable electricity system. It procures electricity supply based on government directives under the Electricity Act of 1998, with a focus on competitive procurements. When procuring electricity resources, the IESO ensures reliability while carefully considering ratepayer impact within the guidelines constraints of government policy and commitments.

Ontario does operate in a hybrid electricity market consisting of competitive and regulated elements—the OEB having oversight of the regulated elements of the market.

The ministry continues to deliver existing rate mitigation programs such as the Ontario Electricity Support Program, the Distribution Rate Protection program, as well as monitoring performance to ensure continuous improvement.

The responsibility for ensuring consumers are charged fair prices is led by the government and implemented by the Ontario Energy Board and the Independent Electricity System Operator. Oversight and assessment of electricity pricing in the province is also undertaken by the OEB and their market surveillance panel. This panel has an oversight role and provides regular assessments of the functioning of Ontario's electricity market and procurement matters.

The ministry also acknowledges opportunities for continued collaboration with the OEB to ensure fairness and consumer protection objectives are met. We continue to explore new ways to find efficiencies and improve the sector.

The ministry established the Electrification and Energy Transition Panel in November 2022. Over the spring and the summer, the panel has engaged with stakeholders and Indigenous partners to examine long-term integrated planning needs in the province. Their recommendations will include items towards a more integrated system

planning, including the roles, responsibilities and the governance of the IESO and the OEB. The panel invited all stakeholders, Indigenous partners and the interested public to provide written advice within five key themes. The open call for written feedback closed on June 30 of this year. The findings and engagements will guide recommendations in the panel's final report. Written feedback will help panel members finalize their report, which is due back to the minister later this year. The panel's review will help inform any potential legislative, regulatory or policy change.

To conclude, we always welcome the advice and recommendations on ways to find improvements and efficiencies in the electricity sector. The ministry will take into consideration the findings of the Auditor General's report as policies and programs are refined and decisions are rendered in the interest of a stable, reliable and affordable energy system in Ontario. Our recent and ongoing actions demonstrate that we are looking at every aspect of how we operate. These efficiencies will be even more important in the coming years, as we expect major electrification efforts in areas such as home heating and transportation.

Once again, I want to thank the committee for the time today. We're grateful for the opportunity to address the items in the audit.

At this point, I will hand the floor to the CEO of the Ontario Energy Board, Susanna Zagar.

Ms. Susanna Zagar: Thank you very much, Deputy Fitzsimmons.

Good afternoon, everyone. I'm pleased to be here today along with my colleagues, who have already been introduced to you.

As I begin my remarks, I would also like to acknowledge Richard Dicerni, the former chair of our board, who was invited to appear at this committee but sadly passed away unexpectedly in August. His passing reminds us all that life is too short. Richard had been the chair of the board for nearly three years, and it has been said that he was uniquely qualified for the newly defined role, which was created by Bill 87 and took effect on October 1, 2020.

With a mandate to implement a new governance model, Richard brought a vision for the emergence of an OEB as a top-quartile regulator—one that is recognized as efficient, effective, transparent, accountable and innovative, in addition to having the core DNA of regulatory independence. Richard was a proud public servant, a recipient of the Order of Canada, and a formidable force. His impact on the broader Canadian public policy landscape and Ontario's energy sector, in particular, is without question.

At the Ontario Energy Board, Richard's insight, oversight and foresight brought a new era of excellence in governance. He was demanding and purposeful, and if he were sitting here beside me today, I'm sure he would lean over and tell me to get busy with demonstrating value for money. So I will do just that, but not before first saying that we miss him.

I have spent my career in public-facing roles, serving the administrations of seven Ontario Premiers. I believe in the value of a strong, non-partisan public sector and the

need to evolve and adapt our organizations to ensure that they remain relevant to the needs of the people of Ontario, for whom we exist to serve.

1400

That brings us to why we're here today. It's important that we take the time to review the findings of this audit.

I would like to acknowledge and thank the members of the committee for this opportunity. And I would like to thank the Office of the Auditor General for their efforts and the professionalism that defined the working relationship between our organizations as this value-for-money audit was conducted in early 2022.

At the OEB, we invested more than 2,000 person hours of effort over six months in direct response to the audit, which was broad in scope and scale. In an organization of roughly 200 people, it was a significant undertaking. But, like the Office of the Auditor General, the OEB is focused on consumer protection, and it was that alignment of purpose that made the effort so worthwhile.

Like all audits, this one showed that we still have work to do, as would any publicly accountable entity which must constantly evolve and adapt to serve the needs of Ontario's growing and changing population.

Fundamentally, though, we believe the audit demonstrates that we are on the right track—an effective and efficient regulator, deeply committed to all of our stakeholders, and first and foremost, that means Ontario's consumers, whose interests we protect for today and tomorrow. We are also deeply committed to the energy sector—with which we regulate and co-operate and collaborate to drive Ontario's social, economic and clean energy advantage—and to government, from whom we receive our legislative authority, approval of our business plan and annual letter of direction. Yes, we are an independent economic regulator, but that does not mean we can exist in isolation from those we serve—on the contrary.

As I've said many times before, we exist to protect the public from risk, not from progress. Over the past few years, the OEB has followed a carefully crafted plan of modernization. Our governance model has matured. OEB's executive leadership team has evolved and is now more deep and diverse. Our roster of adjudicative decision-makers—now called commissioners—has been augmented to bring a rich balance of legal, economic, financial, utility and business acumen. Collectively, we are ready to enable the utility of the future while balancing rate fairness and the protection of public interest for consumers. It's a new model, and it works.

In fact, our all-hands-on-deck approach was on full display just last week, when we hosted our third annual Policy Day. No other energy regulator in Canada is sharing their forward work plan with the sector they regulate, or stakeholdering their budget and seeking feedback with such transparency. The content we shared at Policy Day, the feedback we received on it and the collective focus of all participants on outcomes for Ontarians will inform our work in the years ahead; so, too, will the value-for-money recommendations that are being discussed here today, which is a good segue to getting specific about the recommenda-

tions and the considerable efforts taken since receiving the Auditor General's report late last fall.

Notably, we accepted all eight of the VFMA recommendations that were directed at the OEB, and we are making solid progress on them. In fact, some of the work has already been completed. But that doesn't mean that we won't keep iterating and evolving and doing more for the people and businesses of Ontario. Ontario's energy consumers—residential and commercial—are always at the heart of what we do.

