



Canadian
Electricity
Association

Association
canadienne
de l'électricité

2nd EEI, Edison Electric Institute, International Utility Executive Summit

Panel remarks by
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2nd EEI International Utility Executive Summit
Washington, D.C.
April 5, 2017





Good Morning everyone, and a special thanks to Tom and Lawrence for their invite to address you. It's a pleasure to be with you all, and I cannot overstate enough how much CEA values it's collaboration with EEI. It's a special, two-way partnership, which works at promoting and defending our shared grid.

I was asked to give a 5 minute "State-of-the-Union Address", re the state of play of Canada's Electricity landscape. A tall order to do, in some 300 seconds! Let me then briefly highlight what I see as the strategic drivers currently shaping the Canadian landscape.

First up, is the politicization of electricity rates.

We have experienced an unprecedented increase in the politicization of electricity rates across most jurisdictions in Canada. They have vaulted to top-of-mind status. Our province of Ontario epitomizes this phenomenon, where electricity rates - rightly or wrongly - have become one of the chief political weapons for the Official Opposition. This heightened public attention on rates has naturally placed much pressure on the Provincial governments, which in turn, gets delegated to the provincial regulators, and where at rate hearings, the overwhelming battle cry becomes almost unidimensional, namely: **KEEP COSTS DOWN!**

Now, of course, our utilities like yours, must be frugal and keep rates as low as possible but I also believe we must avoid a storm of quick fixes, short-term thinking, and sharp political U-turns, because the fundamental drivers behind electricity rates are both real and relevant. Moreover, because our industries plan decades ahead, we require policy stability and predictability.

Secondly, is the need to renew our electricity infrastructure

There's no getting around it, like yours, our infrastructure is approaching an end of life cycle. We require an investment infusion of some \$350B by 2030. This means that we, governments, and regulators have to be open with Canadians. Customers must understand the need for, and the costs of, these investments. As well as the consequences of not making them. However, as you well know, given the public obsession with costs, our members face a significant political and regulatory risk, since every cent of this \$350B price tag, must be approved by regulators.





Moreover, how do we guard against the temptation of racing towards the bottom, and building the cheapest infrastructure? If we are to pass on to our children and grandchildren a system that is *at least* as strong and reliable as the one we inherited, then we must build the best and strongest system. Therefore, we must marry the concern for costs *with* the value that we place in electricity --- that indispensable magic, which contributes to Canadians' high quality of life and a competitive national economy. We can't just think about one or the other, it must be a blended solution if we are to have and build a system that will serve Canadians well into the future.

Third, getting the social license to build and operate this new infrastructure is not getting any easier.

Not only is there much more public engagement and scrutiny --- which is fine in and of itself --- but with it, comes a good deal of pressure from those local communities and groups closest to those projects, to make the final judgement call. To have, in effect, a *local* veto. There's only one problem with this approach; when it comes to national energy projects and infrastructure, there are 35 million shareholders to account for. Governments and regulators must therefore balance local concerns *with* national interests. Again, it can't be one or the other - it must be both.

Rebuilding infrastructure happens locally and regionally. But make no mistake, it is a *national* undertaking. More than that, it's a continental one, as you well know. Our grid has 35 points of connection between our two countries and we are in the process of building 6 *new* connection corridors. We therefore cannot afford for just local voices to dictate, not if we are to live up to our obligations of ongoing, nation building and continental cooperation.

Fourth, cyber security has shot onto the radar screen in a profound manner.

Unfortunately, cyber hack attempts have become a growth industry, demanding a close and effective public private partnership. I believe our two associations work well together and our participation in the ESCC process has been most valuable. Regulators must also come to better understand the cyber challenges, as our expenditures in this area continue to rise. The imperative is to sustain this vigilance for the long term, and lift our game wherever we can.





Finally, the Paris Climate Agreement represents a watershed deal.

Canadian governments are now moving from the “poetry” of the Paris Agreement, to the “prose” of implementation. Indeed, CEA has long called for placing a price on carbon, provided that it is economy and North American wide. Canada’s electricity system is also a clean energy partner, as we are over 80% GHG emissions free, electricity stands ready to power Canada’s low-carbon future. However, Canadian governments must be mindful to harness a broad consensus among industry and Canadians, and sustain it for the long term because battling climate change is a long game. Again, industry requires a realistic, stable and predictable plan.

Governments must also be mindful of protecting the competitive position of Canadian companies and Canadian consumers. The issue is important, and the economic impact is real. That’s why CEA encourages the federal and provincial governments to continue to work together, and with our regional and international partners, to deliver the outcomes that Canadians want, with the least cost and disruption to their lives and livelihoods. In this regard, we view flexibility as key.

In closing, we are at a transformative moment, sounds like a cliché. Except it happens to be true.

Whether it is achieving carbon reductions, or building the power system of tomorrow, the future is coming at us fast and it has high expectations of us all and to win that future, we cannot just worry about the immediate. We must also push ourselves to worry about what is most important.

Thanks for your attention, and I look forward to our discussion.

