MEETING NOTE

NAME OF ORGANIZATION: Kapuskasing & District Chamber of Commerce

DATE/TIME OF MEETING: Friday, May 26th / 6:00 PM

LOCATION OF MEETING: TBD

PURPOSE: The Minister will meet with members of the Kapuskasing & District Chamber of Commerce to discuss local energy issues.

ATTENDEES: **Minister of Energy**
Glenn Thibeault

TBD

ANTICIPATED AGENDA ITEMS:

1. Electricity Prices
2. Atlantic Power's Kapuskasing Plant
3. Regional Planning
4. Conservation and Energy Efficiency Programs

NOTES ON AGENDA ITEMS:

1. Electricity Prices

- Kapuskasing Chamber of Commerce is likely to raise concerns about rising electricity costs.

Suggested Response:

- **We recognize the importance of electricity prices for businesses in Ontario. Maintaining competitiveness with respect to energy costs is a top government priority.**

- **Ontario's Fair Hydro Plan (OFHP) proposes new measures to lower electricity bills by 25 per cent on average for residential consumers and hold increases to the rate of inflation for four years, as well as initiatives to reduce costs for businesses. The plan includes the 8 per cent rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on all electricity bills.**

- **Small businesses, if eligible for the Ontario Energy Board's (OEB) Regulated Price Plan (RPP), would benefit from most of the changes announced in the OFHP. In order to be RPP-eligible, a consumer's annual consumption must be below 250,000 kWh/year or peak demand below 50 kW.**

- **Under the OFHP, we have expanded the Industrial Conservation Initiative (ICI) to include smaller manufacturers and greenhouses with average peak demand greater than 500 kW and less than 1 MW.**

- **In addition to ICI, there are additional existing initiatives available to business consumers to help them manage their electricity costs:**
    - **Industrial Accelerator Program (IAP);**
    - **Northern Industrial Electricity Rate Program (NIERP);**
    - **Industrial Accelerator Program (IAP);**
    - **saveONenergy for Business; and**
    - **Demand Response initiatives**

- **We intend to remove the Debt Retirement Charge (DRC) for commercial, industrial and other non-residential electricity users on April 1, 2018, nine months earlier than previously planned.**

- **The government has also taken significant steps to make Ontario's business tax system more competitive and create the conditions for long-term economic growth.**

- **Due to the investment related to the elimination of coal from our supply mix and the modernization of our transmission system, the electricity sector is well placed to contribute to Ontario's transition to a low-carbon economy.**

Background:

Current Measures in Place to Mitigate Industrial Electricity Prices

Ontario has a number of measures in place to mitigate industrial electricity prices and help businesses in the north manage the cost of electricity, including the:

- Industrial Conservation Initiative (ICI):

    - ICI lowers costs for eligible large electricity consumers that reduce consumption during peak periods. ICI consumers can reduce their electricity rates by up to one third.
    - To give more businesses the incentive to participate in the ICI, we have lowered the threshold from 3 megawatts (MW) to 1 MW and removed sector restrictions so that more consumers can benefit. Newly eligible consumers that opt in to ICI will see the impact beginning in July 2017.

- We have also expanded ICI to include smaller manufacturers and greenhouses (i.e., NAICs codes commencing “31”, “32”, “33” and “1114”) with average peak demand greater than 500 kW and less than 1 MW. The expansion to 500 kW is effective in July 2017.

- Northern Industrial Electricity Rate Program (NIERP):

  - Participants in NIERP receive a rebate of two cents per kilowatt hour. On average, electricity prices can be reduced by up to 20% through the program.

- Industrial Accelerator Program (IAP):

  - IAP assists eligible industrial, commercial and institutional customers that are directly or indirectly connected to the Independent Electricity System Operator (IESO) transmission grid fast-track capital investment in major energy-efficiency projects. Transmission-connected customers with distribution-connected sites can also elect to have these administered through the IAP.

