

Creating a Stable Policy Environment

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Policy proposal

- Removing ministerial directive authority over the OPA and OEB will:
 - improve policy stability
 - help attract new investment in energy infrastructure

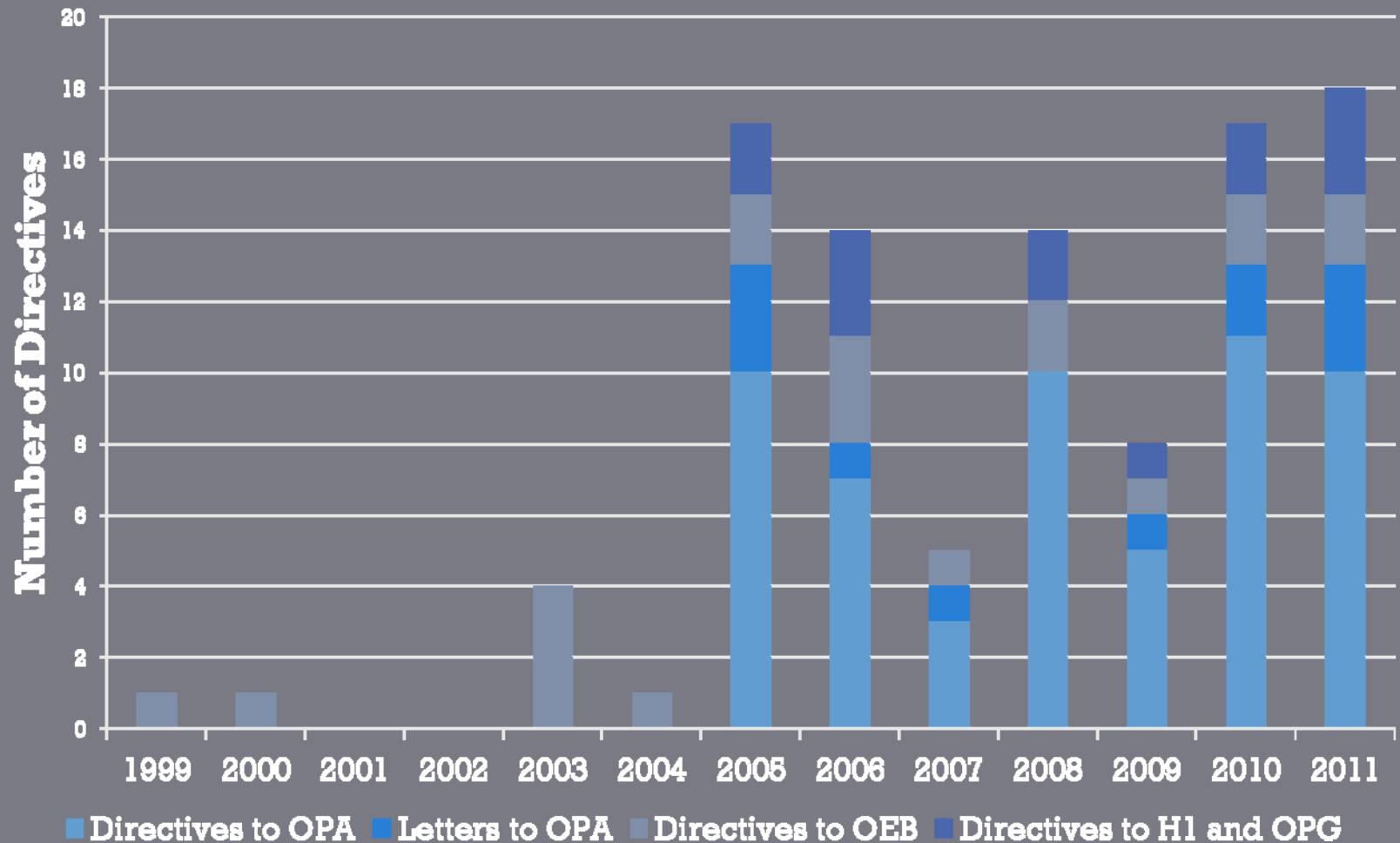
Policy-making trends in Ontario

- ◉ Shift towards direct political control over expert agencies and boards since 2003
- ◉ Energy legislation has expanded ministerial directive authority and powers
 - 2004 Act +14 new directive clauses
 - 2009 Act + 29

