

July 4, 2019

Honourable Greg Rickford
Minister of Energy, Northern Development and Mines
10th Floor, 77 Grenville St,
Toronto, ON
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Minister Rickford,

Regarding the Ministry Consultation on Industrial Electricity Prices

The Ontario Federation of Agriculture (OFA) is the leading advocate and voice for 38,000 farm families and businesses across Ontario. These farm businesses and rural communities form the backbone of a robust food system with the potential to drive the Ontario economy forward. We are pleased to provide comments regarding the Ministry consultation on the design and effectiveness of industrial electricity pricing and programs.

Ontario's agricultural sector has had limited ability to participate in the Industrial Conservation Initiative (ICI). Larger demand accounts such as greenhouses and some other energy intense operations participate in ICI and adopted CDM, feed-in-tariff and alternative energy generation where practical. Beyond these large consumers, most farm business accounts are typified as:

- Using an average 25,000 kWh annually, about 11,000 more than rural residential
- General Service Energy or R2 rate class
- Tiered consumption billed, to a lesser extent smart metered

Some 171,250 farm business accounts, 16% of Hydro One Class B rural accounts, consume 4,200 GWh of energy and 400 GW power each year (See Table 1). Most do not qualify for ICI to lower consumption during system peaks and reduce their Global Adjustment component charge. ICI could improve equality by expanding the 500kW threshold to include all agriculture business customers. More small businesses could participate by allowing customers to aggregate their sites within an LDC territory. We also support extending site aggregating to include sites in different LDC regions, considering the IESO objective is to reduce system peaks. Without looking at options to consider small business profiles and needs, the ICI will continue to have little benefit to much of agriculture.

Greenhouse, poultry, dairy and swine are high energy consumers. For this combined agricultural subsector, energy costs, including fertilizers (very energy-cost intense) represent one quarter of all input costs. OFA recommends Ontario support a complete agricultural sector energy profile analysis to expand on the covered agriculture energy profile the IESO and industry stakeholders are currently conducting. A thorough understanding of the entire agricultural energy profile will provide data to support an ICI-type program for farm businesses.

Electricity costs rose 30% from 2012 to 2016, when the provincial government began subsidizing residential rates. Tiered rates rose by 2/3 in the same period. Continuing to subsidize residential rates runs counter to the narrative in neighboring jurisdictions.

Ontario commercial and industrial customers need to pay less GA and urban residential customers must pay more to align with other jurisdictions with large urban centres. Commercial and Industrial rates in Ontario, vis-a-vis residential rates, are uncompetitive compared to our neighbours (See Graph 1). From 2014 to 2017 - the last year with complete published US data - the Ontario disparity has worsened (See Graph 2).

Regarding those farms on TOU billing, livestock and other production facilities requiring controlled environments are very restricted in their ability to shift consumption. It is unreasonable to suggest livestock barns forego HVAC during summer peaks.

OFA supports conducting research into developing rate relief programs based on electricity intensity and/or trade exposure. Like our neighbouring competitors, Ontario agriculture and agri-food businesses are favourably located in a large northeastern food market corridor, but negatively positioned when comparing Ontario commercial electricity rates with these same competitor energy markets.

Ontario businesses would benefit from a mitigation programs based on electricity intensity and trade exposure. Larger agricultural sector electricity customers could benefit from more dynamic pricing structures which allow for lower rates in return for responding to price signals. Smaller customers without the ability to participate in that structure, (through a combination of size constraints, livestock care, no smart meters), would benefit from predictable stable pricing.

Regarding delivery charges, when Ontario began building transmission lines throughout the province, the concept that this would benefit all Ontarians was broadly embraced, and all Ontarians shared in the cost to develop transmission grids to bring rural hydro power to urban centres. However, filling in the vast miles of rural distribution lines throughout rural and northern regions fell squarely on the shoulders of rural customers. This was the development of Ontario Hydro, the largest distribution network in Ontario. Rural farm, residential, commercial and industrial customers have paid for the distribution grid for too long. Ontario must consider improvements to the rural distribution grid as a benefit for all Ontarians and share the cost with all Ontarians.

The Ontario Federation of Agriculture recommends Ontario consider the impact of natural gas on electricity consumption. The average Canadian household uses 11,200 kWh of electricity per year. Albertans use 7,200 kWh compared to Ontario at about 9,500 kWh per year. Higher Ontario

electricity use is directly related to lower natural gas access in Ontario. According to Natural Resources Canada, space heating accounts for 2/3 of total annual household energy consumption. Bringing natural gas to rural Ontario will open economic development opportunities and reduce the cost of basic space heating for rural residents.

The biggest impact to improving electricity costs and predictability for agricultural, small business and commercial customers in rural Ontario is to provide a long-term commitment to building natural gas infrastructure throughout rural and more remote regions. We recommend the province send a clear signal that the Access to Natural Gas Act will be in place for the long-term, combined with forward-looking smart development designed to strategically bring natural gas and expand capacity to commercial and residential customers. Under the Act, Ontario should consider re-designing the monthly levee to a volumetric charge instead of a fixed cost per customer, to ensure that potential commercial and small business customers are presented as desirable connections.

Continued access to natural gas will make more small-scale CHP possible for mid-sized customers and make biogas-to-RNG projects feasible. These opportunities will also support more food and organic waste diversion and plastic reprocessing in rural Ontario.

