MEETING NOTE

NAME OF MUNICPALITY/ORGANIZATION: Federation of Northern Ontario Municipalities (FONOM)

DATE/TIME OF MEETING: Tuesday, January 23, 2018 (9:15 a.m. - 9:30 a.m.)

LOCATION OF MEETING: TBD

ATTENDEES: **Minister of Energy**
Glenn Thibeault

Federation of Northern Ontario

LAST MEETING: AMO 2017

AGENDA:

1. Electricity costs for municipalities

NOTES ON AGENDA ITEMS:

1. Electricity costs for municipalities

- FONOM is concerned about municipal government electricity costs associated with running municipal facilities, particularly given that rate mitigation measures have been introduced for other sectors (i.e. the residential, small business, farm, and industrial sectors).

Suggested Response:

- **Helping municipalities succeed and thrive is part of the government's plan to build Ontario up.**

- **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.**

  - **The reduction reflects a number of initiatives, including the refinancing of a portion of the Global Adjustment (GA), the shifting of cost recovery for electricity support programs (the Ontario Electricity**

Support Program and the majority of Rural or Remote Rate Protection) from electricity bills to provincial revenues, and the 8 per cent rebate introduced on January 1, 2017.

  - **Electricity consumers that are eligible for the 8 per cent rebate, including smaller municipal facilities, are also eligible for GA refinancing.**

- **Consumers of all sizes, including municipal buildings, are benefitting from the shifting of cost recovery for electricity support programs from electricity bills to provincial revenues. This action is lowering regulatory charges for everyone by approximately $3/MWh.**

- **Ontario has also recently expanded the Industrial Conservation Initiative (ICI), including:**

  - **Lowering the eligibility threshold from 3 MW to 1 MW and removing sector restrictions on January 1, 2017, which would allow municipal facilities over 1 MW to participate; and**

  - **Including smaller manufacturers and greenhouses between 500 kW and 1 MW, as part of Ontario's Fair Hydro Plan.**

- **This is in addition to steps Ontario has already taken to mitigate electricity costs, including for medium-sized electricity consumers, such as:**

  - **The SaveONenergy suite of programs, which offers a variety of financial incentives to distribution-connected customers, including municipalities, to increase energy efficiency and save money on their bills.**

  - **The decision 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 estimated. This will save these consumers another $7/MWh.**

  - **Reducing electricity system costs, including through amendments to the Green Energy Investment Agreement, reducing Feed-in Tariff prices, introducing a competitive process for procuring power from large renewable energy projects and deferring the construction of new nuclear units.**

- **Moving forward, as explored in the 2017 Long-Term Energy Plan (LTEP), the Independent Electricity System Operator's (IESO) Market Renewal initiative is expected to save up to $5.2 billion over a 10-year period. Market**

Renewal aims to provide a more efficient marketplace with competitive and transparent mechanisms to meet system needs at lowest cost.

- **Market Renewal forms a key component of Ontario's plan to ensure the affordability of electricity for everyone in the longer term.**

- **Ontario is also continuing to look for new ways to provide electricity rate assistance to consumers that are too large to be eligible for the Ontario Energy Board (OEB)'s Regulated Price Plan (RPP) and too small to be eligible for ICI.**

- **I encourage all FONOM member municipalities to apply to the Municipal Energy Plan (MEP) program as a tool to help strategically address future energy needs in their communities. The Ministry of Energy supports municipalities' efforts to better understand their local energy needs, identify energy conservation and greenhouse gas (GHG) emissions reduction opportunities, support economic development strategies, and develop plans to meet their goals through the MEP program.**

Background:

Ontario's Fair Hydro Plan

- Over the last decade the government has rebuilt our transmission and distribution grid, invested in clean generation, and closed the last coal-fired power plant. Prices have increased because our electricity system is being transformed – nearly $70 billion has been invested to modernize the system.

- The government has been making important investments in a cleaner and more reliable energy system, but these investments have led to higher electricity bills.

- Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent on average for residential consumers, 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.

- Eligibility for GA refinancing is aligned with the *Ontario Rebate for Electricity Consumers Act, 2016,* which means that consumers who are eligible for the 8 per cent rebate are also eligible for GA refinancing.
    - Smaller municipal facilities (i.e. that are eligible for the Ontario Energy Board (OEB)'s Regulated Price Plan (RPP)) would be eligible for GA refinancing.