Four of the eight recommendations directed at the OEB focused on fair and equitable service for customers. We were asked to more closely align service standards and expectations between unit sub-meter providers and utilities. And we were asked to help unit sub-metered customers understand the service and the bills they receive and the protection they can expect from us. As a result, we now offer resources to educate, inform and protect USMP customers on our website and through our public information office, in clear and concise language.

We will also undertake a review of the service standards for USMPs, to assess the potential for alignment with local distribution companies, having regard to our legislative authority. This has already begun and will be completed by the end of our next full fiscal year.

Now, on to the important Low-income Energy Assistance Program, known as LEAP: A review of LEAP had already been—

The Chair (Mr. Tom Rakocevic): My apologies, but we are going to go into recess to be able to access the chamber. Thank you.

The committee recessed from 1405 to 1424.

The Chair (Mr. Tom Rakocevic): Thank you.

Ms. Susanna Zagar: [*Inaudible*] a work plan that squarely responds to value-for-money recommendations 7 and 8.

Recommendations 9 and 10 of the value-for-money audit reference burden reduction and regulatory efficiency. They call on the OEB to review the rate-setting formulas related to capital structures and rates of return, which have an effect on the financial sustainability of rate-regulated utilities. This is a big job, and we've planned a three-year implementation timeline to complete the multi-phase review. Our approach has been shared with the sector, and we have committed to keeping stakeholders informed throughout the process.

The auditor's final recommendations focused broadly on consumer protection through the setting of key performance indicators and greater monitoring and controls of energy companies as well as the OEB. We welcome that. With a mandate to reduce regulatory burden in a sector that needs to advance the energy transition, we will proceed thoughtfully with the design of new performance indicators. We will set meaningful, fit-for-purpose measures to ensure we can track the progress while enabling transparency for customers. And we will move forward prudently, sensitive to the pressures facing those entities undergoing harmonization.

Finally, to recommendation 12, which calls on us to improve the transparency and performance monitoring of

our own processes for complaints and inquiries as well as our compliance and enforcement activities, work is well under way on the assessment of our customer service metrics and is set to be completed by the end of the year.

So there you have it, a very brief overview of the eight value-for-money recommendations directed at the OEB. We know we have a lot of work to do to fully satisfy the recommendations before us, and we have a solid plan in place. But let me be clear: For us, responding to the audit recommendations is not simply a box-ticking exercise. We are working to improve the quality of life for Ontario consumers, who we serve year after year, not just when we are audited.

The OEB is recognized as a top-quartile regulator. Our strategic plan commits to "unrelenting improvement as we carry out our work with humility and discipline." For us, that means protecting consumers, setting fair and reasonable rates and enabling the energy transition. It's a tall order, but by living our values and through the dedication of a thoughtful and committed OEB team, we are up for the challenge. The recommendations of the Auditor General are a helpful asset as we do just that.

The Chair (Mr. Tom Rakocevic): Thank you very much for your presentations.

This week, we will be proceeding in the following rotation: 20 minutes to the official opposition, 20 minutes to the government, and three minutes to the independent member. We will follow this for two rounds.

We will now begin with the official opposition.

Mr. Peter Tabuns: Thank you for your presentations, all of you here at the table this afternoon.

I wanted to delve briefly into one of your mandates, which is reliability.

You have recently, this summer, published the report from London Economics International on grid resilience. First of all, I have to say thank you. It was a good report and worthwhile.

Will it be the responsibility of the OEB or the Ministry of Energy to implement the recommendations from that report?

Ms. Susanna Zagar: Thank you very much for the question.

The Ontario Energy Board was asked to provide the Minister of Energy with recommendations with respect to resiliency, responsiveness and cost efficiency, and so we undertook a number of consultations over the course of the spring that resulted in recommendations. Part of the input to that was the LEI report, and we're happy to speak about the details of that.

Our recommendations have now gone to the Ministry of Energy, and we're awaiting their response.

Mr. Peter Tabuns: Are the 10 steps that were recommended by London Economics International incorporated in what you've recommended to the Ministry of Energy?

Ms. Susanna Zagar: Thematically, what we've done is taken the advice from London Economics International as well as the outcome from the consultations and put together five high-level themes for the recommendations to Minister Smith.

Mr. Peter Tabuns: I guess a flaw in my research—is the report that you’ve sent to the minister available on your website?

Ms. Susanna Zagar: The LEI report itself is available, as you’ve seen.

The recommendations to Minister Smith were submitted at the end of June and are not yet public.

Mr. Peter Tabuns: If I could ask the Ministry of Energy, then—you’re well aware of the impact in the rest of the world of extreme weather events. I’m sure you’ve read the LEI report. The recommendations around hardening of transmission and distribution systems to make sure that critical infrastructure like water treatment systems are protected are ones that I think speak to us quite powerfully.

Do you in the ministry, at this point, have a timeline for coming forward with a project management plan for making sure that we do have a good resilience program?

Mr. Jason Fitzsimmons: Thanks for the question.

As noted, we do have the report now. We’re taking this in consideration with other work that we have undergone by ourselves in terms of formulating a response to that.

The one thing of note is that we do see already, complementary to these recommendations that are coming forward, utilities now building into their asset management plans ways in which to harden the system using technology, using devices to detect faults in the system. So it’s not as if the local distribution companies and the utilities are waiting for finalization to be acting on some of the things that they’re experiencing as a result of increased storm patterns, for example.

1430

Mr. Peter Tabuns: Is instruction on policy being given to the Ontario Energy Board to ensure that, in reviewing rates, account is taken of those resilience steps, both allowing the distribution companies to apply for costs and also making sure that they’re actually taking the steps to ensure that there’s resilience?

Mr. Jason Fitzsimmons: I think these will be the sort of considerations—right now, things are being tested before the board in rate application, but these are things that will have to be taken into consideration based on the recommendations that have been put forth by the Ontario Energy Board and any shortfalls we feel in the rate-making process right now.

Mr. Peter Tabuns: Can you give us a sense of when the public will know what you’re doing?

