



# ONTARIO'S ENERGY SECTOR: MUNICIPAL PERSPECTIVES ON THE ISSUES AND CHALLENGES FACING RESIDENTS OF EASTERN ONTARIO

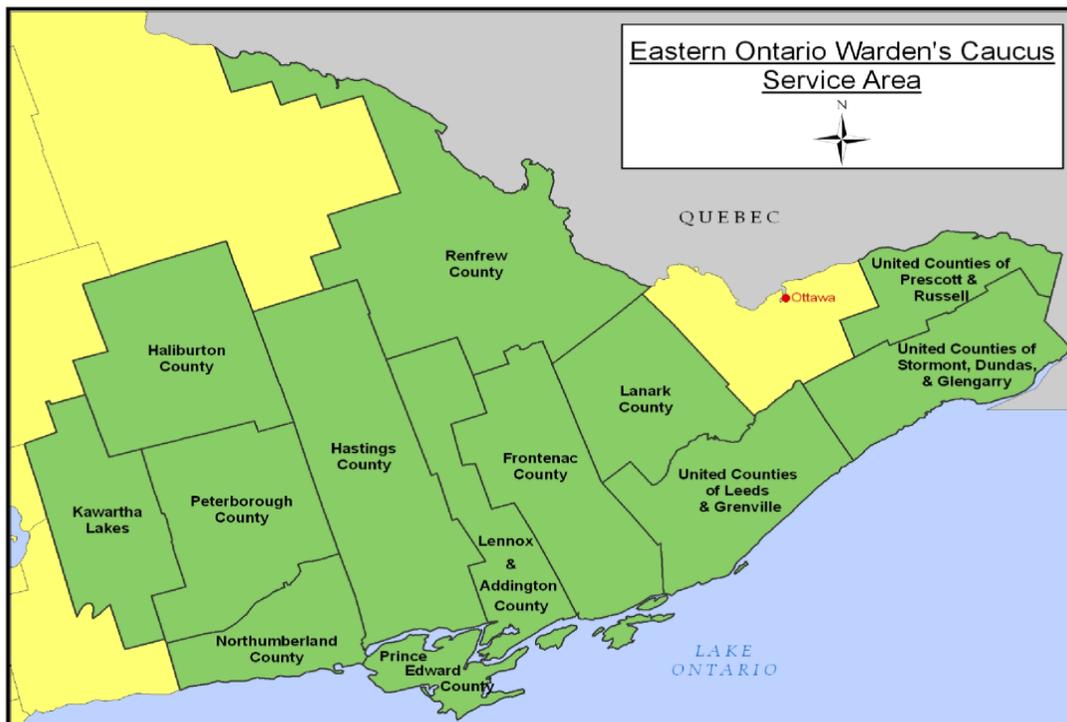


*Comments on Ministry of Energy's review  
of Ontario's Long-Term Energy Plan (LTEP)  
December 16, 2016*

# OVERVIEW

The Eastern Ontario Wardens' Caucus (EOWC) Inc. is an incorporated, not-for-profit organization comprised of the heads of Council of eleven Counties and two Single-tier municipalities across **rural Eastern Ontario**. Member municipalities include:

- County of Frontenac
- County of Haliburton
- County of Hastings
- City of Kawartha Lakes
- County of Lanark
- United Counties of Leeds and Grenville
- County of Lennox and Addington
- County of Northumberland
- County of Peterborough
- United Counties of Prescott and Russell
- County of Prince Edward
- County of Renfrew
- United Counties of Stormont, Dundas and Glengarry



# INTRODUCTION

For more than 15 years, the Eastern Ontario Wardens' Caucus (EOWC) has demonstrated an unwavering commitment to advocacy and the development of evidence-based policies and recommendations. This robust process has enabled the EOWC to assist provincial and federal policymakers in making decisions that benefit the 750,000 taxpayers living and working in rural Eastern Ontario.

The EOWC values excellence and regional teamwork. By working together to promote shared interests, the necessary conditions to thrive and succeed are cultivated. The EOWC aims to speak with a unified voice in order to focus greater attention on the views and opinions of our member municipalities, and to build stronger relationships with provincial counterparts, the public, business leaders and the media. As a cohesive group pursuing common goals, the EOWC strives to create the optimal conditions for economic growth and prosperity in Eastern Ontario. In keeping with this mandate, the EOWC welcomes the opportunity to articulate its collective position on the relative strengths and limitations of Ontario's *Long-Term Energy Plan* in order to achieve outcomes and to inform future policy proposals.