- saveONenergy for Business conservation programs for commercial and industrial consumers:

  - The saveONenergy for Business Conservation Programs offers a variety of financial incentives to businesses to increase energy efficiency and manage their electricity bills. Incentives are available to a broad range of businesses, including institutional customers such as municipalities, for energy audits, retrofits, process and systems upgrades, and small business lighting.

- Demand Response Auction:

  - Annual Demand Response Auctions are held by IESO for demand response capacity. Successful bidders (including large businesses and industry) receive payments to shift their consumption at times when the electricity system is stressed.

Ontario’s Fair Hydro Plan Includes

- Refinancing the Global Adjustment (GA) over a longer time period. Electricity consumers that are eligible for the 8 per cent rebate would also be eligible for GA refinancing, including residential consumers, farms, most small businesses, hospitals, long-term care homes and condominiums.
- Helping vulnerable electricity consumers by enhancing electricity support programs. Eligible consumers will receive additional funding through assistance programs including:
  - Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and who have difficulty paying their electricity bills.

    - Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.
    - Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.
    - Establishing a new On-Reserve First Nations Delivery Credit.
- Expanding ICI to include smaller manufacturers and greenhouses between 500 kW and 1 MW, in addition to the large consumers over 1 MW who are already eligible.
- Shifting cost recovery for RRRP and OESP from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh.
- Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

2. Atlantic Power's Kapuskasing Plant

- Kapuskasing Chamber of Commerce is likely to raise questions about the future of the Kapuskasing NUG facility.

Suggested Response:

- **On December 16, 2016, the Minister of Energy directed the Independent Electricity System Operator (IESO) to engage with Ontario Electricity Finance Corporation (OEFC) Non-Utility Generators (NUGs) on the feasibility of contracting with IESO for the remainder of their term.**

- **Any new contract with IESO must maintain the same contract term and provide ratepayer savings and greenhouse gas (GHG) reductions from the existing OEFC contract.**

- **Expired NUG facilities would have the opportunity to participate in a future capacity auction.**

Background:

- Atlantic Power owns and operates twenty-three power generation assets across nine states in the United States and two provinces in Canada.
    - The Kapuskasing Project is a 40 MW gas-fired enhanced combined-cycle generating facility located near Kapuskasing, Ontario adjacent to the TransCanada Mainline.

- In 2016, Atlantic Power engaged with the Independent Electricity System Operator (IESO), OEFC and ENERGY requesting to restructure PPAs for five of its NUGs including the Kapuskasing facility.
- On December 16, 2016, the Minister of Energy directed IESO to enter into negotiations with OEFC thermal NUGs regarding a new IESO contract to change the operation of these facilities to better align with the needs of the electricity system. The ministerial direction included a provision that any new IESO contract should end no later than the current term of the existing OEFC contract.
- On January 9, 2017, Atlantic Power announced that it had agreed to revised contractual arrangements with IESO for three of its natural gas-fired NUG facilities (Kapuskasing, North Bay and Nipigon).
    - The revised contractual arrangements with IESO for Kapuskasing and North Bay expire on December 31, 2017, for Nipigon on October 31, 2018. Note: Atlantic Power has announced that is beginning a process to mothball all three facilities.
    - In a January 9, 2017 press release, Atlantic power stated that they are committed to working with those employees affected by the decision to mothball the three facilities.

3. Regional Planning

- Chamber of Commerce members may share their input on local electricity needs as well as cost responsibility for electricity transmission and distribution infrastructure, including reliability or power quality issues and connection/ upgrade costs.

