Ontario's Fair Hydro Plan

Itinerary for the Honourable Glenn Thibeault
March 7th & 8th, 2017

Event: **Minister Thibeault** travels to Mississauga to participate in an ethnic media roundtable. Following the ethnic media roundtable Minister Thibeault will travel to Hamilton where he will spend the night and participate in a Hamilton echo announcement on Ontario's Fair Hydro Plan the following morning.

Contacts:

Mazhar Shafiq
LCSB
C: 647-717-5149
mshafiq@liberal.ola.org

John Friesen
Manager External Communications
Alectra
C: 905 741 5578
John.Friesen@alectrautilities.com

Staffed by:

Colin Nekolaichuk (on-site)
Minister's Office
P: 416-325-2690
C: 647-504-4928
Colin.Nekolaichuk@ontario.ca

Jessica McGrath (on-site)
Minister's Office
P: 416-325-7747
C: 647-295-8023
Jessica.McGrath@ontario.ca

Arrivals: **Ethnic Media Roundtable:** 7:00 p.m.
OFHP Hamilton Echo: 9:45 a.m.

Locations: **Ethnic Media Roundtable:** Oasis Convention Centre, 1036 Lakeshore Road East, Mississauga
OFHP Hamilton Echo: Alectra Utilities, Hamilton Office, 55 John St N, Hamilton, ON

Attire: Business attire

Audience: **Ethnic Media Roundtable:** 50-75 ppl from local ethnic media sources
OFHP Hamilton Echo: 15-20 ppl, Alectra senior executives and invited media

VIP's: **Hon. Laura Albanese,** Minister of Citizenship & Immigration
Serge Imbrogno, Deputy Minister, Energy
Max Cananzi, President, Alectra Utilities
MPP Ted McMeekin

Detailed Itinerary

Tuesday March 7, 2017

6:00 p.m. **Minister Thibeault** attends opposition day vote

6:15 p.m. Opposition day vote concludes and **Minister Thibeault** proceeds to East Doors, MLB

6:15 p.m. **Minister Thibeault** and staff depart MLB for the ethnic media roundtable
Location: Oasis Convention Centre, 1036 Lakeshore Road East, Mississauga

6:30 p.m. Media Registration opens

7:00 p.m. **Minister Thibeault** arrives at the Oasis Convention Centre

7:00 p.m. **Minister Albanese** delivers opening remarks, introduces **Minister Thibeault**

7:05 p.m. **Minister Thibeault** delivers remarks (5 min)

7:10 p.m. Floor opens to questions from media, moderated by **Minister Albanese**

7:55 p.m. **Minister Albanese** delivers closing remarks/thank you

8:00 p.m. Opportunity for members in attendance to clip and do short one-on-ones with outlets

8:15 p.m. Roundtable concludes and **Minister Thibeault** and staff depart for Hamilton
Location: Sheraton, Jackson Square, 116 King St W, Hamilton, ON

9:00 p.m. **Minister Thibeault** and staff arrive at the Hamilton Sheraton and check in for the evening

Wednesday March 8, 2017

8:30 a.m. **Media**

8:45 a.m. **Media**

9:00 a.m. **Media**

9:15 a.m. **Media**

9:30 a.m. **Minister Thibeault** and staff depart for Alectra Utilities Hamilton Office

9:45 a.m. **Minister Thibeault** and staff arrive at Alectra Hamilton office and are greeted by Max Cananzi and John Friesen

10:00 a.m. Announcement begins – **Max Cananzi**, President, Alectra Utilities, welcomes guests and introduces **Mayor Eisenberger**

10:05 a.m. **Mayor Eisenberger** provides welcoming remarks on behalf of the City of Hamilton and introduces **Minister Thibeault**

10:10 a.m. **Minister Thibeault** announces Ontario's fair hydro plan and introduces **MPP McMeekin**

10:16 a.m. **MPP McMeekin** provides remarks and concludes the announcement

10:20 a.m. Media scrum to follow

10:30 a.m. **Minister Thibeault** and staff depart to return to Toronto

Electricity Rate Mitigation

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Fair Hydro Plan – Draft Confidential Advice to Minister
Ministry of Energy – Questions and Answers
Date: March 1, 2017
Last reviewed: DMO, MO, Comms

Key Messages

- **Ontario is committed to keeping electricity in Ontario clean, reliable and affordable.**
- **We've been making important investments in a cleaner and more reliable energy system, but these investments have led to higher electricity bills.**
- **We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we are moving forward with a plan that will ensure costs are shared more evenly.**
- **The new Fair Hydro Plan will bring in more savings now through new initiatives that will cut costs directly on your energy bill.**
- **We are taking decisive action to lower electricity bills for households by 25 per cent on average — the single-largest reduction in Ontario's history.**
- **People with low incomes and those living in rural communities would benefit from even greater savings.**
- **The decision to invest in a clean, modern and reliable electricity system was the right one — but the costs of this decision should not be put on today's electricity bills alone.**
- **We are making fixes to the electricity system to distribute those costs more fairly — and giving people significant savings on their bills that will make a real difference.**
- **Ontario's Fair Hydro Plan includes:**
    - **Refinancing the Global Adjustment (GA) over a longer term period for Regulated Price Plan (RPP) eligible consumers, including families, small businesses and farms.**
    - **Helping vulnerable electricity consumers by enhancing electricity support programs and shifting costs off the electricity bill. Eligible consumers will receive additional funding through assistance programs including:**
        - **Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and who have difficulty paying their electricity bills.**

    - **Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.**
    - **Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.**
    - **Establishing a new On-Reserve First Nations Delivery Rate.**
  - **Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).**
  - **Any rate increases over the next four years will be held to the rate of inflation.**

- **If passed, proposed legislation would mean that starting this summer, the average residential electricity bill would be 25% lower.**

- **We'll do this by changing the way electricity costs are recovered and moving funding for assistance programs off of hydro bills.**

- **This plan is the biggest rate reduction in Ontario's history. It recognizes that the decision to invest in a clean, modern and reliable system was the right one – but that the costs of this decision should not be put on today's electricity bills alone.**

- **Last year, we offered Ontarians much needed relief by introducing a series of measures to help make life more affordable. This includes:**

    - **Introducing the Ontario Electricity Support Program**
    - **Introducing a rebate equal to the provincial portion of the HST to reduce bills by 8% pre-tax**
    - **Additional relief for eligible rural customers, and**
    - **Expanding the Industrial Conservation Initiative so more businesses can take advantage of it.**

Questions and Answers

Q1. There are a number of different pieces to your Fair Hydro Plan. Can you please explain how these new and existing initiatives will help electricity ratepayers?

We've been making important investments in a cleaner and more reliable energy system, but these investments have led to higher electricity bills.

We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we are moving forward with a plan that will ensure costs are shared more evenly over the years ahead.

Ontario's Fair Hydro Plan includes:

- Refinancing the Global Adjustment (GA) over a longer term period for Regulated Price Plan (RPP) eligible consumers, including families, small businesses and farms.
- Helping vulnerable electricity consumers by enhancing electricity support programs and shifting costs off the electricity bill. Eligible consumers will receive additional funding through assistance programs including:
  - Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and who have difficulty paying their electricity bills.
  - Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.
  - Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.
  - Establishing a new On-Reserve First Nations Delivery Rate.
- Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- Any rate increases over the next four years will be held to the rate of inflation.

Q2. How much will all these initiatives cost Ontarians?

We've been making important investments in a cleaner and more reliable energy system, but these investments have led to higher electricity bills.

We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we are moving forward with a plan that will ensure costs are shared more evenly.

The impact of innovative energy technologies will continue to help us reduce costs in the future. This is allowing us to introduce and expand existing rate relief programs that will reduce bills now.

If asked for a specific figure or estimate on the cost of these new initiatives:

This Fair Hydro plan includes changing some funding sources and recovering other costs over a longer time period. Additionally these new measures will cost the government up to $2.5 billion over the next three years.

Q3. Has the government already factored in the costs of these programs in its Budget planning process? How will this affect the province's bottom line?

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future.

These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Q4. Will Local Distribution Companies (LDCs) be changing how they present their bills to customers to reflect these new measures? Who will be covering the costs of implementing the necessary changes? Will Local Distribution Companies be able to handle all the changes?

Most of the components of our Fair Hydro Plan do not require adjustments to the residential bill. We will work with the Ontario Energy Board and Local Distribution Companies (LDCs) to ensure those adjustments that are necessary are made to LDC billing systems.

LDCs already have experience with the implementation of billing changes like those associated with the OCEB and the Ontario Electricity Support Program (OESP).

Q5. There is criticism that even with these new measures, electricity bills are still too high in Ontario. Is the government considering any additional rate mitigation measures to be announced in the Budget or the next Long-Term Energy Plan?

We've been making the important investments in cleaner and more reliable energy, but these investments have led to higher electricity bills.

We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we are moving forward with a plan that will ensure costs are shared more evenly over the years ahead.

We have a robust energy supply and are in a good position for market innovation.

An adaptive energy market has the power to improve efficiency, increase transparency, enhance opportunities for innovation and enhance competitive tension to reduce system costs.

This spring, we will be releasing the 2017 Long Term Energy Plan (LTEP) which will include a projection of where we think we are headed.

Q6. Why aren't you targeting relief to those who need it most instead of providing breaks to everyone?

We understand rising electricity costs are a concern for all Ontarians and appreciate that low-income Ontarians feel it even more.

We currently offer both the Ontario Electricity Support Program and the Rural and Remote Rate Protection, which offer significant on-bill benefits to eligible households. As part of our Fair Hydro Plan, these programs are being enhanced to ensure vulnerable consumers receive additional support.

We recognize that these programs have social value and benefit vulnerable people across Ontario.

So we are shifting these programs from being paid for through electricity bills to being paid for through government funding.

This will reduce bills for everyone, and ensure these programs continue to serve those in need.

LDCs have been partners in delivering electricity services and conservation programs to Ontarians for more than ten years.

For those most in need, low-income programs like the Home Assistance Program provide energy efficiency upgrades in homes at no cost to help customers reduce future electricity bills and avoid future disconnections.

We recognize that there are other electricity customers who are in need, but who do not qualify as low-income, and are addressing this through the Fair Hydro Plan.

GLOBAL ADJUSTMENT

Q7. What is the Global Adjustment (GA)?

The Global Adjustment (GA) accounts for the fixed costs of running Ontario's generation fleet, as well as the cost of conservation programs.

The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.

Q8. What changes are you making to the GA?