- All consumers are benefitting from the decision to shift cost recovery for electricity support programs from electricity bills to provincial revenues. This action has reduced regulatory charges by approximately $3/MWh.

Industrial Conservation Initiative (ICI)

- ICI lowers costs for eligible large electricity consumers that reduce consumption during peak hours. This benefits participants financially and benefits the system by reducing the need to build new peaking generation.

  - Following recent expansions of the program, 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.
  - Due to the January 1, 2017 removal of sector restrictions, large municipal facilities over 1 MW are now eligible to participate in ICI. Previously, consumers between 3 and 5 MW could only participate if they belonged to the manufacturing, mining, refrigerated warehousing, greenhouses and data processing sectors.

  - Newly eligible consumers had the opportunity to opt-in to the ICI program and would have begun seeing a benefit on their July 2017 bills.

Market Renewal

- Market Renewal, led by the IESO, aims to transform Ontario's electricity market and ensure the affordability of electricity in the longer term. The project involves several initiatives, such as:

  - Implementing a capacity auction, a more flexible, cost-effective and competitive procurement process that will better reflect and respond to system needs. A capacity auction allows existing and new generation facilities, demand-side initiatives, and emerging technologies to compete in a robust market to supply capacity to the Ontario system, helping to ensure ratepayers receive the best prices possible.

  - Improving the scheduling of electricity imports and exports on the interties, which are the transmission lines going to neighbouring states and provinces. This will allow more imports of lower-cost generation, and provide greater revenue and access to export markets for Ontario generators.

  - Enhancing wholesale electricity market operability, such as developing a Day-Ahead Market that will allow for improved certainty and more cost-effective and efficient decision-making as supply resources are dispatched in real time.

- Taken together, the initiatives under Market Renewal are expected to save up to $5.2 billion over a ten-year period, helping put downward pressure on everyone's bills.

Conservation Programs

- Ontario has a suite of conservation and energy efficiency programs in place that help homes and business consumers (including municipalities) manage their energy usage and bills, through services and financial incentives for the installation of energy saving measures, or information to promote the wise use of energy.

- These programs are available through the Independent Electricity System Operator (IESO), local distribution companies (LDCs) and natural gas utilities.

- Examples of electricity conservation programs that municipalities can benefit from are listed below:

Conservation and energy efficiency programs for business and institutional customers:

Electricity:

  - The Save on Energy Retrofit Program provides incentives of as much as 50 per cent of project costs for updating old or inefficient equipment, including lighting, motors, unitary AC or packaged rooftop units, variable frequency drives, and compressed air systems. Advanced funding is available for assisted and social housing buildings.

  - Save on Energy Small Business Lighting provides incentives of up to $2,000 for new energy efficient lighting.

  - Save on Energy Small Business Refrigeration Incentive program provides up to $2,500 in refrigeration upgrades, which can increase reliability, cut costs and reduce food spoilage.

  - Save on Energy Audit Funding of up to 50% of the cost of an energy audit to identify opportunities for energy efficiency upgrades and eligible incentives.

  - Save on Energy Process and Systems provides up to $50,000 for engineering studies and up to 70% of capital costs for energy efficiency upgrades.

  - Save on Energy Energy Manager program is available through your local hydro company or through the IESO. Energy managers are trained to find energy savings, identify smart energy investments, secure financial incentives, and unleash competitive advantage.

- IESO's Save on Energy Training and Support initiatives help provide access to the most up-to-date training, such as in building commissioning, certified measurement and verification, and how to be an energy manager.

Natural Gas:

- Under their fixed incentive offers, Enbridge and Union provide financial incentives for a set list of natural gas reducing measures (e.g. furnaces, water heaters, ovens etc.), typically with pre-determined incentive amounts and estimated savings.

- Under their custom incentive offers, Enbridge and Union provide financial incentives for customized natural gas reduction projects.

- The Union Gas *RunSmart* and Enbridge Gas *RunItRight* programs help to enhance and optimize existing building systems and operations to find energy efficiencies.

Removal of the Debt Retirement Charge (DRC)

- The decision to remove the Debt Retirement Charge (DRC) for commercial, industrial and other non-residential electricity users will save these consumers $7/MWh.
- The Ministry of Finance amendment in Bill 144, Budget Measures Act 2015, sets a fixed date for removing the DRC for commercial, industrial and other non-residential electricity users on April 1, 2018, nine months earlier than previously estimated.

