

April 29, 2020

Hon. Greg Rickford
Minister of Energy, Northern Development and Mines
Room 5630, 5th Floor
99 Wellesley St. W
Toronto, ON M7A 1W1

RE: Electricity rate relief for businesses during the COVID-19 pandemic

Dear Minister Rickford,

Thank you for your continued leadership during the COVID-19 pandemic. As the situation evolves, the Ontario Chamber of Commerce (OCC) is receiving concerns from the business community and communicating them to all levels of government.

Today, I am writing to propose a series of measures to address the impacts of COVID-19 on businesses' electricity rates. As a result of the crisis, demand for electricity has declined in Ontario while Global Adjustment (GA) costs have risen.

Residents, farms, and some small businesses are largely insulated from these impacts through the Regulated Price Plan (RPP). However, Class A and non-RPP Class B customers are expected to see their GA costs increase by an average of 30 percent and 31 percent, respectively.¹ The consequences will be severe for many businesses, particularly when revenues are lower than normal, as electricity costs were already a major competitiveness challenge pre-COVID-19.

For Class A customers, we urge you to:

1. **Give Class A customers the option to freeze peak demand factors for one year.** The Industrial Conservation Initiative (ICI) incentivizes Class A customers to shave their peak demand in order to reduce their rates the following year. This summer, reducing consumption could dampen economic recovery, while the electricity grid would not benefit from additional reductions in demand at this time. Class A customers should be given the option to either continue with regular ICI timelines or use 2019/20 peak demand factors to determine their 2021/22 rates.
2. **Adjust ICI eligibility for 2020/21.** Eligibility for the ICI is determined based on average demand within a 12-month period, up to May 1st. Many Class A customers that were on the cusp of eligibility this year may slip into Class B because of reduced demand in March and April. As a result, we recommend removing these two months from the eligibility calculation for the 2020/21 cycle.

¹ Impact modeling provided by Sussex Strategy Group.

For Class B customers, we recommend that you:

3. **Temporarily cap GA costs for Class B customers.** This measure would help limit cost increases for businesses while providing them with greater predictability going forward. It is important to establish this as a temporary COVID-19 relief tool by specifying a sunset date, such as 90 days, or tying it to the phased reopening of Ontario's economy.

Finally, we suggest the following to support longer-term rate reductions:

4. **Introduce a program to incentivize smart load growth.** When overall demand for electricity increases, supply costs are distributed across a larger consumption base and new demand can be managed to avoid increased system costs. To attract investments in industrial and commercial activity, we suggest offering a competitive electricity rate that includes a fixed amount of GA costs. Requirements for use of advanced energy management systems can ensure high energy productivity and flexible demand that can act as a system asset. If designed strategically, this program could have long-term benefits for Ontario's regional economic development, social, and environmental objectives.
5. **Support electrification.** Policies to promote electrification, including the adoption of electric vehicles and heat pumps in residential and commercial buildings, can reduce overall electricity rates while creating jobs in a period of economic recovery.

We welcome the opportunity to discuss these proposals further. Public health and safety are priorities for all Ontario businesses. We will continue to monitor and assess new developments pertaining to COVID-19 closely and work with our members, partners, and all levels of government to provide support to Ontario business.

Sincerely,



Rocco Rossi
President and CEO
Ontario Chamber of Commerce