ROMA Conference
January 29-31, 2016
POLICY NOTE

Electricity Prices (Commercial and Industrial)
Ministry of Energy
January 2017

Issue:

Industrial and commercial electricity consumers frequently urge the government to provide relief on electricity prices.

Response:

- Our government continues to ensure a clean, reliable and affordable electricity system for <u>all</u> Ontarians.

Commercial (including small businesses, agricultural, municipal/institutional)

- Helping businesses and municipalities succeed and thrive is part of the government's plan to build Ontario up.
- To help businesses manage their electricity costs, effective January 1, 2017, small businesses and farms in Ontario will be eligible for an 8% rebate on their electricity bill, equivalent to the provincial portion of HST.
- SaveONenergy for Business electricity conservation programs, which offer financial incentives for audits, retrofits and processes and systems improvements to eligible distribution connected small business, commercial, institutional, and industrial customers, are funded by the Independent Electricity System Operator (IESO) and delivered by local distribution companies (LDCs) under the Conservation First Framework.
- Ontario's Five-Point Small Business Energy Saving Plan will help small businesses reduce energy use, manage costs and save money.

Industrial

- According to the 2013 Long-Term Energy Plan, the industrial electricity price is projected to increase on average by 2.0% per year from 2016 to 2020 inclusive and by 1.6% per year between 2016 and 2032.
- Over the forecast period, the average annual increase in consumers' electricity costs is generally in line with expected inflation, which has averaged about 1.7% over the last ten years (2006-2015).

- The government is committed to ensuring, where possible and appropriate, that industrial electricity rate mitigation programs help support a dynamic and innovative climate for business to thrive, grow and create jobs.

- Measures in place to mitigate industrial electricity prices include:

  - The **Industrial Conservation Initiative (ICI)** lowers costs for eligible large electricity consumers (i.e., those with monthly peak demand exceeding 3 MW) that reduce consumption during peak hours. On average, ICI helps save up to one-third on their electricity bills. As announced in the September 2016 Throne Speech, Ontario is lowering the Industrial Conservation Initiative (ICI) threshold to 1 MW and removing sector restrictions so that more electricity consumers can benefit.

  - The **Northern Industrial Electricity Rate Program (NIERP)** rebates two cents per kilowatt-hour to northern industrial consumers. On average, these consumers may see prices reduced by about 20%.

  - The **Process and Systems Upgrade Initiative (PSUI)** is an industrial conservation program available to distribution connected industrial and commercial consumers as part of the saveONenergy suite of conservation programs delivered by Local Distribution Companies. PSUI helps help organizations with complex systems and processes identify, implement, and validate energy efficiency projects from start to finish.

  - The **Industrial Accelerator Program (IAP)** is an industrial conservation program for transmission-connected customers.

  - The annual **Demand Response Auction**, held by the Independent Electricity System Operator (IESO), provide availability and utilization payments to successful participants that commit to reducing their consumption when called upon to do so.

- For all consumers, conserving electricity is the best and easiest way to manage bills.

Background:

Commercial

- The saveONenergy **suite of electricity conservation programs for commercial customers** offered by Local Distribution Companies, with support of IESO, offers financial incentives to help businesses with costs of installing energy-efficient equipment and improving energy efficiency of their buildings.

Program Name	What Participants Receive
Retrofit Program	• Offers businesses incentives to help with upfront costs of purchasing energy-efficient equipment to improve the overall efficiency of buildings
Process and Systems	• Helps organizations with complex systems and processes to identify, implement and validate energy-efficiency projects from start to finish.
Energy Managers	• Helps companies take control of their energy usage, by hiring a dedicated energy manager that identifies various options for saving energy in their facility
High Performance New Construction	• Provides design assistance and incentives for building owners and planners who design and implement energy efficient equipment within their new space.

- Ontario's **Five-Point Small Business Energy Savings Plan** will help small businesses conserve energy, manage costs and save money. The plan:
  - Promotes the use of local energy managers, which helps small business owners find savings and reduce the burden of paperwork.
  - Better markets business conservation programs, which ensures small business owners have access to the necessary information about government programs to help them save.
  - Enhances business conservation programs to ensure simplicity of application, increased benefits and rebates, and increased contractor engagement and training.
  - Works to make on-bill financing widely available, which helps small business owners finance the upfront costs of significant energy conservation projects.
  - Provides an additional six years of stable funding for conservation programs.

