Ontario

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #s: REG-11364
EVista Tracking #s: SUB-REG-2017-00468

Ministry of Energy

Expanding the Industrial Conservation Initiative (ICI)

Regulations

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Medium
Key Stakeholder Interest: Moderate/High
New Costs/Burdens: No for Stakeholders; No for Government; Yes for electricity ratepayers
New Savings/Opportunities: Yes for Stakeholders; No for Government; Yes for electricity ratepayers

Proposed Items for Review

1. Amending O. Reg. 429/04 (Adjustments Under Section 25.33 of the Act) made under the *Electricity Act, 1998*

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	LRC April 10, 2017	
TB/MBC	No approvals needed	

Deputy Minister ____________________ Date ____________

Minister ____________________ Date ____________

s. 1 Proposal and Context

- The Ministry of Energy is proposing to amend Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made under the *Electricity Act, 1998* (O. Reg. 429/04) in order to expand eligibility under the Industrial Conservation Initiative (ICI) to include all electricity consumers and market participants with an average monthly peak demand greater than 500 kilowatts (kW) and less than or equal to 1 megawatt (MW) where certain criteria are satisfied.
- Currently, ICI is available only to electricity consumers and market participants with an average monthly peak demand of greater than 1 MW.
- The new proposed amendments would allow eligible electricity consumers/market participants in the manufacturing and greenhouse sectors (i.e., with North American Industry Classification System (NAICS) codes commencing with the digits "31", "32", "33", “1114”) in Ontario with an average monthly peak demand of greater than 500 kW and less than 1 MW to opt-in to ICI.
- In addition, the government intends to amend O. Reg. 429/04 such that electricity consumers may continue to participate in ICI if their demand falls below the monthly peak demand threshold due to participation in certain prescribed conservation and demand management (CDM) programs or certain programs and initiatives associated with the Ontario Climate Change Solutions Deployment Corporations (OCCSDC) Programs and Pilots.

s. 2 Approach and Intended Outcomes

- Under ICI, large electricity consumers (known as Class A consumers) who can meet a specific average monthly peak demand threshold of 1 MW are charged a Global Adjustment (GA) rate proportional to their share of total provincial peak electricity demand measured during the five highest-peak hours in the year.
- This method provides an incentive to large consumers to moderate their consumption during peak demand periods. Smaller electricity consumers (known as Class B consumers) are, by contrast, billed for GA based only on the volume of electricity consumed no matter when it is consumed. For most large consumers, being billed on a Class A basis is much more cost-effective than being billed on a Class B basis.
- ICI is intended to enable Ontario businesses to lower their electricity costs by shifting energy demand away from peak demand periods. Reducing peak

demand increases the reliability of the electricity system, reduces greenhouse gas emissions (GHG) and helps defer the need to procure new resources.

- The proposed amendment would expand ICI to include newly eligible electricity consumers in the manufacturing and greenhouse sectors in Ontario with average monthly peak demand greater than 500 kW and less than or equal to 1 MW. Electricity consumers with average monthly peak demand of greater than 1 MW remain eligible to participate in ICI.
- The proposed amendments also provide for ICI participants to retain their Class A status after having experienced a reduction in demand, so long as they participate in certain prescribed CDM programs or certain programs and initiatives associated with the OCCSDC Programs and Pilots. The proposed amendments would permit a Class A consumer or market participant that participates in such programs or initiatives to retain its Class A status even if its average monthly peak demand falls below the 500 kW threshold for manufacturers or greenhouses or the 1 MW threshold applicable to all other consumers and market participants.

