Programs to Support Vulnerable Electricity Consumers

- General agreement that there is a need to provide support to the most vulnerable electricity consumers, but consideration for support should be targeted. There was also suggestion that the programs could be designed with a "floor".

- Asked whether consideration had been given to how tenants could better access the proposed electricity support programs.

Alternative Proposals for Consideration:

- Rate mitigation for Class B electricity consumers, especially those that are too large for the Regulated Price Plan (i.e., do not qualify for the 8% rebate for small businesses or Time-Of-Use pricing) and too small to be Class A (i.e., do not qualify for the Industrial Conservation Initiative (ICI)).

- Capping electricity rates at 1.7% for 3-to-years.

- Capping the salaries of hydro executives.

- Expanding access to natural gas for home heating by increasing funding to the natural gas expansion program by $100 million. This could also include additional support to address conversion costs (i.e., switching away from electric heating to natural gas).

- More effectively communicate existing electricity programs and benefits to low electricity rates (i.e., 8% Rebate).

Fiscal Prep

(1) update on accounting → AG IT audit

(2) update on legal – [illegible]
Justice Brown

(3) Class B

(5) Communications

(6) Renters

(4) Cabinet Follow - WP (10)

Summary Notes of Discussion:

- The Ministry of Energy's Rate Mitigation proposal stimulated an active discussion. Outlined below are key *comments, questions* and *alternative proposals* raised during the discussion.

<u>General Comments</u>

- Concern that the Rate Mitigation proposal was too bold, complicated and expensive.
- As an alternative, it was suggested that a "phased approach" could be considered. For example, Phase 1 could include targeted support programs (?) for vulnerable electricity consumers, and if necessary, a Phase 2 that included GA Smoothing.
- However, it was highlighted that there is a public perception that things are "broken" and that a bold response (or a "big fix") is required. It was also noted that there are no "simple solutions" left to consider, if there were they would have been brought forward.
- Generally felt that more focused communications activities on the electricity pricing are required, this will be particularly important with respect to GA Smoothing.

<u>GA Smoothing</u>

- General recognition that the GA Smoothing is complicated and that there are a number of implementation details still being addressed, such accounting treatment, legal analysis, communications, etc. It was also asked if there was enough time to work through the implementation details.
- Interest in how the GA Smoothing proposal would impact the province's future borrowing abilities.
- Asked if consideration had been given to seek "external validation "for the GA Smoothing proposal (i.e., Auditor General, Financial Accountability Officer, third parties).
- Caution that there is a risk that the GA Smoothing proposal could result in consolidation that would impact the government's path to balance.
- Asked if consideration had been given to having this proposal included as part of the 2017 Budget process. It would provide an opportunity for additional review and due diligence.

Lowering Class A Threshold Below 1 MW

- The threshold for participation in the Industrial Conservation Initiative (ICI) was recently lowered to 1 MW. Beginning in July 2017, new participants will be billed Global Adjustment (GA) on the basis of their contribution to province-wide peak demand.

- To address competitiveness for consumers whose electricity demand is too low to currently qualify for ICI, government could consider reducing the eligibility threshold below the current 1 MW:
  - A reduction below 1 MW would provide smaller consumers the opportunity to achieve savings depending on their ability to reduce demand during the five system peak hours.
  - A decision would have to made on where to set the new eligibility threshold (i.e., 50 kW).

- To target the proposal, sector restrictions could be included as part of the proposal (based on North American Industry Classification Standards or NAICS codes).
  - Prior to the recent expansion of ICI that took effect in January, consumers with peak demand between 3 and 5 MW could only participate in ICI if they belonged to the following sectors: manufacturing, mining, data processing, refrigerated warehousing and greenhouses.
  - A narrower version of the proposal would be to allow only manufacturers below 1 MW to participate.

- A lowering of the ICI threshold could deliver price reductions for the newly eligible Class A consumers that choose to opt-in to Class A. Class B industrials that run only a day shift, resulting in fairly peaky load profiles would be worse off in Class A.

Considerations – Timing

- With the recent lowering of the ICI eligibility threshold to 1 MW, there is no information available regarding the actual impact on new participants and the electricity system. Ideally Ministry staff would have at least one year's worth of data to examine before contemplating another expansion.

- In order for any changes to ICI eligibility to take effect before the next 12-month billing period beginning July 1, 2016, regulatory amendments would have to be made before the end of April 2017.

January 1, 2017: Amendment lowering threshold to 1 MW took effect

April 30, 2017: Current ICI base period ends

June 15, 2017: Deadline to opt-in to ICI

July 1, 2017: Next ICI adjustment period begins