Mr. Jason Fitzsimmons: I think it’s going to take us some time—I don’t have an exact time frame in front of me right now—to consider things, but it is something that we intend to act on. It was something that was an area of focus in the minister’s letter to the Ontario Energy Board asking for this assessment to be produced. So the work is with the ministry right now.

Mr. Peter Tabuns: Can you say whether or not things will be proceeding this year or next?

Mr. Jason Fitzsimmons: I think it would be premature to say right now, as I’ve got staff I’m reliant upon to conduct this work.

Mr. Peter Tabuns: The second question I have is around cost of power. Deputy Minister, when we all met at the estimates committee so many months ago, one of the questions I asked was the market cost of power—and I don’t know whether it will be your ministry or the OEB that will be able to answer this question. I asked what the market cost of power was. I’ll be honest; I don’t think my question was well-shaped, because we have the hourly Ontario electricity price, we have the global allocation, so the market price is different from the total cost of power, and the price that people pay under the regulated price plan is different, again, because it reflects subsidies.

One of the things that doesn’t seem clear is what power costs in Ontario in 2023, without subsidies. When I went through regulated price plan reports put out by the OEB, the final price was not the cost of power, but what was charged after subsidies. So it’s a bit obscure.

Does your ministry or does the OEB actually track the cost of power per kilowatt hour without subsidies?

Mr. Jason Fitzsimmons: Yes. I think, as you note in your question, it’s a nuanced question, when you’re talking about the wholesale price of energy, the contracted price of energy, with or without subsidies, the capacity cost versus the energy cost. We do have and look at these numbers on a regular basis.

I believe what we provided to you before was some information that was produced by the Independent Electricity System Operator that was contained in the Pathways to Decarbonization report, which was indicative pricing—the wholesale price of different technologies.

Mr. Peter Tabuns: I looked at that, but it was fairly limited in the number that was given.

When I asked your ministry before, Mr. Hume gave a price of 17 cents per kilowatt hour, based on American energy information. I asked legislative research to see if they could find that report, and they couldn’t turn that up. This is not a criticism of your ministry. But a question I have—can we have a price that would be comparable to what was formally reported in the RPP plan, showing what the price is without subsidies?

Mr. Jason Fitzsimmons: A very simple reference in the Powering Ontario’s Growth report is found in figure 1.7, and that gives us the currently contracted and regulated prices per technology.

Mr. Peter Tabuns: And what’s the blended number for the province as a whole? Different technologies, of course, provide different portions of the whole pie. So 55% of the pie, roughly, is nuclear; hydro, much smaller; gas, smaller than that. When you blend them all together, is there a price?

Mr. Jason Fitzsimmons: I do not have that number on hand. It would have to be looked at in what’s the blended price for energy, what’s the blended price for capacity.

Mr. Peter Tabuns: Would it be possible to provide this committee with that number?

Mr. Jason Fitzsimmons: We can undertake to provide a simplified version of how this rolls up in a digestible way.

Mr. Peter Tabuns: I appreciate that commitment.

Again, it goes to both of you—it's handy that both the OEB and the ministry are here: How can the Ontario Energy Board regulate power costs for customers if the bulk of generation costs are outside their jurisdiction, and if you're not actually regulating most of the power producers?

The Chair (Mr. Tom Rakocevic): Ten minutes remaining.

Mr. Jason Fitzsimmons: I think in the Auditor General's report, they note it's about 34%.

Mr. Peter Tabuns: It's 34% of the bill as a whole, but if you actually look at the electricity portion, the bulk of the electricity production is outside of regulation.

Mr. Jason Fitzsimmons: For the portions that the Independent Electricity System Operator is responsible for in terms of contracting for energy, I think there's a great amount of transparency in that in terms of the stakeholder engagements that the Independent Electricity System Operator has engaged in in the design of their procurements. They've gone through a series of procurements recently. I think we noted in estimates that some of the re-contracting for gas was 30% lower than previously done. They've just gone through a very transparent process for procurement of battery storage, with some success in those emerging technologies. We do have, with the Ontario Energy Board, a market surveillance panel that sits on top of the market and reviews what's going on. It gives us some assurance.

One of the things that we have asked of the Electrification and Energy Transition Panel is about governance and the role of the players in the sector looking forward as we look at energy planning as a whole, but also in the procurement. So we'll look at that within the context of the recommendations that come forth with the panel, which was consistent with our response to the Auditor General's findings.

Mr. Peter Tabuns: So are you arguing—and correct me if I'm paraphrasing you badly—that the IESO is effectively a strong regulator for the majority of power costs that aren't regulated by the OEB?

Mr. Jason Fitzsimmons: Yes, I am. They have an independent board, they have experienced personnel in energy procurement and they're engaged in a series of procurements over the next several years—and have been involved in a series of procurements over the past little while that are securing power to ensure that we have reliability, but also at an advantageous price point.

Mr. Peter Tabuns: Are you not going to be arguing, then—sorry, the question has come up in the Auditor General's report that you will look at this whole question of OEB regulation of the currently unregulated generators and come back with recommendations. From your comments, should I assume that we won't expect any recommendations?

Mr. Jason Fitzsimmons: Sorry; could you restate that question?

Mr. Peter Tabuns: Yes. I apologize if there was lack of clarity.

The Auditor General has suggested that the Ministry of Energy look at how the OEB might oversee the currently unregulated generators. You've just said to me that the

IESO regulates them. Will you be coming back and saying, "We don't need to have the OEB looking at these unregulated generators"?

1440

Mr. Jason Fitzsimmons: No; sorry, if I hadn't made it clear earlier. We will be looking for advice from the Electrification and Energy Transition Panel around governance. They have looked into these matters as well to see what, if anything, we would change in the governance and oversight of different forms of energy procurement and pricing.

Mr. Peter Tabuns: I'm going to go back, then, to the other question and that's of the long-term energy plan, which was a prominent feature of energy life prior to 2018 and has been much less prominent since then. As you're well aware and your staff will be well aware, the ability to actually have hearings on the long-term energy plan was regularly frustrated by the previous government. They were not interested in having evidence produced in public and questioned by intervenors.

Will a long-term energy plan be subject to a hearing at the OEB so it's possible for evidence to be tested and witnesses to be called?

Mr. Jason Fitzsimmons: I think it's premature for me to answer that question right now.

