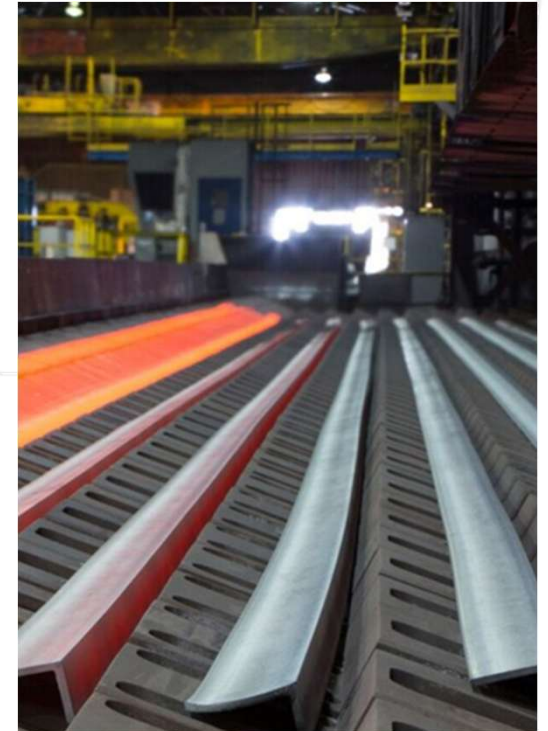




**Public Utilities Board: Dec 9, 2025**

# Correcting Rate Design

- Gerdau – Selkirk MB
- Market Conditions
- Energy Implications
- Rate Design



# Gerdau – Selkirk

- 540 full time employees
  - Feed downstream finishing facilities across MB
  - 5:1 ratio (one Gerdau job supports 5 up/down stream jobs)
- Products
  - Blades, Forks, Beams Elevator Rails
- Customers
  - Canada, US, Worldwide



# Market Conditions

## Business Outlook

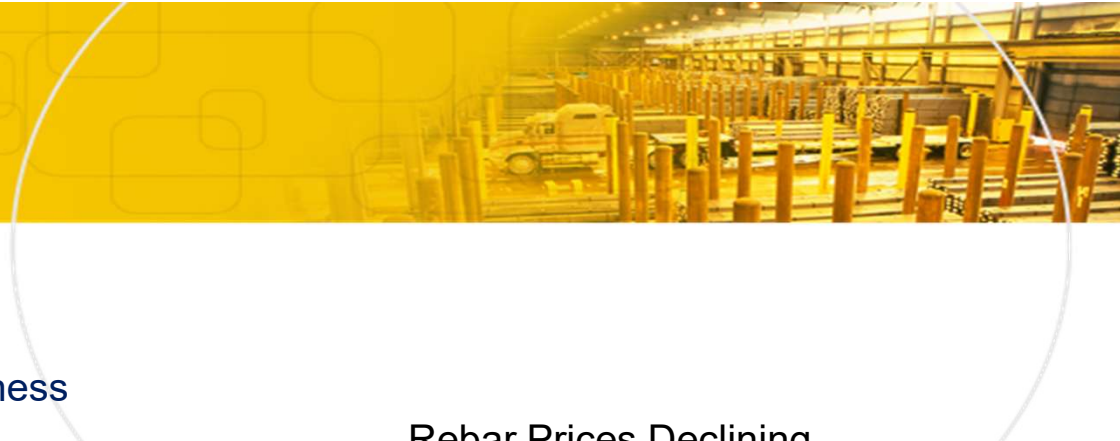
- Energy Intensive Trade Exposed (EITE)
- Compete corporately and internationally for business
- Cost increases cannot be pushed down to customers
- Competitive advantage of being in MB is eroding

## Tariffs

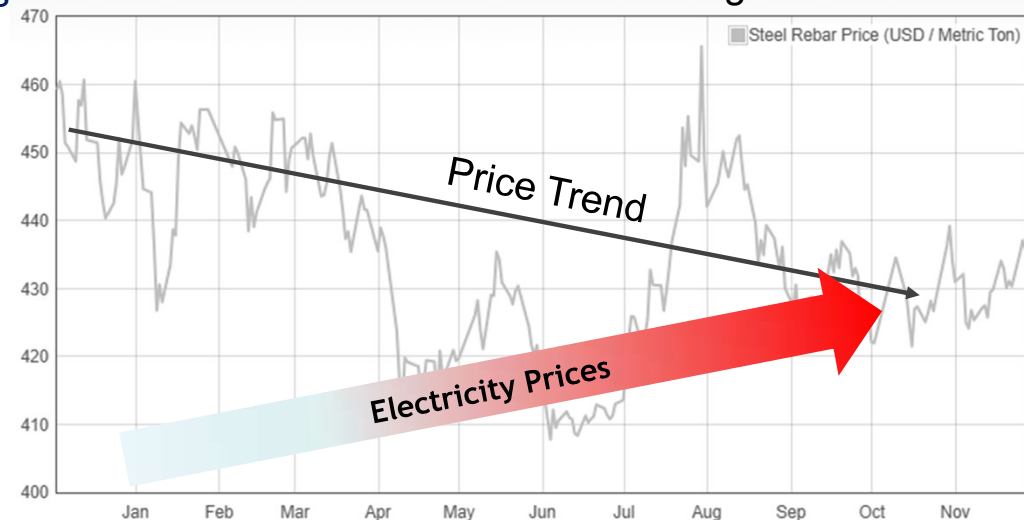
- Taking toll on business
- Squeeze between revenue and costs
- Reduction in energy use increases weighted costs

