

Q & A Response – MEDG Comments on Draft 2017 LTEP

Q. ENERGY messaging indicates that as many as half a million small businesses and farms are benefiting from Ontario's Fair Hydro Plan. How many small businesses and farms are in Ontario?

The Ontario Energy Board's (OEB) 2016 *Yearbook of Electricity Distributors* (Yearbook) provides the basis for ENERGY's key messaging on this topic.

The OEB's Yearbook provides data on non-residential consumers. Specifically, the Yearbook indicates that there are 437,396 General Service <50 kilowatt (kW) consumers and 55,876 General Service >50kW consumers, for a total of 493,272.

The vast majority of these consumers are small businesses, MUSH sector consumers and farms that are eligible for some aspect of Ontario's Fair Hydro Plan, including Global Adjustment (GA) refinancing.

Q. Should 2017 Long-Term Energy Plan (2017 LTEP) contain additional measures, such as low-priced off-peak electricity to assist the manufacturing sector?

The Government has created a number of electricity rate mitigation programs that target industrial competitiveness. Measures in place to mitigate industrial, commercial and institutional electricity prices 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.

Electricity consumers participating in ICI are charged Global Adjustment (GA) based on their demand in the highest demand hours on the year. As a result, the electricity cost for many ICI participants is effectively the Hourly Ontario Energy Price (HOEP) in all off-peak hours, which has been very low throughout 2016 and 2017.

There have been two recent changes made to ICI:

1. As part of the announcement of the 8 per cent rebate for residential consumers, small businesses and farms, ICI was expanded to include all consumers with peak demand greater than 1 megawatt (MW).
2. As part of Ontario's Fair Hydro Plan (OFHP), ICI was expanded to include smaller manufacturers as well as greenhouses with peak demand greater than 500 kW and less than or equal to 1 MW.

In addition, OFHP includes shifting the cost of Rural or Remote Rate Protection (RRRP) and Ontario Electricity Support Program (OESP) from ratepayers to provincial revenues, lowering regulatory charges for everyone by approximately \$3/MWh.

Q. MEDG reports that an increasing number of manufacturers are adopting systems (e.g., BMG, co-generation, storage) to avoid electricity consumption in peak hours to reduce global adjustment (GA) costs. Is there a risk that this could have a negative impact on the ability to recoup system costs, driving up prices for remaining consumers?

Behind-the-meter generation (BMG), has the effect of reducing an electricity consumer's demand from the grid. Increasingly, manufacturers who participate in the Industrial Conservation Initiative (ICI) – which rewards consumers for lowering demand at peak times – are turning to BMG in an effort to reduce energy costs.

Large electricity consumers, particularly energy-intensive manufacturers, who wish to lower their GA costs are also considering other innovative options (i.e., storage) to reduce their electricity consumption from the grid during the highest demand hours (i.e., peak hours).

There is no indication that the adoption of BMG and/or other innovative options presents an issue for the electricity system. Reducing electricity demand from the grid during peak hours benefits the electricity system in the longer term by deferring the need for new peaking generation.

Although the use of BMG and/or other innovative options by some large electricity consumers does represent a shift of some system costs to other ratepayer classes, over the long-term it represents an overall system benefit.

ENERGY continues to monitor the development and adoption of existing and new BMG technologies and their potential impact on participation in the ICI program, including impacts on other consumers.