

Ministry of Energy

Office of the Minister

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Ontario
copy to N.T. Power
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June 18, 2015

His Worship Tony Van Bynen
Mayor
Town of Newmarket
395 Mulock Drive
PO Box 328, Stn Main
Newmarket ON L3Y 4X7

Dear Mayor Van Bynen:

I am writing today to provide you with an update on the initiatives the Ontario government is taking to give municipalities more information and control around local energy planning.

Our government remains committed to building a cleaner energy system in Ontario in a way that respects communities and builds on their collective success. To do that, we know municipalities need a strong voice in the development of energy projects and we continue to take steps to make that happen.

As we continue to implement Ontario's 2013 Long-Term Energy Plan (LTEP), we have made important changes to increase the role of municipalities in the development of energy projects. I believe that these initiatives and activities demonstrate the Ontario government's desire to work with municipalities on energy issues.

Regional Electricity Planning

Regional planning is a key feature of the 2013 LTEP. In December, I noted that changes introduced by the Ontario Energy Board (OEB) in 2013 formalized the regional electricity planning process by ensuring that transmitters, distributors and the Independent Electricity System Operator (IESO) work closely to identify solutions for regional electricity needs and encourage greater municipal involvement and public participation.

I encourage you to visit the IESO's website at <http://www.powerauthority.on.ca/power-planning/regional-planning> or Hydro One's website at www.hydroone.com/regionalplanning/Pages/home.aspx to learn more about current and upcoming regional planning activities and view a map of Ontario's electricity regions.

To make sure their voices are heard, municipalities will continue to be asked to actively participate in electricity planning and siting activities, in particular where integrated plans – which consider conservation first, before generation, transmission and/or distribution options – are being developed.

Planning is already underway or complete in 14 of Ontario's 21 electricity regions. Planning in the remaining seven regions will be undertaken by 2018, and all regions will be assessed every five years, or sooner as needed.

As of April 2015, the IESO has released eight integrated plans where needs were identified. The IESO may have already engaged your municipality as it develops integrated plans. This presents an opportunity to work directly with the IESO, key electricity stakeholders and the public to contribute to regional-level planning and identify the right solutions for your communities. Alongside this co-ordinated work, I would encourage you to continue planning for your local electricity needs, working with your local distribution company and other partners to do so.

Municipal Energy Plans

In the 2013 LTEP, the province committed to putting conservation first. Putting conservation first means ensuring conservation is the first resource considered before building new generation and transmission facilities, wherever cost-effective. Conservation is the cleanest and cheapest energy resource and it offers consumers a way to mitigate their energy bills.

To continue our efforts to put conservation first, our government is supporting local community energy planning and engaging municipalities through the Municipal Energy Plan (MEP) program.

Launched in 2013, the MEP program supports municipalities' efforts to better understand their local energy needs, develop plans to meet their goals, and identify opportunities for energy efficiency and clean energy. Municipal Energy Plans are voluntary and look at all energy uses throughout a community including the residential, commercial, transportation, institutional and industrial sectors. This differs from the mandatory Broader Public Sector Energy Conservation and Demand Management Plan requirements for municipally-owned buildings under Ontario Regulation 397/11.

For more information about Ontario Regulation 397/11, please see the Broader Public Sector Energy Conservation and Demand Management Plans section below.

MEPs will help municipalities:

- assess the broader community's energy use and greenhouse gas (GHG) emissions;
- identify opportunities to conserve, improve energy efficiency and reduce GHG emissions;
- consider impact of future growth and options for local clean energy generation; and
- support local economic development.

I recently sent a letter to the Association of Municipalities of Ontario clarifying that the MEP program is available to all Ontario municipalities, including large single tier and regional municipalities. The program offers two funding streams:

1. Development of a New Municipal Energy Plan: Successful applicants will receive 50 per cent of eligible costs, up to a maximum of \$90,000.
2. Enhancement of an Existing Energy Plan: Successful applicants will receive 50 per cent of eligible costs, up to a maximum of \$25,000.

The province is currently funding nine municipalities under the MEP program.

Guidelines and the application form are available at www.energy.gov.on.ca/en/municipal-energy/.

Broader Public Sector (BPS) Energy Conservation and Demand Management (CDM) Plans

Starting in 2013, municipalities and other BPS organizations were required by regulation to:

- report their annual energy consumption and GHG emissions to the province and make that information publicly available; and
- develop five-year energy conservation and demand management plans and make those plans publicly available.

The development and implementation of these plans will help municipalities:

- reduce their energy consumption and GHG emissions;
- free up resources for core activities;
- support the development of a MEP; and
- demonstrate leadership in sustainability.

All BPS organizations, including municipalities, developed their first CDM Plans in 2014 and should be working toward implementing the energy conservation and demand management measures identified in those Plans. In 2014, 90 per cent of Ontario's municipalities reported their annual energy consumption and GHG emissions and nearly 80 per cent developed CDM Plans. Those that did not develop plans are encouraged to do so to benefit from improved energy management.

Municipalities are currently working to report their 2013 energy consumption and GHG emissions to the Ministry by July 1, 2015. A number of resources including webinars, videos, guides and tools have been created to help support reporting. Ministry staff have been in touch with officials in your municipality to ensure they are aware of the regulation's reporting requirements and the resources available to help meet the reporting requirements. Questions about the regulation and its reporting requirements can be sent to BPSSupport@ontario.ca.

Should you wish to speak with ministry staff about the MEP program or the BPS reporting requirements, please feel free to contact Jennifer Block, Director, Conservation Programs and Partnerships Branch, Ministry of Energy by email at jennifer.block@ontario.ca or by phone at 416-212-9267.

