

ROMA Conference
January 21-23, 2018
POLICY NOTE
Electricity Prices (Commercial and Industrial)
(Ministry of Energy)
December 8, 2017

Issue: Industrial and commercial electricity consumers frequently communicate that electricity prices are too high.

Response:

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

Industrial

- In real terms, average large industrial prices are expected to remain relatively flat as highlighted in the 2017 Long-Term Energy Plan (2017 LTEP). Indicative industrial electricity prices in Ontario are within five per cent of the United States average as reported by the U.S. Energy Information Administration.
- The government is committed to ensuring, where possible and appropriate, that industrial electricity rate mitigation programs help support a dynamic and innovative climate for businesses to thrive, grow and create jobs.
- As part of Ontario's Fair Hydro Plan, the Industrial Conservation Initiative (ICI) has been expanded to include smaller manufacturers and greenhouses with peak demand over 500 kW, in addition to the consumers over 1 MW in all sectors who were already eligible. Participants in ICI have historically achieved average electricity bill reductions of one third.
- All consumers, including industrials, benefit from shifting the cost recovery for support programs from electricity bills to provincial revenues. This action is expected to lower regulatory charges by approximately \$3/MWh.
- Other measures in place to mitigate industrial electricity prices include:
 - Process and Systems Upgrade Initiative (PSUI);
 - Industrial Accelerator Program (IAP);
 - Demand Response; and
 - Northern Industrial Electricity Rate Program (NIERP).

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.

ROMA Conference
January 21-23, 2018
POLICY NOTE

- Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent for average residential customers and will hold increases to the rate of inflation for four years. As many as half a million small businesses and farms are also benefitting.
- Commercial consumers with average peak demand greater than 1 MW are eligible to participate in Industrial Conservation Initiative (ICI). Participants in ICI have historically achieved average electricity bill reductions of one third.
- SaveONenergy for Business electricity conservation programs 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.
- Small businesses and farms will benefit from shifting cost recovery for support programs from electricity bills to provincial revenues. This action is expected to lower regulatory charges to all electricity consumers by approximately \$3/MWh.
- Ontario's Five-Point Small Business Energy Saving Plan will is helping small businesses reduce energy use, manage costs and save money.
- Program offerings through the new Green Ontario Fund will also help Ontario businesses increase their use of low-carbon technologies while also reducing costs.

Background:

Commercial

- The **saveONenergy suite of electricity conservation programs** for commercial customers offered by Local Distribution Companies and the IESO, offer 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

ROMA Conference
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POLICY NOTE

Program Name	What Participants Receive
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** is helping 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 six years of stable funding for conservation programs through the 2015-2020 Conservation First Framework for electricity programs, and Demand Side Management Framework for natural gas programs.
- All consumers with average peak demand greater than 1 MW are eligible to participate in the **Industrial Conservation Initiative (ICI)**. ICI lowers costs for eligible large electricity consumers that reduce consumption during peak hours.

Industrial

- The **Industrial Conservation Initiative (ICI)** lowers costs for eligible large electricity consumers that reduce consumption during peak hours. On average, ICI helps eligible consumers save up to one-third on their electricity bills. Ontario's Fair Hydro Plan expanded the ICI to include smaller manufacturers and greenhouses with peak demand over 500 kW, in addition to consumers over 1 MW in all sectors that were already eligible. The number of participating consumers in ICI has grown to an estimated 1100 for the 2017-2018 adjustment period from an estimated 300 participants the prior year.
- 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.

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- The **Industrial Accelerator Program (IAP)** assists eligible transmission-connected companies, and their distribution-connected sites, 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 payments to successful participants that commit to reducing their consumption when called upon to do so.
- **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 per cent through the program.

Green Ontario Fund

- Ontario's Climate Change Action Plan announced the province's intention to establish a "green bank" that would work to significantly reduce greenhouse gas from energy intensive heat and cooling sources in buildings, and in goods production processes.
- The new Green Ontario Fund has now been established, and is working on the roll-out of its initial programs. Programs for businesses are expected to be announced in the coming months and will include programs to support small and medium sized business.
 - GreenON is also focusing on improving access to information and reducing other barriers to encouraging fuel- switching and deep GHG emission reductions for both residents and businesses.
- The initial program concept for an SME support program includes support of on-site assistance to identify opportunities for reducing greenhouse gas emissions, and funding for implementing those reduction opportunities.

ROMA Conference January 21-23, 2018 POLICY NOTE Pricing Comparison

2017 Industrial Electricity Prices (Canadian ¢/kWh)							
Jurisdiction	Cost	Jurisdiction	Cost	Jurisdiction	Cost	Jurisdiction	Cost
1 Manitoba	4.32	17 Kentucky	7.44	33 Virginia	8.63	49 Florida	10.51
2 Newfoundland	4.90	18 New Brunswick	7.50	34 Ohio	8.81	50 Delaware	10.59
3 Quebec	4.91	19 New York	7.54	35 US Average	8.81	51 North Dakota	11.41
4 Alberta	5.67	20 Utah	7.57	36 West Virginia	8.99	52 Maryland	11.48
5 Washington	6.08	21 Idaho	7.77	37 Pennsylvania	9.19	53 Maine	12.58
6 British Columbia	6.29	22 South Carolina	7.82	38 Wyoming	9.26	54 New Jersey	13.12
7 Montana	6.41	23 Arizona	7.85	39 Prince Edward Island	9.31	55 Vermont	13.44
8 Nevada	6.68	24 North Carolina	7.92	40 Colorado	9.43	56 California	14.13
9 Louisiana	6.69	25 Tennessee	7.93	41 Michigan	9.75	57 New Hampshire	16.51
10 Oklahoma	6.87	26 Alabama	7.97	42 Indiana	9.83	58 Connecticut	17.52
11 Canadian Average	6.89	27 Oregon	8.01	43 Kansas	9.89	59 Massachusetts	17.81
12 Texas	7.11	28 New Mexico	8.02	44 Nebraska	9.91	60 Rhode Island	18.95
13 Iowa	7.19	29 Mississippi	8.09	45 Minnesota	10.04	61 Alaska	22.42
14 Saskatchewan	7.30	30 Missouri	8.45	46 Nova Scotia	10.14	62 Hawaii	29.87
15 Arkansas	7.40	31 Illinois	8.55	47 Wisconsin	10.15		
16 Georgia	7.41	32 Ontario	8.56	48 South Dakota	10.17		

Note: Estimates may differ from actual costs to a consumer based on location, connection and operation 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 2017 and includes the Hourly Ontario Energy Price, Class A Global Adjustment, delivery, wholesale market service charges and the Debt Retirement Charge.

All other Canadian prices (except Ontario) are from the Hydro Quebec Rate Comparison for rates effective April 1, 2017 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 2017 data from the US Energy Information Administration's survey of approximately 500 of the largest electricity 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 = 1.33 CAD.