Ministry of Energy

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MC-2017-xxx

Colin Anderson
President
Association of Major Power Consumers in Ontario (AMPCO)
1510–65 Queen Street West
Toronto ON
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Dear Mr. Anderson,

Thank you for your letter dated April 20, 2017. I must start by saying that I am somewhat surprised by the tone and content of your letter given our constructive dialogue on April 11, 2017. Having said this, I will attempt to address your concerns below.

Cost of Carbon

Ontario's 2016 Budget committed to 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 over the first compliance period.

Under Ontario's Fair Hydro Plan, the costs of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) Program are being shifted from electricity bills to being paid through provincial revenues. The removal of the cost of these programs from electricity bills is a permanent measure and provides greater value to your members than a funding commitment that would have covered the first compliance period only.

The Ministry, working with the Independent Electricity System Operator (IESO) and the Ministry of the Environment and Climate Change (MOECC), will monitor the impact of the cost of carbon on electricity prices. Additionally, I would propose that you meet regularly with staff from the Ministry of Energy, the MOECC, and any possible ministries [affected?[to discuss these impacts. For example, the MOECC has noted that [?].

Industrial Competitiveness

The Industrial Conservation Initiative (ICI), Industrial Electricity Incentive (IEI) and Northern Industrial Electricity Rate Program (NIERP) programs have led to very competitive electricity prices for many large industrial consumers. On average, industrial electricity prices in Ontario are in line with neighbouring jurisdictions and the US average. Some sectors, such as pulp and paper, pay prices which are among the lowest in North America.

I would encourage you to review the most recent Ontario Energy Report, which shows nearly 50% of large industrial electricity consumers, many of which are your members, paying below $80 per megawatt hour, not accounting for NIERP participation.

Industrial Electricity Incentive

A program like the IEI is predicated on a supply of surplus capacity. Under the Ontario Planning Outlook, surplus capacity is expected to shrink and disappear by the mid-2020s, so a further tranche of IEI would mean a cost shift to all other ratepayers. Therefore, AMPCO's advocacy for an expanded IEI program is not in keeping with the commitment of delivering broad-based rate relief on all electricity bills and the recognition of changing system conditions.

Market Renewal

In March 2016, the IESO launched its stakeholder engagement on market renewal and has worked closely with stakeholders to develop an agreed upon objective and set of principles for market renewal. It has also worked closely with stakeholders and consultants The Brattle Group to develop a benefits case, which the IESO posted on April 20, 2017. As the work now moves in the initial design phase, I understand that the IESO is committed to putting in place a stakeholder-driven framework designed to support coordination, integration and issue resolution. I would therefore encourage AMPCO and its members to participate in market renewal forums as appropriate.

I thank you for writing and look forward to our continuing positive and constructive discussions on this important topic.

Sincerely,

Glenn Thibeault
Minister