We have heard from Ontarians that the costs associated with the GA are putting too much pressure on their electricity bills.

As we invested in renewing our electricity system, we invested in many new generating facilities, most of which operate under 20-year contracts. Through the GA we are covering the costs of those contracts, which means prices have increased in the near term to recover those costs, while eventually stabilizing and declining in the future.

If passed, proposed legislation would mean that starting this summer, the average residential electricity bill would be 25% lower. Cost impacts are based on a forecast for a household connected to Toronto Hydro that consumes 750 kWh per month. Actual ratepayer savings would vary due to differences in consumption patterns.

If asked for more detail:

The majority of the province's electricity generators are under 20-year contracts. Some of these generators will continue to provide value to the electricity system beyond their contract lives.

There is an opportunity to recognize the long-term benefit of these assets to the electricity system and "bring forward" that benefit for ratepayers today by deferring some of the current costs. GA refinancing would spread these costs over a longer period and provide immediate ratepayer relief.

By recognizing that generation assets are expected to continue to provide residual benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.

Q9. Will all ratepayers (residential, commercial, industrial) benefit from the changes to the GA? If so, what kind of savings will a typical ratepayer see on their monthly bill?

Electricity consumers that are eligible for the Regulated Price Plan will benefit from the changes we are making to the Global Adjustment charge.

If passed, the proposed legislation would mean a typical residential, small business or farm would see a bill reduction of 25%.

Q10. How many years will ratepayers be paying back the GA debt that will be accumulated due to refinancing the GA? Can you give any guarantees as to how long and how much ratepayers will be paying in the future?

Our Fair Hydro Plan is a significant restructuring of the electricity sector and the biggest rate reduction in Ontario's history.

It recognizes that the decision to invest in a clean, modern and reliable was the right one – but that the costs of this decision should not be put on today's electricity bills alone.

If passed, the proposed legislation would mean refinancing the GA would spread costs over a longer period while providing immediate ratepayer relief.

Q11. Residential customers just stopped paying the Debt Retirement Charge and business and industrial customers are still paying it until 2018. Why are you now adding on more debt to ratepayers?

Refinancing the GA would spread costs over a longer period and provide immediate ratepayer relief (i.e., similar to re-financing a mortgage).

By recognizing that generation assets are expected to continue to provide residual benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.

Q12. Can you please justify the long-term implications of your GA financing measure?

We recognize that the important investments we've made in rebuilding our generating capacity are putting too much pressure on people across Ontario.

We've heard from families and businesses that the cost of these investments have grown too quickly.

Our plan is putting a forward a plan that will ensure these costs are share more evenly through the years ahead.

Q13. How will the changes to the GA impact its relationship with the Hourly Ontario Electricity Price (HOEP)? Are there impacts that could affect pricing for certain customers?

The function of the wholesale electricity market will not change and the Hourly Ontario Electricity Price will continue to be set as normal.

Q14. How will the debt from GA financing be paid back? What accountability will be in place to ensure it is managed with the proper accountability and transparency?

Leveraging the expertise of both companies, the government intends to introduce legislation that enable the IESO and Ontario Power Generation (OPG) to work together to finance the global adjustment over a longer period of time.

Q15. Why was OPG chosen as the entity responsible for the GA financing?

OPG has the necessary expertise to assist with refinancing the GA.

OPG currently manages an $18 billion nuclear fund and can use its infrastructure and expertise in this field to help administer the GA financing.

As an entity regulated by the OEB, OPG also has extensive experience with regulatory deferral and variance accounts.

Q16. Who will be responsible for the accumulated debt of GA financing? The ratepayers or the taxpayers? Will it contribute to the province's debt?

The government is dedicated to reducing electricity costs wherever possible, while maintaining reliability for all consumers.

The proposed initiatives would deliver significant on-bill savings for eligible electricity consumers.

With this proposed Fair Hydro Plan and as a result of the government's prudent fiscal management, the Ontario government remains committed to balancing the budget by 2017-18, recognizing that balance provides the foundation for the long-term well-being and prosperity of Ontarians

Q17. How are you making these changes to the GA? Are they a result of legislative changes? Regulatory changes?

To assist in the implementation of the GA refinancing initiatives, amendments will need to be made to the *Electricity Act, 1998* (EA) and the *Ontario Energy Board Act, 1998* (OEBA).

Any changes would be made following the appropriate legislative and regulatory procedures and approvals.

ELECTRICITY SUPPORT AND CONSERVATION PROGRAMS: OESP, RRRP, Affordability Fund, On-Reserve First Nations Rate

Q18. The new Fair Hydro Plan will also bring savings to Ontario consumers through electricity support programs. What are these programs and who will benefit?

We understand the rising costs are a concern, which is why we are bringing in savings now through new initiatives that will cut costs directly on your energy bill.

As a government, we've been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low-incomes.

Ontario will help the most vulnerable by enhancing electricity support programs and shifting cost off the electricity bill

Eligible consumers will receive additional funding through assistance and conservation programs including:

- Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and struggle to pay their electricity bill.
- Broadening Rural or Remote Electricity Rate Protection (RRRP) to provide Delivery Charge Relief for the customers of the local distribution companies (LDC's) with the highest delivery charges.
- Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.
- Establishing a new On-Reserve First Nations Delivery Rate.

Q19. Does this additional funding mean the government will not meet its commitments as set out in the Budget?

Ontario is committed to keeping electricity in Ontario clean, reliable and affordable and is building on the government's plan to grow the economy, create jobs and balance the budget.

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future.

These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Further details on our fiscal plan will be provided in the upcoming 2017 Budget.

Q20. Can you provide more details about each of these existing programs? What is the Ontario Electricity Support Program (OESP)? Who is currently eligible to receive the OESP and how much does the average household receive?

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income.

For many low-income Ontarians, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

That is why the OEB developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

OESP monthly credits range from $30 to $50. A household receiving the lowest OESP credit would receive $360 per year off their bills, or $425 per year when combined with the removal of the Debt Retirement Charge (DRC).

Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nation, Inuit, and Métis customers are eligible for an enhanced amount, which ranges from $45 to $75 per monthly bill.

Q21. How is the Ontario Electricity Support Program (OESP) currently funded? How will that change? And why are you now shifting the cost to government funding?

As a government, we've been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low-incomes.

Programs designed to support customers that are most vulnerable to increasing electricity costs will shift from the hydro bill to government funding, recognizing they are for the common good. This includes the Ontario Electricity Support Program (OESP) and Rural and Remote Rate Protection (RRRP).

The new Affordability Fund and the On-Reserve First Nation Delivery Rate will also be delivered using government funding. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q22. How much more will the monthly on-bill credit be as a result of today's announcement?

OESP program benefits will increase across the board by 50%.

If the change is approved, single low income consumers eligible for the lowest credit amount will receive $45 per month, an increase from the current $30 , or an increase of $180 per year. For the enhanced credit, the lowest credit amount would increase from $45 to $68, or an annual increase of $276.

Q23. Where will this money come from? How is this different from the current OESP funding model?

The OESP is a rate relief program that supports low-income customers through a per kilowatt-hour charge on every customer's electricity bills. This charge is part of the delivery charge on the bill.

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income. For many low-income Ontarians, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

Today's announcement means that greater focus and support can be placed on lower income Ontarians by enhancing the OESP through government funding, including a 50% increase in OESP credit amounts across the board.

This change will reduce costs for all consumers as a result of eliminating the OESP charge:

- Average residential customer savings: $0.83/month; and
- Average industrial customer savings: $1.10/MWh.

Q24. How will enhancing the OESP through government funding reduce costs?

Moving the OESP from the electricity bill to government funding will provide immediate cost reduction for Ontario customers.

Enhancing the program will provide greater relief to the most vulnerable families in Ontario, and ensure the program reaches as many eligible customers as possible. This will help to manage costs for customers.

This change ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q25. When will I see the additional credit on my electricity bill?

The credit will take effect this summer.

Q26. Will the additional credit be applied retroactively, i.e., to the date I received my first OESP credit?

The OESP started January 1, 2016, when the Ontario Clean Energy Benefit (OCEB) ended.

The program enhancements will not be retroactive for existing OESP recipients. However once in effect, those customers will begin receiving the enhanced credit.

Q27. Can consumers who did not sign up for the program when it was launched in November 2015 sign up now? What is the deadline?

Customers can apply for the OESP any time.

There is no application deadline, but the sooner customers apply and are accepted into the OESP, the sooner they will begin to receive the on-bill credits.

Q28. How are you making these changes to the OESP? Are they a result of legislative changes? Regulation changes?

Changes to the OESP will be made through amendments to the *Ontario Energy Board Act, 1998* (OEBA). Regulatory amendments will be required to address program details.

Q29. What is the Rural or Remote Rate Protection (RRRP) plan? Who is currently eligible to receive the RRRP and how much does the average household receive?

The Delivery charge on consumer bills includes the cost of delivering electricity from generating stations across the Province to homes and businesses via the high voltage (transmission) and low voltage (distribution) electricity systems and also includes the cost of distribution system losses.

The cost of distributing power to lower-density rural and remote areas is much higher than for urban and higher density areas.

To help offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations, eligible customers receive a credit off their bills under the Rural or Remote Rate Protection (RRRP) framework.

RRRP provides rate protection for customers living in areas of very low density – including Hydro One's R2 rate class customers, customers of Algoma Power and customers of Hydro One Remote Communities and James Bay First Nation LDCs.

Q30. The RRRP was recently updated on January 1, 2017. What kind of relief does it provide to ratepayers?

In recognition of the unique and special circumstances associated with the electricity cost-of-service for rural ratepayers, effective January 1, 2017, the province is reducing costs for eligible rural ratepayers by providing additional funding to the RRRP program.

Starting on January 1, 2017, 330,000 Hydro One low density (R2 class) customers will receive $60.50 per month in RRRP to bring their total Delivery line costs to roughly $78 for 1,000 kWh/month.

When combined with the 8 per cent Ontario Rebate for Electricity Consumers, eligible rural ratepayers will receive additional relief, decreasing total electricity bills by an average of $540 annually or $45 each month.

Q31. What further changes are you now making to the RRRP as a result of today's announcement?

Delivery Charge Relief will be provided for the customers of the local distribution companies (LDCs) with the highest delivery charges.

In addition to RRRP, which mitigates the specific costs related to low-density distribution service, Delivery Charge Relief will be broadened to harmonize distribution costs at the lowest rate amongst the eligible LDCs – eliminating some of the inequities caused by variation in distribution rates across the Province.