## Impact

- Reduce CAPEX spending
  - Limited funding focused on less expensive mills
- Investment now geared toward maintaining vs growing
- Self fulfilling path, spiral downward
  - Closed mills: Jackson MI, St. Paul MN

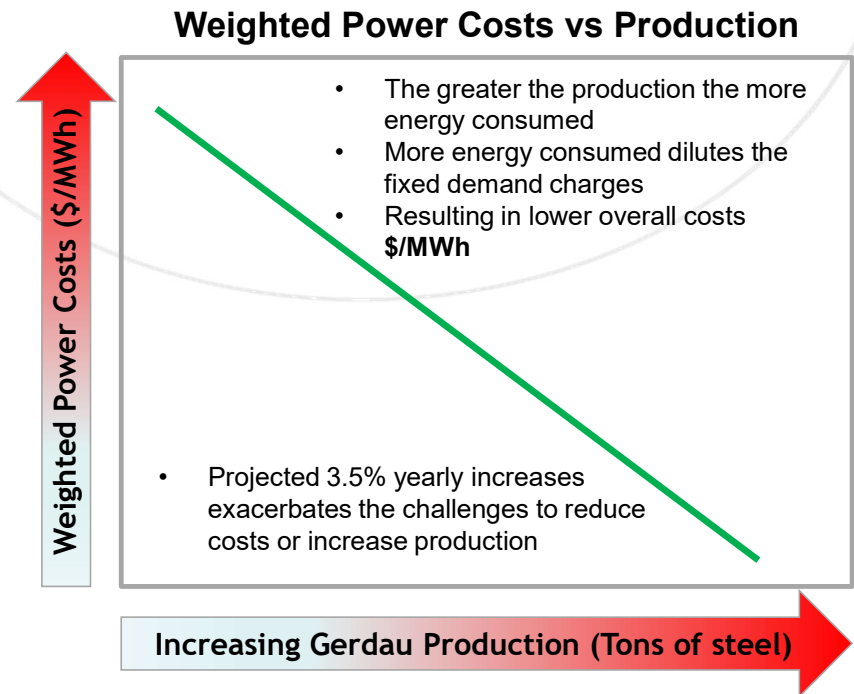


Rebar Prices Declining



# Energy Implications

- Energy is the third largest variable cost (after scrap and employment)
- The measure of electricity cost is measured in \$/MWh (total dollars spent over the energy consumed)
- Decreased productivity reduces efficiencies
  - Increased impact of fixed cost, less dilution
  - Demand Charges = Fixed costs
  - Weighted costs (\$/MWh) increase
- Our processes (like other industrial users) determine how we utilize power
  - Dictates the unavoidable monthly peak demand
  - Determines our load factor (ratio of energy utilization)
- Manitoba Hydro lacks programs or incentives to manage exposure to fixed demand charges



# Rate Design – Ontario

## Ontario

- Industrial Conservation Initiative (ICI) “GA Days”
  - Curtail (shut down) consumption to avoid the five provincial peaks (Customers drop over 95% of their load)
  - Self scheduled based on customer access to live information on the provincial load profile and market prices
  - Mitigates exposure to fixed monthly demand charge
  - Offers ~1,500 MW over demand reduction out of 24,000 MW system
- Capacity Auction (Demand Response)
  - Loads and generators paid a fee to be available to be curtailed
  - The grid operator (IESO) calls for the interruption, with a typical one-day warning
  - Full transparency to electricity market conditions (load, price, constraints, imports and exports)
- Operating Reserve
  - Load curtailment (or generation) provided immediately (10 minute response)
  - Provides contingency relief for loss of generation or transmission
  - Duration average 15 – 20 minutes

# Rate Design – USA (PJM, MISO, ERCOT)

- Load Modifying Resources
  - Load reduction is regarded a capacity relief for the grid's Regional Transmission Authorities (RTOs)
  - Generation shortfalls (i.e.: renewables not performing as forecast) are replaced by load reduction
  - Offered and managed through a utility rate option, offered in conjunction with a pass through of the variable market price
  - Implemented by the RTO and utility, typically preceded by a day ahead warning and day of alert
  - Loads have a clear line of sight to market conditions (forecast load, market prices, generation resources, constraints)
- Demand Response
  - Loads and generators paid a standby fee to be available to be curtailed (shutdown)
  - Program offered through the utilizes and directly by the RTO
  - The RTO and utilities calls for the interruption, with a typical one-day warning
  - Full transparency to electricity market conditions (load, price, constraints, imports and exports)
- Operating Reserve, Sync Reserve, Spinning Reserve
  - Load curtailment (or generation) provided immediately (10-minute response)
  - Provides contingency relief for loss of generation or transmission
  - Duration average 15 – 20 minutes

# Rate Design – Recommendations for Manitoba Hydro

- Value Demand Reduction
  - Implement a capacity relief program, like the former Surplus Power Manitoba Hydro
  - Offer Demand Response to industrial customers, commercial loads and program aggregators
  - Open the Curtailable Rate Program (like Operating Reserve) to additional market participants
- Rate Design to Value Load Flexibility
  - Offer time sensitive peak and off peak demand and energy rates
    - Must have sufficient savings to shift usage
  - Combine programs with access to market prices
    - This removes the obligation to serve load via MH resources reducing capacity requirements
- Transparency for Market Participants
  - A view to real time load and forecasts
  - Access the market prices within Manitoba Hydro and the Mid Intercontinental System Operator (MISO)
  - A view to market operating parameters (generation, transmission and energy flow)



**Thank you for supporting Manitoba STEEL!**

**Questions???**

