MEETING NOTE

NAME OF ORGANIZATION: Ontario Energy Association

DATE/TIME OF MEETING: Monday, January 30, 2017 / 4:30 – 5:30 PM

LOCATION OF MEETING: 99 Wellesley St. W., Room 6420, 6th Floor, Whitney Block

---

PURPOSE: Meeting to potentially discuss electricity prices and rate mitigation

ATTENDEES:

Ministry of Energy
Serge Imbrogno, Deputy Minister

Ontario Energy Association
Vince Brescia, President & CEO

ANTICIPATED AGENDA ITEMS:

1. Electricity Prices
2. Cap and trade

NOTES ON AGENDA ITEMS:

1. Electricity Prices

- Ontario Energy Association (OEA) is likely to raise concerns about rising electricity prices.

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.**

- **To help ease pressure on businesses, the government is removing the Debt Retirement Charge (DRC) for all non-residential consumers on April 1, 2018.**

- **As of January 1, 2017, residential customers are eligible to receive an 8% rebate on their pre-tax bill, equivalent to the provincial portion of HST. As a result, the typical residential user consuming 750 kWh per month will save approximately $130 per year.**

- **The amount of rate protection available to approximately 330,000 eligible rural customers living in low-density areas has also increased as of January 1, 2017. When combined with the 8% rebate, on average these customers will see savings of approximately $540 per year.**

Electricity Rate Mitigation – Overview

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

  Industrial Conservation Initiative (ICI);

  Northern Industrial Electricity Rate Program (NIERP);

  Industrial Accelerator Program (IAP);

  SaveONenergy for Business Program; and

  Demand Response.

- **Recently, we lowered the Industrial Conservation Initiative (ICI) threshold to 1 MW and removed sector restrictions so that more consumers can benefit.**

Background:

Ontario's Price Mitigation Programs

Program	Description
Industrial Conservation Initiative (ICI)	Encourages Ontario's largest consumers to reduce consumption during peak periods to save up to one-third on their electricity bills.
Northern Industrial Electricity Rate Program (NIERP)	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 20 per cent through the program.

Program	Description
Industrial Accelerator Program (IAP)	Provides financial incentives of up to $10 million (for capital projects) to transmission-connected electricity consumers, to invest in energy-efficiency or self-generation projects that reduce the amount of electricity withdrawn from the provincial grid.

2. Cap and trade

- OEA representatives may bring forward concerns about the impact of cap and trade on its members.

Suggested Response:

- **Ontario has been taking strong climate-positive actions for years, such as successfully eliminating coal as a source of electricity generation and developing a long-term energy plan that focuses on a safe, clean, reliable and affordable energy future.**

- **On May 18, 2016, the Ministry of the Environment and Climate Change (MOECC) passed the Climate Change Mitigation and Low-Carbon Economy Act, 2016 and on May 19, 2016, MOECC posted its final cap and trade regulation and guideline.**
  - **A cap and trade program is a flexible, market-based program with greenhouse gas emission targets (caps) that get more stringent over time. Ontario's caps are set at a broader economy-wide level rather than by sector.**

- **On January 1, 2017, Ontario's cap and trade program came into effect.**

Background:

- On May 18, 2016, Ontario passed the Climate Change Mitigation and Low-Carbon Economy Act, 2016 and on May 19, 2016, Ontario posted its final cap and trade regulation (O. Reg. 144/16) and guideline. The legislation and regulation/guidelines establish the basis for Ontario's cap and trade program and came into effect in July 2016.

- On January 1, 2017, the government implemented its cap and trade program. The cap and trade program is a market-based program with targets (caps) that increase and get more stringent over time.

- Ontario's caps are set at a broader economy-wide level rather than by sector.

- In certain circumstances, some consumers will not have the carbon cost passed on to them by the fuel distributor, if their emissions associated with fuel combustion are

already captured under cap and trade (e.g., in the case of “Large Final Emitters”, discussed further below) or they are voluntary participants.

Electricity Impacts

- Emissions from electricity generation would be subject to a carbon price through the cost of fuel. Natural gas-fired electricity generators are expected to pass on the cost of carbon through increased offers into the wholesale electricity market.

- Carbon costs will be discernable to utility customers in order to provide transparency and cost certainty.

Timeline

- The OEB’s Regulatory Framework addresses cost assessment, confidentiality, cost recovery, billing, monitoring and reporting, and customer information.

- The first auction of emission allowances will be held in March, 2017. This would be a stand-alone Ontario auction and would not be linked with Quebec and California. Post-alignment, auctions with Quebec and California will be held every quarter. As a regulated entity, costs incurred by gas distributors to comply with the cap and trade program would be passed on to natural gas consumers once approved by the Ontario Energy Board (OEB).

OEA ORGANISATION PROFILE:

- The Ontario Energy Association (OEA) represents Ontario's energy leaders that span the full diversity of the energy industry. The OEA considers itself to be an integral and influential part of energy policy development and decision making in Ontario. They represent Ontario's energy leaders that span the full diversity of the energy industry.

- The OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This policy foundation allows OEA to advocate directly with government decision makers to tackle issues of strategic importance to our members.

- The OEA publishes annually, working papers, studies and commissions surveys on energy related topics including electricity prices and cap and trade.

- In 2016, the OEA commissioned a poll about provincial politics and energy rates. The 600-person poll showed a growing distrust in the Ontario government's handling of the energy file, in particular electricity prices.

- In 2016 Vince Brescia expressed concerns with OEB's decisions to include cap-and-trade related costs with the delivery charges on customer's natural gas bills. **Note:** He stated that a separate line item on the bill is common practice and is done in other provinces such as Quebec and British Columbia. Incorporating the cost of carbon with other costs is not consistent with the government's stated intention to modify consumer behaviour.

- In 2016, the OEA submitted their feedback for the 2017 Long-Term Energy Plan (2017 LTEP). According to the OEA, the 2017 LTEP should be founded on core principles that ensure the plan strikes an optimal balance of:

    1. Security and reliability of supply;

    2. Attainment of climate change objectives;

    3. Ontario's economic prosperity; and

    4. Cost effectiveness and affordability of energy products and services for homes and businesses.

- The OEA also identifies four key priorities for the 2017 LTEP:

    1. **2017 LTEP should be a complete energy plan**: 2017 LTEP should fully incorporate and integrate CCAP activities and the implementation of the cap-and-trade system.

2. **2017 LTEP should be fully costed**: the LTEP should include a full costing of its proposals to facilitate the achievement of the Act's emissions reduction targets through the CCAP and otherwise.

3. **2017 LTEP should focus on optimization**: the LTEP chart an optimal path to bring together all of the government's' objectives on Cap & Trade, CCAP, security and reliability of supply, energy affordability, customer choice, and economic growth.

4. **2017 LTEP 2017 should modernize Ontario's regulatory system**: The regulatory framework should keep pace with the speed and degree of transformation in energy markets and systems to ensure that Ontario homes and businesses have access to energy sources that are aligned with GHG reduction targets, secure and reliable, good for the economy, and are affordable.