ONTARIO CHAMBER OF COMMERCE REPORT – EMPOWERING ONTARIO (RELEASED ON JULY 8, 2015)

SUGGESTED RESPONSE:

- **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 not only benefit our environment but also the health of Ontarians.**

- **As we plan for Ontario's electricity needs for the next 20 years, conservation will be the first resource considered, wherever cost effective. Conservation is the cleanest and most cost-effective energy resource, offers customers a way to reduce their electricity bills and reduces the need to build costly new generation, distribution and transmission infrastructure.**

- **Indicative industrial electricity prices in northern and southern Ontario are less than the United States average as reported by the U.S. Energy Information Administration.**

- **According to 2013 Long-Term Energy Plan (2013 LTEP), the typical industrial electricity price is projected to increase on average by 2.0% per year in the short-term from 2016 to 2020 inclusive, and by 1.6% per year from 2016 to the end of 2032.**

- **Over the forecast period, the average annual increase in consumers' costs is generally in-line with expected inflation, which averaged about 1.7% over the last ten years (2006-2015).**

- **The National Energy Board's *Energy Futures* 2016 report projects that electricity prices are expected to increase in most provinces through 2032.**

- **Initiatives in the U.S., such as the Environmental Protection Agency's Clean Power Plan state-level renewable portfolio standards are expected to put sustained upward pressure on electricity prices in many U.S. states.**

- **For increased transparency of electricity pricing we have implemented the Ontario Energy Report, a quarterly report that provides an up-to-date snapshot of Ontario's energy sector.**

Electricity Rate Mitigation – Overview

- **Measures in place to mitigate industrial electricity prices and maintain competitiveness include:**
  - **Industrial Conservation Initiative (ICI);**
  - **Industrial Electricity Incentive (IEI);**
  - **Northern Industrial Electricity Rate Program (NIERP);**
  - **Industrial Accelerator Program (IAP);**
  - **SaveONenergy for Business Program; and**
  - **Demand Response.**

Proposed ICI Expansion

- **As announced in the September 12, 2016 Throne Speech, we are proposing to lower the Industrial Conservation Initiative (ICI) threshold to 1 MW and remove sector restrictions so that more consumers can benefit.**

- **The ICI allows large electricity consumers to lower their electricity costs by reducing their demand during peak hours. Reducing demand during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.**

  - **ICI is currently available to electricity consumers over 5 MW and consumers from 3-5 MW in certain energy intensive sectors.**

- **Newly eligible consumers would be able to opt-in to the ICI program at their discretion.**

- **Newly eligible consumers that opt-in to ICI would see the impact in July 2017.**

saveONenergy for Business

- **saveONenergy for Business electricity conservation programs offered by local distribution companies offers distribution-connected customers financial incentives for audits, retrofits and process and systems improvements to help businesses better manage their electricity use.**

BACKGROUND

- On July 8, 2016, the Ontario Chamber of Commerce (OCC) released *Empowering Ontario: Constraining Costs and Staying Competitive in the Electricity Market*. The finally OCC report is reasonably balanced and the OCC made revisions to the report

to reflect concerns that Ministry of Energy staff had with an initial draft of the OCC report:

> For example, the OCC report recognizes that cost have been rising in part due to the phase out of coal-fired generation, a significant contributor to climate change.
>
> The OCC report also recognizes how the Independent Electricity System Operator's (IESO) proposed capacity auction would meet incremental capacity needs and that existing contracts would still be honoured, whether they be Feed-In-Tariff (FIT) or other. **Note:** A capacity auction is a regular auction based process to identify qualifying resources (e.g., generation, demand response) to meet a near-term demand projection.

- Should be noted that the OCC did not make all the Ministry of Energy's suggested revisions, and there are some remaining issues with the July 2015 OCC report from a Ministry point of view.

- Most significantly, the report overstates Ontario's industrial electricity prices compared to other jurisdictions by using electricity prices found in Hydro-Quebec's *Comparison of Electricity Prices* document and the Association of Major Power Consumers in Ontario's (AMPCO) benchmarking analysis:

> For example, Hydro-Quebec's electricity prices for Ontario are not representative of the majority of Class A industrial electricity consumers because they only reflect a distribution-connected consumer.
>
> For example, AMPCO's benchmarking analysis is misleading because it excludes certain higher price, neighbouring U.S. jurisdictions such as Michigan.

- In addition, the July 2015 OCC report did not adequately recognize the measures and policies that Ontario has in place to keep electricity prices competitive for industrial consumers in Ontario.

- Measures and policies in place to mitigate industrial electricity prices and maintain competitiveness include:

> The Industrial Conservation Initiative (ICI) lowers costs for eligible large electricity consumers (i.e., those with monthly peak demand exceeding 3 MW) that reduce consumption during peak periods. ICI consumers can reduce their electricity rates by up to one-third. Effective July 2015, Class A includes energy-intensive consumers with an average monthly peak demand between 3 and 5 MW, whose primary business is manufacturing, mining, refrigerated warehousing, greenhouses and data processing. As noted above, the recent 2016 Throne Speech committed to expanding the program to all consumers over 1 MW.

Industrial Electricity Incentive (IEI) offered reduced electricity rates for companies starting or expanding operations in Ontario. To date, IESO has awarded 22 contracts to energy-intensive companies across the province through the program.

The Northern Industrial Electricity Rate (NIER) Program assists Northern Ontario's largest industrial electricity consumers to reduce energy costs, sustain jobs and maintain global competitiveness. On average, industrial electricity prices can be reduced by up to 25 per cent through the program.

The Industrial Accelerator Program (IAP) helps eligible *transmission-connected* companies to fast track capital investment in major energy conservation projects. The program provides financial incentives to encourage investment in innovative process changes and equipment retrofits to reduce electricity consumption on the provincial system and to help companies become more competitive by positively impacting their bottom line.

The Process and Systems Upgrade Initiative (PSUI) is a conservation program available to *distribution-connected* industrial and commercial customers. The program helps organizations with complex systems and processes identify, implement, and validate energy efficiency projects from start to finish.

- The IESO holds annual demand response auctions which provide availability and utilization payments to successful participants that commit to reducing their consumption when called upon to do so.