



Date: March 18th, 2015

RE: CME Response on the Draft Electricity Review Report

Canadian Manufacturers & Exporters (CME), Nova Scotia is providing input for consideration in regards to the Province's draft Electricity Review Report as published February 18th, 2015. CME NS represents various Nova Scotian industrial operations of all sizes, as well as other exporters and suppliers. In Nova Scotia, manufacturing employs over 30,000 and accounts for \$7.3 billion worth of goods sold in 2014. This sector is a critical economic engine that account for 7.5 percent to provincial GDP, adds both directly and indirectly to tax base and provides many employment opportunities for the Province. Additionally, as noted in your report (page 8, understanding our needs) our sector represents approximately 24% of Nova Scotia's total electrical energy usage and consists of the largest electrical consumers. These facts make our members keenly interested in the outcomes of this report as they are key stakeholders to be considered and be incorporated in the Province's future electricity plan.

We are in agreement with the citing in the draft report that Nova Scotia's future electricity needs depend on "variable and complex factors." One of these factors our members see as paramount is affordability; simply put our industries rely on a competitive environment in order to survive and thrive in Nova Scotia. Like other similar industries throughout Canada and beyond, energy is one key component of the cost environment that we operate in.

Government policy can create an environment that is better or worse than average to support existing and or to attract new industry into one jurisdiction or another. Nova Scotia's electricity plan will have an impact on Provincial industries' health and, as such, CME believes that the final report should strengthen some sections and the overall emphasis on affordability, in particular greater recognition of industrial affordability. We stress that competitive industrial electricity rates have important impacts on many of the "Indicators of Prosperity" which along with those already mentioned in the draft Environmental Considerations are a key part of the Province's Environmental Goals and Sustainable Prosperity Act (EGSPA). Not only do successful manufacturing industries directly impact Gross Domestic Product and Net Investment in Capital Stock, they also influence the average income of Nova Scotians and ultimately the number of low income Nova Scotians. Having a successful manufacturing sector also is critical to residential consumers, as without manufacturing jobs, there is no paycheck to pay their own electricity bills.

CME commends the department of Energy in seeking information and input from a variety of sources both technical and public input. We suggest similar to the commissioned ICF International and London economics studies, the Department should consider the findings of a study commissioned by the CME Nova Scotia, "*Industrial Rates as a Growth Driver in Other Jurisdictions*", by Navigant Consulting Ltd, which looked at how Nova Scotia industrial rate structures for electricity compare to other North American and European jurisdictions. Similar to the "Energy Management Working Group" brought together by the Department to discuss issues around energy management systems and highlighted in the draft report, CME is ready to commence work with members of the Departments of both Energy and Economic Development by way of a dedicated working group to address the issues raised regarding industrial

electricity affordability and the key role our members can play in load shifting, energy storage and generally working collaboratively to ensure all generated electricity is not “spilled” or wasted.

Considerations

As a minimum we ask the Department consider addressing in their final report the following two (2) priority issues, as follows:

1. Developing language to provide the Utility and Review Board the flexibility to consider economic considerations in the development of electricity rates to ensure that it has regulatory certainty that it can both provide load attraction and expansion rates (as well as load retention rates) and also consider impacts on industry and the overall economic landscape in the setting of rates. The UARB is a creature of statute and regulatory amendments are likely required to ensure that it has the flexibility to take into account all relevant issues in rate design and the setting of rates. Such an action by Government would also in our view signal that while cognizant of ratepayer concerns the Government is also open to business by providing the potential for economic development rate considerations to be part of innovative rate design and the overall electricity rate setting mix.
2. Working with government partners, develop a program that will provide for energy cost rebates to manufacturing industries that use a relatively large quantity of electricity in their processes. Consistent with the Government's current approach to economic development incentives, such a program could be structured so that the rebate would be provided only upon the continued achievement of certain defined thresholds (i.e. manufacturing production, employment FTEs, payroll, geographic, etc.). A program of this type, depending on its terms, could encourage local existing manufacturers to maintain or potentially grow production while ensuring that the Government only provided assistance after-the-fact by way of an energy rebate. Energy efficiency, demand response and storage considerations could also potentially be part of this program. The first step would be to establish a working group of stakeholders, both private and public sector to explore opportunities and options.

In closing, our expectations are to ensure the manufacturing sector concerns will be represented in the final version of the Electricity Review Report. CME and its members understand there are no easy answers to increasing energy costs, however there needs to be further actions taken as identified above in the considerations section.

Thank you for the opportunity to comment on this important plan for Nova Scotia's energy future. Please accept our organization's comments on the "Draft Electricity Review Report" and seriously consider our request to develop a stakeholder group to explore innovative opportunities.

Sincerely,

CL Reinhardt

Carole Lee Reinhardt,
Vice President CME Nova Scotia,
On behalf of the CME NS Energy Committee and Environment Committee