The formidable challenges of rural natural gas expansion, escalating energy costs, and ongoing concerns surrounding electrical reliability are troubling realities for the EOWC region. While we applaud efforts to expand renewable wind power production in Ontario, several jurisdictions continue to express concerns regarding the construction of wind turbines and local consultation. It is important to note that the EOWC supports the province's long-term vision of securing a clean energy future, including the expansion of the hydroelectric portfolio in Ontario, while addressing the issue of rising energy costs for rural residents. The EOWC is particularly enthusiastic about the Marmora Pumped Storage project, a large-scale hydroelectric initiative proposed for Eastern Ontario, as well as its newly-formed partnership with the Ontario Federation of Agriculture (OFA) and the Western Ontario Wardens' Caucus (WOWC) to address the important need of bringing additional natural gas services to rural Ontario businesses and farms.

The EOWC acknowledges that the *Long-Term Energy Plan* is not without its opportunities; however, there are obstacles that are likely to impede the continued growth and forward momentum of Eastern Ontario. As such, the EOWC will continue to be steadfast advocates of the ratepayers and businesses in this region. We appreciate the opportunity to provide constructive feedback on Ontario's *Long-Term Energy Plan* and are hopeful this will help advance meaningful dialogue on these important issues, and influence the future direction of energy policy in Ontario.



Peter Emon  
Chair, 2016, Eastern Ontario Wardens' Caucus

# KEY ADVOCACY MESSAGES

## 1) Rural Natural Gas Expansion

There is an urgent need for the expansion of natural gas to rural parts of Eastern Ontario. Having a reliable flow of natural gas to remote areas is beneficial for the quality of life and economic development of these rural communities. The low cost of natural gas will entice business investors, and serve as a catalyst for growth and development of Eastern Ontario. While the *Long-Term Energy Plan* places considerable emphasis on the expansion of transmission systems in Northwestern Ontario, there is limited recognition of the difficulties that exist in getting natural gas to rural communities in Eastern Ontario. One of the EOWC's top priorities in recent years is to encourage the Province to make the necessary infrastructure investments required for the expansion of transmission systems to areas of Eastern Ontario that are currently lacking.

The EOWC has discussed this matter with natural gas companies, both of which have expressed an interest in such an undertaking if provincial funding becomes available. On October 4, 2016, EOWC representatives visited Queen's Park to announce its partnership with the Ontario Federation of Agriculture (OFA) and the Western Ontario Wardens' Caucus (WOWC). This partnership was created specifically to request a financial commitment from both the Province and the major natural gas companies to develop a fair and equitable way to install new natural gas pipeline across rural Ontario, each year for the next 20 years.

The proposed program will require public investment in the pipeline infrastructure and a viable rural rate for gas set by the Ontario Energy Board. Research conducted by the OFA demonstrates that natural gas access across the province could save Ontario farmers, business owners and rural residents more than \$1 billion annually in energy costs. This in turn represents new, disposable income in the hands of residents, families and rural businesses, to spend and stimulate their local economies. These partners firmly believe that natural gas will help reduce energy costs, develop new businesses and grow rural communities.

Additionally, the *2013 Long-Term Energy Plan* outlines that alternative solutions are being studied to address the difficulties First Nation Communities in Northern Ontario are having connecting to the province's electricity grid. For a number of First Nations and rural communities in Eastern Ontario, connections to natural gas transmission lines can be equally challenging. The EOWC respectfully requests that the province demonstrate the same willingness to explore options for residents of rural Eastern Ontario facing similar struggles.

The EOWC is committed to working with all stakeholders – municipal, provincial, agricultural and the private sector – to expand natural gas to rural parts of Eastern Ontario. The reality that gas transmission lines may be economically unrealistic simply reinforces the need for the Ontario government to aggressively explore all possible alternatives, including funding opportunities, for the rural sector.

## 2) Rising Energy Costs

Due to a number of factors – including Global Adjustment (GA) fee increases; the Ontario Energy Board’s approved increases to the price of electricity per kWh; contract prices paid to many power generators; and conservation and demand management programs across the Province – the overall cost of energy usage, whether on a household or commercial monthly bill, is increasing at an unprecedented rate. The EOWC considers this to be a devastating trend, given that steep electricity prices hinder economic development. EOWC members have repeatedly heard this from businesses and manufacturers across rural Eastern Ontario.

