

Energy transition and a race against time: The Ontario Energy Conference

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Drawing on the successes of last year's event, the second conference collaboration between the Association of Power Producers of Ontario (APPrO) and the Ontario Energy Association (OEA), brought Ontario's energy professionals back to Toronto on Sept. 27, 2023 for the [Ontario Energy Conference](#) – Taking Action: Driving Ontario's Energy Transition. The intent of this conference is to discuss the practical realities and challenges associated with bringing the energy transition to life, including who will be on the hook financially to complete all of the active and upcoming procurements.

We are sharing some key lessons from certain sessions, with a particular focus on the modernization of the electricity grid, the role that the regulator and regulated entities can play in the energy transition and the most prevalent challenges/opportunities in Ontario's energy transition overall.

Key lessons

1. The key challenges and opportunities in the energy transition

The panel made up of Philippe Dunsky, president & chief accelerator at Dunsky Energy + Climate Advisors, Andrea Roszell, partner at Guidehouse and Duncan Rotherham, partner at Deloitte, acknowledged that there are challenges associated with the energy transition everywhere.

A portion of the challenges can be associated with humans and the institutional inertia that has been developed within in the industry.

The panel presented a few examples of policies and procedures that have become the status quo in the energy industry that could better serve customers if re-evaluated. For example, Andrea noted that the typical utility's five year cost of service applications take a significant amount of time to develop, however, they do not always remain relevant and accurate by the end of the period subject to that application due to the changes in the industry.

The panel further acknowledged that while the various studies associated with power projects are important, there are often different types of studies that end up preventing the work efforts necessary to bring the projects to life, when in reality, certain studies could permit the hands-on development work to occur simultaneously. After all, it is the “boots on the ground” work efforts that could help achieve net zero targets.

Further, Duncan and Philippe both commented on the concept that instead of the government, local distribution companies (LDC) may be in the best position to implement and deliver some of the programs that will be required by the energy transition.

This is particularly due to the fact that the LDC’s already have a working relationship with the customers under the current utility model. Overall, it was presented that if the regulatory regime and political policies were revised to permit more flexibility in the regulatory regime, LDC’s may be able to draw on their existing relationship with customers to swiftly implement some of the programs necessary to stay ahead of the energy transition.

2. It is time to start valuing optionality

In this context, BLG partner John Vellone moderated a discussion with Amanda Klein, executive vice president, external affairs & corporate development and chief legal officer at Toronto Hydro, and Malini Giridhar, vice president, business development & regulatory at Enbridge Gas which explored the key drivers of the energy transition, be it government policy, customers, investors, employees, or technology.

Customers, regulated entities and the regulators in the Ontario electricity need to do a better job at valuing optionality. This was one of the main takeaways of the discussion. If there are various pathways possible towards achieving the energy transition, then the most prudent short-term course of action might be one that costs more but maintains additional optionality in the long term.

When asked if the regulator has the tools they need to address the energy transition, One panelist argued compelling that that the OEB already has the tools that they need to address the energy transition. Another panelist pointed to differences between electricity and natural gas regulation to suggest that the answer to the question may differed depending on fuel source.

3. Modernization allows us to squeeze more out of the grid

Hisham Omara, the vice president of grid modernization at Alectra, Paul Micallef, EY’s global digital grid leader, and Justin Rangooni, the executive director of Energy Storage Canada, all agreed that what may help push Ontario’s grid modernization in the right direction during the limited period of time we have before the energy transition inevitably shows up on our doorstep, is a shift from innovation to outcome based targets and policies. In practice, it was proposed by one of the panelists that this could result in utilizing natural gas or alternative energy sources as a backup to electricity to satisfy demand peaks when needed, and to ensure that the investments made by utilities provide the optionality required to serve customers, regardless of when or how the energy transition occurs.

This paradigm shift could buy Ontario time through modernization efforts and increased regulatory flexibility, which could better incentivize new modernization schemes for widespread adoption by Ontario's regulated entities.

If the Ontario electrical grid is a tube of toothpaste, modernizing the grid will enable our system planners and operators to squeeze out a bit more value from what we already have. The panelists highlighted that in order for grid modernization to keep up with the looming needs of the energy transition, it will require a philosophical change. This is because the necessary technology is largely already in the grid and the costs of doubling the amount of assets and wires in the grid to accommodate the increased demand would be unrealistic. Further, the regulatory framework will need to become more anticipatory in nature to allow utilities to make investments that will provide the flexibility required to accommodate the never-ending changes in the types of technologies that will be entering the grid as part of the energy transition.

Hisham and Paul both suggested that Ontario's industry leaders can look to our counterparts in the United Kingdom (UK) and Australia, both of which are arguably ahead of Ontario in terms of grid modernisation, but it appears that this is not solely due to choice or planning. Both the UK and Australia have been forced to fund their grid modernization efforts due to their aggressive net zero targets, the mass adoption of electric vehicles and rooftop solar, and the lack of time for mass grid reinforcements. The panelists argue that Ontario needs to stay ahead of the curve associated with the energy transition to avoid falling behind, as the philosophical changes and training associated with grid modernization will be the race against time.

Key takeaways

The Ontario Energy Conference outlined the requirements to bring Ontario's energy transition to a decisive reality. In light of some of the challenges and opportunities highlighted here, Ontario's broad array of sector participants will need to work together as a cohesive whole to define roles and responsibilities. Working together to ensure asset management and infrastructure procurements align with the provinces needs, source capital and fairly allocate costs and streamline the regulatory process will allow the growth of the grid and the industry required to thrive in the energy transition.

[BLG's energy professionals](#) will continue to monitor the progress of the energy transition and any regulatory changes. If you are interested in learning more on how the energy transition may affect your organization, or how your organization may be well positioned to assist in the transition, please reach out to the authors or any of the key contacts listed below.

By

[Harry M. Case](#)

Expertise

[Capital Markets](#), [Energy – Power](#)

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blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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