The additional relief is expected to decrease total electricity bills by an average of $540 a year or $45 each month. About 800,000 customers will benefit from the enhanced RRRP program.

Q32. Where will this money come from? How is this different from the current RRRP funding model?

RRRP funding is currently collected from all Ontario electricity customers through a regulated charge. To help reduce costs for all customers, RRRP and the broadened Delivery charge relief will be funded through the tax base instead of on electricity bills.

Q33. Where will this money come from?

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income. For many rural ratepayers, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

Today's announcement means that greater focus and support can be placed on eligible rural ratepayers by funding RRRP through government funding.

Q34. How will enhancing the RRRP through government funding reduce costs?

As a government, we've been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low-incomes.

We recognize that programs, such as the RRRP, are for the common good and that these programs should be delivered to Ontarians through government funding and not through electricity ratepayers.

Q35. When will I see the additional savings on my electricity bill? Will the additional savings be applied retroactively, i.e., to the date I received my initial RRRP rebate?

Legislation is required to implement this program. If passed, the Ministry will work with the Ontario Energy Board (OEB) and affected LDCs to work through implementation details.

Q36. How are you making these changes to the RRRP? Are they a result of legislative changes? Regulation changes?

Changes to the RRRP will be made through amendments to the *Ontario Energy Board Act, 1998* (OEBA). Regulatory amendments will be required to address program details.

Q37. How will industrial customer be affected by this RRRP enhancement?

Industrial customers will not be affected by this RRRP enhancement, though they will experience cost decreases as a result of a reduction in the RRRP regulated charge that all customers currently pay.

Q38. The new Fair Hydro Plan announced today includes two new social and conservation initiatives: On-Reserve First Nations Rate and the Affordability Fund. Can you provide more details about the Affordability Fund?

We understand the rising costs are a concern, which is why we are bringing in additional savings now through new initiatives that will cut costs directly on your electricity bill.

As a government, we've been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low-incomes.

We will be helping those consumers most in need by enhancing electricity support programs and shifting cost to government funding.

For those most in need, the low-income Home Assistance Program provides energy efficiency upgrades in homes at no cost to the customer to help reduce future electricity bills.

We recognize that there are other electricity customers who are in need but do not meet the Home Assistance Program eligibility criteria. These electricity customers will be eligible for additional support for energy efficiency measures through the Affordability Fund.

Q39. Who will be eligible to receive funding and how much will the average household receive?

The Affordability Fund provides LDCs with an additional tool to help customers who are not eligible for the existing low-income conservation program. The Fund would provide support for energy efficiency improvements to help customers reduce future electricity bills and avoid future disconnections.

LDCs apply for funding to the Fund administrator, to offer energy efficiency measures to those customers in their service territories that meet the targeted eligibility criteria. Recipients could receive measures ranging from an average of $3,000 to $5,000 per customer, at no or minimal cost. For example, measures available in the Home Assistance Program include:

- Energy-saving light bulbs (LEDs); power bars; energy efficient window ACs, refrigerators, freezers, dehumidifiers; low-flow showerheads, hot water blankets, pipe wrap and faucet aerators (in homes with electric water heating);
- Programmable thermostats, weather stripping, insulation (in homes with electric heating); and
- Cold climate air source heat pumps would also be an eligible measure under the Affordability Fund for eligible customers. Heat pumps range in cost from $7,000 to 13,000.

Q40. How will the Affordability Fund be funded? Where will the money come from?

We will be helping electricity customers by expanding access to energy efficiency measures through an Affordability Fund. The Fund would be established with government funding.

Q41. How are you establishing this new social program? Is it a result of legislative changes? Regulation changes?

Legislative or regulatory changes are not required to establish the LDC Affordability Fund.

The province would enter into an agreement for the program to be delivered through LDCs. LDCs are best positioned to identify and target their customers who would benefit from this program.

The LDC Affordability Fund would provide LDCs an additional tool to help customers who are not eligible for low-income conservation programs.

The conservation programs supported by the Affordability Fund will be funded by government.

Q42. The new Fair Hydro Plan announced today includes another new social program funding initiative, the On-Reserve First Nations Rate. Can you provide more details about this new Rate?

The Ontario Energy Board (OEB) recently provided us with a report recommending the introduction of a program to eliminate Delivery charges for on-reserve First Nations customers. This program would help mitigate electricity costs for low-income consumers and support the redress of historical grievances.

The government intends to introduce legislation to implement this program. If passed, this would result in an average monthly benefit of $85/month for the roughly 21,000 eligible customers, to be funded through government funding.

Q43. Who will be eligible to receive funding and how much will the average household receive?

Eligible customers would receive an average of $85/month through the On-Reserve First Nations Rate.

Q44. How will the On-Reserve First Nation Rate be funded? Where will the money come from?

We would be helping the most vulnerable consumers by enhancing electricity support programs and shifting cost to government funding.

Q45. How are you establishing this new social program? Is it a result of legislative changes? Regulation changes?

Changes to the OESP would be made through amendments to the *Ontario Energy Board Act,* Legislation and Regulations will be required to implement this program. If passed, the

government will work with the Ontario Energy Board and affected LDCs on implementation details.

Q46. Can the new On-Reserve First Nations Rate be combined with the OESP? Will a First Nations consumer be eligible for the On-Reserve First Nations Rate and continue to receive the OESP benefit? Is there a possibility that the combined funding sources could add up to an amount greater than the actual electricity bill?

The OESP enhanced credit is available to all eligible indigenous customers in the province, regardless of where they live. This includes First Nation, Inuit, and Métis customers.

The On-Reserve First Nations Rate applies only to First Nation customers living on a reserve in Ontario.

These programs will be treated as distinct, as they are designed to address different energy cost issues. Thus, customers eligible for both programs will receive credits under both programs.

MARKET RENEWAL

Q47. How are you planning on bending the cost curve in the future? If more can be done to reduce rates now, why haven't you already acted?

The government has been working hard to reduce electricity ratepayer costs and will continue to look for efficiencies in the system wherever possible without compromising the reliability of our system.

We have already taken several steps to mitigate system costs, including:

- Renegotiating the Green Energy Investment Agreement (GEIA) in 2013, to reduce contract costs by $3.7 billion.
- Reducing Feed-in Tariff (FIT) and microFIT prices through annual price reviews, saving ratepayers at least $1.9 billion.
- Introducing a competitive Large Renewable Procurement (LRP) process to drive down costs approximately $1.5 billion lower than the 2013 LTEP forecast.
- Suspending the second round of the LRP process and the Energy-from-Waste Standard Offer Program, which is expected to save up to $3.8 billion in costs.
- Deferring the construction of two new nuclear reactors at Darlington. This was in response to the supply and demand expectations of the 2013 LTEP, avoiding an estimated $15 billion in new construction costs.
- Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020, instead of 2016, thus helping to achieve $1.7 billion in savings relative to the 2013 LTEP forecast and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers as much as $600 million.

We look forward to working closely with the OEB, OPG and IESO to find even more savings for ratepayers.

Q48. Can you provide details on what the OEB will be doing to help lower future costs?

The OEB has a mandate to regulate the electricity distribution sector in the public interest, ensuring the financial viability of the sector while promoting reliable service to customers at just and reasonable rates.

The OEB, through the Renewed Regulatory Framework for Energy (RRFE), has attempted to move the distribution sector towards a performance/outcomes-based regulatory framework.

While new reporting requirements such as the local distribution company (LDC) performance scorecard are positive developments, RRFE does not tie these system performance expectations to LDC financial performance.

Encouraging shared partnerships on services between utilities will help reduce costs in the back end and encourage further innovation for small to medium sized utilities.

The Ministry of Energy has asked the OEB to look at opportunities to further drive LDC efficiencies and productivity. In parallel, the OEB has been instructed to review business cases behind its own regulatory requirements to reduce "red tape" and eliminate costs that LDCs indicate are creating pressures on operating expenses.

Q49. We have already heard the Minister speak about the need for market renewal. What has been done to move forward these initiatives?

Through the work of the Electricity Market Forum, the Market Surveillance Panel, IESO studies, and stakeholder input, we have been able to identify areas of our electricity system that could improve their efficiency.

The objective of IESO's Market Renewal Project is to implement changes to achieve material efficiencies in the near and longer term with minimal disruption to market participants. The initial findings from the Market Renewal benefits case show potential for cost savings that will be realized by both consumers and market participants.

Cost savings are expected to be achieved through the better utilization of existing assets, greater competition among resources, a reduced need to build new resources, and a more flexible and cost-effective procurement process that will better reflect system needs.

Changes related to IESO's Market Renewal initiatives are estimated to save up to $300 million per year, starting in 2021.

ADVERTISING

Q50. How much is the government spending on advertising for this latest round of price mitigation initiatives?

For the Affordability Fund, targeted outreach is planned, as opposed to broad marketing, to ensure that support is delivered to customers who need it most.

Q51. Why is the government spending money on advertising when it could be putting those funds towards lowering electricity prices?

We are committed to improving the public's understanding of the energy system.

It's important to let Ontarians know about the decisions we are making so that they can effectively participate in energy decision-making.

We've been listening to Ontarians in all parts of the province and understand that they need us to do more and that's why we are introducing a Fair Hydro Plan.

The new Fair Plan will bring in more savings now through new initiatives that will cut costs directly on your energy bill.

Advertising is crucial for raising awareness about government programs and to ensure that all Ontarians are aware of how these programs will impact them.

Other resources available to Ontarians is the Ministry of Energy's emPOWERme website, an online resource dedicated to public education about electricity.

Q52. Did the government go through the proper approvals process for this advertising campaign? Was this advertising campaign approved by the Auditor General and the Advertising Review Board?

We understand the importance of transparency and accountability.

Our advertising campaign has been reviewed and approved by all the proper agencies/parties, including the Auditor General and the Advertising Review Board.

All the necessary approvals and processes were followed during the selection of the advertising agency.

Q53. Was a competitive competition held to select the advertising agency in charge of the campaign?

The advertising agency chosen to help our government raise awareness on these new initiatives is approved Vendor of Record, with considerable experience in the energy sector.

All the necessary approvals and processes were followed during the selection of the advertising agency.

Our advertising campaign has been reviewed and approved by all the proper agencies/parties, including the Auditor General and the Advertising Review Board.