### *Residential Sector & “Energy Poverty”*

Residents in rural areas often suffer disproportionately when compared to their urban counterparts due to higher rural delivery fees. Research suggests that delivery charges are usually two to three times higher for rural households across Ontario. As electricity price increases continue to impact households across Ontario, the additional burden of high rural delivery costs is particularly alarming for the EOWC, given that the majority of its ratepayers live in rural communities.

Shouldering these heavy fiscal burdens is propelling many rural residents into “energy poverty.” In such a highly industrialized country, it is unacceptable that some Ontarians must choose between buying food and paying their electricity bill. The EOWC is dismayed that stories of such cases continue to be highlighted in the national media.

However important, conservation and energy saving strategies will not guarantee energy security when price escalations are so rapid. Unfortunately, energy poverty is often less visible in remote communities, because rural poverty and vulnerability can mask the problem. The EOWC is committed to raising awareness about the urgent need to find sustainable solutions. Although financial assistance may be available for low-income households, current programs fail to address the root cause of this crisis.

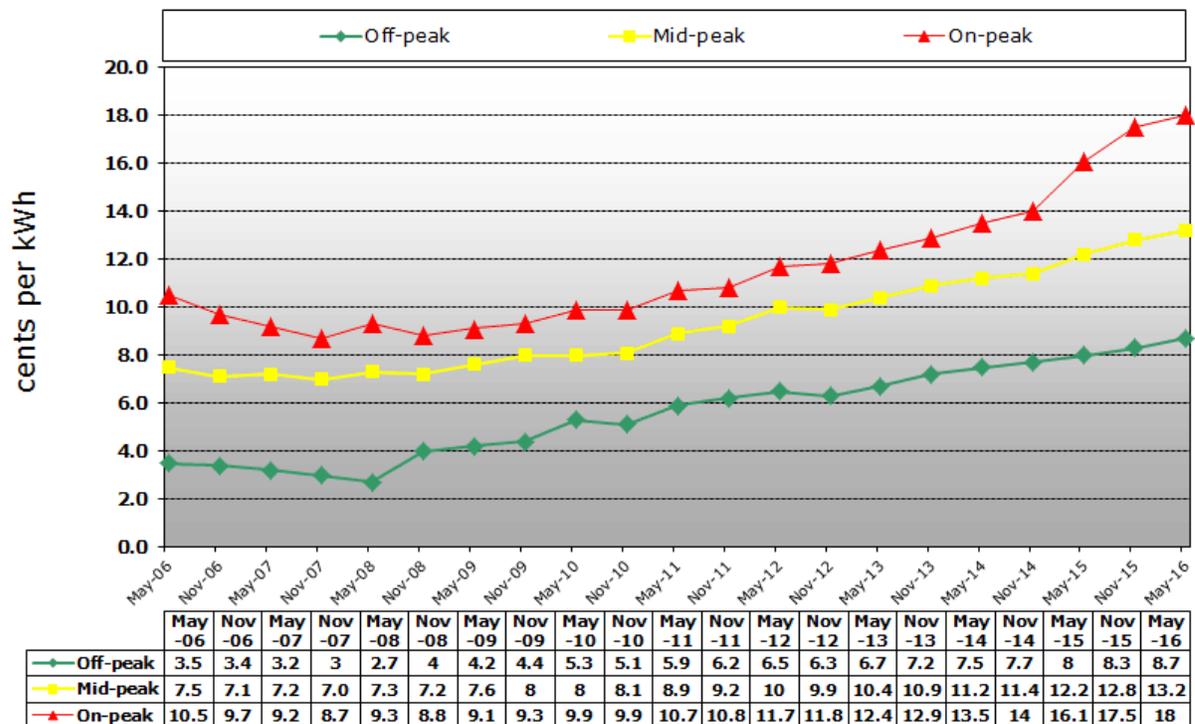
While soaring electricity costs further marginalize “at risk” groups, small businesses located in rural communities are also disadvantaged. In the interest of more equitable access to electricity, and sustainable prosperity for both private residents and businesses, the EOWC urges the Ontario government to find more affordable energy solutions by investing in energy infrastructure.

Finally, the EOWC does support the province’s pledge to reduce greenhouse gas emissions, and the move towards a greater reliance on renewable energy sources. Nevertheless, research suggests that increases in ratepayers’ electricity bills can in part be attributed to green energy initiatives. The EOWC is concerned that the province is planning to further increase the green energy component in Ontario’s electricity-supply mix, without first exploring how this might impact the overall cost of electricity to the ratepayer. While green energy is an important environmental consideration, the impact on the ratepayer must be considered, which is why cost reduction for ratepayers must be addressed in the province’s next *Long-Term Energy Plan*.

