

Good afternoon ladies and gentlemen. On behalf of the Electricity Distributors Association ... representing every local distribution company in Ontario ... I want to thank you for inviting me to speak this afternoon.

It is nice to look across the room and see many friends and colleagues and I also see knowing faces. Ontario's electricity sector is ... once more ... at the crossroads.

Recently, I was honoured to have been nominated and appointed Chair of the Electricity Distributors Association. I have been in this role for exactly 19 working days and just a few notable things have happened during this time.

The government committed to a review of the electricity sector in its budget, news headlines indicated that the government was going to sell municipal utilities, shortly thereafter a blue ribbon group was appointed to the Distribution Panel, and last week, an announcement on the future of two electricity sector agencies the OPA and IESO... and tomorrow, there's the small matter of a vote up the street at Queen's Park...all within my first 4 weeks as Chair. You will pardon me if I look a bit haggard.

And while we may now be anxiously anticipating tomorrow's vote, or the Panel's consultations, deliberations, and final report, or the introduction of new legislation or further announcements... it's nice to see that for at least today... right now.... we're still able to enjoy our lunch together.

Yet ... truthfully, while these reviews are important and we do support them, none of us can really wait for the final outcomes of any of these activities that affect our sector ... we all have businesses to run ... power to generate, transmit, distribute and deliver. For most of us, and certainly for the members of the EDA, ... change is business as usual. And we've been successful at not only managing change, but being innovative in the face of such change ... for now onto one hundred years.

Today it is easy to forget that there was a time that Ontario's robust electricity grid, like the Internet, did not exist. And we may also forget that both systems, electricity and Internet, were defined and built from the bottom up. Point to point. By users. By customers. And by the businesses that emerged to meet their needs.

Today, we know those businesses as local electricity distribution companies, or LDCs. They were the businesses that first emerged to electrify the province. They are the member utilities of the EDA which I am proud to chair. And I am here to tell you today that our members are eager to help Ontario meet the challenge of customer demand as we enter this province's second century of electricity.

The role of electricity in Ontario is founded on the collaboration between governments, regulators, and the EDA's member utilities. As we move into Ontario's second century of electricity, we must recommit to working together in order to build tomorrow's system on the foundation laid by those early pioneers in our industry.

Minister Bentley has stated that his starting point for the Ontario Distribution Panel's review is simple ... "*what is best for homeowners and businesses*". And he has committed that the Panel will work closely with the EDA and LDCs ... I want to thank Murray Elston, Chair of the Panel, for coming here today, sitting at the head table, and giving me the opportunity to talk with you over lunch. I look forward to many more opportunities to talk further.

And as the real work on this important initiative begins, what I'd like to remind everyone in this room is that each and every one of those homeowners and businesses are customers of an EDA member utility.

While we look forward to the process and the ultimate recommendations of the Panel, our members put forward their recommendations for change last November.

Our position paper, titled *Electricity is the Answer*, proposes many of the changes that the Panel will now review. It is publicly available on the EDA website.

We developed this paper to address the disconnect between our current state and where we need to be as a sector to be positioned to deliver on Ontario's electric future.

We've seen de-regulation and re-regulation, the market open and close, decentralization and recentralization. Policies were created at various points in time to address specific objectives or solve short term problems. Agencies were established, regulations codified, laws enacted in fits and starts.

Some are still very necessary to make the system work ... others are leftovers from old visions of what the electricity sector was supposed to be at a given point in time. With this degree of change, over a relatively short period of time, it's no wonder that not everything fits together well and gaps, overlaps, and redundancies are evident. Unfortunately, the evolution of our sector in fits and starts has detracted somewhat from a focus on customer and community needs.

To define and create the grid for the next century, we must focus on creating the conditions necessary to drive local innovation and efficiency.

(PAUSE)

We know that Ontario's second century of electricity will be based on a high-technology grid supported by sophisticated software applications and equipment that enable the two-way flow of electricity and information. We know that the electricity infrastructure of tomorrow will go beyond generating stations, transmission towers, and power lines. We know that it will be plugged into our cars, homes, appliances, buildings, and industrial equipment. And all of us in this room know that how we generate, transmit, and distribute electricity will be turned on its head.

