LEGISLATION AND REGULATIONS COMMITTEE: PRELIMINARY REGULATORY IMPACT ASSESSMENT FORM

Date:	April 10, 2016
Ministry:	ENERGY
Name of Act(s):	*Electricity Act, 1998* (*EA*)
Name of Regulation:	O. Reg. 429/04 (*Adjustments Under Section 25.33 of the Electricity Act, 1998*)

Section 1: Proposal and Context

- The Ministry of Energy is proposing to amend Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made under the *Electricity Act, 1998* (O. Reg. 429/04) in order to expand eligibility under the Industrial Conservation Initiative (ICI) to include all electricity consumers and market participants with an average monthly peak demand greater than 500 kilowatts (kW) and less than or equal to 1 megawatt (MW) provided that they meet specific criteria.

- Currently, ICI is available only to electricity consumers and market participants with an average monthly peak demand of greater than 1 MW.

- The new proposed amendments would, if approved, allow eligible electricity consumers/market participants in the manufacturing and greenhouse sectors (i.e., with North American Industry Classification System ("NAICS") codes commencing with the digits "31", "32", "33", "1114") in Ontario with an average monthly peak demand of greater than 500 kW and less than 1 MW to opt-in to ICI.

- In addition, the government intends to amend O. Reg. 429/04 such that electricity consumers may continue to participate in ICI even if their demand falls below the average monthly peak demand threshold while participating in certain prescribed conservation and demand management (CDM) programs or certain programs and initiatives associated with the Ontario Climate Change Solutions Deployment Corporations (OCCSDC) Programs and Pilots.

Section 2: Approach and Intended Outcomes

- Under ICI, large electricity consumers (known as Class A consumers) who can meet a specific average monthly peak demand threshold of 1

Section 2: Approach and Intended Outcomes
MW are charged a Global Adjustment (GA) rate proportional to their share of total provincial peak electricity demand measured during the five highest-peak hours in the year. • This method provides an incentive to large consumers to moderate their consumption during peak demand periods. Smaller electricity consumers (known as Class B consumers) are, by contrast, billed for GA based only on the volume of electricity consumed no matter when it is consumed. For most large consumers, being billed on a Class A basis is much more cost-effective than being billed on a Class B basis. • ICI is intended to enable a Ontario businesses to lower their electricity costs by shifting energy demand away from peak demand periods. Reducing peak demand increases the reliability of the electricity system, reduces greenhouse gas (GHG) emissions and helps defer the need to procure new resources. • The proposed amendment would expand ICI to include newly eligible electricity consumers in the manufacturing and greenhouse sectors in Ontario with average monthly peak demand greater than 500 kW and less than or equal to 1 MW. Electricity consumers with average monthly peak demand of greater than 1 MW remain eligible to participate in ICI. • The proposed amendments also provide for ICI participants to retain their Class A status after having experienced a reduction in demand, so long as they participate in certain prescribed CDM programs or certain programs and initiatives associated with the OCCSDC Programs and Pilots. The proposed amendments would permit a Class A consumer or market participant that participates in such programs or initiatives to retain its Class A status even if its average monthly peak demand falls below the 500 kW threshold for manufacturers or greenhouses or the 1 MW threshold applicable to all other consumers and market participants.

The purpose of Section 3 is to identify stakeholders that will be affected by the regulatory proposal, and briefly describe the anticipated impact (whether a cost or a benefit). These factors will be considered in the determination of whether a full RIA is required.

Section 3: Affected Stakeholders	Yes	No
Individuals (specific groups or consumers) • The proposed amendments would reduce electricity bills by up to one-third for new ICI participants who are able to	√	❑

Section 3: Affected Stakeholders	Yes	No
reduce their electricity demand during peak demand periods. • The proposed amendments would increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system. **Note**: the extent of the impact on other non-ICI participants would depend on the uptake in the newly expanded ICI. • The proposed amendments to extend eligibility will apply to businesses in the manufacturing and greenhouse sectors in Ontario only – other businesses in other sectors or those manufacturers who choose not to opt-in to ICI would remain outside the program. ○ The proposed amendments regarding CDM and OCCSDC programs would apply to Class A consumers and market participants who also participate in certain prescribed CDM programs and OCCSDC.		
Businesses • The proposed amendments would reduce electricity bills by up to one-third for new ICI participants who are able to reduce their electricity demand during peak demand periods. • The proposed amendments would increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system. **Note:** the extent of the impact on other non-ICI participants would depend on the uptake in the newly expanded ICI but is expected to be modest. • The proposed amendments are primarily designed to extend eligibility to businesses in the manufacturing and greenhouse sectors in Ontario only – other businesses in other sectors or those manufacturers who choose not to opt-in to ICI would remain outside the program. ○ The proposed amendments regarding CDM and OCCSDC programs would apply to Class A consumers and market participants who also participate in certain prescribed CDM programs and OCCSDC.	√	❑

Section 3: Affected Stakeholders	Yes	No
Non-profit Groups • The impact on the electricity rates paid by Non-profit groups would depend on whether the group would be defined as Class A or Class B in the same way as described in the Businesses section above. **Note**: the extent of the impact on non-ICI participants would depend on the uptake in the newly expanded ICI.	❑	√
Communities	❑	√
Governments • The impact on the electricity rates paid by the government sector would depend on whether the group would be defined as Class A or Class B in the same way as described in the Businesses section above. **Note**: the extent of the impact on non-ICI participants would depend on the uptake in the newly expanded ICI. o The proposed amendments regarding CDM and OCCSDC programs would apply to Class A consumers and market participants who also participate in certain prescribed CDM programs and OCCSDC.	√	√

The purpose of Section 4 is to identify and describe the types of impacts anticipated as a result of the regulatory proposal. These factors will be considered in the determination of whether a full RIA is required.

Section 4: Type of Impact	Yes	No
Health and Safety	❑	√
Environment • The proposed amendment is expected to reduce electricity demand during peak demand periods, reducing the environmental impact from electricity generating facilities. • There are currently about 300 participating consumers who collectively contributed to reducing Ontario's peak demand by an estimated 1,000 MW in 2015.	√	❑
Social Impacts	❑	√

Section 4: Type of Impact	Yes	No
Trade	❑	√
Economy • The proposed amendments are expected to influence electricity rates as described in the “Individuals” and “Businesses” sections above. • Further, the proposed amendments would provide lower electricity rates to manufacturing and greenhouse businesses in the province, contributing to a competitive business environment and helping to attract and maintain a greater number of jobs for Ontarians.	√	❑
Other	❑	√

Commented [CR1]: Do we need to flag that ICI may be viewed as government support/subsidy under NAFTA?

The purpose of Section 5 is to estimate the direct costs for external stakeholders to comply with the regulatory proposal. If direct compliance costs are expected to exceed $2 million per year, a full regulatory impact analysis will be required. Other factors (as described in Sections 3 and 4 above) will also be reviewed in the determination of whether a full RIA is required.

Section 5: Costs	Yes	No
Are direct compliance costs likely to exceed $2 million per year?	❑	√
Is a full RIA required?	❑	√

Contacts

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