



September 18, 2020

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

The Honourable Bill Walker
Associate Minister of Energy
77 Grenville Street, 10th Floor
Toronto, Ontario
M7A 1B3

Submitted via email

Re: Ontario Industrial Electricity Pricing

Dear Ministers Rickford and Walker:

We are writing on behalf of the undersigned organizations to urgently request industrial electricity rate reform to strengthen cost competitiveness for Ontario industry.

Over the course of the COVID-19 pandemic, we have appreciated the important steps that the Government has taken to provide relief to industry in order to mitigate the financial impacts to our members. These steps have included freezing WSIB premiums, deferring provincially regulated taxes, and flexibility on infectious disease leave.

We were pleased that, earlier this week, the government referenced manufacturing as a core focus of its Fall legislative agenda. To ensure a prosperous manufacturing sector, competitive industrial electricity rates are a critical component to drive growth and investment in the sector. That said, our organizations collectively recognize that Ontario's industrial electricity rates are not competitive with other jurisdictions. According to London Economics International (LEI), Ontario manufacturers pay up to 75 per cent more in electricity costs compared to US jurisdictions. To make matters worse, before COVID-19, monthly Global Adjustment (GA) costs had already exceeded \$1 billion. Now, with the effects of a pandemic-induced diminished demand in the province, total annual GA costs are set to exceed \$14 billion.

We also cannot lose sight of the fact that Ontario is falling behind in its ability to attract new investment and growth and that lowering electricity costs is critical to reversing this trend. While the short-term recovery numbers are impressive, our economy was already on very shaky ground heading into the pandemic, due to supply chain disruptions caused by the CN rail blockades in early 2020, a trade war-induced decline in global trade in 2019, and, before that, years of stagnant investment and an ineffective regulatory environment. In fact, in 2018, manufacturing investment in Canada was 17.3 percent below 2000 levels. As a comparison, manufacturing investment in the US was 27.4 per cent higher in 2018 than in 2000. The economy as a whole has a long way to go until it recovers, and the recovery could take years.

With companies still struggling with cash flow and liquidity issues and a growing need to stimulate economic activity, extraordinary times call for extraordinary measures. We need competitive industrial electricity rate structures that attract new investment and growth in the province and enable companies to innovate, grow, and enhance their productivity. In that spirit, it cannot be underscored enough that actions taken by the US will include focused and dramatic subsidies to maintain and repatriate its manufacturing and industrial base. Given this, Ontario must act promptly and decisively to guard against this and ensure that companies stay in Ontario. Therefore, our organizations recommend the following to help lower electricity costs for industry:

1. Introduce a competitive industrial electricity rate program to lower electricity costs for industry that does not benefit from the ICI
2. Maintain the Industrial Conservation Initiative (ICI) program
3. Take steps to address Global Adjustment charges to reduce electricity costs for all ratepayers
4. Introduce a competitive investment electricity program similar to Quebec's Tariff L program or New York State's Recharge NY program

We would very much like to work with you to develop a more cost-competitive industrial electricity framework to put Ontario's industry on the best possible footing for economic recovery. We would also like to request that, in addition to associations such as our own, specific Ontario industrial entities be included in those discussions, so that specific customization options can be advanced and understood for the benefit of all.

Thank you for your ongoing commitment to Ontario's manufacturing sector. We would be pleased to discuss this issue and any other issues relevant to industry at your convenience.

Sincerely,



Dennis Darby
President and CEO
CME



Rocco Rossi
President and CEO
OCC



Colin Anderson
President
AMPCO

cc Hon. Doug Ford, Premier
Hon. Rod Phillips, Minister of Finance
Hon. Vic Fedeli, Minister of Economic Development, Job Creation and Trade Minister
Hon. Peter Bethlenfalvy, President of the Treasury Board
Hon. Caroline Mulroney, Minister of Transportation
Hon. Christine Elliott, Minister of Health
Hon. Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs
Hon. John Yakabuski, Minister of Natural Resources and Forestry
Hon. Laurie Scott, Minister of Infrastructure
Hon. Lisa MacLeod, Minister of Heritage, Sport, Tourism and Culture Industries
Hon. Lisa Thompson, Minister of Government and Consumer Services Minister
Hon. Monte McNaughton, Minister of Labour, Training and Skills Development
Hon. Prabmeet Sarkaria, Associate Minister of Small Business and Red Tape Reduction
Mr. Stephen Davidson, Secretary of the Cabinet
Mr. Stephen Rhodes, Deputy Minister, MENDM
Mr. Giles Gherson, Deputy Minister, MEDJCT