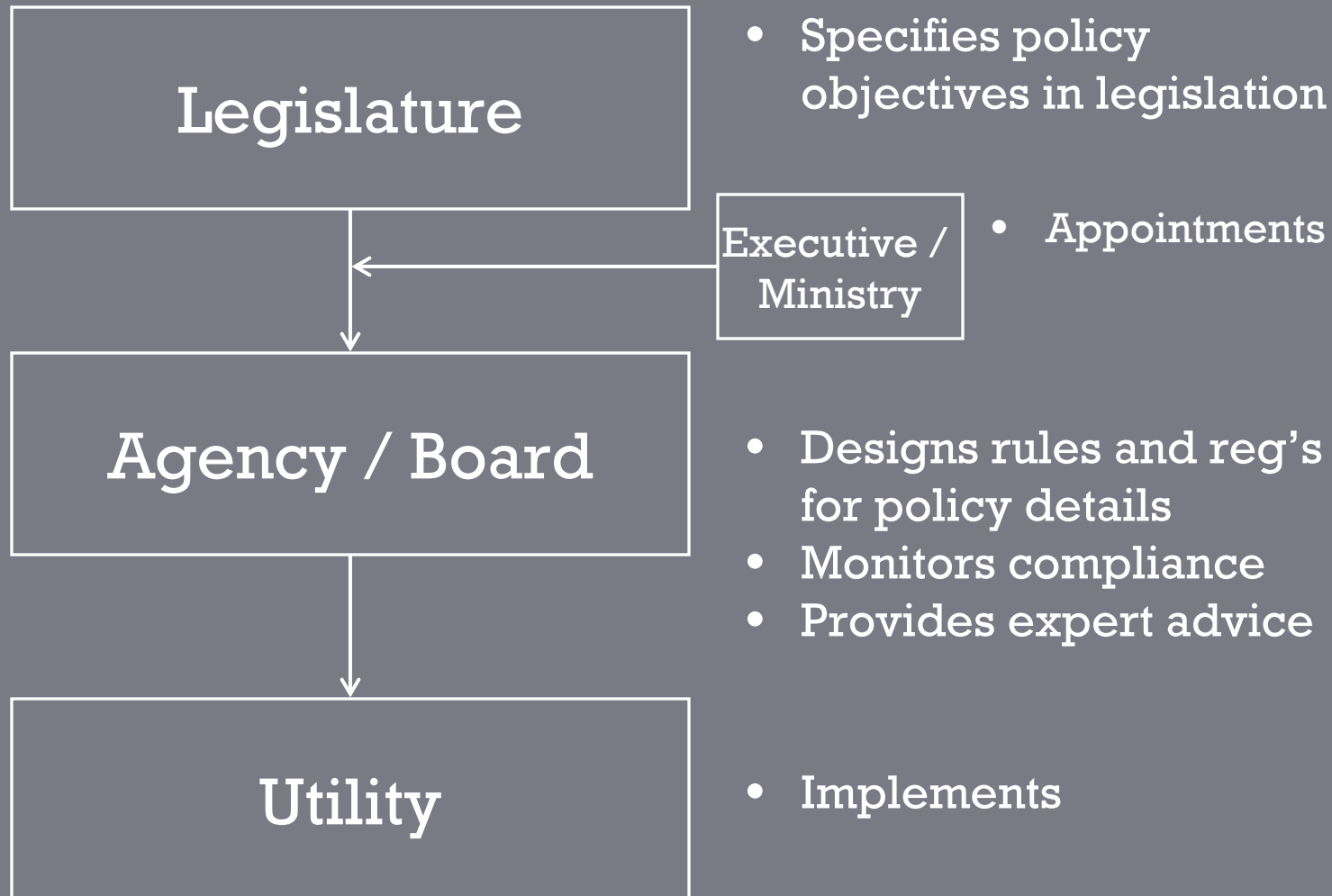
Directive powers

- ◉ Scope of directives to OPA and OEB
 - Broad policy goals
 - Renewable energy capacity targets
 - Conservation and demand management
 - Policy details
 - FIT pricing
 - Timing, location of new generation build
 - Domestic content requirements
 - Competitive vs. non-comp. processes

