Getting It Right: Accountable, Transparent and Evidence-Based Electricity System Planning

Electricity infrastructure represents a sizable investment in our future, and when we get it right it through careful planning those assets pay dividends to our quality of life, our environmental health and our economic well-being as a province. However, if we fail to get planning issues right, the results can be very costly, resulting in wasted time, wasted effort and wasted public money. Getting it right requires a rigorous and open process of system planning in which evidence supporting the merits of competing approaches can be presented, contested and evaluated for their relative contribution to the public good.

Background

Electricity infrastructure of any sort is extremely expensive to purchase, build and install. Planning and approval processes can be lengthy and the timelines from conception to completion can run from a couple of years to over a decade, depending on the type of project. However, upfront costs and seemingly long planning timelines must be considered in the context of lengthy service life: wind turbines last anywhere between 15-25 years, major transmission infrastructure has an average lifespan of 40 years, nuclear generating stations have an operating life of approximately 60 years, and hydro generating facilities can have a useful service life of well over one hundred years.

Until 1999 almost the entirety of our electricity system – generation, transmission, and distribution - was run by one large publicly owned and operated electrical utility. Despite increasing complexity over the years, planning within a single integrated public utility was a manageable, if sometimes imperfect process. However, with the breakup of Ontario Hydro and the entrance of an ever increasing number of private sector players into both the generation and transmission sectors, a new entity, the Ontario Power Authority (OPA), was created to oversee long term planning and procurement.

One of the major tasks that the OPA was charged with under the *Ontario Electricity Act* was developing an Integrated Power System Plan (IPSP) – a 20 year forward looking plan to identify which conservation, generation, and transmission investments are needed. The IPSP looks forward in the short, medium and long term: immediate concerns for the next three to five years; preparatory work required for the subsequent five years; and broad directions for the development of the system in the balance of the planning period.

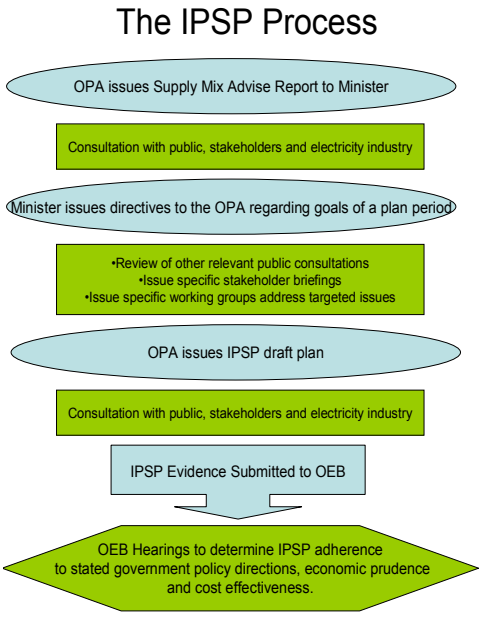
Whither the IPSP?

The first IPSP process was initiated in 2006 and was in the process of final OEB hearings when it was suspended in September of 2008, with a view to establishing new targets in a number of areas including renewable energy sources and conservation. The first IPSP was never revisited. A second IPSP process was initiated in the fall of 2011, however it too was quickly suspended.

In the period since September 2008, a total of 38 ministerial directives have been issued to the OPA. A completed Integrated Power System Plan has yet to be achieved and the process itself appears in danger of abandonment.

Understanding the Merits of the IPSP Process

The IPSP process allows government to exercise its rightful responsibility to set goals and parameters for system planning that reflects the priorities of Ontarians with respect to reliability, environmental sustainability and cost. Through extremely robust public consultations and regulatory hearings, the IPSP seeks to capitalize on the knowledge of system experts, as well as industry and public stakeholders – generating a depoliticized plan which achieves the government's stated policy goals with a maximum of efficiency, cost effectiveness, *and social license*. The process is intended to be transparent and evidence driven, generating practical and achievable plans that prioritize long term thinking, while still ensuring that short-term needs are met. However, the IPSP is not intended to be a path carved in stone, but rather a living document to be updated every three years to respond to changing conditions such as trends in consumer demand, evolving public priorities and emergent technologies.



The Ontario Energy Board: The Crucible of Evidence Based Policymaking

The ultimate strength of the IPSP process lies in its use of the Ontario Energy Board hearing process to allow a final vetting of the plan in an open, transparent and accessible venue. It is natural, and in fact desirable, that complex and contested issues such as electricity system planning should attract competing visions, approaches and interests. The open nature of OEB processes allows industry stakeholders, consumer and ratepayer representatives, community and specific interest groups, as well members of the general public to make comment or participate as intervenors. They may introduce their own evidence, seek to have plan proponents provide additional evidence upon request, challenge evidence which has been presented by others and make arguments based on evidence in the record. All of this happens in open proceedings and all of it becomes part of the public record.

The Bill 75 Approach to System Planning: Doubling Down on Insufficient Process

Bill 75, the Ontario Electricity System Operator Act, 2012 which reached second reading, sought to both amalgamate the Ontario Power Authority with the Independent Electricity System Operator (IESO) and to make fundamental changes to the planning process, including eliminating the requirement for the OPA to develop an IPSP, vesting such planning authority in the Minister of Energy. At the same time the Bill 75 approach would reduce the mandatory oversight role of the OEB to a mere review of capital costs. While the Society sees some potential merit in the merger of agencies, depending on how it is accomplished, the proposed alterations to the planning process would severely hamper the political independence and effectiveness of the electricity system planning and oversight process in a way detrimental to the public good.

Conclusion

Long term planning to satisfy Ontario's future electricity needs is best accomplished through an accountable, transparent and evidence based approach. The IPSP process satisfies these requirements and should be fully implemented, and not abandoned in favour of less rigorous approaches.

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