s. 3 Direction and Urgency

- As announced as part of Ontario's Fair Hydro Plan, on March 9, 2017, the government set out the commitment to expand ICI to enable greater participation from the manufacturing and greenhouse sectors in Ontario.
- It is important that proposed amendments to expand the program are in effect as soon as possible to allow consumers time to opt in to the program ahead of the next ICI billing period (i.e., July 1, 2017).
- Under the current ICI framework as set out in Ontario Regulation 429/04, eligible electricity consumers must opt-in to the program on or before June 15 of each calendar each year.
- Participants in ICI that participate in prescribed CDM and OCCSDC programs would also benefit from having those proposed amendments in effect as far in advance of the next ICI adjustment period as possible, in order to provide more certainty in regards to their forecasted electricity costs.

s. 4 Impact Assessment and Costs

- Currently, electricity consumers with an average monthly peak demand of over 5 MW and consumers with an average monthly peak demand of between 3-5 MW in certain energy intensive sectors participate in ICI (i.e., approximately 300 Class A consumers). Following amendments, effective January 1, 2017, ICI is now available to all electricity consumers over 1 MW.

- Expanding ICI further to consumers in the manufacturing and greenhouse sector between 500 kW and 1 MW would help to:

  Reduce electricity peak demand and electricity system costs by incenting more consumers to lower their electricity demand during peak periods;

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

  Increase electricity bills for non-ICI participants to ensure full cost recovery in the electricity system. **Note:** the extent of the impact on other non-ICI participants would depend on the uptake in the newly expanded ICI, but is expected to be modest.

  Restricting eligibility to the manufacturing and greenhouse sector helps to ensure that the expanded ICI is focused on those consumers which are most impacted by GA costs and associated economic competitiveness pressures from neighbouring jurisdictions.

- Currently, ICI participants who see their average monthly peak demand fall below the ICI average monthly peak demand thresholds while participating in a provincial Conservation and Demand Management (CDM) program would lose their Class A status.
- Taking steps to ensure that reduced electricity consumption while participating in a CDM and OCCSDC programs does not result in exclusion from ICI would mean that companies across Ontario are able to better engage in coordinated conservation efforts.
- The proposed programs and initiatives are to be included in these amendments are:

  1. Conservation and CDM Programs and Pilots delivered under the 2015 to 2020 Conservation First Framework, administered by IESO
  2. CDM Programs and Pilots under the 2015 to 2020 Industrial Accelerator Program, administered by IESO
  3. IESO Conservation Fund Projects
  4. IESO Demand Response Auction
  5. IESO Demand Response Pilots
  6. Ontario Climate Change Solutions Deployment Corporation Programs and Pilots

s. 5 Implementation

- IESO, LDCs and electricity consumers would be primarily responsible for implementing and adhering to the proposed amended regulation in relation to the expanded ICI program.

s. 6 Delivery and Results Tracking

- Regarding the proposed amendments to expand ICI, the Ministry of Energy regularly monitors electricity prices and electricity demand for all classes of consumers and would be able to assess the potential impacts of the proposed regulatory amendments, if approved, starting in July 2017.

s.7 Stakeholder Consultations

Regulatory Registry:

- On March 9, 2017, the Ministry of Energy posted a proposal for comment on the Regulatory Registry to provide stakeholders with the opportunity to comment on the proposed expansion of ICI.

- The posting closed on April 8, 2017. To date, the Ministry has received 1 comment through the regulatory posting.

Working Group:

- The Ministry hosted an LDC Working Group session on March 16, 2017. Nearly 30 LDCs representatives attended in person or by phone and were briefed on the implementation of Ontario's Fair Hydro Plan, including the ICI expansion.

s.8 Other Jurisdictions and Harmonization

- There would be no harmonization with other jurisdictions as an effect of this proposal, as ICI is unique to Ontario and the proposed expansion would have no material impact on other jurisdictions.

s. 9 Communications

See Appendix D, Communications Snapshot

- There would be a need to clearly communicate the benefits that the proposed expansion to ICI could provide to eligible electricity consumers.

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
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Assistant or Deputy Minister's Office		
Cabinet Office Policy		

Appendices

Appendix A: Regulation Comparison Chart
Appendix B: Proposed Regulations
Appendix C: Communications Snapshot