ADDITIONAL QAs

ELECTRICITY PRICES -- BUSINESSES

Q54. Ontario businesses have repeatedly expressed concerns over the rising costs of electricity, some have even said they will have to close or leave Ontario. How do you respond to this?

Our government continues to make the investments necessary to ensure a clean, reliable and affordable electricity system for all Ontarians. There are measures in place to mitigate industrial electricity prices, including:

- Industrial Conservation Initiative (ICI)
  - The Industrial Conservation Initiative (ICI) allows large electricity consumers to lower their electricity costs by reducing their demand during peak hours. Reducing demand during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.
  - To give more businesses the incentive to participate in the ICI, we have lowered the threshold to 1 MW and removed sector restrictions so that more consumers can benefit.
  - Newly eligible consumers will be able to opt-in to the ICI program at their discretion and will see the impact this summer.

- Industrial Electricity Incentive (IEI)
  - The Industrial Electricity Incentive (IEI) offered reduced electricity rates for companies starting or expanding operations in Ontario.
  - The Independent Electricity System Operator (IESO) awarded 22 contracts to energy-intensive companies across the province through the program.

- Northern Industrial Electricity Rate Program (NIERP)
  - Participants in the Northern Industrial Electricity Rate Program (NIERP) receive a rebate of two cents per kilowatt hour.
  - On average, industrial electricity prices can be reduced by over 20% through the program.
  - In 2015, the Ontario government announced the commitment to an ongoing NIERP beyond March 2016.

- Industrial Accelerator Program (IAP)
  - IAP, delivered by the IESO, assists eligible transmission-connected companies to fast track capital investment in major energy conservation projects.
  - The program provides financial incentives to encourage investment in innovative process changes and equipment retrofits to reduce electricity consumption on the provincial system and to help companies become more competitive by positively impacting their bottom line.
  - Participants can receive incentives that will cover up to 70% of eligible project costs.

- saveONenergy for Business Program
  - The saveONenergy for Business Program, delivered they local distribution companies with support from the IESO, offers a variety of financial incentives to distribution-connected business and industrial customers to increase energy efficiency and save money on their bills.

- Demand Response (DR)
    - The IESO holds annual Demand Response auctions which provide payments to successful participants that commit to reducing their consumption when called upon to do so.
    - These DR auctions are a precursor to the capacity auction that IESO is planning to implement through its market renewal initiative.
    - Participation in the DR Auction is open to new and existing DR participants in Ontario with peak load greater than 1 MW, including industrial consumers and aggregators.

BROADENING OWNERHSIP OF HYDRO ONE

Q55. Won't rates rise as a result of your sale of Hydro One? Isn't the interest of the private sector to increase profit by raising rates?

Hydro One does not set its own electricity rates. Rates continue to be set by the independent Ontario Energy Board (OEB).

The OEB is an independent regulator with a mandate to protect the interests of Ontario's electricity consumers. Applications from electricity companies like Hydro One are reviewed by the OEB and the OEB makes the final decision.

The government has passed legislation that enhances the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection and reliability.

In addition, Hydro One has hired a dedicated Ombudsman, similar to those found at other public companies. The Ombudsman will receive and investigate customer complaints. Hydro One has appointed Fiona Crean as the Ombudsman of Hydro One.

ELECTRICITY TRADING

Q56. What kind of impact will importing Québec electricity have on our electricity system?

Québec will deliver 2 terawatt hours (TWh) of energy per year to Ontario from 2017-2023, which will target specific hours in which natural gas would have otherwise been used. 2 TWh is enough to power the city of Kitchener for a year.

The imported electricity from Québec is clean hydro power, and its use will be targeted to specific hours in which natural gas would otherwise have been used in Ontario.
By using clean hydro power from Québec, electricity sector greenhouse gas (GHG) emissions in Ontario are expected to be reduced by approximately 1 megatonne per year from 2017-2023.

Q57. How much will importing this electricity cost Québec? Is it going to be more expensive than our natural gas generation here in Ontario?

One of the negotiating principles of this agreement with Québec was to provide savings to Ontario ratepayers.

Over the 2017-2023 period, the agreement will reduce Ontario electricity system costs by an estimated $70 million from previous forecasts.

ELECTRICITY PRICING IN OTHER JURISDICTIONS

Q58. What is the current status of industrial electricity prices in Ontario? How do prices compare to other North American jurisdictions?

Our government continues to ensure a clean, modern and reliable electricity system for all Ontarians.

Prices are increasing because our energy system is being transformed – we are making needed investments to modernize our electricity system. We chose to replace coal-fired generation with cleaner sources of energy, which will benefit our environment and the health of Ontarians.

As we plan for Ontario's electricity needs for the next 20 years, conservation will be the first resource considered, wherever cost effective. Conservation is the cleanest and most cost-effective energy resources, offers customers a way to reduce their electricity bills and reduces the need to build costly new generation, distribution and transmission infrastructure.

Indicative industrial electricity prices in Ontario are currently within five per cent of the United States average as reported by the U.S. Energy Information Administration.

According to 2013 Long-Term Energy Plan (2013 LTEP), the typical industrial electricity price is projected to increase on average by 2.7% per year in the five-year period from 2017 to 2021 inclusive, and by 1.4% per year from 2017 to the end of 2032.

Over the forecast period, the average annual increase in consumers' costs are generally in-line with expected inflation, which averaged about 1.8% over the last ten years (2007-2016).

The National Energy Board's *Energy Futures* 2016 report projects that industrial electricity prices are expected to increase in most provinces through 2032.

PUBLIC SECTOR SALARY DISCLOSURE – ENERGY AGENCIES

Q59. Electricity bills are rising for Ontario families. How does the Province justify the high salaries of executives at Ontario Power Generation (OPG), the Independent Electricity System Operation (IESO) and the Ontario Energy Board (OEB)?

Ontario's electricity sector requires committed, highly skilled professionals and trained workers. The salary levels reported reflect this.

Energy agencies have been demonstrating their on-going commitment to the government's compensation restraints:

- All energy agencies indicated they have complied with the public sector compensation restraint legislation that froze the compensation structure for non-unionized employees for two years beginning March 24, 2010.

- Under Bill 55, the *Strong Action for Ontario Act* (Budget Measures), further restraint measures were introduced that cap executive compensation for OPG, Hydro One, IESO and former OPA. The restraint measures came into force March 2012, and will continue until the Province achieves a balanced budget.

- In addition to legislative requirements, Ontario's energy agencies have also implemented additional expenditure restraint measures to those required in the compensation legislation.

In March 2015, the *Broader Public Sector Executive Compensation Act, 2014* came into effect, giving the government's ability to establish compensation frameworks for certain executives in the broader public sector, including OPG, IESO (the merged entity of the former IESO and OPA) and OEB.

The Provincial legislative compensation restraints to manage compensation are working. Total salary expenses paid to the top 10 earners in the electricity sector have declined by 21% in 2015 from 2009.

Q60. How much do the executives at Hydro One make? Why are Hydro One executive salaries not captured under the *Public Sector Salary Disclosure Act*?

In accordance with the *Public Sector Salary Disclosure Act* (PSSD), Ontario Power Generation (OPG), the Ontario Energy Board (OEB), and the Independent Electricity System Operator (IESO), have disclosed the salaries and taxable benefits paid to employees who earned over $100,000 in 2015.

Only public sector employees are included in the PSSD.

Hydro One has become a public traded company following the government's decision to broaden the ownership of Hydro One to create lasting public benefits and ongoing public protections.

- The government continues to hold approximately 70 per cent of Hydro One and will proceed with future offerings in a careful, staged and prudent manner over time reducing Ontario's stake to 40 per cent while remaining the largest shareholder.

- The proceeds from broadening the ownership of Hydro One will be used to invest in infrastructure and reduce debt.

As a publicly traded company, Hydro One is no longer required to report salaries of employees earned after December 31, 2014 under the *Public Sector Salary Disclosure Act*.

Hydro One will continue to be governed by Ontario laws, including the *Business Corporations Act* and *Securities Act*.

Hydro One has disclosure requirements under Ontario securities legislation to provide certain information to the public. Total compensation levels of CEO, CFO and three other highest paid executives of the corporation are reported each year.

Additional Q&A (Cabinet Office)

Q61. Landlords will benefit from the new rate relief plan. How will you ensure they pass along these savings to their tenants?

Tenants who pay their own electricity bills are also able to benefit from the programs. The government is looking at ways to ensure that rate relief can be passed along to tenants that do not receive electricity bills.

Q62. The figure of 25 per cent savings is for a typical residential consumer. How much money will households actually save?

When we looked at how to make the system fairer, we wanted to make sure that these measures will benefit everyone.

Refinancing Global Adjustment impacts the electricity line of the bill. So for example, in a typical household connected to Toronto Hydro and consuming 750 kWh per month, the reduction would be 25% in 2017.

The reduction varies depending on a number of factors, including the level of consumption and the local distribution company a consumer is connected to.

Q63. Will people's bills look different?

Our new plan will provide savings through new initiatives that will cut costs directly on your electricity bill.

Most of the components of the plan do not require adjustments to the appearance of residential electricity bills.

We will work with the Ontario Energy Board (OEB) and Local Distribution Companies (LDCs) to ensure necessary changes are made to billing systems to reflect the impact of these initiatives.

Distribution companies already have experience with the implementation of billing changes.

Q64. When will these changes come into effect?

We are looking to implement these changes as soon as possible, so that we can lower rates and take the pressure off electricity consumers. There is a process that we have to follow, which includes introducing legislation.

Pending legislation and regulation amendments, changes would enter into effect in Summer 2017.

Q65. How much will these initiatives cost?

We have been making important investments in a cleaner and more reliable energy system. Since 2003, the government invested more than $35 billion in electricity generation, but these investments have led to higher electricity bills.

We have heard from Ontarians across the province that the costs of these new investments have increased bills too quickly, which is why we are moving forward with a plan that will ensure costs are shared more fairly and over a longer period of time.

To relieve that burden, two streams of initiatives are being undertaken.

First, Ontario is proposing to refinance some of the costs associated with contracted electricity generation facilities. To relieve the current burden on consumers, a portion of the GA is being refinanced. Refinancing the GA will provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.

In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on today's electricity consumers. In later years, the cost of financing would be recovered from consumers.

Under current forecasts, the immediate reduction in the GA would be about $2.5 billion per year on average over the first ten years, for a maximum accumulated debt of about $28 billion on a forecast basis.

Second. The province is proposing to introduce and expand existing rate relief programs.