Suggested Response:

Engagement

- **Outreach with local communities is the start of engagement for every regional plan.**
- **An ongoing dialogue serves to build understanding of how regional planning happens and provides opportunities for local input, laying the foundation for successful implementation.**

- **What is your perspective on how your Chamber members have been engaged and how we can continue to enhance engagement?**

- **As you know we are developing Ontario's next Long-Term Energy Plan (LTEP). We are working closely with agencies and stakeholders and we welcome your input in this process.**

If asked about North-South transmission reinforcements:

- **Additional investments in new transmission will be made based on the demand forecast and supply needs.**

- **While higher demand could create a need for additional resources in the longer-term, these needs are not projected to occur until the mid-2020s**

If asked about cost responsibility for electricity infrastructure:

- **With regard to reliability/power quality or connection/upgrade costs, I am interested to discuss any specific suggestions you might have for how these issues should be addressed and resolved.**

- **Ontario's transmission system is governed by a "beneficiary pay" principle. This approach protects ratepayers from paying for infrastructure which benefits only a few customers.**

- **Customers that require an expansion or enhancement of the system must pay to upgrade their connections rather than have these costs applied to ratepayers.**
- **This is an important principle because it helps to keep electricity rates from increasing, which benefits families and businesses across the province.**

- **"Beneficiary Pays" is also the predominant principle in other jurisdictions throughout North America.**

Background:

Regional Planning

- Kapuskasing is located in the North/East of Sudbury region for the purposes of regional electricity planning.
- Hydro One, working with local distributors, recently completed a Regional Infrastructure Plan for the region, which identified voltage regulation issues at Timmins TS and Kirkland Lake TS. A map of North/East of Sudbury, including location of transmission stations is included in the appendix.
    - Timmins TS: Timmins TS 115kV bus may experience voltages below Ontario Resource and Transmission Adequacy Criteria (ORTAC) in certain unlikely contingencies and operating measures have been established to control the voltage decline should the contingency take place. Hydro One is monitoring Timmins area load growth to ensure the operating measures continue to be effective.
    - Kirkland Lake TS: Corrective action to control voltage may also be required for new loads in the Kirkland Lake of Dymond area.
- Hydro One completed the Needs Assessment for the North/East of Sudbury region in June 2016 and found that there were no needs requiring regional

coordination as the needs were local in nature and would be addressed by wires options.
The next planning cycle for the region will take place within five years (2021) or earlier.

North-South Transmission Reinforcements

- Ontario can meet flat demand outlooks (i.e. Ontario Planning Outlook B) with existing and planned resources provided they continue to operate following contract expiry. No new transmission investments are assumed to be required beyond those currently in various stages of development.
- While higher demand could create a need for additional resources in the longer-term, the IESO indicates these needs are not projected to occur until the mid-2020s
- Should a higher demand outlook such as Outlook C or D emerge, waterpower in Northern Ontario (where a large amount of Ontario's remaining renewable resource potential is located) is one option to meet that demand.
    - There is approximately 4,000 MW in the Albany/Moose River Basin, the Sault and Algoma area, and east Nipigon area
    - To deliver power from these resources to load centres in southern Ontario, the major transmission pathway between Sudbury and GTA would need to be reinforced. In addition, a number of transmission upgrades would be required within Northern Ontario to connect new resources and to enable power to be transferred within the region.
- Future supply decisions would weigh a number of factors, including cost, emissions, the nature of the resource (i.e. peaking or baseload) and the need for new transmission.

4. Conservation and Energy Efficiency Programs

- The cost of energy is having a significant impact on families in Northern Ontario and their ability to maintain stable housing, made worse by the poor state of housing and the lack of access to affordable energy.
- The Ontario Energy Support Program is not giving "working poor" families the support it should.
- Kenora District spent nearly 7% of its Community Homelessness Prevention Initiative budget to help families with the hydro arrears.