Usage of directives



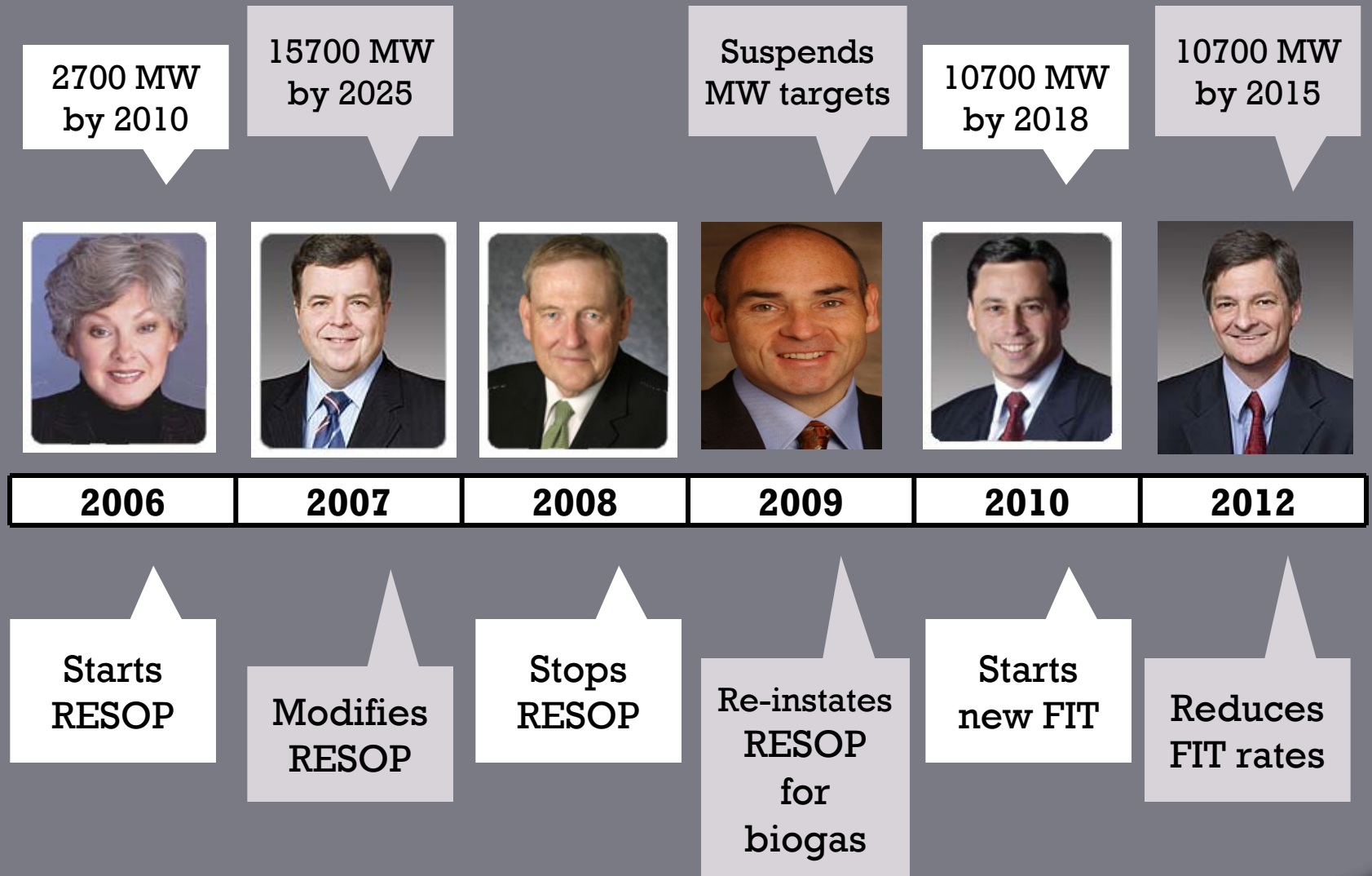
In most OECD countries, agencies operate independently of energy ministries



Directives vs. agency orders or legislation

- Risk of costly policy mistakes
 - No rationale or cost-benefit analysis required
 - No public consultation needed, not transparent
 - No checks and balances
 - Expert agency advice can be ignored
- Policy surprises and instability
 - No notice required
 - Policy exposed to short-term political pressures and ministerial rotation
 - Fixes needed when mistakes become apparent

New minister / new policy



Ontario is seen as risky

Ivey research survey of renewable energy firms active in Canada

14th

Ranking of
policy stability
in Ontario - out of
15 business
climate factors

Firms value policy stability

Importance of factors in wind firms' investment location decisions

Ranking	Factor
1st	Natural wind conditions
2nd	Policy stability
3rd	Transmission capacity availability
4th	Presence of MW capacity target

Creating a stable policy environment

- Broad industry stakeholder survey conducted in Fall 2010 identified several reform priorities
 1. “The principle of independence of agency decision-making should be formally stated in legislation.”

(93% respondents rated as High Importance)

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2. “Major policy objectives should be specified in legislation rather than in directives” (72%)

Benefits of governance reform

- Reducing policy risk will enable governments to attract more private sector investment and *at lower cost* to consumers and taxpayers
- Stakeholder support possible from industry *and* consumers