MEETING NOTE

NAME OF ORGANIZATION: **Coalition of Concerned Manufacturers (CCM)**

DATE/TIME OF MEETING: **March 17, 2017, 11 AM - 12 PM**

LOCATION OF MEETING: **TBC**

PURPOSE: **Discuss Ontario's Fair Hydro Plan**

ATTENDEES:

Coalition of Concerned Manufacturers
Jocelyn Williams Bamford, Vice President of Automatic Coating Ltd.

ASW Steel
Tim Clutterbuck, President

Ontario Public Service
Steve Orsini, Secretary of Cabinet
Serge Imbrogno, Deputy Minister of Energy

LAST MEETING: February 7, 2017

ANTICIPATED AGENDA ITEMS:
1. Ontario's Fair Hydro Plan
2. Industrial Conservation Initiative (ICI)

NOTES ON AGENDA ITEMS:

1. Ontario's Fair Hydro Plan

- The Coalition of Concerned Manufacturers (CCM) has raised concerns about the impact of electricity costs on members' businesses.

<u>**Suggested Response:**</u>

- **We recognize the importance of electricity prices for businesses in Ontario. Maintaining competitiveness with respect to energy costs is a top government priority.**

- **The government recently announced Ontario's Fair Hydro Plan, which proposes new measures to lower electricity bills by 25 per cent for residential customers, as well as initiatives to reduce costs for small businesses and manufacturers.**
- **Small businesses, if eligible for the Ontario Energy Board's (OEB) Regulated Price Plan (RPP), would benefit from most of the changes announced in Ontario's Affordable Hydro Plan.**
- **We are also proposing to shift the cost of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from being paid through electricity bills to being paid for through provincial revenues. This would reduce bills for everyone and ensure these programs continue to serve those in need.**
- **Under the Fair Hydro Plan, we are also proposing to expand the Industrial Conservation Initiative (ICI) to include smaller manufacturers, including food manufacturers, with average peak demand greater than 500 kW and less than 1 MW.**

<u>Background:</u>

Ontario's Fair Hydro Plan

- On March, 2, 2017, the government announced Ontario's Fair Hydro Plan, which includes:
    - A benefit from the funding of support programs through provincial revenues for all electricity consumers.
    - Electricity consumers eligible for the Regulated Price Plan (RPP) would be eligible for global adjustment (GA) refinancing.
    - Small manufacturers would become eligible to participate in the Industrial Conservation Initiative. See below for more information.
    - Sector efficiency would be improved and Ontario's electricity market would be modernized, working in collaboration with the Independent Electricity System Operator (IESO) and the OEB.

Shifting Support Programs to Provincial Revenues

- The Fair Hydro Plan also proposes to shift the cost of the OESP and RRRP program from being paid through electricity bills to being paid for through provincial revenues. This would cost the government up to $2.5 billion over the next three years.

GA Refinancing

- The majority of the province's electricity generators have 20-year contracts. Many of these generators are expected to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future electricity consumers by reducing the need to finance the development of new generating assets.

- Refinancing a portion of GA would provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period.

    - In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity consumers.

    - In later years, the cost of refinancing would be recovered from consumers. Under current forecasts, the immediate reduction in the GA would be about $2.5 billion per year on average over the first 10 years, with annual interest costs not exceeding $1.4 billion.

- Electricity consumers that are eligible for the RPP would benefit from GA refinancing.

    - In order to be eligible for the RPP, annual consumption must be below 250,000 kWh/year or peak demand must be below 50 kW. This includes residential consumers as well as most small businesses and farms.

    - Consumers who are eligible for RPP, but have opted out to become a retail or wholesale consumer would also receive the benefit.

- Eligible small businesses would include dry cleaners, convenience stores, small restaurants and retail stores, but would exclude businesses such as larger restaurants, welding shops, medium and large office buildings and big box retailers.

2. Industrial Conservation Initiative (ICI)

- CCM indicated interest in discussing the proposed Industrial Conservation Initiative (ICI) expansion.

