

Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

Ministère de l'Énergie

Bureau du ministre

4^e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Téléc. : 416 327-6754



MC-2017-538

Mr. Bradley Robertson
CI/EHS Manager
ESCO Corporation
185 Hope Street South
Port Hope ON L1A 3W4

Dear Mr. Robertson:

Mr. Lou Rinaldi, MPP for Northumberland–Quinte West, has forwarded your letter regarding electricity prices. I am pleased to respond.

On March 2, 2017, our government announced Ontario's Fair Hydro Plan, which proposes new measures to lower electricity bills by 25 per cent on average for residential customers as well as initiatives to reduce costs for industrial consumers.

As part of the plan, the government has committed to removing the Rural or Remote Rate Protection (RRRP) charge and the Ontario Electricity Support Program (OESP) charge from all consumer bills and instead funding these programs from provincial revenues. This action would provide a benefit of approximately \$3/MWh for all consumers and is expected to offset the price increase resulting from cap and trade for an average Class A electricity consumer over the first compliance period of the program.

Ontario's commitment to lowering electricity costs over the longer term for consumers includes working with the province's agencies to identify opportunities to drive efficiency and increase productivity in the electricity sector.

We are also proposing to expand the Industrial Conservation Initiative (ICI) to include smaller manufacturers (i.e., North American Industry Classification System codes commencing "31", "32" and "33") with average peak demand greater than 500 kW and less than 1 MW.

I have heard from large industrials that the ICI and other existing government programs such as the Northern Industrial Electricity Rate Program (NIERP) have played a significant role in maintaining competitive electricity costs in Ontario.

.../cont'd

The Global Adjustment (GA) is a mechanism that recovers costs associated with electricity generation in the province and allocates these costs to all electricity consumers. In the process, the GA ensures that generators are able to recover long-run costs and ensures the province remains in a strong supply situation. The GA has been an important factor in providing stable prices while ensuring that capacity is in place to deliver a reliable supply of energy.

The Independent Electricity System Operator (IESO) calculates the GA each month. Together, the electricity line charge and the GA on consumers' bills recover the costs associated with providing a reliable supply of electricity and achieving the government's environmental goals such as reducing greenhouse gas emissions. As a result, the GA increases if the market price – known as the Hourly Ontario Energy Price (HOEP) – decreases and vice versa. Currently, the HOEP is near historically low levels that has contributed to higher GA levels. You can learn more about the GA on the IESO's website at www.ieso.ca/Documents/Understanding_GA_Jan_2016.pdf.

For more information on Ontario's Fair Hydro Plan, I encourage you to visit the webpage at ontario.ca/fairhydroplan.

I hope that this information is helpful. Thank you for taking the time to share your views with your MPP.

Sincerely,

Glenn Thibeault
Minister

c: Lou Rinaldi, MPP