Renewable Energy

Building clean, reliable and affordable energy in a way that respects communities is a top priority for Ontario. The province is working with municipalities and renewable energy project developers to help ensure that cost-effective and well-supported projects are developed.

We're doing this by providing municipalities with a stronger voice in the development of large renewable energy projects.

The IESO consulted extensively with the public, municipalities, Aboriginal communities and other groups on the design of the new Large Renewable Procurement (LRP) program. The LRP's mandatory engagement requirements are intended to facilitate early relationship-building between the developer and the local community, ensuring local needs and considerations are taken into account before a proposal is even submitted. To meet these requirements, a project developer must develop a community engagement plan, and hold at least one public community meeting and at least one meeting with the local municipality.

The LRP program also includes rated criteria points for Aboriginal participation and community engagement over and above the mandatory requirements. This points-based system is intended to promote relationship building between the developer and the local municipality, and to provide additional opportunities for communities to raise local needs and considerations. Proponents that can show they have a combination of municipal support, agreements in place with the municipality, and the support of abutting property owners would receive points to increase their likelihood of success in the competitive process.

Information on the LRP program can be found on the IESO's website at www.ieso.ca/lrp.

The LRP program improves the Feed-In Tariff (FIT) program, developed in 2009. We're encouraging municipalities to be active participants in FIT, which last year offered more than 300 contracts to projects that had municipal or public sector entity participation.

Municipalities, local distribution companies, universities, colleges, schools, hospitals, long-term care homes, social housing projects and individuals are also eligible to participate in the microFIT program. By the end of 2014, more than 20,000 microFIT projects were online.

More information on the FIT and microFIT programs can be found at <http://fit.powerauthority.on.ca/>.

Energy East

On October 30, 2014, TransCanada PipeLines Limited filed its application with the National Energy Board (NEB) to develop its proposed Energy East pipeline, which would carry Alberta crude oil across Ontario into Québec and onward to New Brunswick.

The project would have a total length of approximately 4,500 kilometres. As currently proposed, the project involves converting, from natural gas to oil service, one pipeline of the TransCanada Mainline that runs across the prairies and Northern Ontario to North Bay and on to Cornwall. In addition, there would be new oil pipeline construction in Alberta, Ontario (east of Cornwall), Québec and New Brunswick. Within Ontario, there would be approximately 1,928 kilometres of natural gas pipeline converted to oil service and 106 kilometres of new build oil pipeline.

On April 2, 2015, TransCanada wrote a letter to inform the NEB it will make amendments to its Energy East application. The letter indicated that TransCanada will no longer build a marine oil storage terminal and export facility at Cacouna, Québec and was looking at alternatives. In a separate news release dated April 2, 2015, TransCanada also indicated the Cacouna alteration would contribute to the project's in-service date being revised to 2020, a delay of almost two years.

Also, on April 2, 2015, TransCanada filed a letter with the NEB indicating that the company may be amending its Eastern Mainline Project application at a future date. As currently proposed, the Eastern Mainline Project is 245 kilometres of new natural gas pipeline between Markham and Cornwall. With Energy East's conversion of existing natural gas pipeline capacity to oil service, the Eastern Mainline Project is needed to ensure gas customers in eastern Ontario remain adequately supplied. Changes to the scope of the Eastern Mainline Project may have implications for Ontario natural gas consumers.

The NEB is currently reviewing TransCanada's application to determine the completeness of the filing. The letters filed by TransCanada on April 2, 2015, suggest that the NEB may not be in a position to make a determination on completeness prior to the fourth quarter of 2015. Once the NEB completes its review of the application, it will issue a Hearing Order. The Hearing Order will detail the NEB's regulatory process and timelines. The NEB will then have 15 months to complete the hearing and provide its recommendations to the Federal Cabinet, which will have three months to review and make the final determination.

The people of Ontario have important interests at stake in the proposed Energy East project and the province has applied to intervene in the NEB's regulatory process for both Energy East and the related Eastern Mainline Project.

Given the significance of TransCanada's proposal and to ensure Ontarians have the opportunity to express their views, I asked the OEB to engage with municipalities, First Nation and Métis communities, stakeholders and the public to ensure this project is safe for the people of our province and the environment and beneficial for our economy, and to complete a report based on their findings.

We initiated the OEB process to hear directly from all interested Ontarians. In addition, technical experts engaged by the OEB will help inform Ontario's position on critical matters such as pipeline safety and environmental impacts, and the impact Energy East will have on Ontario's natural gas consumers. The province's perspective on Energy East is that the reliability and pricing of Ontario's natural gas supply and ensuring the public safety of Ontarians are non-negotiable issues.

The consultation phase of the OEB's process has concluded. The OEB held meetings with communities along the pipeline route in 2014 and 2015. Stakeholder Forums were also held to get a broader perspective on issues like pipeline safety, natural gas market impacts, and the environment. Written submissions from interested parties were due to the OEB on April 24, 2015. The final reports of the technical advisors hired by the OEB have been posted on the OEB's website at www.ontarioenergyboard.ca/html/oebenergyeast/EEindex.cfm#.VT6YTZTXldU.

At this time, it's anticipated that the OEB will deliver its final report on Energy East to me in the second quarter of 2015. Ultimately, the OEB report will help inform Ontario's position on Energy East.

We have made these important changes to increase the role of municipalities in the development of energy projects so that, together, we can fulfil the vision of the 2013 LTEP. I look forward to continuing to foster a strong working relationship with your municipality on our shared priorities and interests.

Please accept my best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Chiarelli". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Bob Chiarelli
Minister