CO Request – Q&As for Premier's Mission to Washington

Q. Several Ontario-based businesses have (or are planning) to move production to the US because of hydro rates. What is your comment on that?

Indicative industrial electricity prices in Ontario are within five percent of the United States average as reported by the U.S. Energy Information Administration.

Ontario is taking action to mitigate the cost of electricity for businesses. Ontario's Fair Hydro Plan includes:

- **Reducing electricity bills by 25 per cent** on average for residential consumers, and holding increases to the rate of inflation for four years. As many as half a million small businesses and farms will also benefit from the reduction.
    - The reduction includes the 8 per cent rebate introduced in January.

- Expanding the **Industrial Conservation Initiative (ICI),** which lowers electricity costs for eligible large consumers that reduce consumption during peak times.

    - To allow more businesses to benefit from ICI, effective January 1st, we lowered the threshold from 3 megawatts (MW) to 1 MW. Newly eligible consumers that opt-in to ICI will see the impact beginning in July 2017.

    - As part of Ontario's Fair Hydro Plan, we further expanded ICI to include smaller manufacturers and greenhouses (i.e., NAICs codes commencing "31", "32", "33" and "1114") with average peak demand greater than 500 kW and less than 1 MW. The expansion to 500 kW will also be effective in July 2017.

- **Shifting cost recovery** for electricity support programs (Rural or Remote Rate Protection and the Ontario Electricity Support Program) from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh.

Ontario has a number of additional measures in place to help businesses manage the cost of electricity, including:

- The **Northern Industrial Electricity Rate Program (NIERP)**, which provides participants with a rebate of two cents per kilowatt hour. On average, electricity prices can be reduced by up to 20% through the program.

- The **Industrial Accelerator Program (IAP)**, which assists eligible industrial, commercial and institutional customers that are directly or indirectly connected to the Independent Electricity System Operator (IESO) transmission grid fast-track capital investment in major energy-efficiency projects. Transmission-connected customers with distribution-connected sites can also elect to have these administered through the IAP.

- **saveONenergy for Business conservation programs**, which offer a variety of financial incentives to businesses to increase energy efficiency and manage their electricity bills.
    - Incentives are available to a broad range of businesses, including institutional customers such as municipalities, for energy audits, retrofits, process and systems upgrades, and small business lighting.

- Annual **Demand Response Auctions,** held by IESO for demand response capacity. Successful bidders (including large businesses and industry) receive payments in exchange for a commitment to reduce their consumption when called upon to do so.

In addition, the *Budget Measures Act, 2015* sets a fixed date for removing the Debt Retirement Charge (DRC) for commercial, industrial and other non-residential electricity users on April 1, 2018, nine months earlier than previously estimated.

Q. Ontario has an agreement with Quebec for the sale of surplus power – what happens if you're offered a more lucrative contract south of the border?

Electricity imports and exports are an important aspect of Ontario's supply mix and help maintain a clean, reliable, cost-effective and competitive electricity system.

Ontario considers opportunities for electricity trade agreements with other jurisdictions where they provide benefits to the electricity system and are cost-effective for Ontario ratepayers.

On December 15, 2016, Ontario and Quebec finalised an inter-provincial electricity trade agreement. Key elements of the agreement include:

- Quebec to deliver to Ontario a minimum of 2 TWh of energy per year to displace natural gas-fired electricity generation during peak periods.

- Ontario to continue to provide 500 MW of capacity to Quebec, as in the Seasonal Capacity Sharing Agreement. Instead of Ontario receiving the same capacity from Quebec at a later date, Ontario will receive payment for the capacity starting in December 2016. This creates value for Ontario ratepayers.

- Quebec to cycle/store Ontario's clean energy. This will allow Ontario to send electricity (500 gigawatt hours (GWh)) to Quebec in off-peak, low-priced/low-emitting periods and withdraw that energy back during on-peak, higher priced periods to help offset use of natural gas fired generation in Ontario.

The agreement makes the best use of our existing electricity systems and provides benefits for both provinces.

Ontario trades electricity with our neighbouring jurisdictions in Canada and the USA as part of the regular operation of the electricity market (e.g., Quebec, New York State, Michigan, etc.).