<u>Suggested Response:</u>

- **Under the Fair Hydro Plan, we are proposing to expand ICI to include smaller manufacturers, including food manufacturers, with average peak demand greater than 500 kW and less than 1 MW.**
- **As per the posting on the government's Regulatory Registry, the**

proposed expansion of ICI is expected to be effective as of July 1, 2017.

- **Any of your members who meet the eligibility criteria would have the opportunity to opt-in to the ICI program.**
- **The Ministry would assist small manufacturers and industrials' participation in ICI through a targeted outreach campaign delivered by the Ontario Chamber of Commerce (OCC).**
- **An ICI participant can take advantage of this initiative by accurately forecasting the top five hours of demand and reducing their consumption accordingly.**
- **Do you anticipate that many of your group's members have average peak demand greater than 500 kW and less than 1 MW to become eligible for the expanded ICI program?**

Background:

- ICI encourages Ontario's largest consumers to reduce consumption during peak periods to reduce their electricity costs by an average of up to one-third. This provides savings to participating consumers and reduces peak demand, deferring the need to build new generation.

- Consumers participating in ICI are charged GA on the basis of their share of the total system demand during the highest five peak hours of the year (i.e., the peak demand factor).

- Customers who qualify as a Class A are expected to be notified of their peak demand factor by their local distribution company (LDC) by May 31.

- Eligible customers must opt in to the initiative by notifying their LDC by June 15 if they would like to be charged as a Class A for the 12-month period beginning July 1.

- Expanding participation in the ICI program would:

    - Reduce cost pressures on the electricity system by empowering more consumers to lower their electricity demand during peak periods; and

    - Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods.

- Newly eligible customers will have the opportunity to opt in to the ICI program.

Expansion to Electricity Consumers Greater Than 1 MW

- Since July 2015, Class A includes energy-intensive consumers with an average monthly peak demand greater than 3 MW and less than 5 MW in select industries including manufacturing.

- In the September 2016 Throne Speech the government announced that it was expanding access to ICI to include more than one thousand newly eligible customers with monthly peak demand greater than 1 MW, down from the current threshold of 3 MW.
    - In addition, sector restrictions have been removed and smaller industrial, institutional and commercial businesses would be eligible to participate.
- Effective July 1, 2017, Class A will include all electricity consumers with peak demand greater than 1 MW without any sector restrictions.

Expansion to Manufacturers Between 500 kW to 1 MW

- Ontario's Fair Hydro Plan proposes to expand the ICI to include smaller manufacturers (i.e., NAICs codes commencing "31", "32" and "33") with average peak demand greater than 500 kW and less than 1 MW. Final details on timelines will be available once the regulation is developed and approved.
- The cost impact across industries and individual facilities would vary.
- Manufacturers under NAICS codes 31-33 that would be eligible for ICI include:

o Food Manufacturing (NAICS 311) o Beverage and Tobacco Product Manufacturing (NAICS 312) o Textile Mills (NAICS 313) o Textile Product Mills (NAICS 314) o Apparel Manufacturing (NAICS 315) o Leather and Allied Product Manufacturing (NAICS 316) o Wood Product Manufacturing (NAICS 321) o Paper Manufacturing (NAICS 322) o Printing and Related Support Activities (NAICS 323) o Petroleum and Coal Products Manufacturing (NAICS 324) o Chemical Manufacturing (NAICS 325) o Plastics and Rubber Products Manufacturing (NAICS 326)	o Nonmetallic Mineral Product Manufacturing (NAICS 327) o Primary Metal Manufacturing (NAICS 331) o Fabricated Metal Product Manufacturing (NAICS 332) o Machinery Manufacturing (NAICS 333) o Computer and Electronic Product Manufacturing (NAICS 334) o Electrical Equipment, Appliance and Component Manufacturing (NAICS 335) o Transportation Equipment Manufacturing (NAICS 336) o Furniture and Related Product Manufacturing (NAICS 337) o Miscellaneous Manufacturing (NAICS 339)