What I could say is this—and I've been privy to long-term energy plans now as far back as 1992.

Mr. Peter Tabuns: My heart goes out to you.

Mr. Jason Fitzsimmons: Yes. What I would say is that the ministry conducted some good engagement back in 2021 about what is the right approach to take to long-term energy planning. There was some extremely helpful feedback—a high level of stakeholder interest in that process—so we have a good foundation of how to think about and go about energy planning. Then, as noted, and which was prudent at the time, as the emergence of electrification and energy transition was taking hold globally, the decision was made to commission the panel on energy transition and electrification to provide short-, long- and medium-term recommendations and, importantly, to think about energy as a whole, not just electricity planning—which has been a tendency in the province.

I think between the work that was done in 2021 and the recommendations that will come forward for this panel, the minister will have some very solid recommendations to inform what is the right approach, then, in terms of the next long-term energy plan.

Mr. Peter Tabuns: Some members of committee have expressed to me concern that the long-term energy plan will expand beyond electricity into fossil fuels. It's a Ministry of Energy position that it should be looking at the broad range of energy sources when it plans?

Mr. Jason Fitzsimmons: The very focus of the panel is not to look at this in isolation but to look at all forms of fuels in the province. With that, we've commissioned our own work on pathway studies as many have done, which is not forecasting by any stretch of the imagination but is looking at a series of options, including different technology, different types of fuel sources—a mix—in building heating, home heating. What will happen in the transpor-

tation sector with EV adoption? What role will hydrogen play in the system, for example? I think that is a very prudent way of approaching this over many years.

Mr. Peter Tabuns: I don't have a further question.

The Chair (Mr. Tom Rakocevic): We will now move on to the government side. MPP Crawford, please begin.

Mr. Stephen Crawford: Thank you to our witnesses today.

No doubt, Ontario over the last five years has reclaimed its position as the economic engine of Canada after being moved down on that ladder for many years as manufacturing jobs fled the province. I think it's critically important. Energy plays a key part in our economic growth, and we need to maintain and look forward to continue to have economic growth in the manufacturing sector in particular, which is energy intensive.

Could you provide some insight into what value will be powering Ontario's growth—be bringing to Ontario?

Mr. Jason Fitzsimmons: Thanks for the question.

What we have seen in Ontario for a number of years was the load in the province declining and at times remaining flat. What we had started to experience was, for the first time in decades, load increasing in the province, which precipitated the work by the IESO on Pathways to Decarbonization and consequently the Powering Ontario's Growth plan.

I think the value of the Powering Ontario's Growth plan is about some degree of certainty on no-regret actions as recommended by the Independent Electricity System Operator on things that don't occur overnight, such as the buildout of new generation, particularly nuclear generation, and the transmission that is required to support that.

Nuclear projects typically are about 10 to 15 years and involve federal impact assessments, involve a lot of community engagement and certainly engagement with Indigenous communities and First Nations. So the Powering Ontario's Growth plan sets the stage to commence the planning work that is necessary to have these projects built.

When we look out on the horizon 10 or 15 years, I think that provides certainty on investment in the province, particularly on the supply chain side, where now Ontario is competing more globally as we see more European companies embrace nuclear as a form of energy—but not just there; there are other technologies that most nations are looking at as they deal with their own energy transitions and electrification. So it's a bit of a global foot race.

Mr. Stephen Crawford: When do you foresee the first small modular reactor actually being up and running?

Mr. Jason Fitzsimmons: For the Darlington small modular reactors, the first commercial operation is targeted for about 2029.

Mr. Stephen Crawford: Do you foresee a lot of SMRs throughout the province? What is your envisioning of how these are going to be utilized in our province?

Mr. Jason Fitzsimmons: At the moment, the commitment is for four small modular reactors at the Darlington site. This will be the first for commercial operation. I think

that will be testing everything from the regulatory process to the construction to the supply chain. But things are looking quite positive right now. There's a lot of debate about the industrial application for small modular reactors, but our focus for the time being has been the projects with Ontario Power Generation at Darlington, for the four units there, then looking larger-scale with Bruce Power, for potentially 4,800 megawatts. That would be a larger facility at their site up in Kincardine.

Then there remains a question about the Pickering nuclear site, which wasn't part of the Powering Ontario's Growth plan. That work had predated Powering Ontario's Growth, with OPG to report back on the feasibility of potentially refurbishing that station.

Mr. Stephen Crawford: From what I understand, there is a lot of international interest in our technology here. A lot of it is produced in Canada—is that correct?

1450

Mr. Jason Fitzsimmons: Yes. Certainly, there's a very large supply chain in Ontario. Given our nuclear footprint, most suppliers in that space have a presence in Ontario in one form or another, between Bruce county and Clarington. As well, we are working with other provinces that are contemplating nuclear as part of their own energy transition, particularly Saskatchewan, Alberta and New Brunswick, and there's certainly a lot of interest internationally. Estonia and Poland have been visiting Ontario—including Poland shadowing the federal regulator as they look to set up their own nuclear regulatory body.

Mr. Stephen Crawford: So it's fair to say, then, that the ministry is supportive of this technology and nuclear in general to create a nice, clean tech energy source?

Mr. Jason Fitzsimmons: Ontario has been fortunate to have nuclear as part of its baseload supply mix. I think other jurisdictions, such as Germany, that have vowed off nuclear find themselves in a position where they're more reliant on coal right now, which is a bit counterintuitive.

Mr. Stephen Crawford: That Germany is now—they're reigniting some coal plants.

Mr. Jason Fitzsimmons: Yes.

Mr. Stephen Crawford: It's very strange.

I'd like to move on to my next question, which is really around affordability. We all know that energy costs have gone up, as have costs in general for the citizens of Ontario, with inflation, the cost of gasoline, certainly being further hampered by the carbon tax imposed by the federal government. I did want to get a sense on what the ministry is doing to help consumers with their high electricity and natural gas costs—individuals, but also businesses. I know that a lot of businesses were looking at leaving the province of Ontario because of the mismanagement of the energy sector.

A case in point: In my riding of Oakville, having had many discussions with Ford of Canada, being a very energy-intensive facility, as I'm sure MPP Cuzzetto, who worked for them, would know—one of the reasons they were looking at leaving the province was the high energy costs. Fortunately, they're staying and retooling that plant.