<u>Suggested Response:</u>

- **Ontario has a suite of conservation and energy efficiency programs in place that help homes and businesses (including municipal, commercial and industrial customers) manage rising electricity prices through energy management services and financial incentives for the installation of electricity savings measures.**

- **Electricity conservation programs are available through local distribution companies (LDCs) such as Hydro One. Ontario's two largest natural gas utilities, Enbridge and Union Gas, also offer energy efficiency programs to their customers.**

Background:

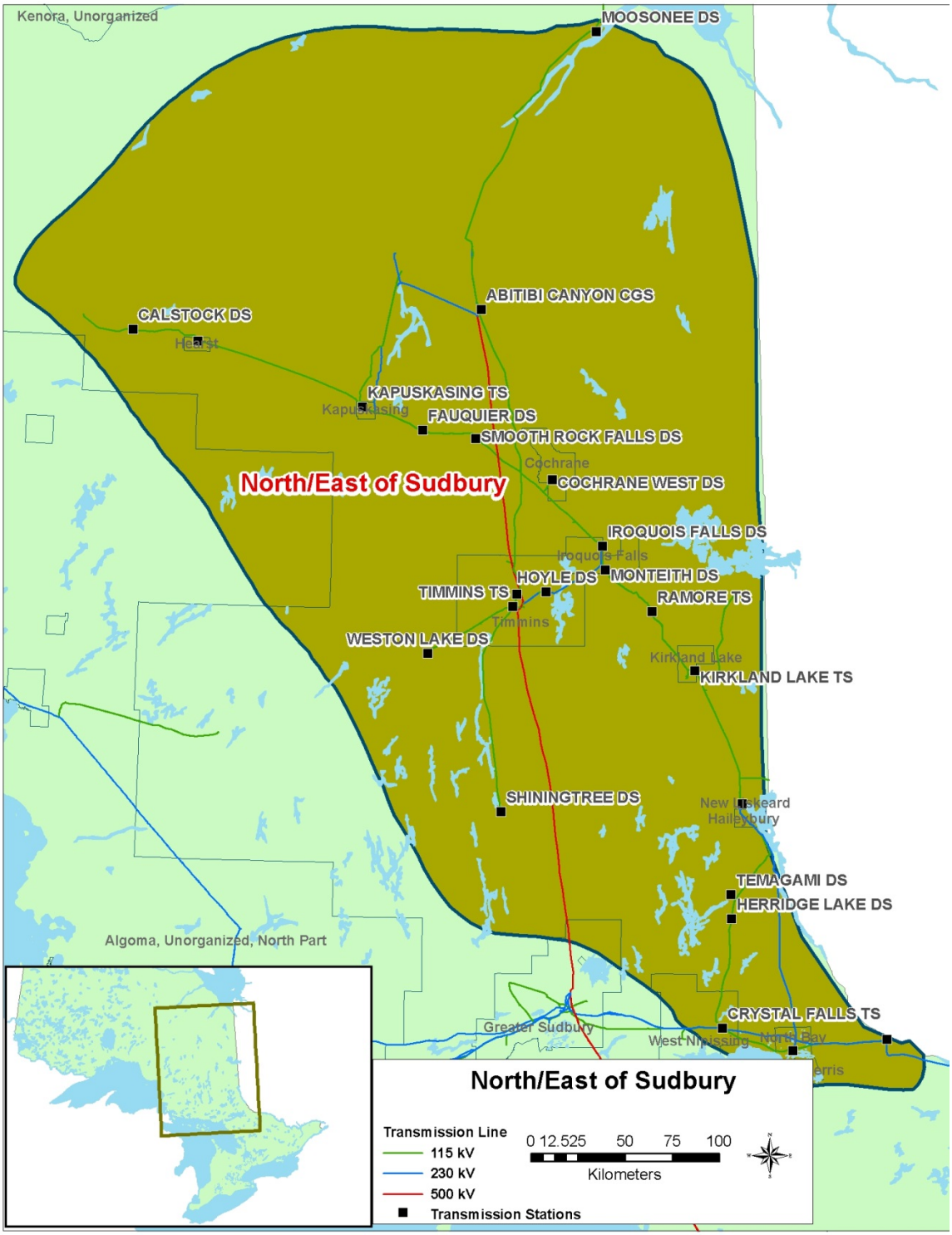
- As we plan for Ontario's energy needs for the next 20 years, conservation will be the first resource considered, wherever cost-effective.
- On January 1, 2015, Ontario launched the six-year Conservation First Framework to support province-wide and local electricity conservation and demand management (CDM) programs.
- The Conservation First Framework is aligned with the natural gas Demand Side Management (DSM) Framework to enable greater collaboration of conservation efforts among electricity and natural gas utilities.
- Between 2011 and 2016, nearly 16,000 projects were completed by businesses in Northern Ontario through Save on Energy electricity conservation programs - including the Small Business Lighting, Retrofit and Process and Systems Upgrade Initiative.
- In order to further improve the availability of programs for customers, on December 16, 2016, the Minister of Energy directed the IESO to, among other items, require that province-wide CDM programs be delivered in each distributor service area (if LDCs choose not to deliver, IESO will deliver on their behalf).
- See the Appendix for an illustrative list of conservation and energy efficiency programs.

