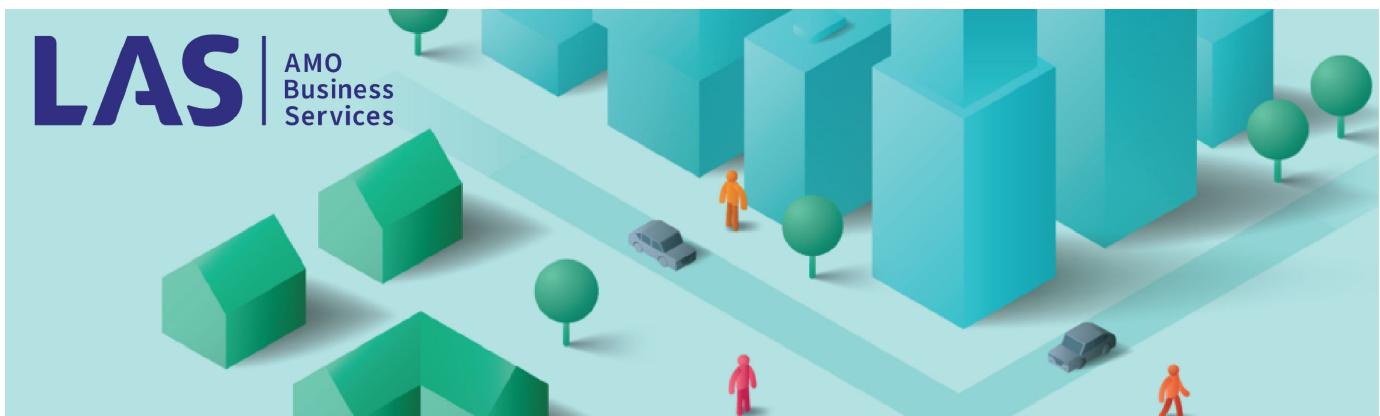


Kelly Lush

From: Kelly Lush
Sent: Thursday, February 4, 2021 4:13 PM
To: Kelly Lush
Subject: FW: Commodity Newsletter Q4 2020

From: LAS Communications <las@las.on.ca>
Sent: January 25, 2021 10:31 AM
To: Mike Fair <mfair@huronkinloss.com>
Subject: Commodity Newsletter Q4 2020

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Electricity Market Commodity Commentary

Review

Ontario started the second half of 2020 with a record-hot July. A new summer peak of 24,446MW at 6pm on July 9th, was a result of increasing business reopening activities, significant amount of cooling load as well as the peak hiatus measure introduced to Global Adjustment (GA) Class A customers, where no demand cutting measures taken by these Industrial Conservation Initiative (ICI) program participants.

Hourly demand response resources were actually activated on both July 9th and 10th, after an Emergency Energy Alert was declared by the Independent Electricity System Operator (IESO), in order to respond to extreme weather conditions across the province and address potential adequacy concerns.

Ontario's summer peak has been sitting around 21,000-22,000MW level over the past few years, and was last seen going above 24,000MW in 2013. Data from the IESO shows that the ICI program has reduced peak demand by about 1,600 MW in recent years.

As a result, Ontario registered the highest July electricity usage since 2012 at 13.20 Terawatt-hours (TWh), and eight of the top ten Ontario demand peaks of 2020 were all set in the same month.

As the elevated hot and humid conditions continued, August became the third consecutive month that Ontario saw year over year power consumption increase. However, once we stepped into the shoulder season after Labor Day, mild weather and increasing infection cases, which brought stricter restriction rules back to a number of regions, have kept wholesale electricity market much less eventful with negative demand growth for the balance of the year.

The spot market settled 2020 with the lowest annual price since market opening at 1.39¢/kWh, while the total commodity cost for the year reached a new high of 12.65 ¢/kWh, 0.7% higher than 2019's average. The GA component set a record at 14.95 ¢/kWh in October and contributed 11.26 ¢/kWh to the total cost after the deferral of a portion of charges in the second quarter. Ontario's total electricity consumption was 132.23 TWh in 2020, a 2.1% decrease from 2019.