A number of important programs such as the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) Program would now be funded from provincial revenues instead of by electricity consumers. The province is also launching a new Affordability Fund, enhancing the existing OESP and providing on-reserve First Nations with a delivery credit. Combined, these new measures would cost the government up to $2.5 billion over the next three years.

This spring, we will be releasing the 2017 Long-Term Energy Plan (LTEP) which will include a projection of where we think we are headed.

Q66. Where is the money for this rate relief plan coming from? Will you still be able to balance the budget?

We remain committed to balancing the budget by 2017-18. We continue to invest in the economy, our people and a healthy, clean and prosperous low-carbon future.

These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Q67.You are characterizing these as structural changes. Does this mean the lower rates are permanent, or will rates rise again?

We have a robust energy supply and are in a good position to improve efficiency, increase transparency, enhance opportunities for innovation and enhance competition to reduce system costs.

This spring, we will release the 2017 Long-Term Energy Plan (LTEP) which will include a projection of where we think we are headed.

Any rate increases over the next four years will be held to the rate of inflation for typical residential electricity consumers.

Q68. When you say you are reducing bills by 25 per cent, you are in fact including the 8 per cent rebate already in place. Is 17 per cent enough?

We are introducing the most significant electricity rate relief plan in Ontario's history.

We are restructuring the way the cost of electricity generation is recovered from families, farms and small businesses.

Ontario is proposing to lower electricity bills by 25 per cent for typical residential consumers as part of a significant restructuring of the way costs are recovered in order to spread the costs of generating assets more fairly over time.

And we are doing so by building on measures we have already taken to address electricity costs. This plan will provide substantial rate reductions today and ensure fairness and predictability for tomorrow.

We put in place the 8 per cent rebate and heard clearly that more is needed. That is why we are providing greater relief.

Q69. What about people who have had their electricity disconnected. What are you doing for them?

With all party support, we recently passed Bill 95, the Protecting Vulnerable Energy Consumers Act, which empowered the Ontario Energy Board to prohibit winter disconnections. The Board has done this, prohibiting disconnections through April 30th and requiring the reconnection all customers disconnected as a result of payments owed.

Q70. There have been calls to get rid of time-of-use rates. Are you considering that?

There is a pilot project looking at that, but we do know that time of use provides an overall benefit to the entire province by reducing demand during peak times. Reducing peak demand defers the need to invest in new generation.

Ontario is proposing to lower electricity bills by 25 per cent for typical residential consumers as part of a significant restructuring of the way costs are recovered in order to spread the costs of generating assets more fairly over time.

Global Adjustment

Q71. People have been paying for investments to make the system cleaner and more reliable. Now, you are spreading these costs over the longer term. Aren't you just offloading costs to future generations?

We have been making important investments in a cleaner and more reliable energy system, and we are reaping the benefits of that, but these investments have led to higher electricity bills.

The cost of investments in generation and conservation are funded in part through the Global Adjustment (GA).

We have heard from Ontarians across the province that the costs of these new investments have increased bills too quickly, which is why we are moving forward with a plan that will ensure costs are distributed more fairly over time. We have a plan that significantly reduces rates today AND ensures fairness and predictability for tomorrow.

Most of Ontario's electricity generators are under 20-year contracts, but many of these facilities will continue to generate power after their contract ends. These are long-term assets for our electricity system. We are bringing forward some of the value of these assets by spreading some of the current costs of these contracts over a longer period.

Q72. Won't spreading these costs over more years lead to big rate hikes down the road?

Many of the generating facilities that have been developed recently are expected to operate past their contract life. We are recognizing that some generating facilities will continue to provide benefits to future electricity consumers after their contracts end. This will reduce the need for future consumers to finance the development of new generating facilities.

To relieve the burden on ratepayers and share costs more fairly, we are proposing to restructure the way costs associated with these generating facilities are recovered.

Ontario is proposing to distribute these costs over a longer period of time. In the early years, a portion of the cost of generation recovered by the GA would be financed to provide a reduction for electricity consumers. In later years, the cost of financing would be recovered from consumers.

Under current forecasts, the reduction in the GA would be about $2.5 billion per year on average over the first seven years, for a maximum accumulated debt of about $28 billion on a forecast basis.

Q73. Residential customers just stopped paying the Debt Retirement Charge (DRC) and business and industrial customers are still paying it until 2018. Why are you now adding more debt to ratepayers?

AWe have a plan that significantly reduces rates today AND ensures fairness and predictability for tomorrow.

Most of Ontario's electricity generators are under 20-year contracts, but many of these facilities will continue to generate power after their contract ends. These are long-term assets for our electricity system. We are bringing forward some of the value of these assets by spreading some of the current costs of these contracts over a longer period. This will reduce the need to finance the development of new generation assets.

Q74. How many years will people be paying back the debt that will result from refinancing the costs? Can you give any guarantees as to how long and how much people will be paying in the future?

AOur rate relief plan is a significant restructuring of the electricity sector and the biggest rate reduction in Ontario's history.

It recognizes that the decision to invest in a clean, modern and reliable energy system was the right one – but that the costs of this decision should not be put on today's electricity bills alone.

If passed, the proposed legislation would mean this refinancing would spread costs over a longer period while providing immediate relief on electricity bills. Under current forecasts, the debt is expected to be recovered over a thirty-year period.

This spring, we'll release the 2017 Long-Term Energy Plan (LTEP) which will include a projection of where we think we are headed.

Q75. What measures will be in place to ensure this debt is managed with the proper accountability and transparency?

Leveraging the expertise of both companies, the government intends to introduce legislation that enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to manage this refinancing. The legislation would also outline the role of the Ontario Energy Board (OEB) as it relates to the financing proposal.

Q76.Why was Ontario Power Generation (OPG) chosen as the entity responsible for this refinancing?

OPG has the necessary expertise to assist with the refinancing.

OPG currently manages an $18-billion nuclear fund and can use its infrastructure and expertise in this field to help administer the longer-term financing.

As an entity regulated by the Ontario Energy Board, OPG also has extensive experience with regulatory deferral and variance accounts.

Delivery charges

Q77. Delivery charges have been a big issue for people. Why aren't you eliminating them or lowering them more than you are?

Pending legislation, Ontario is making changes to the Rural or Remote Electricity Rate Protection Program to lower delivery charges for about 800,000 rural and remote consumers who currently face some of the highest rates. The government also intends to introduce legislation that, if passed, would eliminate the delivery charge for all on-reserve First Nations residential consumers, resulting in an average savings of $85 per month.

Q78. How are you changing the way programs are currently funded?

As a government, we have been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low incomes.

Programs designed to support customers that are most vulnerable to increasing electricity costs will shift from the hydro bill to government funding, recognizing they are for the common good. This includes the Ontario Electricity Support Program (OESP) and Rural and Remote Rate Protection (RRRP).

The new Affordability Fund and the On-Reserve First Nation delivery rate will also be government-funded. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Program Enhancements

Q79. What are you doing for people in rural areas?

We currently provide support to roughly 350,000 rural residential customers through the Rural or Remote Electricity Rate Protection Program (RRRP). We will expand this support to provide rate relief also to customers of local distribution companies (LDCs) with some of the highest rates.

The enhanced program will benefit about 800,000 customers total. As an example, a Hydro One low density customer on electric heat consuming 2,500kWh/month will see their distribution charge reduced by about $75. Specific rebate amounts will be dependent on Ontario Energy Board rate-setting processes.

We are moving to have the RRRP funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $500 million in the 2017–18 fiscal year.

Q80. What are you doing for low-income Ontarians?

Through the Fair Hydro Plan, we are providing relief to everyone and also providing additional relief for those who are most in need of support.

This includes expanding the Ontario Electricity Support Program, which lowers electricity costs for the most vulnerable customers by providing a rebate directly on their bills. This program — which is income-tested and application-based — uses two scales: basic credits; and an enhanced credit for Indigenous people and for people who use electric heat or certain electrically intensive medical devices.

The eligibility for OESP will be expanded so that more Ontarians can receive the credit. We will also increase OESP credits by 50 per cent. Here is what that will mean for people in common situations:

- Single, low-income consumers who receive the lowest credit amount currently receive $30 per month ($360 per year). They will now receive $45 per month ($540 per year).
- Some customers can't avoid using more power because their home is electrically heated or they rely on an approved medical device that uses a lot of electricity. For a single, low-income customer eligible for the enhanced credit, the amount will grow from $45 per month ($540 per year) to $68 per month ($816 per year).
- Families of four who use electric heat will see their credit climb from $55 per month ($660 per year) to $82.50 per month ($990 per year).

We are moving to have the OESP funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $185 million in the 2017–18 fiscal year.

Q81. There hasn't been huge uptake of the Ontario Electricity Support Program (OESP). What are you doing to increase participation levels in this program?

We want to ensure that people receive the support they need and are eligible for. We are taking a number of steps to ensure that as close as possible to 100 per cent of people eligible participate in this program. We are:

- Streamlining the application process to make it easier and quicker to get approval
- Increasing awareness of the program to eligible recipients
- Exploring automatic qualifications for customers who are enrolled in other low-income support programs
- Expanding eligibility for more low-income Ontarians.

Q82. Why not just remove the need to apply for the Ontario Electricity Support Program (OESP) in the first place? Wouldn't that be the best way to increase participation — by automatically reducing bills for lower-income Ontarians?

The OESP is delivered by the Ontario Energy Board (OEB), which works with local utilities to ensure that the credit is applied on customer bills every month. This ensures that the credit is applied directly to reducing electricity bills for eligible customers.

The OESP is an income-tested program. Local utilities and the OEB do not have information on customer income levels. Thus, they do not know which customers may be eligible for the OESP. That's why the OEB also works with the Canada Revenue Agency and 172 intake agency locations across the province to help get customers the relief they need as quickly as possible.

The government is exploring automatic qualifications for customers who are enrolled in other low-income support programs.

Q83. Why are you targeting those who are most vulnerable?

We understand rising electricity costs are a concern for all Ontarians and appreciate that low-income Ontarians feel it even more.

We currently offer both the Ontario Electricity Support Program and the Rural and Remote Rate Protection, which offer significant bill reductions to eligible households. As part of our rate relief plan, these programs are being enhanced to ensure vulnerable consumers receive additional support.

We recognize that these programs have social value and benefit vulnerable people across Ontario. So we are shifting these programs from being paid for through electricity bills to being paid for through government funding.

This will reduce bills for everyone, and ensure these programs continue to serve those in need.