OFA recommends the Ministry commit to

- long-term natural gas access,
- improve energy bill consistency, predictability and transparency so electricity costs can be directly attributed to business activity, and
- expand unique solutions to allow commercial and industry sectors to work with the IESO to better manage Ontario's electricity grid.

If we don't provide ICI-type tools to the agriculture and agri-food sector, we will fail to sustain job growth and economic development in rural Ontario. Without ICI-type options, agriculture and other commercial sectors will continue investing to exit the grid, because that same investment aimed to lower demand - without a GA adjustment element, still results in higher bills as GA continues to rise and the cost to generate local electricity continues to fall.

Sincerely,



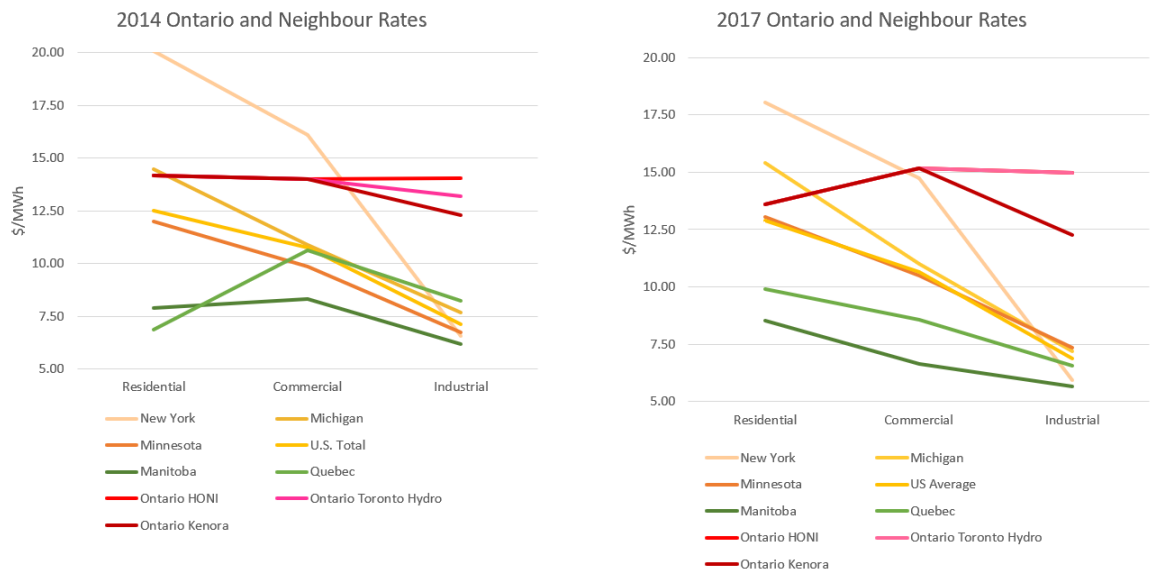
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Table 1: Profile Ontario Farm Customer

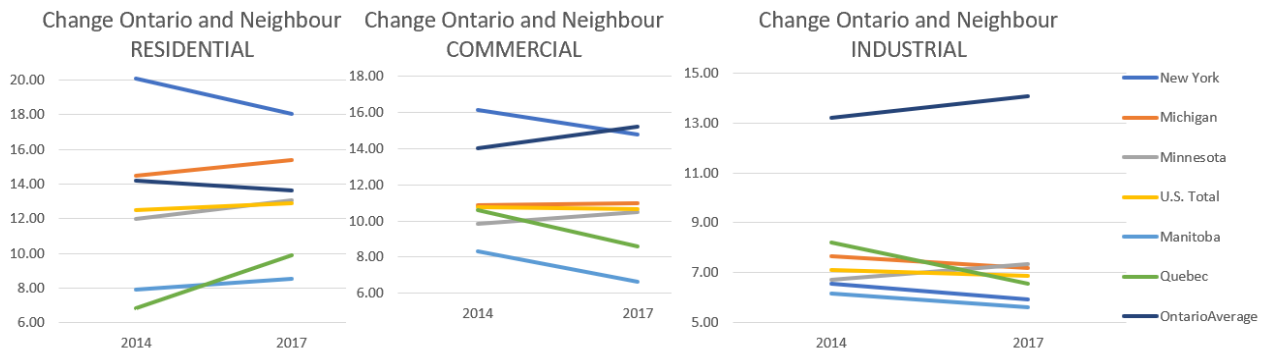
Annual Farm Account Numbers By Hydro One Rate Class (2015)			
Class	Accounts	Average kWh	Total kWh Used
Residential-urban	248	17,476 kWh	4,334,048 kWh
Residential-medium density	7,155	17,259 kWh	123,488,145 kWh
Residential-low density	68,260	21,591 kWh	1,473,801,660 kWh
General service-energy	95,587	27,584 kWh	2,636,671,808 kWh
Av. Energy Billed Total	171,250	24,749 kWh	4,238,295,661 kWh
GS Demand Total kW	732	529,738 kW	387,767,892 kW

Graph 1: Low urban residential rates at expense of rural, commercial and industrial



Ontario, especially rural HONI customers, continues to buck the trend: subsidizing residential customers through higher commercial and industrial rates

Graph 2: Customer Class Rate Changes 2014 - 2017



RESIDENTIAL RATES: Ontario only decline except NY, where residential rates are down but still VERY high

COMMERCIAL RATES: Down in almost all jurisdictions except Ontario Average

INDUSTRIAL RATES: Down almost all jurisdictions except Ontario Average