We need to attract investments. We need to have reasonable costs for energy for manufacturers. It's a big cost for doing business—but also consumers, who are struggling right now across Canada and in Ontario, with the high costs of gasoline, food costs and energy costs.

What is the ministry doing to help make life more affordable?

Mr. Jason Fitzsimmons: So if I was to start at the two largest programs—and I should preface this by saying there are a lot of really effective programs that the ministry has in place, from small to large, electricity right through to natural gas, on demand-side management and in conservation initiatives as well, all of which are part and parcel of my response here. But two, I think, very large and well-known programs are the Ontario Electricity Rebate, which is the rebate that is applied to residential customers and small businesses—right now, it's about an 11.8% reduction in bills across the board—and then, for large consumers, there is the comprehensive electricity plan, which reduces bills for commercial and industrial consumers quite significantly and, when we look at bordering jurisdictions, made Ontario actually quite competitive, when we look to Michigan and New York and other jurisdictions where Ontario's rates were quite challenging. That was achieved by taking over-market costs associated with renewable energy contracts and removing those and putting those onto the tax base—it was more of a social good and more appropriate on the tax base than the rate base—which then lowered the cost for those larger consumers.

In addition to that, there's a program in Ontario called the industrial conservation initiative, which enables large industrial companies—and others, for that matter—who voluntarily participate in curtailing their power during peaks of the year and, in exchange for doing that, that predates how much global adjustment they have to pay. That is deducted from further bills and has helped both retain and attract some investment in the province.

Mr. Stephen Crawford: Have you had positive feedback from companies and manufacturers?

The Chair (Mr. Tom Rakocevic): We're just past the halfway point—just under nine minutes.

Mr. Jason Fitzsimmons: Yes, a lot of the engagement is that this program is effective—“Please keep it in place.” Certainly, with some of the larger companies that have set up here recently, or proposed to set up here recently, it has been an attractive mechanism for investment.

Mr. Stephen Crawford: Thank you very much.

I'm going to pass it over to MPP Smith.

Ms. Laura Smith: How much time do we have?

The Chair (Mr. Tom Rakocevic): You have just over eight minutes.

Ms. Laura Smith: Through you, Chair: I want to thank all of you for being here today. I respect everyone's time and know that a lot of work has gone into presenting.

I also wanted to extend my deepest sympathies for the loss of Richard. He sounds like an incredible member of your team.

I'm going to change the dials a bit. We've been talking about a number of different issues, and I'm going to make this very personal, because I always do.

In Thornhill, about 4% or 5% of all vehicles are e-vehicles now, which is accelerating very nicely. I was very fortunate because, just recently, I was able to help with OVIN. They have a demonstration zone. Although we don't actually have any plants, because there are a lot of different e-vehicle plants and battery plants that are all over the province, we are fortunate that one of these demonstration zones is going to happen in York region—one in Markham, one in Vaughan. We're very excited because it will give people a real-world environment to pilot, demonstrate and use these technologies when they would not normally have that opportunity.

Given the electrification and the energy transitions that are intensifying across this province, driven by significant potential for growth in e-vehicles, and e-batteries to that extent, what are the ministry and the Ontario Energy Board doing to better meet the increasing demands of EVs?

Mr. Jason Fitzsimmons: The predictions on electric vehicle adoption continue to intensify. I think the IESO confirmed several years ago that it might be a 2% increase in electricity demand; now I think we're into double digits, but we are seeing more and more availability around the province. I'm happy to say that I was in Tiverton last week with an EV, and I had lots of options for EV charging, between ChargePoint and FLO, that were available.

We've asked the OEB to support local utilities on EV integration by looking at some guidance in the investments needed to prepare for that demand and any regulatory barriers that might be in the way. The OEB launched the electric vehicle integration initiative, which will help them work with utilities to ensure the efficient integration of EVs into the grid. We know this is really important when people are making these investments.

The government has a number of initiatives to support EV adoption, including insulation of level 3 fast chargers. These are the 30-minute, 40-minute chargers in the province, and public charging in some larger urban centres, including community hubs, Ontario's highway rest areas and carpool parking lots, and also in Ontario parks.

1500

One of the other things that the government has done is the launch of the new ultra-low overnight pricing to incentivize residential customers to be charging their vehicles overnight at a much lower rate, in exchange for increased rates at other times of the day.

Perhaps I could ask my colleague from the OEB to discuss some of the work that they've been doing from a regulatory perspective.

Ms. Susanna Zagar: Thank you for the question and for the context the deputy provided.

At the OEB, our electric vehicle integration initiative aims to help ensure the efficient integration of EVs within the electricity system. Since the initiative launched last year, we've made good progress on several fronts. We conducted a survey of electricity distributors and EV charging service providers to inform our work. It was the first of its

kind in Canada. The results of the survey provided us with valuable insights on the challenges and opportunities electricity distributors are seeing in ensuring system readiness, the implications for delivery costs on the development of EV charging sites, and the potential opportunities for investment in relation to EV connections. We use the insights to inform our work and determine how best to provide guidance to the sector. We issued a bulletin that contains guidance to distributors on providing new residential connections with enough capacity to accommodate the demands of EVs and other equipment as the electrification of homes ramps up. Through the bulletin, we also reminded distributors of their obligations under the distribution system code when determining who is responsible for any costs when it comes to residential subdivision connections and residential customer service upgrades. This guidance is meant to protect the interests of consumers seeking to electrify their homes and, in turn, reduce their emissions.

We are developing a streamlined process for connecting new EV charging stations through our DER connections review consultation. Working with both EV charging companies and distributors, we are preparing the EV connections process that standardizes information-sharing and provides greater certainty on both costs and timeliness of public and fleet EV chargers. This will remove challenges and barriers for EV charging companies as they expand into more and more communities. We expect to have this process completed by December. This is directly responsive to feedback received from EV charging service providers when we completed the survey earlier in the year.

Ms. Laura Smith: Time?

The Chair (Mr. Tom Rakocevic): One minute and 40 seconds.

Ms. Laura Smith: My next question was going to be about how we're making EV chargers more accessible to the public in Ontario—and you talked about that, and expanding. Perhaps you could discuss that with relation to the grid and how we're going to be able to hit that capacity level.