The following chart depicts the upward trend of energy costs over the past 10 years.

## Historical Electricity Prices

### Time-of-Use (TOU) Prices



(Ontario Energy Board, 2016)

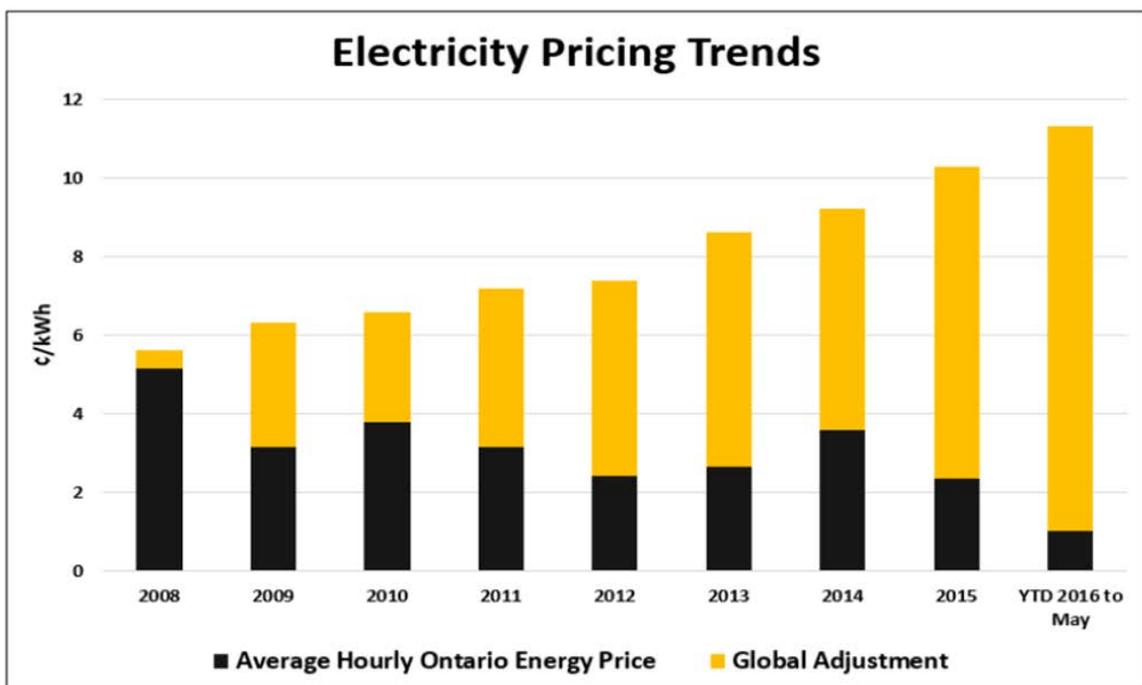
## Commercial Sector

Another important factor contributing to steep electricity prices is the Global Adjustment (GA) fee. All Ontario electricity consumers, whether commercial or residential, pay this charge either directly or indirectly. It is important to note that for small scale energy use, such as the power consumption of residential consumers and small businesses, this amount does not show up as a separate item on their electricity bill. Instead, it is included in the per kWh charge. For large energy users, GA costs appear as a separate item on their bill.

According to the Independent Electricity System Operator (IESO), the rationale behind the GA charge is to “cover the cost of building new electricity infrastructure in the province, as well as providing conservation and demand response programs. It covers the difference between regulated rates to nuclear and large hydroelectric generators and the market price.”

Energy consumers are unhappy with the GA fee as they view it as a “hidden tax” or surcharge. Much of this frustration arises from the fact that the unprecedented increases in the cost of electricity are occurring at a time when production costs are relatively low.

*The following chart details the impact of the GA fee on the overall cost of electricity prices.*



(Northumberland Manufacturers' Association, 2016)

Large businesses, particularly in the industrial manufacturing sector of Eastern Ontario, are feeling the impact of GA charges. Low electricity prices help give businesses a competitive edge. Unfortunately, when Eastern Ontario based companies are forced to pay higher electricity prices than their industry peers, they become less competitive. This undermines the capacity of businesses to grow and expand their operations, and hurts their bottom line.

*Belden Inc.*, an industrial cable and wire manufacturer located in Cobourg, is paying very high monthly electricity bills due to large GA fees. There are local concerns that this U.S.-based company will find it increasingly difficult to justify their Eastern Ontario location due to the high price of electricity in this province. These large industries contribute to regional growth and prosperity, thus, when they are forced to relocate to remain competitive, there can be far-reaching consequences for the entire region.

