CANADIAN MANUFACTURERS & EXPORTERS ROUNDTABLE
ELECTRICITY COST RELIEF PROGRAMS

Industrial Conservation Initiative (ICI)

<u>Class A (Existing)</u>

- 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 participants 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 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 to allow customers with monthly peak demand greater than one MW to opt-into the ICI, and sector-specific restrictions were removed, 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.
    - Customers with an average peak demand above 1 MW and up to and including 5 MW will be informed by their distributor, or the IESO if they are transmission-connected, before May 31 each year if they are eligible.
    - 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**.

<u>Non-Regulated Price Plan Class B (Existing)</u>

- 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.
    - These Class B customers could opt-into the ICI, Class A program.

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.

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 and the Rural or Remote Rate Protection program funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers, including manufacturers.

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 – CONSUMER CLASSES

Regulated Price Plan (RPP)

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 and low volume consumers.

Class A Consumer

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.

Non-RPP Class B Consumer

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.