CANADIAN MANUFACTURERS & EXPORTERS ROUNDTABLE
ELECTRICITY COST RELIEF PROGRAMS

Industrial Conservation Initiative (ICI)

Class A (Existing)

- Through the ICI, **large electricity consumers can lower their bills by up to one-third** by reducing their electricity consumption during peak hours.
    - The global adjustment portion of the commodity charge is allocated based on the ICI participant's demand during the five highest peak demand periods during the year.
    - The ICI became effective January 1, 2011, and was initially limited to large users in manufacturing sectors with average peak demand greater than five megawatts (MW).
    - As announced in 2014 and effective July 2015, ICI was expanded to include Class B users with demand of at least 3 MW in the manufacturing, mining, quarrying, oil/gas extraction, greenhouse, refrigerated warehousing or data processing sectors.

- Announced in Fall 2016 and **effective January 1, 2017, ICI eligibility was expanded by reducing the threshold to one MW, and removing sector-specific restrictions**, enabling all eligible commercial, institutional and industrial consumers to participate.
    - They will be charged as Class A for the adjustment period starting on July 1, 2017.
    - These customers must opt in by June 15 of each year to participate in ICI.
    - **These changes would allow more than 1,000 additional businesses to reduce their bills by up to 34 per cent**.

Non-Regulated Price Plan Class B (Existing)

- As part of the **Fair Hydro Plan, ICI eligibility was expanded by reducing the threshold from 1 MW to 500 kW** and targeting more small manufacturing and industrial consumers.
    - The Ministry of Energy does not yet have an estimate of how many additional businesses will benefit. They are working on modelling that.
    - The Ministry of Energy is finalizing an agreement with the Ontario Chamber of Commerce to reach out to eligible businesses to increase participation in the program.
- See **Appendix B** for a list of eligible manufacturing sectors.

8 Per Cent Rebate – Small Class B Customers Eligible for the Regulated Price Plan

- Beginning January 1, 2017, the government has provided a rebate on electricity costs equal to the provincial portion of the Harmonized Sales Tax (HST) to small businesses (including small manufacturers), farms and residential consumers.
- Small businesses and farms that claim input tax credits will receive an incremental benefit from this rebate.

Fair Hydro Plan – Funding Programs through the Tax Base

- The Province is also moving forward in having the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection program (RRRP) funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers, including manufacturers.
- **Class B consumers will still save on average a couple hundred dollars (2-4%) on their monthly bills due to tax basing OESP and RRRP** – even though they may choose not to participate in the ICI and will not benefit from the 25% reduction.

Fair Hydro Plan – Lowering Electricity Bills by 25% (Global Adjustment, tax basing and 8% rebate)

- **Approximately half a million small businesses will benefit from the 25 per cent reduction.**

Northern Industrial Electricity Rate (NIER) *(Applies to qualifying large northern industrials that are also Class A under the ICI)*

- The government remains committed to ongoing support for northern industrial facilities, with continued investment of up to $120 million annually.
- NIER helps northern Ontario's largest, qualifying industrial electricity users reduce energy costs, sustain jobs and remain globally competitive.
- NIER provides **a two cent per kilowatt-hour (kWh) rebate** on qualifying electricity consumption.
  - Qualifying facilities must be a production or processing facility that consumes a minimum of 50,000 megawatt hours (MWh) of electricity per year.
  - Facilities must be classified as being within one of the following industry sectors: Mining and Oil and Gas Extraction, and Manufacturing with the exception of facilities that are designated as Sawmills and Wood Preservation which would not be eligible for the NIER.
  - The number of program participants is limited by the $120M program envelope.
- NIER was first announced in March 2010 for a three-year period, and in 2012 for an additional three-year term, to March 31, 2016. The existing NIER Program has been extended for one year (April 1, 2016 - March 31, 2017) to allow for additional time to thoroughly develop the ongoing NIER Program. All existing participants remain in the program at current funding levels.
  - The government is undertaking a comprehensive review to ensure that the on-going program will continue to meet the needs of eligible large industrials in northern Ontario.
  - In 2015-16, 16 participating companies received rebates from the NIER Program.

