

## Sector Briefing Note

To: Stakeholder Advisory Committee  
From: Mike Humphries - Embedded Industrial Consumers  
Date: June 3, 2009  
Subject: **GREEN ENERGY ACT**

Item for table discussion
---------------------------

Each Stakeholder Advisory Committee member has been asked to provide this briefing note to address two questions:

**a. How do you see the Green Energy Act impacting your sector?**

See attached letter from the Canadian Manufacturers & Exporters to Minister Smitherman, dated May 19, 2009

**b. Are there specific actions the IESO should consider to assist your sector in Green Energy Act implementation?**



**Canadian  
Manufacturers &  
Exporters**

**Ontario**

6725 Airport Road, Suite 200  
Mississauga ON L4V 1V2  
**Tel:** 905- 672-3466 / 800-268-9684  
**Fax:** 905-672-1764  
**[www.cme-mec.ca](http://www.cme-mec.ca)**

May 21, 2009

Hon. George Smitherman  
Minister of Energy & Infrastructure, and Deputy Premier - THE EXECUTIVE COUNCIL  
OF ONTARIO  
Hearst Block  
4th Flr  
900 Bay St  
Toronto ON M7A2E1

Dear Minister Smitherman,

On behalf of Canadian Manufacturers & Exporters (CME) I am writing to provide input on Bill 150, the Green Energy and Green Economy Act, 2009 (GEA or Bill 150). I hope that you will find this input useful.

Canadian Manufacturers & Exporters (CME) is Canada's leading trade and industry association and the voice of manufacturing and global business in Canada.

The association directly represents more than 10,000 leading companies nationwide. More than 85% of CME's members are small and medium-sized enterprises. As Canada's leading business network, CME, through various initiatives including the establishment of the Canadian Manufacturing Coalition, touches more than 100,000 companies from coast to coast, engaged in manufacturing, global business and service-related industries.

CME's membership network accounts for an estimated 82% of total manufacturing production and 90% of Canada's exports.

CME supports the intent of the GEA to create opportunities for manufacturers and exporters and improve the environment. We recognize the opportunities that this legislation may present for many manufacturers and we all benefit from a cleaner environment.

CME members also rely on a competitively priced and reliable supply of electricity in Ontario. It is therefore imperative to our members that this legislation achieves the stated objectives without compromising the fundamental tenants of cost effectiveness and reliability of supply. Therefore, we offer the following recommendations to enhance the legislation with these tenants in mind.

#### **The economic imperative:**

Section 4 of Bill 150 currently requires transmitters to connect new renewable power generation subject only to criteria that is loosely defined in the legislation. This is a dramatic departure from the current model, which requires detailed scrutiny by the



Ontario Energy Board (OEB) as to the economic prudence and cost effectiveness of the undertaking. CME feels that such scrutiny of renewable projects is necessary to ensure that the benefits are truly sustainable. We recognize that the Ontario Power Authority (OPA) is currently developing such criteria; however, the economic imperative must be clearly defined in the legislation in order to give businesses confidence that rates will remain competitive.

***CME recommends that Bill 150 be amended to include requirements on the part of renewable generators to demonstrate to the OEB, economic prudence and cost effectiveness with respect to their grid connectivity. This will ensure that only truly sustainable projects are undertaken.***

#### **Electricity Rate implications:**

Bill 150 establishes a Feed In Tariff (FIT) payment for renewable power generation. This has proven to dramatically increase the installation of renewable power in the jurisdictions where it has been adopted. However, countries that have adopted a FIT also exhibit significantly higher rates for electricity. For example, of the 43 jurisdictions that have adopted a Feed In Tariff (FIT) model, the two that are often cited as leaders are Spain and Germany. In both cases, electricity rates are considerably higher and have broader differentiation between residential and manufacturing rates. In Germany, for example, manufacturers pay around \$0.14 per kWh (EuroStats, 2008) while residential consumers pay \$0.21 per kWh. Given the significantly higher rates being offered for renewable power, it is inevitable that there will be upward pressure on Ontario rates. CME is concerned that this will further exacerbate the current trend towards uncompetitive rates in Ontario.

In the long-term, with economic prudence consideration by the OEB in place, Ontario will likely benefit from additional installed renewable capacity. However, the transition period of higher cost electricity is likely to result in further erosion of our industrial and manufacturing base without action to mitigate the rate impact of the GEA.

CME has been consistently opposed to using the rate base to achieve societal objectives in the past. CME has maintained that the role of the Ontario Energy Board (OEB) should be to ensure reliable power at affordable rates. Bill 150 reflects the government's desire to achieve environmental and societal objectives through legislated changes to the role of the OEB. CME asserts that the government must then balance these objectives with provisions that will ensure a viable manufacturing and industrial base.



***CME recommends that the government take action to mitigate the impact of the GEA on manufacturers to ensure rates remain competitive.***

There are a variety of ways in which rate impact mitigation can be achieved. Examples include, but are not limited to:

- Implementation of differential rates. Many jurisdictions that have implemented a FIT model have differential rates that are lower for large volume consumers relative to residential rates including Germany and Spain.
- The government could wave any further recovery of Payments in Lieu of Taxes (PILs) and stranded debt charges by ratepayers as a condition of passage of this legislation
- CME also believes that the traditional principle of cost causality in electricity rate making should be extended to the costs associated with FIT-driven generation. Loosely put, this principle says, those that benefit should be those that pay. In the case of FIT-driven generation; if FIT-driven generation is only available to the grid in certain seasons (perhaps in the case of some hydro-electric sources) or at certain time of day (like solar energy), then the costs should only be added to the rate base at such times as these forms of generation are supplying power to the grid. So, taking the example of solar energy, the uplift cost associated with this form of energy would only be recovered from those electricity users that use electricity in mid-day daylight hours.

CME is confident that the aforementioned actions will ensure that the GEA can truly realize the objectives of creating opportunities for manufacturers and improving the environment without further compromising the competitiveness of Ontario's manufacturing and exporting sector.

Thank you for your consideration of these recommendations. We would be pleased to meet with you at your convenience to discuss the GEA further.

Yours truly,

Ian Howcroft  
Vice President,  
CME Ontario