

RE: CONFIDENTIAL - GGRA Proceeds for Industrial Electricity Consumers

From: "Maghera, Mandy (MOECC)" <mandy.maghera@ontario.ca>
To: "Teliszewsky, Andrew (ENERGY)" <andrew.teliszewsky@ontario.ca>
Date: Mon, 17 Oct 2016 14:23:16 -0400

Our joint meeting is next Tuesday. Tomorrow will be a chance for you and I to connect in general. See you then.

From: Teliszewsky, Andrew (ENERGY)
Sent: October-17-16 2:19 PM
To: Maghera, Mandy (MOECC)
Subject: RE: CONFIDENTIAL - GGRA Proceeds for Industrial Electricity Consumers

Thanks. I think we have it on the books to meet on Tuesday afternoon.

From: Maghera, Mandy (MOECC)
Sent: October-17-16 10:01 AM
To: Teliszewsky, Andrew (ENERGY)
Subject: CONFIDENTIAL - GGRA Proceeds for Industrial Electricity Consumers

Hi Andrew,

We have been brain storming how we can offset rate increases from cap and trade for ICI customers. Below are some options that we came up with that I thought you should have a look at in advance of our joint meeting on Friday.

POTENTIAL Options_[\[1\]](#)

1. Global Adjustment and Targeted Program Funding

- o * Energy had originally proposed to direct cap and trade proceeds through the global adjustment mechanism (GAM) to residential, commercial and industrial users to achieve the 2016 Budget commitment. Use of the GAM would directly support GHG reductions as cap and proceeds could be attributed to reductions from ratepayer funded activities such as conservation or renewable energy procurement.
- o For industrial users who would not benefit from the above, introduce a targeted funding program to provide rate relief. To ensure alignment with GHG reductions, suggest provision that acceptance of funding be tied to development and execution of a "carbon management plan".

2. Global Adjustment and the Northern Industrial Electricity Rate Program

- o * Energy had originally proposed to direct cap and trade proceeds through the global adjustment mechanism (GAM) to residential, commercial and industrial users to achieve the 2016 Budget commitment. Use of the GAM would directly support GHG reductions as cap and proceeds could be attributed to reductions from ratepayer funded activities such as conservation or renewable energy procurement.
- o For industrial users who would not benefit from the above and located in

Northern Ontario, funding to be targeted through the existing Northern Industrial Electricity Rate Program (NIERP); however not all facilities would be able to access benefits under the GAM or NIERP, and NIERP does not have GHG reduction objectives.

3. Enhanced Industrial Conservation Initiative

- o In addition to the broadening of the Industrial Conservation Initiative (ICI), cap and trade auction proceeds could be used to lower off-peak electricity rates to provide additional incentive to shift production / energy demand to off-peak periods; however peak electricity demand periods may or may not coincide with periods of peak electricity GHG emissions and not all users may be able to further shift their energy use.

4. Non-Utility Generator Buy-Out

- o * In 2014, 96% of GHG emissions from Ontario's electricity sector were a result of the 7% of electricity supply provided by natural gas generation ^[2]. While some plants operate as marginal or peak capacity, a number are contracted as non-utility generators (NUGs) to provide continuous operation. With NUG contracts expected to be phased out over time, cap and trade proceeds could be used to 'buy out' the remaining term of NUG contracts, thereby reducing GHG emissions from Ontario's baseload generation.
- * Option would reduce GHG emissions by de-carbonising baseload generation through replacement with low and zero-carbon generation; however resulting changes would require a re-calculation of the electricity sector cap over the first compliance period to avoid over-allocation.

Thanks,

Mandy Maghera

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^[1] Energy may identify additional mechanisms

^[2] Environment & Climate Change Canada, National Inventory Report: 1990-2014, Part 3: Table A13-7