- Ending the DRC on a legislated fixed date provides certainty to commercial, industrial and other users to help them plan their investments more effectively.

Municipal Energy Plan (MEP) Program

- Four FONOM member municipalities are MEP program participants,:
  - The City of Greater Sudbury,
  - The City of Sault Ste. Marie,
  - The City of Temiskaming Shores, and
  - The Municipality of Wawa.

- The Municipal Energy Plan (MEP) program is available to all municipalities across Ontario.

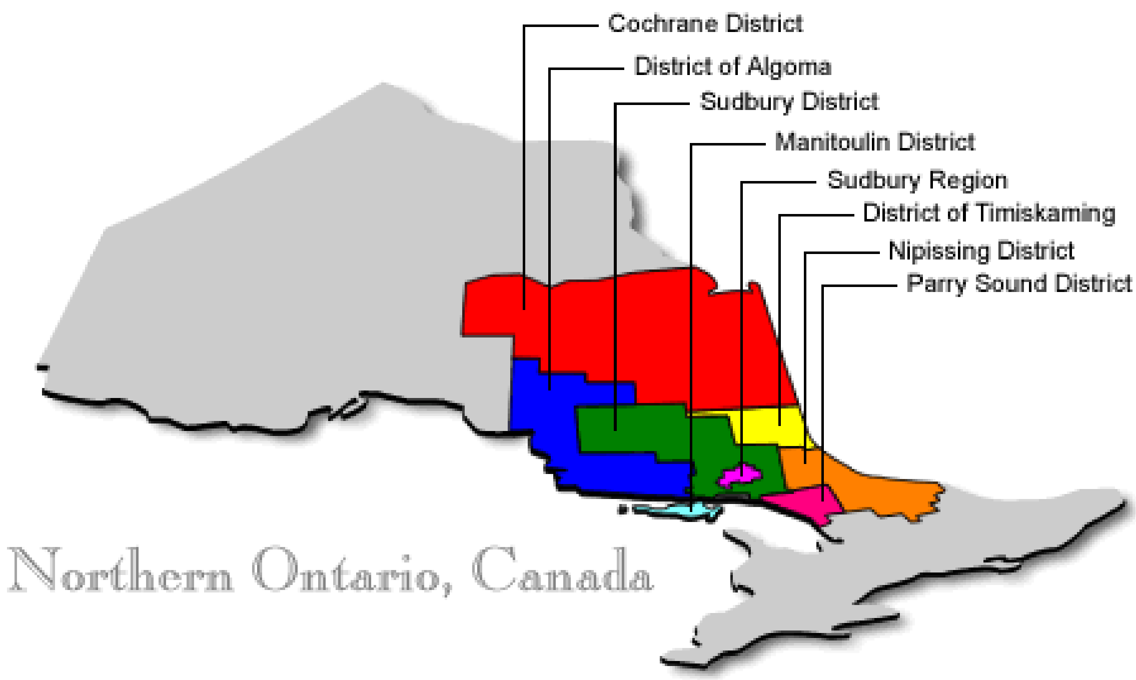
- The MEP program has two streams of funding:
  - Stream 1 provides successful applicants with 50 per cent of eligible costs, up to a maximum of $90,000 to develop a municipal energy plan.

    - Stream 2 provides successful applicants with 50 per cent of eligible costs, up to a maximum of $25,000 to update or enhance an existing energy plan.

- MEP program participation is one path to eligibility for the province's Municipal GHG Challenge Fund. The government launched the Municipal GHG Challenge Fund in August 2017. Municipalities may request up to $10 million per project to reduce GHGs in the building, energy supply, water, transportation, waste and organics sectors.

Federation of Northern Ontario Municipalities (FONOM)

The Federation of Northern Ontario Municipalities (FONOM) is a membership-based association that draws its members from Northeastern Ontario and the following districts: Cochrane District, District of Algoma, Sudbury District, Manitoulin District, Sudbury Region, District of Timiskaming, Nipissing District and Parry Sound District. FONOM represents 110 cities, towns and municipalities throughout Northeastern Ontario. Its mission is to improve the economic and social quality of life for all northerners.



MEDIA SCAN:

There were no energy-related issues.