Ministry of Energy

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Ontario

MC-2016-xxxx

Mr. Michael H. McCain
President and Chief Executive Officer
Maple Leaf Foods
6897 Financial Drive
Mississauga ON L5N 0A8

Dear Mr. McCain:

Premier Kathleen Wynne has forwarded to me your letter of November 15, 2016 regarding electricity prices and manufacturing competitiveness in Ontario. I am pleased to respond.

Our government continues to ensure a clean, modern and reliable electricity system for all Ontarians. Prices are increasing because our energy system is being transformed – we are making needed investments to modernize our electricity system. We chose to replace coal-fired generation with cleaner sources of energy, which will benefit our environment and the health of Ontarians.

Over the past several years, both my predecessor and I have focused closely on the need to address unnecessary costs and drive down electricity prices for all consumers wherever possible. From the renegotiation of the Samsung Agreement, to the FIT price review, to the more recent suspension of the second phase of the Large Renewable Procurement and the announcement of an electricity trade agreement with Quebec, we are pursuing measurable reductions in prices for consumers.

I am pleased to hear that your flagship facility in Hamilton is participating in and benefitting from the Industrial Conservation Initiative (ICI). To give more businesses the incentive to participate in the ICI, we are lowering the threshold to 1 MW and removing sector restrictions so that more consumers can benefit. Newly eligible consumers will be able to opt-in to the ICI program at their discretion and those that opt-in to ICI will see the impact on their electricity bills beginning in July 2017.

The impact of the expansion on costs for remaining Class B consumers is expected to be modest given the relatively small size of the consumers newly eligible for Class A status. Additionally, as outlined in the September 12, 2016 Throne Speech, the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

Apart from ICI, our government has developed additional electricity price mitigation programs to maintain competitiveness for manufacturers of all sizes. The saveONenergy for Business electricity conservation program offered by local distribution companies offers customers financial incentives for audits, retrofits and process and systems improvements to help businesses better manage their electricity use.

A key initiative within saveONenergy for Business is the Process and Systems Upgrade Initiative (PSUI, or Process and Systems), which is designed to help organizations with complex systems and processes identify, implement and validate energy efficiency projects from start to finish. PSUI provides businesses with the associated funding, tools and resources.

Additionally, the Independent Electricity System Operator (IESO) holds annual demand response (DR) auctions which provide availability and utilization payments to successful participants that commit to reducing their consumption when called upon to do so. The IESO held its first DR auction in December 2015.

As a result of our efforts, indicative industrial electricity prices for a 5 MW consumer in Ontario are competitive within North America. The 2016 of Q2 Ontario Energy Report shows that all-in indicative prices for Southern Ontario are below published prices in Michigan and New York, as well as the U.S. average (as reported by the U.S. Energy Information Administration).

In addition, our government is removing the Debt Retirement Charge (DRC) for commercial, industrial and other non-residential electricity users on April 1, 2018, which is nine months earlier than previously estimated. Ending the DRC on a legislated fixed date provides certainty to commercial, industrial and other users to help them plan their investments more effectively.

Finally, the Ministry of Energy is presently in the midst of one of the most comprehensive public consultations Ontario has ever run, seeking feedback from stakeholders and communities towards a renewed Long-Term Energy Plan (LTEP). The LTEP is a road map that will set out the direction for Ontario's energy future for the next 20 years. The Ministry last updated the LTEP in 2013 and expects to release the revised LTEP in 2017. Based on your letter I am pleased that you will be sharing your perspective on industrial electricity costs as part of the LTEP consultation process.

I would be happy to facilitate a meeting between Ministry staff and your energy team to review the detailed calculations on which your conclusions are based, if that would be helpful. Tim Christie, Director, Electricity Policy, Economics and System Planning can be reached at 416-325-6708 or Tim.Christie@ontario.ca to arrange a meeting.

Thank you for taking the time to write and to share your views. Please accept my best wishes.

Sincerely,

Glenn Thibeault
Minister

c: Hon. Kathleen Wynne, Premier