MEETING NOTE

NAME OF ORGANIZATION:	**Association of Major Power Consumers in Ontario (AMPCO)**
DATE/TIME OF MEETING:	**October 16, 2017**
LOCATION OF MEETING:	**Legislative Dining Room**

PURPOSE: To discuss AMPCO's current priorities

ATTENDEES:

Minister of Energy
Glenn Thibeault

AMPCO
Colin Anderson, President and CEO
Mark Passi, Chair, AMPCO; Energy Manager, Sudbury Integrated Nickel Operations (Glencore)

Vale Canada
Jody Kuzenko, Director, Refining

NOVA Chemicals
Tom Lacey, Energy Manager

General Motors Canada
Doug Yates, Environmental Group Manager

LAST MEETING: March 2017

OVERVIEW:

- The Association of Major Power Consumers in Ontario's (AMPCO) primary concern is electricity affordability. AMPCO is in favour of more price mitigation programs.

- They refer to their priority concerns as the "Three Cs":
  - **Competitiveness** (a NIER-style rebate for auto and petrochemical)
  - **Capital Attraction** (a guaranteed rate for new/expanded investment)
  - **Carbon Pricing** (protection from the impact of cap and trade on electricity prices, especially post-2020)

<u>**Suggested Response:**</u>

On competitiveness / capital attraction

- I've heard your advocacy about the importance of keeping in place the existing industrial electricity programs – including ICI and the NIER program.

- There are many factors that influence capital investment decisions, including access to markets and a high-quality workforce. I understand that electricity prices are another factor in this decision-making process.

- I don't have an answer today, but I've heard your concern and we continue to explore how additional programs to support businesses both large and small could work.

If asked about cap and trade price impacts

- The $3/MWh savings provided by shifting the costs associated with OESP and RRRP to provincial revenues as part of Ontario's Fair Hydro Plan has more than offset the impact of cap and trade on electricity prices for the vast majority of electricity intensive consumers.

    - We will continue to monitor the impact of cap and trade on electricity prices, and adjust course if necessary.

- Discussions are continuing about the cap and trade market design after 2020. I hear your concerns, and will ensure they are part of the conversation.

If asked about cap and trade price impacts

- Currently, the average industrial electricity price in Ontario is lower than the average price in the Great Lakes region as reported by the U.S. Energy Information Administration. Consumers in Northern Ontario that participate in the NIER Program can achieve even lower rates.

- While I understand that the benefits vary, the Industrial Conservation Initiative (ICI) has been successful at lowering industrial electricity costs – significantly for some companies, and modestly for others.

- Government has taken a number of actions to reduce electricity ratepayer costs.

    As just one example, suspending the second round of the Large Renewable Procurement (LRP II) process and the Energy-from-Waste Standard Offer Program is expected to save up to $3.8 billion in costs.

- The Debt Retirement Charge (DRC) is scheduled to end for commercial, industrial and other non-residential electricity users on April 1, 2018.

APPENDIX

Cap and Trade – Impact on Electricity Market and Generators

- The compliance obligation (point of regulation) is set at the fuel distribution level for all electricity generators.

- Gas LDCs are responsible for managing carbon allowances for their customers.

    All emissions from electricity generation are subject to a carbon price through the cost of fuel.

- The wholesale hourly Ontario electricity price (HOEP) is expected to increase as a result of natural gas generators including the cost of carbon in their offers.

- An increase to HOEP results in a similar decrease to the GA. Since large industrials manage their GA through the ICI program, they are more exposed to increases in HOEP.

Typical All-In Industrial Electricity Prices (Illustrative) - Canadian Dollars

Note: Prices are based on year-to-date May 2017 data from the U.S. Energy Information Administration and year-to-date April 2017 data from the IESO for a transmission-connected Class A consumer. U.S. prices are converted at an exchange rate of 1 USD = 1.25 CAN. The $20/MWh difference between the Ontario-South price and the Ontario-North price reflects the Northern Industrial Electricity Rate Program rebate.