And herein lies the challenge.

The system of tomorrow – the part that we can envision now and the rest that we can only imagine – will only be achieved successfully if we follow the same principle that the our early pioneers held to when they began to build the province’s electricity system over the last one hundred years.

Governments, regulators, agencies and local distribution companies must work together. The leadership within our electricity sector, including ourselves – the LDCs, must set aside our focus on the narrow objectives of our respective organizations and turn our attention to the broader goal of delivering electricity solutions for the greater good.

You'll find that spirit of collaboration reflected in our paper - *Electricity is the Answer*. The EDA and its members believe that to find efficiencies in Ontario's electricity sector, all of its players, including the government, its agencies, the regulator and the industry players need to work together. This is how efficiencies will be created. With the creation of the Ontario Distribution Panel and recently announced changes with the various electricity sector agencies, we're pleased to see that government decision-makers are listening.

Ontario's distribution companies have a strong track record of finding efficiencies – a century's worth.

We look forward to sharing what we've already done to find efficiencies in our part of the business, and our ideas on how to make the system work even betterfor now allow me to expand on what the key focus areas should be for our sector.

There are four key outcomes that we must achieve if we're going to be able to deliver tomorrow's electricity system.

The first is stability – in policy and regulation. Government must set the course and create conditions for the sector to succeed. And then let business take care of the details.

The second is removing barriers to investing in the system's infrastructure. We need to remove the barriers – red tape, delayed decisions, and access to capital. We must renew and refurbish our aging system and modernize the grid.

Third, we need to reform regulation and oversight. With the mammoth task of renewing and modernizing the grid, we need a flexible system that balances scrutiny with simplicity. LDCs need to spend more time and resources on delivering results than reporting to regulators.

The fourth and final imperative is to find efficiencies to ensure ratepayers continue to enjoy safe, reliable and affordable electricity service ... service that has been the hallmark of our system for more than a century.

If these four things are achieved, it will lead to opportunities for all of us in this room.

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I want to focus in on one of these opportunities in a bit more detail, and that's efficiency.

I can think of three ways in which efficiencies in the LDC sector can be stimulated: 1) by allowing LDCs to grow their businesses in scale and scope, 2) by providing LDCs with the flexibility to design and deliver innovative solutions that meet their customers' needs, and 3) by creating a regulatory and policy environment that fosters and rewards efficiencies.

Let me start with growth.

There's only one real reason for our member distributors to **not** deliver more than just electricity. Local distributors can deliver water and wastewater services, manage street lighting, and find cost savings as well as making it easier and more convenient for customers by consolidating billing, locates, and customer care for multiple utility services in our communities.

All of this can be done ... and there can only be one reason for not doing it. That is ... if the customer or the community doesn't want it. We don't need directives or a regulator to tell us to do this, we really only need to ask our customers and our communities. If they want it, we can do it – and in fact are anxious to do so.

The only barriers are the ones that governments – both provincial and municipal – have created through the process of de-regulation and re-regulation. LDCs can leverage their local expertise, bring more value to communities, improve customer satisfaction and discover even more efficiencies ... if the regulatory environment would only allow us to do so.

As far as economies of scale are concerned, consolidation isn't an issue for LDCs. In fact, throughout our history, we've embraced it. De-regulation saw more than three hundred public utilities and hydro-electric commissions incorporate to become independent businesses.

Today, that number, through voluntary consolidation, has been reduced to seventy-six. Mergers, partnerships, and strategic alliances are happening every year. None of these are happening because of government directive or regulatory need ... new and innovative arrangements are being fostered because it is good business. Good for our organizations. Good for our customers.

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Innovation is another source of efficiency. But every one of us in this room knows that central planning does not foster innovation. On its own, it causes delays, adds costs and provides one-size-fits-all solutions that don't fit anyone. As the companies who have been leading the implementation of the Green Energy Act, we can attest ... top-down thinking doesn't inspire creative solutions. In fact, it stifles them.

Innovation, ingenuity, and truly effective solutions come from the shop floor up. This is where ideas are tried, tested and refined, with all efforts focused on meeting customer need. And this is what LDCs have been doing for more than a century.