Mr. Jason Fitzsimmons: Well, I think when we issued the Powering Ontario's Growth plan, this was, again, in response to the IESO's report Pathways to Decarbonization. Within there, they had projected a high degree of EV penetration. So a lot of the initiatives that we're taking now from the near term to medium term—procurements for generation and for storage, as well as transmission build-out and looking at improvements and technology advancements at the distribution level in the form of distributed energy resources—are all part of solutioning to meet that need and prepare the grid for that intensification.

Ms. Laura Smith: I have so many neighbours who plug in at night. You talked about the ULO price plan incentive, and I'm wondering if you could talk about that shift of paradigm from what was literally, I think, something that was unheard of a decade ago—

The Chair (Mr. Tom Rakocevic): Sorry; we're at time. Hopefully you can answer that in the second round of government questions.

We will now move to the official opposition.

Mr. Peter Tabuns: Moving on to the USMPs: Has the ministry assessed whether or not the prices charged by the USMPs are fair?

Mr. Jason Fitzsimmons: I think the Auditor General actually did a very helpful job, in tabular form, in their report about what protections are afforded to USMPs and what the outstanding issues are.

While the recommendations from the auditor may seem relatively straight forward to tackle, they're somewhat of a challenge in terms of our ability to unpack what's in contracts between USMP providers and the board of condominiums, for example. The work that we're engaged in right now is thinking about what analysis can we do to unpack some of these areas where the Auditor General has identified that there is a differing of treatment between customers that are covered under a USMP arrangement and those that have a direct bill with a utility. There is some work to be done around that.

If I were to just use a very practical example, a lot of USMPs are not just focused on electricity billing; they will actually provide a suite of billings: water, gas and electricity as well. These are commercial contracts between the USMP and the board of the facility. So there is some work to be done to unpack the recommendations from the Auditor General and how we can get at and underneath these questions

Mr. Peter Tabuns: You may recognize this already, but I just want to make sure it's on the record. USMPs serve not just condominium buildings; they also serve private rental. Last week, I was going door to door talking to people in private-rental buildings and this was a bone of contention for them—not so much those who were served by Toronto Hydro, which was interesting. I didn't realize Toronto Hydro did a number of these unit-metering situations. But for the most part, they were private companies.

So, at this point, you haven't done an assessment. You're looking at the task before you and the complications that arise from it—

Mr. Jason Fitzsimmons: That's correct.

Mr. Peter Tabuns: I understand. Do you have a sense of your timeline for doing that analysis and coming back to us in the Legislature about whether the contracts are fair to the customers? In the condominium corporations, I think my colleagues might argue—the condominium corporations and the boards are responsive to the people who live in those units; although large numbers of them are tenants, so they don't actually get a say on that board. But let's set that aside for a moment. In private rental buildings, they have no access whatsoever. They live in a regime run by a monopoly power. They are very concerned that they aren't treated fairly. So I would like to know what your timeline is for actually digging into this.

Mr. Jason Fitzsimmons: We did note in our response to the Auditor General back in 2022, the best estimate at that time was that this could take somewhere in the range of two to three years to finalize recommendations.

I am working with the team right now on some options on how we would go about to start to make the inquiries

on these issues of fairness of cost and what we might be able to do on things like disconnection bans. That may have had the attention of some of the USMPs already, because there are a lot of them that have—anecdotally, anyway—said that they support those policies or they do respect the winter disconnection bans. It's something that we are mindful of. We'll have to work with the OEB on this as well in some direction to that.

1510

Mr. Peter Tabuns: So what are your timelines for actually delivering? From what you've said, you're talking with your team. Do you have a project plan in place so we can get a sense of what steps will be carried out and when?

Mr. Jason Fitzsimmons: Yes. I would hope that we will have something out to the Ontario Energy Board within the next few weeks about starting to initiate some discovery work.

Mr. Peter Tabuns: To the Ontario Energy Board: Have you done any work independently of the ministry looking at aligning service standards between the unit sub-meter service providers and distribution companies with regard to disconnection? A lot of people now are paying for their unit heat on baseboard heaters, and I have to say, there's a huge difference between a unit in the northeast corridor of a building in mid-winter for heat and a unit facing south in the middle of the building. What have you done at this point about those disconnection standards?

Ms. Susanna Zagar: I would say that the OEB's review of customer service standards from USMPs started in 2023 and will engage both the USMPs and the customers themselves, which I think is really important.

I mentioned in my opening remarks that we've put up good information, clear and concise information, on our website and are using it through our call centre as well, so if we're getting calls or inquiries, we're able to address some of those concerns.

We are developing more customer education and information materials.

I'll ask my colleague Harneet Panesar to take this down a level further in terms of the specific questions around the USMPs and the disconnections with respect to constituents.

Mr. Harneet Panesar: One of the key differences between the OEB rules applicable to USMPs and those applicable to local distribution companies are the winter disconnection rules. These rules prohibit electricity distributors from disconnecting residents between November 15 to April 30 of every year.

As Susanna mentioned, we've updated our website to make sure that we've clarified some of the protections that are currently in place.

I'll also just talk a little bit about some of the protections that we already have in place for USMP customers. USMPs are required to be licensed by the Ontario Energy Board under the OEB act. They're also subject to OEB compliance and enforcement processes and reporting requirements. USMPs must follow requirements of the Energy Consumer Protection Act as well as the OEB rules relating

to customer service standards which, with key exceptions, are similar to those of electricity distributors and include rules that they must have conditions of service where customers can go to understand their USMP operating practices and connection policies, bill issuance and payments, security deposits, arrears payment agreements and disconnection notice and process requirements.

Mr. Peter Tabuns: Do you have any standards around the process by which USMPs are hired by—and I'll talk about privately owned rental buildings. There's always the possibility that a large private equity firm will own a meter company and decide to hire its own meter company to run the service within its buildings, which would mean that there wouldn't be any competition between different providers to give the best possible price to the tenants. Do you have any rules around that at this point?

Mr. Harneet Panesar: We do not have rules around how the USMPs are then selected by the board once the board appoints them.

Mr. Peter Tabuns: So if I owned CAPREIT—which I don't, just for full disclosure—and I decided that I wanted to set up a meter company to catch some of that revenue I wasn't currently catching, I could do that, and I could set them up as the provider for metering services in the buildings that I owned, and I could pretty much set whatever price I wanted because you don't regulate the price. Is that a fair statement?

