

## Sector Briefing Note

To: Stakeholder Advisory Committee

From: Julie Girvan – Residential Sector

Date: June 3, 2009

**Subject: GREEN ENERGY ACT**

Item for table discussion

Each Stakeholder Advisory Committee member has been asked to provide this briefing note to address two questions:

**a. How do you see the Green Energy Act impacting your sector?**

It is unclear at this point what all of the implications are for electricity consumers arising from the passage of the GEA. The GEA gives the Minister broad new authority to issue directives in a number of areas. Impacts on consumers cannot be assessed until we have further details regarding these directives and any other regulations issued under the Act. For residential consumers all components of the bill are expected to rise including commodity costs, distribution costs and transmission costs in order to facilitate the intent of the GEA. Although not an exhaustive list the reasons why we see the GEA increasing overall rates are the following:

- Electricity from renewable generation is inherently more expensive than other sources of power. The feed-in tariff (FIT) program will be paying renewable generators prices significantly above market for terms of 20 years (and in some cases 40 years);
- In order to facilitate the development of renewable power as envisioned by the GEA distribution and transmission facilities will have to be enhanced and expanded;
- Independent regulatory oversight of the OEB has been diminished by the GEA by permitting the Minister to specify conditions for the OEB when considering the construction, expansion or reinforcement of transmission and distribution facilities related to renewable energy connections;
- Independent oversight of the OPA has been diminished by permitting the Minister to prescribe conditions for the OPA to consider when procuring power;
- New conservation and demand management programs may not be subject to cost-effectiveness tests in the same way they are under the existing framework;

- The GEA now allows for the generation costs to be allocated in different ways to different customer “classes”. This could potentially result in residential consumers paying a larger portion, or all of the global adjustment;
- Provisions in the GEA may result in reducing the power of the OEB to protect consumers with respect to prices. Other objectives may conflict with this one currently in the Ontario Energy Board Act;
- The GEA includes a provision that could have the costs incurred by the Ministry of Energy and Infrastructure related to conservation programs recovered through electricity rates.

**b. Are there specific actions the IESO should consider to assist your sector in Green Energy Act implementation?**

Given the IESO does not directly deal with residential consumers, there are no specific recommendations we have for the IESO regarding the GEA. The IESO may have a major role in the development of the smart grid in Ontario. If that is the case it is important for the IESO to ensure that it proceeds in a way that represents the most cost-effective approach for Ontario consumers. Until more detailed proposals come from the Ministry of Energy and Infrastructure regarding implementation of the GEA it is difficult to assess the potential role of the IESO regarding the implementation of the Act.