KEY FACTS:

- The Kapuskasing & District Chamber of Commerce (KDCC) is a non-profit, member-driven organization that has served as the voice of the region's business community since 1962.
- The KDCC is governed by a 10-member Board of Directors, which uses feedback and input from its 100 members and other community organizations to ensure that it continues to build a strong business climate through networking, information sharing, member programs and advocacy.
- The KDCC offers a variety of services and products to its members and the broader business community, which include informational and networking events, member-to-member discounts, exposure and recognition, news and access to the Ontario Chamber of Commerce and Canadian Chamber of Commerce networks, and more!

1. Regional Planning

Map: North/East of Sudbury Region



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2. Conservation and Energy Efficiency Programs

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For residential customers, electricity and natural gas energy efficiency programs include:

- Save on Energy rebates help offset the cost of purchasing and installing new heating and cooling equipment in the home, and coupons are available to help Ontarians save on a wide range of energy-efficient products, including LED bulbs, power bars with integrated timers or auto-shutoff, and more.
- For low-income electricity customers, the Save on Energy Home Assistance Program offers detailed in-home energy assessments and installation of energy-saving measures at no cost. Enbridge Gas and Union Gas have similar programs for their natural gas low-income customers.
- Financial incentives are available for home energy audits and energy retrofits through Enbridge Gas' Home Energy Conservation Program and Union Gas' Home Reno Rebate. These programs have been extended across the province to homes that heat with natural gas, oil, propane and wood through a $100 million provincial investment from the Green Investment Fund.

For business customers, programs include:

- The Save on Energy Retrofit Program provides various incentives for as much as 50 per cent of project costs, and advanced funding for assisted and social housing buildings, for updating old or inefficient equipment. Up to $2,000 in incentives are available for new energy efficient lighting.
- Enbridge and Union provide financial incentives for a list of natural gas reducing measures (e.g. furnaces, water heaters, ovens etc.), and for custom natural gas reduction projects. The RunSmart and RunItRight programs help to enhance and optimize existing building systems and operations to fine energy efficiencies.
- The Industrial Accelerator Program (IAP) assists eligible industrial, commercial and institutional customers that are connected to the IESO transmission grid to fast-track capital investment in major energy-efficiency projects. Transmission-connected customers with distribution-connected sites can also elect to have these administered through the IAP.

For the industrial sector, programs include:

- The Industrial Accelerator Program (IAP) assists eligible transmission-connected companies to fast track capital investment in major energy conservation projects. The program will provide 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.

- The Process and Systems Upgrade Initiative (PSUI) is an industrial conservation program available to *distribution-connected* industrial and commercial. The program helps organizations with complex systems and processes identify, implement, and validate energy efficiency projects from start to finish.
- The IESO holds annual demand response auctions which provide availability and utilization payments to successful participants that commit to reducing their consumption when called upon to do so.