Other Programs and Measures

Ending the Debt Retirement Charge (DRC) *(Applies to Class A and Class B)*

- The government is ending the DRC as of April 1, 2018, for industrials, businesses and other electricity users such as institutions and not-for-profits — nine months earlier than previously estimated — providing certainty through a fixed end date and helping businesses plan their investment decisions more effectively.

Industrial Accelerator Program *(Class A)*

- The Industrial Accelerator Program (IAP) has been extended for an additional five-year period from 2015 to 2020.
- The IAP is designed to assist eligible transmission-connected companies to fast-track capital investments in major energy conservation projects.
- The IAP provides financial incentives to encourage investment in innovative process improvements and equipment retrofits to reduce electricity consumption and help companies become more competitive.

Industrial Electricity Incentive (IEI) *(Class A and Class B participants)*

- The IEI is supporting a dynamic innovative business climate in which companies can thrive, grow and create jobs.
- Eligible companies in the mining quarrying, and oil and gas extraction, manufacturing, greenhouse, nursery and floriculture and refrigerated warehousing sectors could apply to the IEI and, if they were offered contracts, qualified for reductions related to the cost of their incremental power consumption.
- Twenty-two (22) contracts have been issued covering about 2 terawatt-hours (TWh -- billions of kilowatt-hours) of consumption, and will allow for better use of Ontario's current surplus energy capacity to drive local economic growth and support domestic job creation.

Cap and Trade

- 2016 Budget stated that the government will take steps to ensure that the net impact of cap and trade would not result in an overall increase in electricity costs for commercial and industrial consumers.
- Ontario's Climate Change Action Plan proposes to use cap and trade proceeds to offset the cost of greenhouse gas pollution reduction initiatives that are currently funded through electricity bills.

APPENDIX A – CONSUMER CLASS DEFINITIONS

Regulated Price Plan (RPP) (annual usage 150,000 to 250,000 kW)

Since April 2005, the Ontario Energy Board (OEB) has administered an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators. This pricing plan is known as the Regulated Price Plan (RPP). About 5 million residential consumers, small businesses and farms are eligible for the RPP.

RPP is for residential, farms and low volume consumers.

- A demand of 50 kW or less.
- A consumer who annually uses at least 150,000 but not more than 250,000 kilowatt hours of electricity.
- Consumers who use time of use pricing or two-tier pricing.
- Could be a dwelling, condo, residential complex or home.

Non-RPP Class B Consumer (annual usage > 250,000 kW)

Commercial, institutional and small industrial consumers, typically with load size under 3 MW. Class B consumers pay GA as a volumetric rate applied to all electricity consumption. Class B consumers include those that choose not to become Class A.

Examples include hospitals and shopping malls.

Class A Consumer (average peak demand > 1 MW; will soon be > 500 kW)

Large commercial and large industrial consumers with average peak load size above 3 MW, subject to sectoral eligibility. Class A consumers pay GA based on their electricity consumption during the five highest peak demand hours during the year.

Examples include large manufacturers like GM, Vale and Glencore.

APPENDIX B – MANUFACTURING SECTORS ELIGIBLE FOR ICI (500 kW to 1 MW)

The expansion of the Industrial Conservation Initiative (ICI) would be available to electricity consumers with peak demands between 500 kW and 1 MW that operate under the North American Industry Classification System (NAICS) codes 31, 32 and 33.

Manufacturers under NAICS codes 31-33 that would be eligible for ICI include:

- Food Manufacturing
- Beverage and Tobacco Product Manufacturing
- Textile Mills
- Textile Product Mills
- Apparel Manufacturing
- Leather and Allied Product Manufacturing
- Wood Product Manufacturing
- Paper Manufacturing
- Printing and Related Support Activities
- Petroleum and Coal Products Manufacturing
- Chemical Manufacturing
- Plastics and Rubber Products Manufacturing
- Nonmetallic Mineral Product Manufacturing
- Primary Metal Manufacturing
- Fabricated Metal Product Manufacturing
- Machinery Manufacturing
- Computer and Electronic Product Manufacturing
- Electrical Equipment, Appliance and Component Manufacturing
- Transportation Equipment Manufacturing
- Furniture and Related Product Manufacturing
- Miscellaneous Manufacturing