Industrial Conservation Initiative (ICI) – Fact Sheet

What is the Industrial Conservation Initiative (ICI)?

The Industrial Conservation Initiative (ICI) provides an incentive for large electricity consumers to conserve electricity. Companies that participate in ICI are incented to lower their electricity usage in peak hours in order to reduce their costs.

Electricity consumers that participate in ICI are charged global adjustment (GA) based on their contribution to the "top five peak" demand hours in Ontario each year. The GA charge accounts for the differences between the market price and payments to regulated and contracted electricity generators as well as for conservation and demand management programs. Participants in ICI are able to reduce their GA costs based on their ability to reduce demand during these five peaks.

The better that an ICI participant can forecast the top five hours of peak demand and shift their electricity usage accordingly, the more they will be able to benefit from the ICI program.

What's new with this program?

Ontario is expanding the ICI program to include over 1,000 newly eligible electricity consumers with monthly peak demand greater than one megawatt, down from the current threshold of three megawatts. In addition, sector restrictions will be removed to allow smaller institutional and commercial businesses with monthly peak demand greater than one megawatt to be eligible to participate in the ICI program. These changes will come into effect in January 2017 and customers will see the impact on bills beginning July 2017.

What are the benefits of participating in ICI?

The expanded ICI program will reduce cost pressures on the province's electricity system by empowering more electricity consumers to lower their electricity demand during peak periods and reduce electricity bills for new ICI participants who are able to lower their electricity demand during peak demand periods. ICI has the added benefit of deferring the need to build new peaking generation facilities in the longer term.

Cost impact across sectors and industries will vary. For example, a plastics manufacturer with an average peak demand of 2 MW that participates in the ICI program could see its electricity price reduced from \$154 per MWh to as low as \$102 per MWh. This would result in energy cost savings of up to \$42,000 per month.

Am I eligible?

If your peak demand for electricity is above one megawatt, you will be eligible to opt-in to this program. Each year, new participants to the program are assessed for eligibility and are notified in May if they qualify for ICI. Qualified participant must then notify their local electricity distributor by June 15th if they would like to "opt-in" to the ICI program.

Electricity consumers with a peak demand above five megawatts (MW) are classified as Class A consumers and must "opt-out" if they choose not to participate in ICI program. For more information on eligibility requirements, please contact your local electricity distributor.

What is Global Adjustment (GA)?

The GA charge covers the difference between the market price and:

- Regulated rates to Ontario Power Generation nuclear and baseload hydroelectric generating stations.
- Contracts with the Independent Electricity System Operator (IESO) such as new gas-fired facilities, renewable facilities and nuclear refurbishments.
- Contracted rates administered by the Ontario Electricity Financial Corporation (OEFC) paid to existing generators.
- It also includes the cost of delivering conservation programs in the province and the payments made to participants under contracts with IESO for demand response programs.

The GA varies from month to month, responding to changes in the electricity market including fluctuations in demand, natural gas prices and generator availability.

Facts and Figures:

Table 1 provides a snapshot of the highest Ontario Demand values that can be used to track future potential peaks.

Table 1: Top Ontario Demand Peak to Date, 2016

Rank	Date	Hour Ending (EST)	Ontario Demand (MW)
1	September 07, 2016	17	23,213
2	August 10, 2016	18	23,100
3	August 11, 2016	17	22,812
4	July 13, 2016	18	22,659
5	August 12, 2016	17	22,402
6	August 04, 2016	17	22,312
7	September 06, 2016	17	22,150
8	July 22, 2016	17	22,024
9	September 08, 2016	18	21,963
10	August 05, 2016	13	21,926

Note: Last updated November 25, 2016

Table 2: Class A and B Global Adjustment (GA), 2016

Commodity Cost – Class A (¢/kWh)	Q2	YTD
Hourly Ontario Energy Price (Unweighted average)	1.21	1.1
Global Adjustment (Average, Class A)[1]	5.54	5.65
Total	**6.75**	**6.75**

Source: IESO

Commodity Cost – Class B (¢/kWh)	Q2	YTD
Hourly Ontario Energy Price (Weighted Average)	1.34	1.2
Global Adjustment (Average, Class B)[1]	10.45	10.14
Total	**11.79**	**11.34**

Source: IESO

Figure 1: Illustration of ICI System Benefit