As the flat COVID-19 Recovery Rate ended in October, the Ontario Energy Board (OEB) set winter electricity commodity prices for small business customers with an annual consumption under 250,000 kWh under the Regulated Price Plan (RPP).

The Time-of-Use (TOU) pricing effective November 1, 2020 through to December 31, 2020 was:

- 21.7¢/kWh on-peak
- 15 ¢/kWh mid-peak
- 10.5 ¢/kWh off-peak

And the tiered pricing was:

- 12.6 ¢/kWh for the first 750 kWh
- 14.6 ¢/kWh for the remaining usage

On December 22, 2020 - To support Ontarians staying home during the rapidly evolving COVID-19 situation, the Government of Ontario has taken steps to hold the price of electricity at **8.5 ¢/kWh** for electricity used from **January 1, 2021** until the end of the day on **January 28, 2021**. The fixed 8.5 ¢/kWh price is equal to the off-peak price set by the OEB for January 1, 2021. This fixed price will apply to residential, small business and farm customers who buy their electricity from their utility and applies to customers on Time-of-Use (TOU) or Tiered pricing.

In addition, the Ontario Electricity Rebate (OER), the pre-tax total bill credit, was increased from 31.8% to 33.2%. Effective January 1, 2021, the Government of Ontario reduced the rebate to 21.2% of the pre-tax amount of the bill (from 33.2%). Ontario government made a significant regulatory announcement in November along with their 2020 budget, that starting from January 1, 2021, the Province will fund 85% of the high cost wind, solar and bioenergy contracts that originally borne by electricity ratepayers and collected through GA. This move will provide 14-16% bill savings as estimated by the government for medium size and larger industrial and commercial employers will benefit from this change.

Ontario Electricity Report - Price (¢/kWh) & Demand (TWh)

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg/Total	+/- vs. PY
HOEP	2.78	2.79	2.73	1.56	0.76	0.48	2.19	1.61	1.43	0.73	2.07	2.19	1.77	-25%
GA	6.74	9.66	8.11	8.13	12.86	12.44	13.53	7.21	12.93	17.88	10.73	8.57	10.73	15.4%
Total	9.52	12.45	10.84	9.69	13.62	12.93	15.72	8.82	14.37	18.61	13.44	10.99	12.50	7.1%
Demand	12.78	11.29	11.66	10.26	10.22	10.37	12.79	11.83	10.32	10.35	11.26	11.98	135.10	-1.7%
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg/Total	+/- vs. PY
HOEP	1.48	1.45	1.39	0.61	0.82	1.25	2.05	1.94	1.44	1.13	1.05	1.59	1.39	-24%
GA	8.32	12.45	10.43	13.71	9.29	11.50	10.31	10.23	11.57	14.95	11.67	10.70	11.26	4.9%
Total	9.80	13.90	11.82	14.31	10.12	12.75	12.36	12.17	13.01	16.09	12.72	12.29	12.65	0.7%
Demand	12.18	11.24	10.99	9.28	9.64	10.80	13.20	12.08	10.11	10.34	10.53	11.83	132.23	-2.1%

Outlook

As the pandemic continues evolving into the 2nd wave, there are going to be a lot of uncertainties associated with the pace of Ontario's economy recovery as well as the impact to our energy growth and usage patterns in the coming months.

Given the stay-at-home order and the state of emergency declared on Tuesday January 12th, 2021, we could expect a significant portion of the workforce to remain working from home before vaccines are deployed to a large portion of population. Ontario's power system will remain more weather sensitive than it used to be due to higher residential loads before demand returns to pre-pandemic levels by the end of 2022 or even later.

The IESO expects to have sufficient generation supply over the next 12-15 months, except periods in the summer of 2021, where deferred outages and capacity bought from a broad range of resources through December's capacity auctions can be called to balance demand and supply curve and ensure system reliability.

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