For those most in need, low-income programs like the Home Assistance Program help provide energy efficiency upgrades in homes at no cost to help customers reduce future electricity bills and avoid future disconnections.

We recognize that there are other electricity customers who are in need, but who do not qualify as low-income, and are addressing this through the Fair Hydro Plan.

Q84. What kinds of support will you provide through the new Affordability Fund, and who will be eligible for it?

As well as reducing rates for people across Ontario, we are providing additional support to those in need. This includes creating a new Affordability Fund to help electricity customers who cannot qualify for low-income conservation programs.
Distribution companies have been partners in delivering electricity services and conservation programs to Ontarians for more than ten years. This fund will give them an additional tool to help customers in need. They will use provincial support through this fund to help customers pay for energy-efficiency improvements to reduce their future electricity bills and avoid future disconnections.

We are moving to have the Affordability Fund funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $200 million in the 2017–18 fiscal year.

Q85. How much of the costs of making energy improvements will people eligible for the Affordability Fund have to cover themselves?

The fund will provide support of $3,000 to $5,000 [TBC] per customer, and they will pay minimal costs towards the energy improvements. We estimate this fund will help from 15,000 to 65,000 [TBC] households.

Q86. What are you doing to reduce electricity bills for First Nations people living on reserves?

We are providing additional support for people who live on First Nations reserves. We are taking a number of actions recommended by the Ontario Energy Board, including:

- Eliminating the delivery charge for all on-reserve First Nations residential customers and removing the monthly service charge for customers of licensed distributors that charge a bundled rate. The Ontario Energy Board estimates this will provide residential customers an average monthly benefit of $85 (or $1,020 per year)
- Automatically qualifying on-reserve First Nations residential customers — about 21,500 in total
- Enabling greater information sharing between distributors and band councils to identify all on-reserve First Nations customers.

We are moving to have the First Nations On-Reserve Rate funded through the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $20 million in the 2017–18 fiscal year.

Q87. This announcement is only for residential customers. What are you doing for industrial consumers?

Industrial customers will benefit through two initiatives.

A number of important programs such as the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) program would now be funded from provincial revenues instead of by electricity consumers. This will provide savings to industrial customers, who currently fund a portion of these programs.

We are also proposing to expand the Industrial Conservation Initiative (ICI) to include smaller manufacturers with peak demands between 500 kW and 1 MW. ICI provides a strong incentive for participating consumers to shift their electricity consumption to off-peak hours to reduce their bills by about one-third. By reducing the province's peak demand, ICI has the added benefit of deferring the need to build peaking generation. Participating consumers collectively reduced Ontario's peak demand by an estimated 1,000 MW in 2015.

Advertising/transparency bucket:

Q88. Why is the government spending money on advertising for this plan when it could be putting those funds toward lowering electricity prices?

We are committed to improving the public's understanding of the energy system.

It is important that the people of Ontario know about the decisions we are making so that they can effectively participate in making decisions on how they use energy.

We have been listening to people in all parts of the province and understand that they need us to do more and that's why we are introducing this plan.

The new Rate Relief Plan will bring in more savings now through new initiatives that will cut costs directly on your energy bill.

Advertising is crucial for raising awareness about government programs and to ensure that all Ontarians are aware of how these programs will impact them.

For the Affordability Fund, targeted outreach is planned, as opposed to broad marketing, to ensure that support is delivered to customers who need it most.

Another resource available to Ontarians is the Ministry of Energy's emPOWERme website, an online resource dedicated to public education about electricity.

Q89. Did the government go through the proper approvals process for this advertising campaign? Was this advertising campaign approved by the Auditor General and the Advertising Review Board

We understand the importance of transparency and accountability.

Our advertising campaign has been reviewed and approved by all the proper agencies/parties, including the Auditor General and the Advertising Review Board.

All the necessary approvals and processes were followed during the selection of the advertising agency.

Q90. How much will this cost taxpayers?

Reducing electricity costs is part of Ontario's plan to create jobs, grow our economy and help people in their everyday lives.

The measures to help vulnerable electricity consumers would cost the government up to $2.5 billion over the next three years. The refinancing proposal would be debt financed and is not expected to pose a direct cost to government.

The province continues to project a balanced budget for 2017-18. The province will provide a full update on its fiscal plan in the spring Budget.

Q91. How are you managing interest rates over time?

Ontario Power Generation (OPG) would provide the financing for the proposal. OPG has a great deal of experience managing the risks associated with borrowing through their experience developing capital-intensive generation projects as well as their management of Nuclear Funds.

Q92. Are other increases coming after the reduction?

The rate of increase for a typical residential consumer will be kept in line with inflation for 4 years.

Q93. How will I see this on my bill?

The savings in the plan will be delivered through several existing line items on the bill, including electricity, delivery and regulatory.

Q94. Are we going to see cuts to other programs to pay for this?

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future.

These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Q95. Will schools and hospitals have their bills go down?

Schools and hospitals will benefit through shifting the funding of support programs to provincial revenues.

Q96. How much will rates go up after the four years?

Under the plan, rates will begin to increase at a rate higher than inflation after four years but are expected to remain below current forecasts until the mid-2020's.

Q97. It appears that this plan will raise prices again in just a few years, aren't we just delaying the inevitable?

Under the plan, rates will begin to increase at a rate higher than inflation after four years but are expected to remain below current forecasts until the mid-2020's.

As part of the Fair Hydro Plan, the government will aggressively pursue cost reductions through sector efficiencies to bring costs down over the long term.

Q98. How long are you talking about refinancing for?

Our proposal would spread costs over a 30-year period.

Q99. Won't cheaper electricity undercut your conservation initiatives?
We continue to encourage a culture of conservation in Ontario and will proceed with our aggressive conservation targets.

Q100. Are you doing a complicated global adjustment scheme instead of just cutting rates?

Ontario is proposing to refinance some of the costs associated with contracted electricity generation facilities. To relieve the current burden on consumers, a portion of the GA is being

refinanced. Refinancing the GA will provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time

Q101. Is there a legit reason to do this other than keeping it off the provincial books?

Ontario is proposing to refinance some of the costs associated with contracted electricity generation facilities. To relieve the current burden on consumers, a portion of the GA is being refinanced. Refinancing the GA will provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.

Ontario Power Generation (OPG) would provide the financing for the proposal. OPG has a great deal of experience managing the risks associated with borrowing through their experience developing capital-intensive generation projects as well as their management of Nuclear Funds.

Ontario

Ontario's Fair Hydro Plan:
Providing Relief for Consumers

Technical Briefing
Ontario Ministry of Energy

March 2, 2017

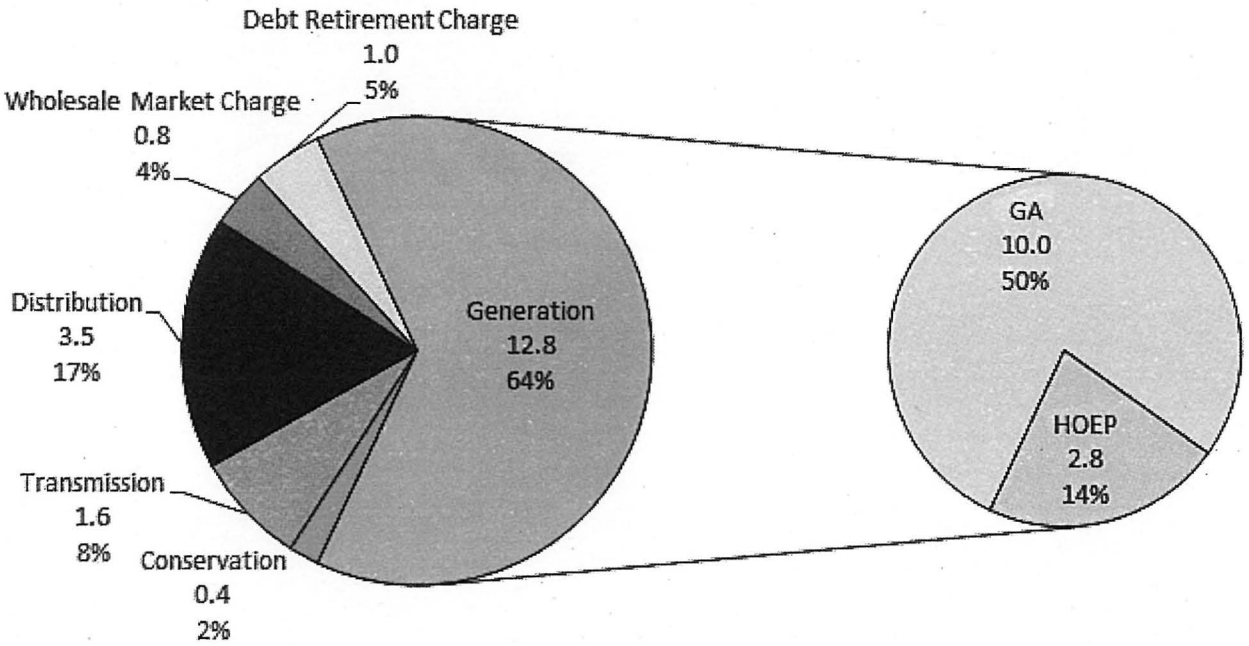
Outline of Technical Briefing

1. Overview of Ontario's Electricity Market
2. Ontario's Fair Hydro Plan – Providing Relief for Consumers
3. Questions

Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.

