

MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION
MIPUG
INTERVENER EVIDENCE INFORMATION REQUESTS
COALITION (COMPTON/SIMPSON)
NOVEMBER 15, 2017

MIPUG/COALITION 1

Preamble:

This section states:

“Policies that raise the price of carbon will reduce the behavioural response of households, industry and government to the proposed hydro price increase. That is, the incentive to switch to alternative forms of energy or to relocate production will be lessened, although the precise policy and its impact is not yet clear.”

It is not clear how Manitoba based carbon pricing would not increase incentives (combined with Hydro rate increases) to relocate to jurisdictions globally which do not impose the same carbon pricing (or which may impose carbon pricing but may be more competitive on other factors).

Question:

- a) Please confirm that for industrial customers, carbon pricing could increase instances of operation reduction, shutdowns or relocations due to decreased competitiveness of operating in Manitoba.
- b) Please confirm that for relocations, carbon pricing would operate as a complementary (i.e., similarly adverse) factors as MH rate increases.
- c) If confirmed, please provide any quantifications or analysis associated with this impact.

Response:

In this report, we focus our attention on the effect of the Manitoba Hydro projected price increases on the Manitoba economy and we consider the effect of

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these price changes in isolation. The separate effect that carbon pricing may have on industry - and on the economy - lies outside the scope of our mandate.

To the extent that carbon pricing is related to the effect of hydro price increases on the economy, we noted our belief that carbon pricing may have a small moderating effect on the price elasticity of demand. While the absolute price of hydro increases, the relative price of hydro (compared to other energy sources) will not increase as much if the other sources are subject to carbon pricing.

Please also see the response to PUB/COALITION - 27.