Industrial

- The **Process and Systems Upgrade Initiative (PSUI)** is an industrial conservation program available to distribution-connected industrial and commercial customers. The program helps organizations with complex systems and processes identify, implement, and validate energy efficiency projects from start to finish.

- The **Industrial Accelerator Program (IAP)** assists eligible transmission-connected companies fast track capital investment in major energy conservation projects. The program provides financial incentives to encourage investment in innovative process changes and equipment retrofits to reduce electricity consumption on the provincial system and to help companies become more competitive by positively impacting their bottom line.

- **Annual Demand Response auctions,** held by IESO, provide availability and utilization payments to successful participants that commit to reducing their consumption when called upon to do so.

- **Industrial Conservation Initiative (ICI)** encourages Ontario's largest consumers to reduce consumption during peak periods to save up to one-third on their electricity bills.

- **Northern Industrial Electricity Rate Program (NIERP)** assists Northern Ontario's largest industrial electricity consumers to reduce energy costs, sustain jobs and maintain global competitiveness. On average, industrial electricity prices can be reduced by **20%** through the program.

Pricing Comparison

2015 Industrial Electricity Prices (Canadian ¢/kWh)											
	Jurisdiction	Cost		Jurisdiction	Cost		Jurisdiction	Cost		Jurisdiction	Cost
1	Manitoba	4.67	17	Arkansas	7.49	33	Newfoundland	8.65	49	Nova Scotia	10.02
2	Quebec	5.17	18	Tennessee	7.53	**34**	**U.S. Average**	**8.71**	50	North Dakota	10.75
3	Washington	5.64	19	Alabama	7.58	35	New York	8.72	51	Florida	10.79
4	Alberta	5.87	20	South Carolina	7.68	36	Indiana	8.74	52	Delaware	10.96
5	Ontario - North	6.35	21	Utah	7.70	37	Ohio	8.75	53	Maryland	11.86
6	Oklahoma	6.64	22	Oregon	7.72	38	Wyoming	8.87	54	Maine	12.64
7	Montana	6.68	23	West Virginia	7.80	39	Minnesota	8.89	55	Vermont	13.14
8	Kentucky	6.80	24	Saskatchewan	7.81	40	Prince Edward Island	8.90	56	California	13.85
9	British Columbia	7.04	25	Nevada	7.83	41	Colorado	9.05	57	New Jersey	14.44
10	Iowa	7.06	26	Arizona	8.00	42	Michigan	9.13	58	New Hampshire	17.17
11	Louisiana	7.06	27	Idaho	8.05	43	Virginia	9.23	59	Massachusetts	17.56
12	**Canadian Average**	**7.31**	28	North Carolina	8.09	44	South Dakota	9.31	60	Connecticut	17.58
13	Missouri	7.32	29	New Mexico	8.09	45	Kansas	9.54	61	Alaska	18.85
14	Georgia	7.35	30	Illinois	8.24	46	Nebraska	9.56	62	Rhode Island	19.97
15	Texas	7.37	31	Ontario - South	8.35	47	Pennsylvania	9.59	63	Hawaii	31.10
16	New Brunswick	7.48	32	Mississippi	8.41	48	Wisconsin	9.87			

Note: Estimates may differ from actual costs to a consumer based on location, connection, and operational characteristics. Prices exclude taxes and participation in any applicable jurisdictional benefit programs.

The Ontario industrial price is based on the average all-in price for year-to-date May 2015, and includes the Hourly Ontario Energy Price, Class A Global Adjustment, delivery, wholesale market service charges and the Debt Retirement Charge. The 2 cent per kilowatt hour difference between northern Ontario and southern Ontario reflects the Northern Industrial Electricity Rate Program rebate.

All other Canadian prices (except Ontario) are from the Hydro Quebec Rate Comparison for rates effective April 1, 2015 for select local distribution companies servicing specific cities. Where Hydro Quebec reports prices for two cities in a province (e.g., Calgary and Edmonton), an average of the two is used; in provinces where only one city is reported (e.g., Vancouver in BC, Montreal in QC), that one price is used to represent the province for indicative comparison purposes. In the Hydro Quebec Rate Comparison, a large consumer reflects 5 MW with monthly consumption of 3,060 MWh.

American jurisdictions reflect year-to-date May 2015 data from the US Energy Information Administration's survey of approximately 500 of the largest electric utilities. The price reflects the average revenue reported by the electric utility from electricity sold to the industrial sector. The value represents an estimated average retail price, but does not necessarily reflect the price charged to an individual consumer. Prices are converted at an exchange rate of 1 USD = 1.30 CAD.