In addition, some businesses may have to reduce their number of employees in order to pay their GA charges. Large manufacturers have tremendous job creation potential, which is why these kinds of scenarios are particularly troubling for Eastern Ontario.

Finally, although businesses are being encouraged to scale back energy use, electricity bills do not appear to reflect conservation efforts. This is because GA fees must make up the difference between energy consumption and conservation. In short, when Ontario consumers use less electricity, GA costs increase to cover the minimum revenues that energy producers are guaranteed.

After thoughtful consideration, the EOWC formally requests that the province further investigate this issue, given that Global Adjustment charges are currently impacting the competitive nature of businesses in Eastern Ontario, and hindering the economic development and prosperity of this region.

### **3) Demand for Energy & Economic Growth**

The *2013 Long-Term Energy Plan* states that demand for electricity is decreasing, and that the future of Ontario's economy will be less energy intensive. While findings may suggest that energy demand and economic growth are not as closely intertwined as in the past, residents of Eastern Ontario have witnessed firsthand how the lack of energy options can be a barrier to regional growth and prosperity.

A reliable and consistent flow of electricity is integral to the economic development of Eastern Ontario. Many communities in Eastern Ontario have experienced power interruptions, brownouts, and wide-scale power outages. This has had detrimental consequences for both individuals and businesses alike. A reliable source of electricity is a precursor to quality of life and economic development. When electricity delivery is unpredictable, it hurts existing businesses, and discourages the expansion of new enterprises. This reduces the stream of tax revenue, and adversely affects local employment and tourism.

The *St. Albert Cheese Cooperative* in St-Albert (Prescott and Russell) for example, has faced ongoing problems due to the fact that their demand for energy exceeds the available electrical generating capacity. If this business is to continue producing high quality products, electrical upgrades estimated at \$3.1 million are required.

*Calypso Water Park* located in Limoges (Prescott and Russell) is another example of a business being constrained by the lack of electricity. This popular summer tourist attraction helps to boost the local economy; however, upgrades estimated at \$2.4 million are urgently needed.

The EOWC is alarmed by problems in the electrical power sector, and the impact of these ongoing challenges on businesses in our region. We will continue to advocate for a more secure and reliable supply of electricity, and urge the province to commit infrastructure dollars to the improvement of the electricity grid, and for upgrade expenditures for businesses.

#### **4) Wind Energy**

The EOWC endorses the work on improving weather forecasting mechanisms to increase efficiency of new or existing wind projects. This would also help to make wind energy more reliable and predictable.

The EOWC also supports the government's commitment to further engage municipalities in the planning process of large infrastructure projects that will directly impact their local communities. The province must continue to explore engagement strategies to ensure there is active stakeholder participation in the planning process.

Local involvement will promote comprehensive and transparent discussions on the impact of green energy projects on local communities, as well as ease opposition to those new green energy initiatives that are approved.

## 5) Hydroelectricity: Marmora Pumped Storage Project

A key priority of the EOWC is to encourage key stakeholders, including the Province and Hydro One, to invest in hydroelectricity in the region. Hydroelectricity is beneficial for both industry and consumers in that it offers affordable expansion opportunities that also reduce operational costs, and encourage job creation.

The EOWC strongly supports the government's commitment toward increasing its hydroelectric portfolio in Ontario, and the Province's willingness to increase targets and investments in new large-scale hydro facilities. The EOWC will continue to explore additional hydropower expansion opportunities that may benefit rural parts of Eastern Ontario.

In similar vein, EOWC also supports the *Marmora Pumped Storage Project* in Hastings County. This \$700-million project is being proposed by Northland Power, and will see the construction of a 400 megawatt hydro-electric pumped storage project.

The Marmora Pumped Storage project aligns with the EOWC priorities of investing in hydroelectricity in the region. This proposed project is an excellent example of a green energy initiative that uses renewable power to reduce our reliance on carbon based energy sources. However, this project also helps ease ongoing concerns that renewable energy sources can be expensive for ratepayers.

Wind energy, for example, can be costly due to its intermitted nature. Hydroelectricity is seen as a cost effective solution that will assist in the management of Ontario's surplus baseload generation. Renewable sources of energy, such as wind and solar power, can be unreliable due to supply limitations. Pumped storage will generate additional electricity when required, as well as store extra renewable energy that is produced in periods of low demand.

In addition to providing affordable, reliable, and clean power to the region, the Marmora Pumped Storage Project will serve as a catalyst for economic development in the region by stimulating job creation and tourism.