Ministry of Energy

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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 am surprised by the tone 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 that the Ministry of Energy anticipates will meet the 2016 Budget commitment, while providing ongoing relief post-2020.

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 and the MOECC to discuss these impacts, and possible mitigation options should the price impact vary significantly from our forecasts. I also appreciate concerns about policy uncertainty after the first compliance period, and understand that MOECC should be initiating consultations on this topic in the coming months.

Industrial Competitiveness

The Industrial Conservation Initiative (ICI), Industrial Electricity Incentive (IEI) and Northern Industrial Electricity Rate Program (NIERP) programs have led to competitive electricity prices for many large industrial consumers. I note that AMPCO recognizes and supports the significant relief these programs provide to many of your members, which are funded by either provincial revenues or other electricity ratepayers.

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.

Our government is committed to creating jobs and growing the economy. I will continue to work with my Cabinet colleagues to explore ways to support business investments across the province, including through maintaining competitive business tax rates and developing our highly-skilled workforce.

Industrial Capital Attraction

A program like the Industrial Electricity Incentive 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.

The Ministry of Energy continues to work with the Ministry of Economic Development and Growth to explore alternative approaches which would support capital attraction without unfairly burdening other electricity ratepayers.

Through the Ontario Fair Hydro Plan and the forthcoming Long-Term Energy Plan, I am committed to delivering broad-based rate relief for residential consumers, and will continue to remove costs and reduce pressures in the electricity system wherever possible.

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. The report estimates the net present value of the market renewal project to be in the range of $2,200 - $5,200 million. This is expected to benefit industrial consumers by serving load and maintaining reliability at a lower overall cost.

As the work now moves into 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