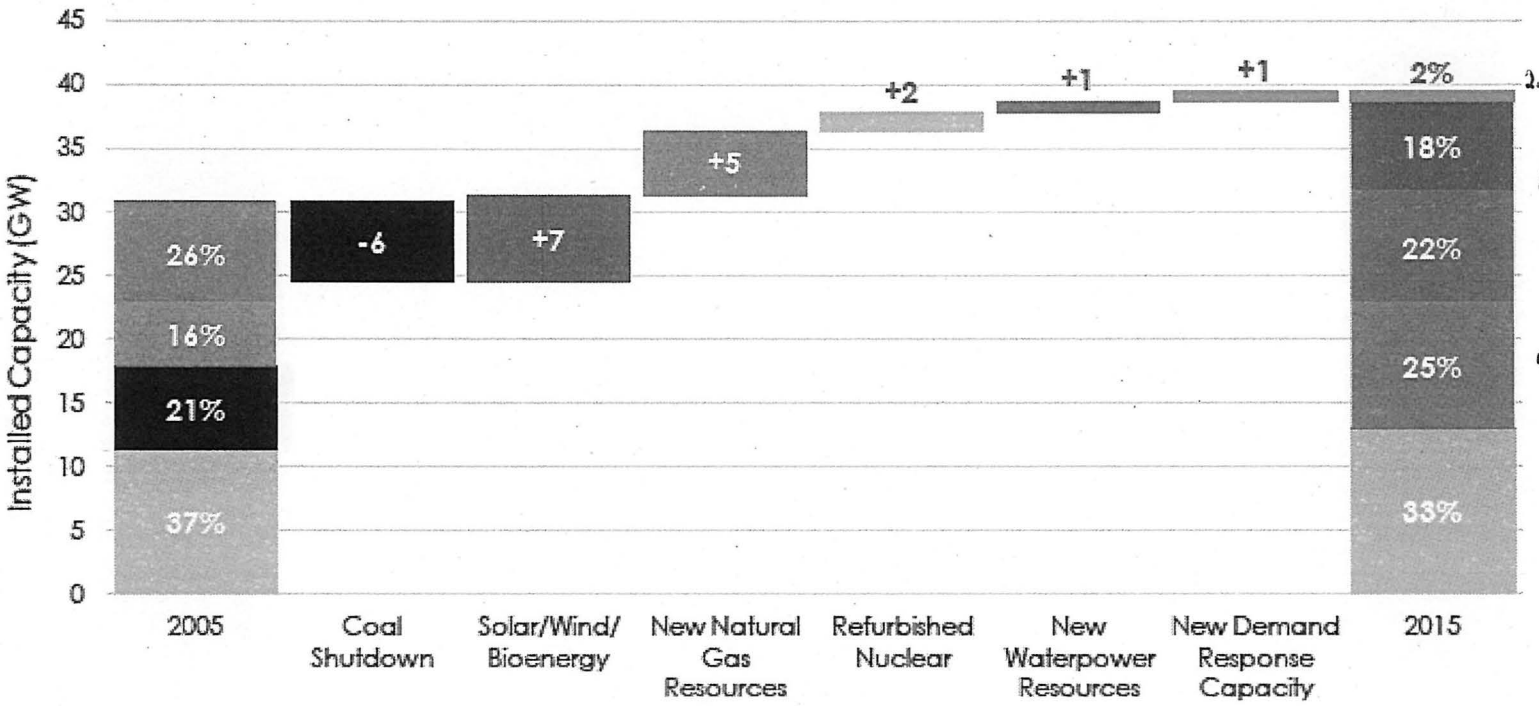
2015 Electricity System Cost
$ billion



Source: IESO

Significant Change in Supply Mix

- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



2. added significant capacity - about 10GW net of coal

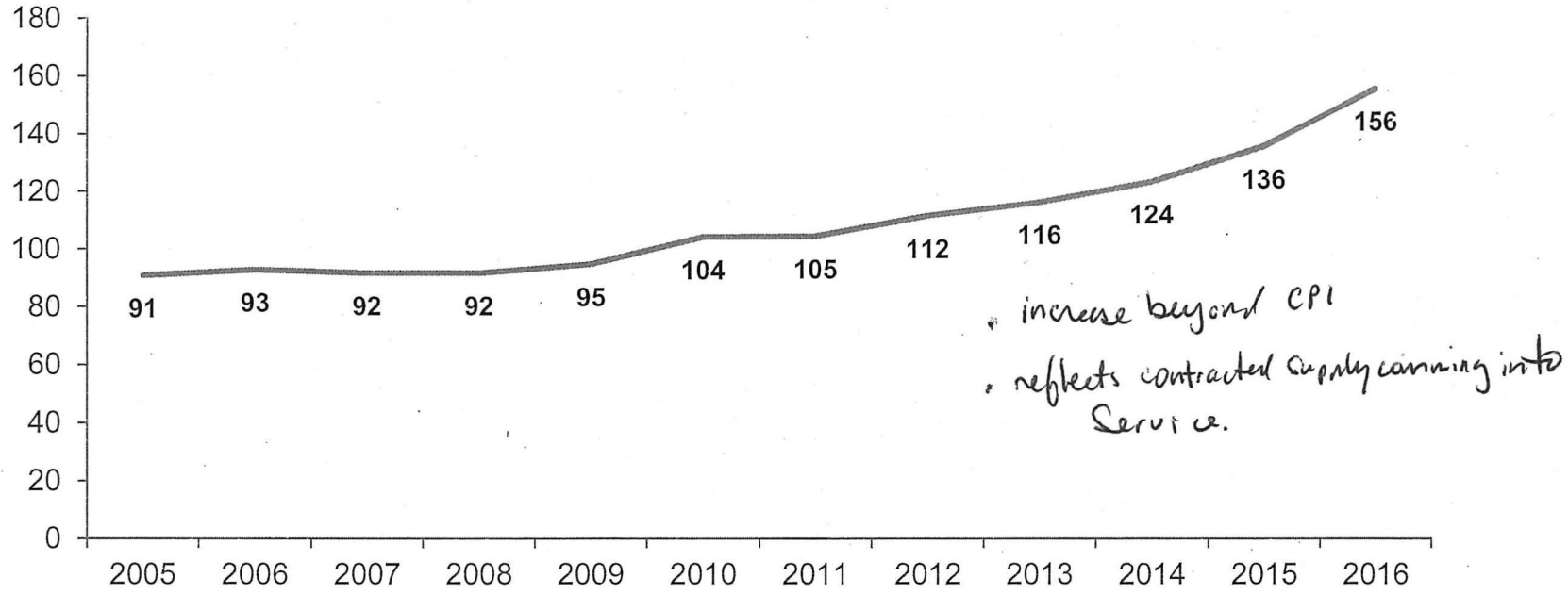
1. no coal in supply mix

Source: *IESO*

Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).

Typical Residential Electricity Bills
in $ per month, 750 kWh consumption



Source: *Ministry of Energy*

Recent Actions To Mitigate Electricity Rates

- Following the 2016 Throne Speech, several actions were announced to further reduce electricity costs.
  - As of January 1, 2017, Ontario is rebating an amount equal to the provincial portion of the HST to reduce eligible residential, small business and farm electricity bills by 8%.
  - Expanded support available to eligible rural ratepayers by updating Rural or Remote Rate Protection (RRRP) with additional relief, decreasing total electricity bills by an average of $45 each month when combined with the 8% rebate.
  - Expanding the Industrial Conservation Initiative (ICI) – up to one-third savings for participants.
  - Suspending the LRP II and the Energy from Waste Standard Offer Program (EFWSOP) – up to $3.8 billion in cost savings.
  - Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements – up to $129 million in cost savings.

Ontario's Fair Hydro Plan

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a. m.

Ontario's Fair Hydro Plan

- Ontario is lowering electricity bills by 25 per cent for the typical residential customer and holding rate increases to the rate of inflation for four years. Small businesses and farms would also benefit from this initiative.

- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

- These new measures will cost the government up to $2.5 billion over the next three years.

- Government intends to introduce legislation to enable Ontario's Fair Hydro Plan.

1. Refinancing Global Adjustment

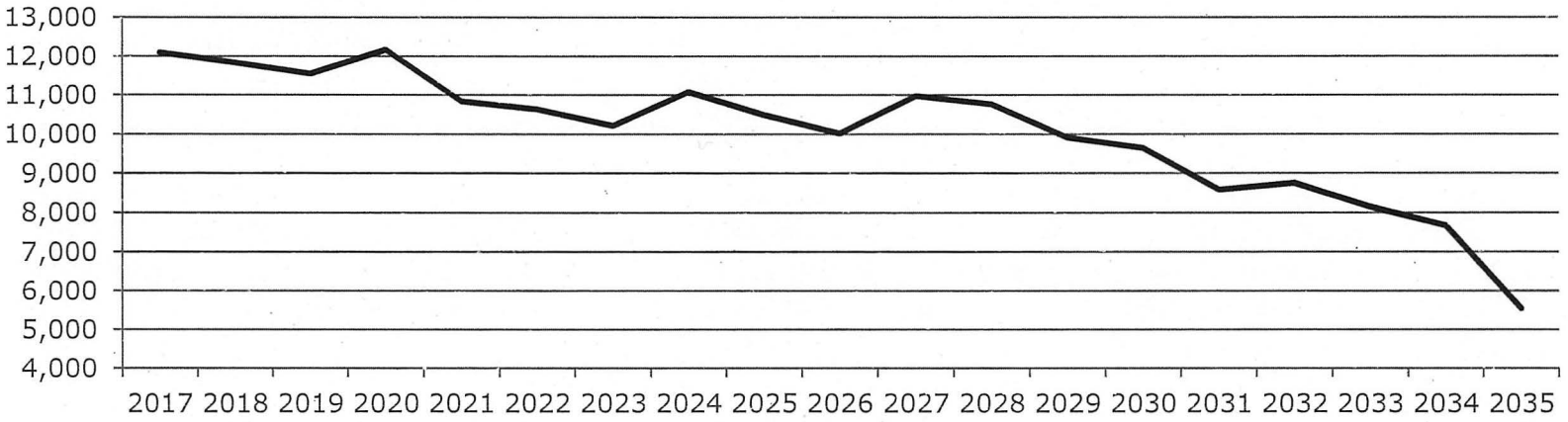
Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) would provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
  - 25% reduction on average for the typical residential customer and rates would follow inflation for the next 4 years.

- Under current forecasts, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years, with a maximum annual interest cost of $1.4 billion.

- This measure would share the associated costs more fairly. The chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

Forecast Global Adjustment Cost (nominal $ million)



Source: IESO

Policy Rationale

- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.

- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.