Mr. Harneet Panesar: What I'll say is, USMPs are companies that provide these metering and billing services to multi-unit buildings like apartments, that you mentioned, condominiums and commercial buildings—so a lot of the situations where meters are used to bill electricity services to private properties. It's the developer, builder, owner or the condominium board, often referred to as “master consumer” in our regulatory documents, and not the individual consumers living or working in the building that make decisions as to whether to obtain these services from electricity distributors or a USMP for the building itself.

Mr. Peter Tabuns: Maybe it's just the lateness of the afternoon, but my statement stands, then—a landlord could set up their own USMP company, could provide themselves with the service, and they could charge the tenants whatever they wanted because you don't regulate those prices. Is that correct?

Mr. Harneet Panesar: That may not fall under the purview of the OEB.

Mr. Peter Tabuns: Right. It's not under your purview. You're not regulating it, and no one else is.

You're nodding your head. I'm going to take that as you agreeing—

Mr. Harneet Panesar: We do not regulate that.

Mr. Peter Tabuns: Can you tell me a bit more about the consultation you've had with both housing providers and customers? Who exactly are you talking to at the provider? Are you talking to the landlords' organization, the Fair Rental Policy Organization of Ontario? Are you talking to BOMA? Who are you talking to? Or are there

particular large developers that you're in connection with? I'd like to know whose perspective you're getting from the building owners' side.

Ms. Susanna Zagor: Harneet will answer that question.

Mr. Harneet Panesar: I don't have the complete list at this point, but the review is quite comprehensive. It will engage with USMPs and their customers.

Mr. Peter Tabuns: So you haven't actually met with them yet. Is that correct?

Mr. Harneet Panesar: It's going to commence in late 2023. We're starting that pretty much now.

Mr. Peter Tabuns: Well, it's October now—so are we talking, in the next two months you'll be meeting with them?

Mr. Harneet Panesar: The consultations will be starting in this quarter, and the consultations review will likely end by the end of this year.

Mr. Peter Tabuns: What's your process for actually talking to the end-user power consumers, the tenants and unit owners? How are you engaging with them?

Mr. Harneet Panesar: We'll likely engage in a few forums. A lot of it might come down to how we issue a notice publicly to make sure we get the intake. We'll also be using our website that we've updated. We've got a platform called Engage with Us. It's the OEB's new approach—engaging with the public for consultations in which we'd want their input.

Mr. Peter Tabuns: I have to say, as someone who follows energy issues a fair amount, I actually do go to your website. I'm very appreciative that you have it. It has a lot of good stuff. But most normal people will not go to the OEB website, and most normal people may not even know you exist—no offence; it's just that a lot of people don't know I exist, and I'm a politician.

Can you tell me what you're going to do to reach those tenants in those buildings? There are millions of them. This is a very substantial issue for them, and it's becoming more substantial on a monthly basis. As they move into a new building, they have to take on that metered responsibility. I appreciate that you'll be putting it on your website. What are you going to do further to reach out to tenants to make sure their voices are heard?

The Federation of Metro Tenants' Associations in Toronto is an organization to talk to—I don't know about Hamilton, I don't know about London. Are there organizations of tenants that you're talking to on this matter, or planning to?

Mr. Harneet Panesar: I think we'll have to take a look at making sure that we reach out to everyone. Our website is a great platform. I'll also just note that we do get a lot of calls from the USMPs through our call centres. As that happens, we will also engage with customers through that platform, and we'll look to associations, where appropriate.

Mr. Peter Tabuns: That's fair. I don't need to follow up on that.

The Distribution Rate Protection program: What we heard from the Auditor General was concern that there may be a

mismatch now between people who need it with some providers and people who don't.

Have you been looking at whether or not your programs are aligned to the needs of electricity consumers, and whether there has been a misalignment over the years as things change?

Possibly we would start with the deputy minister.

Mr. Jason Fitzsimmons: Thanks for the question.

When the program was established in the first place, it was fairly evident to see that a lot of the rural and urban customers were paying higher distribution rates, and it's as simple as that there are fewer people on the poles—

Mr. Peter Tabuns: Sure.

Mr. Jason Fitzsimmons:—just by the nature of where they are. So it was good policy at the time when it was implemented and served its purpose, but things have evolved. We did incorporate inflationary measures through the OEB to adjust the DRP, and the ministry staff are continuing to review the effects of that inflationary measure in terms of whether it is satisfying the original intent, in addition to looking at other changes that have been made.

1520

Hydro One, for instance, would be, by and large, the largest organization with customers in benefit of the DRP. Their recent rate application, which is a five-year application, has increased rates as well. So it has been a bit of a dynamic situation, where you might be comparing the rates in an urban setting, like downtown Toronto, for instance. You have these utilities, and their rate structures are shifting, changing the rates at the same time, so we need to take those into consideration as we step back and we look at this program.

The ministry is currently in the process of gathering the data in terms of formulating what, if any, things need to happen with the DRP and monitoring what the outcomes of these inflationary factors are that were put in place with the Ontario Energy Board.

Mr. Peter Tabuns: Do you have a sense of what your timeline is for bringing back recommendations for action, when you want to—if there are going to be changes—implement those changes?

Mr. Jason Fitzsimmons: Why don't I defer to my ADM, who has the staff working on this—

Mr. Peter Tabuns: Sure.

Ms. Karen Moore: As the deputy mentioned, last year, we made a change to the cap in the DRP program to tie it to an inflation adjustment. So we are reviewing the response to that change over a couple of cycles before we consider further changes to the program. The vast majority of DRP customers are Hydro One customers, and so that program is highly dependent on the distribution rates for those customers and the consumption for those eligible customers. So we're monitoring that to look at making potential changes to the program after a couple of cycles—at this time, we're proposing within two years from the original audit recommendations. We're about one year in, and we'll look for one more cycle.

Mr. Peter Tabuns: So, hopefully, 2024.

The Chair (Mr. Tom Rakocevic): Two minutes remaining.

Mr. Peter Tabuns: So much to ask, so little time.