Electricity conservation programs are a prime example. As it stands now, the current framework has an inappropriate balance of risks, responsibilities and rewards. And literally no room for innovation.

For conservation to truly take hold and become a self-sustaining part of the way our electricity system works, it needs to be baked into the business model of LDCs. And it must be driven by appropriate commercial signals, rather than constrained by a set of inflexible rules or buffeted by politics.

If you asked LDCs from across the province about their experience with conservation to date, they'll tell you that the current suite of CDM programs isn't designed for customers and what they need.

They'll also tell you our hands are tied – there's no room for innovation or improvements in program design, or for unique programs that target specific markets. The Toronto Star headline last summer got it right: the OEB's rejection of the first set of Tier 2 and 3 CDM programs put a chill on any new ones coming forward.

You'll hear that there's far too much red tape – so much that it discourages customers from participating. And the extensive regulatory approvals and reporting requirements waste both provincial and LDC resources that could be better spent on helping customers conserve.

What it comes down to is that LDCs have to meet targets over which we had little say and that don't take advantage of opportunities we know exist in the communities we serve. Ontario's Environmental Commissioner pointed out last year that he's concerned these targets are at risk. And frankly, so are we.

Finally, conservation isn't a switch that you can turn on and off at your convenience. It's a long term proposition to capture customers' attention and encourage them to take part. We need a longer-term career arc to attract top staff. We need to give our teams time to develop, test and roll out new and innovative programs without the uncertainty that would otherwise cause budding ideas to die on the vine.

We also can't expect the supply chain to just hang around waiting hopefully for the next set of short-term contracts that are delayed, again and again. The CDM framework needs to change.

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Ultimately, what will fix the conservation model is what also needs to be extrapolated into the sector as a whole to bring about success for Ontario LDCs, our customers, and to help ensure continued prosperity for our province: a flexible, business-driven environment that enables investment, innovation, efficiency and growth.

And flexibility is the key characteristic. This is the third area to address to truly achieve efficiency.

Flexibility for LDCs to grow, leverage our expertise into new businesses or to explore partnerships among like companies. Flexibility to bring Cost of Service applications to the regulator when required. Flexibility to design and deliver conservation programs that meet local needs. Flexibility to modernize the grid with new equipment.

EDA members are no strangers to finding ways to become more efficient. Many were once Public Utility Commissions delivering more than one utility service, and some are still realizing those same efficiencies today as multi-utility companies.

Our industry has gone from more than 300 utilities to 76. Our members have leveraged their expertise in electricity to become distributed generation companies, just as some have operated generating stations for a century.

Customers participated in LDC-designed and delivered conservation programs in the 1940s, 80s and again in the mid-2000s. LDCs have gone door-to-door to change out motors to convert the grid to 60 cycle power. Just like we went door-to-door installing smart meters. And with each iteration, we find ways to do it better.

Ontario's next-generation grid will happen because LDCs will lead it and LDCs will deliver it. We will innovate. We will find ways to do our work better, faster and more cost-effectively. We will continue to shape policy and regulation to enable our businesses to grow and thrive.

And we will achieve more when we collaborate with government and our partners in the sector to build a better electricity system.

Ontario's distributors aren't waiting for government to tell us where the efficiencies in the sector can be found – we've been identifying them all along and taking steps to capitalize on them. Just like we didn't wait for the regulator to begin its process to develop a renewed framework before we started identifying areas that could be improved. We're not waiting for a new set of rules for CDM, we're developing our own recommendations on what the future of CDM should look like. We've been hard at work all along to find better ways of making, moving, metering and yes, even billing for electricity. And we're inviting you, our partners in the sector, to join us.

And when the call comes for ideas on how to improve the sector, we can point not just to our ideas, but also innovative, collaborative examples already in place. Dynamic businesses lead change, and Ontario's distributors are doing just this.

We don't need marching orders from legislators, policymakers and regulators. What we need is for them to create an environment that rewards LDCs and others in the sector that are bringing forward real and practical solutions.

Let's not hold our collective breaths and wait for others to finalize reports or deliver recommendations. We're the experts, we know good ideas when we see them. Let's get out there and get the job done.