

Rate Cuts Mean Big Savings for Smaller Companies

From: David Arkell <david.arkell@360energy.net>
To: "Greenberg, Martha (CAB)" <martha.greenberg@ontario.ca>
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Yesterday's headlines focused on the Wynne government's 25% cut to residential electricity bills in Ontario. This comes as welcome relief to many ratepayers who have seen electricity costs rise steadily in the past decade. Mid-sized businesses stand to benefit from another piece of the announcement which has received less attention.



Mid-size energy users have historically paid more per unit energy than their higher-consuming counterparts. Now customers with as low as 500 kW of peak demand will qualify for the Industrial Conservation Initiative (ICI) to include customers, opening big opportunities for mid-sized businesses to reduce their costs. Despite the "industrial" reference in the program title, the ICI program applies to energy users in all sectors, as long as they meet this new 500 kW peak demand threshold.

A (Very) Brief Primer on Billing in Ontario

Many non-residential energy users in Ontario fit into one of two billing categories - Class A and Class B - which determine how their electricity bills are calculated. Rates for the two classes differ the most with respect to a fee called Global Adjustment which can represent over 50% of an electricity bill. Class B customers can only moderate their Global Adjustment costs by reducing overall energy consumption (kWh). This is possible and valuable, but can be tricky when balancing efficiency measures with production requirements. Class A customers have the capability to reduce their Global Adjustment costs by lowering the peak points of their consumption during key periods of the year. Since the Global Adjustment can form such a large part of an electricity bill, Class A status can have huge cost advantages. Lowering peak demand still takes some work, but it does offer more opportunity and flexibility to find savings than simply reducing consumption.

So What's the Big News?

Yesterday's announcement reduced the minimum threshold to qualify down to 500 kW (halved from 1 MW in January, and 3 MW prior to that). At the 3-MW threshold, only approximately 300 business sites qualified for the program, leaving approximately 55,000 businesses in Class B. It is unclear how many more businesses will now qualify, but it is likely to number in the tens of thousands.

We are still waiting for further information to be released about when the new rates start to apply but things are likely to move quickly in the next two months.

Contact info@360energy.net for an advisor to help determine how this program will benefit you.

David Arkell

360 Energy Inc.

1-877-431-0332

david.arkell@360energy.net

www.360energy.net

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360 Energy, 1480 Sandhill Drive, Unit 8B, Ancaster, Ontario L9G 4V5 Canada

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