Deemed capital structure: The Auditor General pointed out it has been a long time since that was reviewed. My colleagues on the committee have expressed concern about it as well. I'm concerned. If you have a very high rate of return, it has an impact on people's bills.

Are you in the process of reviewing the deemed capital structure return on equity, and if you are engaged in reviewing it, when can we expect to have commentary out from you?

Ms. Susanna Zagar: That was recommendation 10 from the Auditor General that you're looking at there, where they were asking us to review the deemed capital structure return-on-equity formula at defined intervals.

The OEB's approach to determining the cost of capital of a rate-regulated entity is outlined in our 2009 report of the board on the cost of capital for Ontario's regulated utilities. It was validated in a 2016 report which was called the review of cost of capital for Ontario's regulated utilities.

The OEB appreciates the Auditor General's recommendation and supports a review of the deemed capital structure and return-on-equity, ROE, formula. The review of the cost of capital policy is already on our draft work plan for 2023-25, and this is a significant multi-phase activity that we will be undertaking. We'll initiate a generic proceeding to determine the appropriate methodology to use in setting the cost of capital for utilities.

The project will also help the OEB ensure the fair-return standard is met under the current macroeconomic conditions while reflecting the risk profiles of regulated entities. This work aligns with the following OEB strategic goals—and that is, protecting the public. As determined by the outcomes of the review, the OEB will update or confirm the validity of the deemed capital structure and determine the ROE formula to be used for setting rates of regulated entities along with other components of the cost of capital policy, and define the frequency of future reviews.

Mr. Peter Tabuns: Okay. If I have seconds left—

The Chair (Mr. Tom Rakocevic): A couple of seconds.

Mr. Peter Tabuns: The review of actual results from the consolidation of LDCs—are you reviewing to see whether or not the promises that were made were kept?

Ms. Susanna Zagar: The OEB is now working with the sector to implement cost-effective and timely monitoring of post-consolidation activities. This includes performance reporting, periodic status updates on the steps taken towards integration and verification that—

The Chair (Mr. Tom Rakocevic): We're at time.

We're going to move on to the final round for the government. MPP Smith.

Ms. Laura Smith: I'm just going to wrap up the last question. If we go back to a few minutes ago—I was asking my final question about the integration of the grid and the ultra-low overnight price plan to incentivize more usage. I'm wondering if you can talk to me—as a person who has a lot of friends who are interested in this, but

they're also interested in knowing how it can be integrated and how they can expect Ontario to look and feel in the next couple of years.

Mr. Jason Fitzsimmons: There are a lot of big infrastructure things that are in the works right now to facilitate EV adoption.

With respect to the ultra-low overnight pricing plan, we have many utilities that have that offering in place right now, and obviously, we'll review the adoption over time for the effectiveness of the program. It was very well received when it was announced. We have 59 local distribution companies in this province, and we expect that they will be in compliance in offering that program out to all five million electricity customers by November of this year.

Ms. Laura Smith: I'm sorry to make you literally go back in time, but I wanted to get that out.

I'm going to be sharing my time with MPP Cuzzetto.

The Chair (Mr. Tom Rakocevic): MPP Cuzzetto.

Mr. Rudy Cuzzetto: Thank you all for being here.

[*Failure of sound system*] Oakville, Stephen Crawford, had mentioned I used to work for Ford Motor Co. before I was elected. At that time, we had lost 300,000 jobs in the province of Ontario. Luckily, since we've been in office, we've been able to attract 700,000 jobs and \$25 billion in automotive investment.

As we're moving forward, what do you see that we're going to be doing for the electricity grid? We're going to be needing much more electricity—and clean electricity. As you'll recall, Elizabeth Witmer was the first minister who was getting rid of coal plants in the province of Ontario. A lot of people forget that it was Elizabeth Witmer who was doing that. So how are we going to go towards a cleaner grid, moving forward?

Mr. Jason Fitzsimmons: We're quite fortunate in this province because we do have this diversity of supply mix, and I can attest that 90% of the electricity generated here is from non-emitting sources—in 2022. That is one of the cleanest grids in the world, and certainly, we have seen this with respect to the investment interest in the province for proponents that are seeking to meet their own environmental and social and governance commitments. So Ontario has become very, very attractive.

There are still many jurisdictions that have a high dependency on coal and fossil fuels in general for their energy supply. We have a very strong baseload in nuclear generation. We have hydro generation in our mix. We have renewables. We are investing in battery technology, which will better enable renewables because they won't be as dependent upon weather conditions to operate. We have our backup generation in the form of natural gas to be able to meet the demands, and it's the simplest generation we have to provide assurance that the power will be there when people need it.

Mr. Rudy Cuzzetto: Another question I wanted to ask you on the Indigenous community: How will they be helping, or how will the government engage them to help moving forward?

Mr. Jason Fitzsimmons: That's a great question.

We do see troubles in other jurisdictions, particularly with energy projects. We've had a fairly progressive approach with energy projects in Ontario with First Nations in particular—well, engagement with Indigenous communities at large, but First Nations in particular—at times participating as equity partners in some of these projects, whether that's solar installations down in the Nanticoke area, or the largest battery project in North America, or some of the transmission investments that are being made.

There are Indigenous equity partnerships in the Bruce-to-Milton transmission line that was built a number of years ago; that was the first of its kind. There are Indigenous equity partnerships in hydro generation in the Peter Sutherland generating station. For some of the new transmission lines that have been announced in northwestern Ontario and southwestern Ontario, there are Indigenous equity opportunities there as well.

We hear quite often from Indigenous communities about what are the opportunities to participate, obviously with a

high expectation about prior engagement—but to date, there has been some great receptivity. There was very high engagement, also, in the engagements on the Electrification and Energy Transition Panel. So there are some positive projects that we can lay claim to right here in Ontario which are substantially aiding the Indigenous economy as well.

Mr. Rudy Cuzzetto: It's good to hear that.

That's all from me.

The Chair (Mr. Tom Rakocevic): Any further questions from the government side?

Mr. Will Bouma: No.

The Chair (Mr. Tom Rakocevic): Seeing none, thank you very much to the presenters who have been here today. You are now dismissed. Have a wonderful day.

We will again pause briefly to go into closed session, so that the committee may commence the report-writing process.

The committee recessed at 1533 and later continued in closed session.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Research Services