



Canadian  
Electricity  
Association

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# **CAMPUT: Canada's Energy and Utility Regulators** *Energy Systems in Transition – Winds of Change*

Panel remarks by  
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Thank you and good afternoon ladies and gentlemen. At the out start, let me extend my thanks and appreciation to CAMPUT for organizing this annual conference. It has come to represent a thoughtful, value-added commitment in our calendars.

I'm also pleased to moderate today's panel: *Energy Systems In Transition; The Winds of Change*. It is a timely and relevant topic, and we have a great panel to kick-start what, I believe, ought to be a critical national conversation. In setting the stage for our discussion, let me touch on three related issues that are top of mind for our industry.

### **First up, climate change.**

We are in a global march towards a cleaner, greener future, and the Paris Agreement represents a significant step in that journey. Our governments are now moving from the “poetry” of COP 21, to the “prose” of operationalizing the agreement. And our industry is not only supportive of this shift, but we are helping to lead it. Indeed, Canada's electricity system is one of the cleanest in the world, at over 80% GHG emissions free.

While CEA members support deep de-carbonization, they must also maintain reliable and resilient systems, all the while accounting for climate adaptation. Systems that can meet our country's changing electrification needs and load profiles. That is why we are working with national and international bodies, to create or update standards and regulations that will better allow our members to deliver the resilience and reliability Canadians need and deserve.

In that same spirit, we also need our provincial regulators to do their part, by similarly adapting their processes and regulations to help facilitate the industry transition towards a cleaner, distributed and more intelligent electricity system.

### **Second, given Trump's mandate for change, what could this mean for our long standing energy collaboration?**

CEA's Board recently visited Washington, where we met with White House Staff, Members of Congress, departmental officials, and other stakeholders. From those meetings came three key critical takeaways:





First: People in DC recognize that this energy partnership is hugely positive, and they readily admit that Canada has contributed mightily to America's national energy security. Thus, as the Trump Administration gets up to speed, it is vital that we remind his team of the many mutual benefits of our integrated energy relationship.

Second: Unfavorable changes to NAFTA and a possible Border Adjustment Tax, can alter this bilateral dynamic. While US officials we met with were overwhelmingly against the BAT, and while they want to protect what works well under NAFTA, we must be very prudent that we not get swept up by a protectionist narrative that enjoys considerable currency among the American public.

Third: While there clearly is potential for policy misalignment between our two countries, we must also seek out new opportunities that will help write a promising next chapter to this impressive story. Potential "early harvests" do exist – including expediting cross-border infrastructure permitting, strengthening physical and cyber security cooperation, undertaking joint energy innovation and R&D., and pursuing electricity market reform.

For regulators, this also should mean streamlining our federal and provincial regulations and lessening red tape, in keeping with the recently launched US Regulatory Accountability Act – which will require US federal agencies to choose the lowest-cost rulemaking alternative that meets statutory objectives. It also mandates greater public input and vetting of critical information. These measures are moving very fast, and we cannot afford to remain indifferent.

### **Finally, what about the unprecedented politicization of electricity rates here at home?**

Very quickly, they have become top-of-mind for so many Canadians. This heightened public attention naturally places greater pressure on provincial governments and their regulators, resulting in an overwhelming constant at rate hearings; namely, **KEEPING COSTS DOWN!**

We fully accept that regulators are duty bound to approve rates that are just and reasonable. But at the same time, we cannot just build the cheapest system, at the expense of future reliability. We must try to avoid a storm of quick fixes and short-term thinking, because the fundamental drivers behind electricity rates are real, and the potential for unintended consequences, such as slowing innovation or





intergenerational inequities, remains ever present. Experimentation with price cap formulas and rate freezes in Ontario and Alberta, for example, have taken a toll on the industry, by limiting much needed infrastructure investment.

Accordingly, we must find a better accommodation between the need to protect Canadian consumers, and the need to build the best and strongest infrastructure for future generations. Moreover, if we are to achieve that critical balance, then the extensive transformation that our industry is undergoing must also be met by a corresponding transformation of our regulatory regime. The two must be in sync. Otherwise, the resulting dysfunctions will impede the equilibrium we seek. Among other things, this means:

- Modernizing the regulators' tool box.
- Reducing regulatory burden
- Introducing more flexibility and policy predictability.
- Building more trust between the regulator and the regulated.
- Reducing the costly and often adversarial proceedings, and
- Creating more opportunities for dialogue and mutual education, outside the confines of the rate base hearing rooms, so as to better understand all the new, fast-moving issues that are coming at both the CEO and the regulator.

In closing, these three issues raise some tough questions; questions that demand frank discussions and serious introspection. But then again, these are the challenges that brought us together this week in Vancouver. It is my hope that we generate the ideas and approaches that will advance our discourse, and help us find the answers we need.