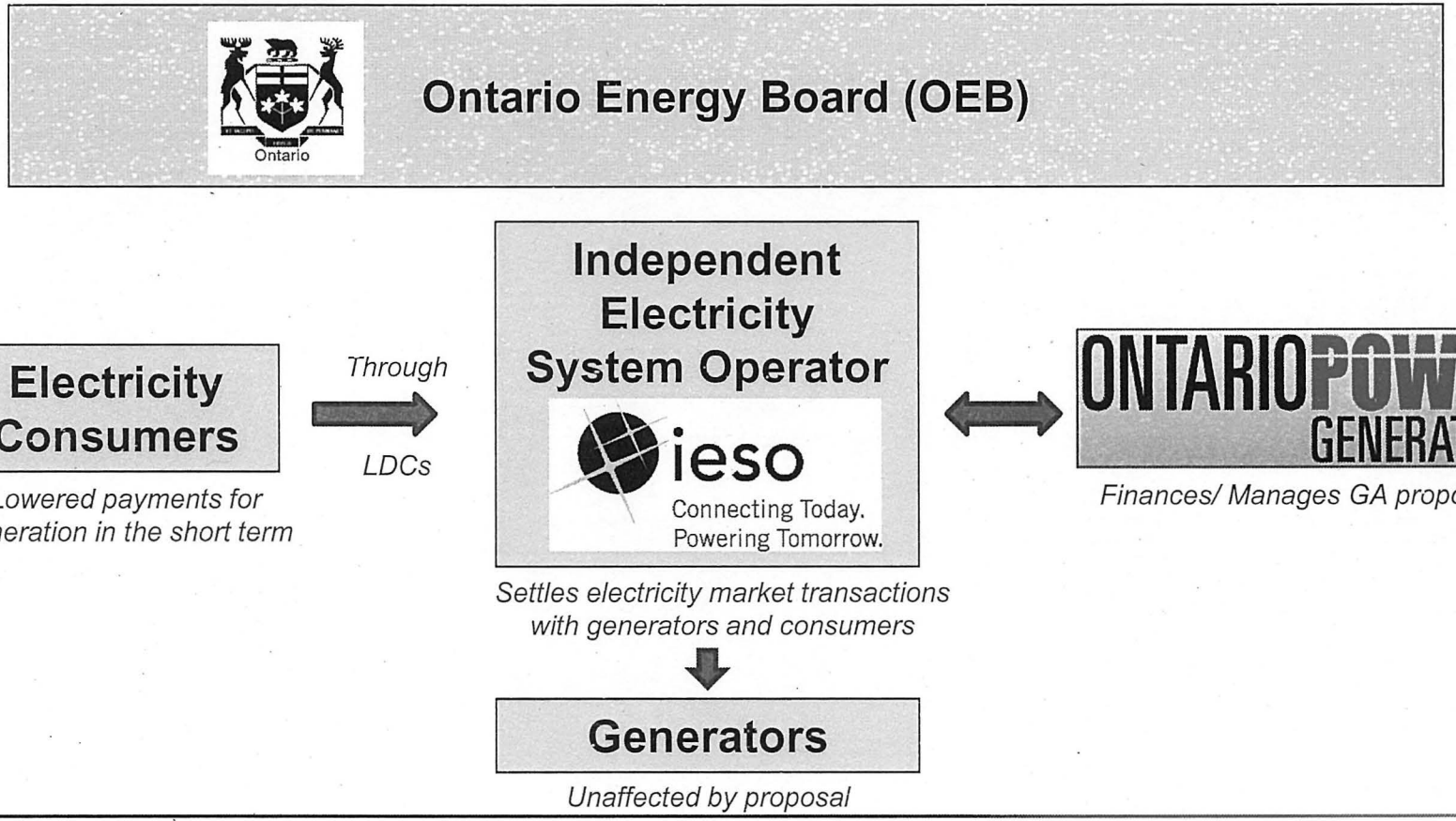
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.

- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the cost of financing would be recovered from ratepayers.

"The amount consumers pay today could be reduced by stretching capital amortization periods to match the expected productive lives of the assets. In this way, the costs of generation charged to households would more closely reflect the true economic costs of the assets."
Globe and Mail Op-Ed (February 28, 2017) – Ivey Business School

Implementation

- The following entities would implement the proposed Global Adjustment (GA) refinancing mechanism.
  - The government intends to introduce legislation that would, if passed, enable IESO and OPG to work together to refinance the GA over a longer period of time. The legislation would also outline the role for the OEB, as it relates to the financing proposal.



2. Helping Vulnerable Consumers

Helping Vulnerable Electricity Consumers

- Fair Hydro Plan initiatives to help vulnerable consumers include:
  - Broadening Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief for the customers of the costliest local distribution companies (LDCs).
  - Enhancing the Ontario Electricity Support Program (OESP) and working to ensure the program uptake is as close as possible to 100%.
  - Establishing a new First Nations On-Reserve Delivery Credit.
  - Establishing a new Affordability Fund which would support Ontarians who have difficulty paying their electricity bills to be able to access energy efficiency improvements.

- All of these initiatives would provide benefits to eligible consumers on top of the benefits they would receive from Global Adjustment (GA) refinancing.

- As part of the Fair Hydro Plan, these programs would be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.
  - These programs would be funded by provincial revenues because they all provide targeted benefits to vulnerable consumers.

Broadening Rural or Remote Electricity Rate Protection (RRRP)

- Rural or Remote Rate Protection (RRRP) provides a rate subsidy to rural or remote residential customers who are faced with higher distribution costs compared to urban areas.
  - The RRRP is currently provided to approximately 350,000 Hydro One R2 residential customers in Ontario.

- The Province would expand the RRRP to provide distribution charge relief to additional hydro customers served by local distribution companies (LDCs) with the highest distribution rates, including: Hydro One R1, Northern Ontario Wires Inc., Lakeland Parry Sound, Chapleau PUC, Sioux Lookout Hydro, InnPower, Atikokan Hydro and Algoma Power. This would extend RRRP availability to about 800,000 customers.

- The new benefits would vary from LDC to LDC. For example:
  - A Hydro One R2 customer consuming 2,500kWh a month would see distribution cost reductions of around $75 a month.
  - A Hydro One R1 customer consuming 1,000kWh a month would see distribution cost reductions of around $18 a month.
  - An InnPower customer consuming 1,000kWh a month would see distribution cost reductions of around $12 a month.

- The government intends to introduce legislation to broaden the RRRP and to move forward in having RRRP costs be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.

Enhancing the Ontario Electricity Support Program (OESP)

- The OESP would be enhanced by increasing its monthly credits by 50%, expanded to cover more low-income Ontarians, and increasing uptake to as close to 100% as possible.
  - Sliding Scale #1 outlines basic program benefits, and Sliding Scale #2 outlines enhanced benefits for Indigenous households, electrically heated households, and households with certain medically intensive medical equipment.
- The government intends to introduce legislation to enhance the OESP and to move forward in having OESP costs be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.

Existing OESP Credit Scales

Sliding Scale #1	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$30	$30	$34	$38	$42	$50	$50
$28,001 - $39,000			$30	$34	$38	$42	$50
$39,001 - $48,000					$30	$34	$38
$48,001 - $52,000							$30

Sliding Scale #2	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$45	$45	$50	$55	$60	$75	$75
$28,001 - $39,000			$45	$50	$55	$60	$75
$39,001 - $48,000					$45	$50	$55
$48,001 - $52,000							$45

Proposed +50% OESP Credit Increase*

Sliding Scale #1	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$45	$45	$51	$57	$63	$75	$75
$28,001 - $39,000		$40	$45	$51	$57	$63	$75
$39,001 - $48,000			$35	$40	$45	$51	$57
$48,001 - $52,000					$35	$40	$45

Sliding Scale #2	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$68	$68	$75	$83	$90	$113	$113
$28,001 - $39,000		$60	$68	$75	$83	$90	$113
$39,001 - $48,000			$52	$60	$68	$75	$83
$48,001 - $52,000					$52	$60	$68

*__Note:__ The proposed higher scale, including the amounts in circles are proposed and will be refined in consultation with the OEB.

First Nations On-Reserve Delivery Credit

- In 2016, the Minister of Energy asked the Ontario Energy Board (OEB) to develop options for a First Nation delivery credit for households.

- The OEB, engaging with First Nations, including remote communities, the distributors serving them, and consumer groups, developed the following recommendations:
  - Eliminating the delivery charge for all on-reserve First Nations households and removing the monthly service charge for customers of licensed distributors which charge a bundled rate. The OEB estimates this would provide residential customers an average monthly benefit of $85.
  - Automatically qualify on-reserve First Nations households (~21,500 customers).

- The government intends to introduce legislation to create the First Nations On-Reserve Delivery Credit and to move forward in having its costs be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.

Establishing a New Affordability Fund

- The Affordability Fund would assist electricity customers who cannot qualify for low-income conservation programs and need financial assistance to undertake energy efficiency improvements.

- The Affordability Fund would provide LDCs with an additional tool to help customers in need. LDCs would use the Fund to provide support to customers for energy efficiency improvements to help reduce their future electricity bills.

- Measures supported by the Fund are expected to be similar to those available under the existing low-income conservation program, such as energy efficient lighting and appliances and, for electrically heated homes, insulation and weather stripping. Cold climate air source heat pumps would also be an eligible measure.

- The Province intends to work with Hydro One, in consultation with all other LDCs, to establish an independent Trust to serve as the administrator of the Affordability Fund.

- The Province would pay for the Fund through provincial revenues.

3. Enhancing Competitiveness for Small Manufacturers and Industrials

Enhancing Competitiveness for Small Manufacturers and Industrials

- The Industrial Conservation Initiative (ICI) provides a strong incentive for participating consumers to reduce their consumption during peak hours to reduce their costs.

- Expanding the eligibility threshold for the ICI would provide small manufacturers and industrials the opportunity to save on their electricity costs, while reducing the province's peak demand. The expanded ICI would include
  - Extending eligibility to small manufacturers and industrials with average monthly peak demand over 500 kilowatts; and
  - Targeting eligibility to energy intensive industries with the North American Industry Classification System (NAICS) codes 31 - 33 (i.e., Manufacturing).

- Under the expanded ICI, small manufacturers and industrials whose electricity demand is currently too low to qualify for ICI, would now be eligible for the expanded ICI if they wish to participate.

- Small manufacturers would also benefit from funding social programs through provincial revenues.

- In addition, the Ministry would assist small manufacturers and industrials' participation in ICI through a targeted outreach campaign delivered by the Ontario Chamber of Commerce (OCC).

4. Market Efficiencies / Bending the Cost Curve

Ongoing Efforts To Bend The Cost Curve of Ontario's Electricity System

- Since 2010, the government has taken a number of important actions to reduce electricity system costs, including:
  - Renegotiating the Green Energy Investment Agreement to reduce contract costs by $3.7 billion.
  - Reducing Feed-In Tariff (FIT) prices saving ratepayers at least $1.9 billion.
  - Introducing a competitive Large Renewable Procurement (LRP) process to drive down costs approximately $1.5 billion lower than the 2013 LTEP forecast.
  - Deferring the construction of two new nuclear reactors at Darlington, avoiding an estimated $15 billion in new construction costs.
  - Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020 instead of 2016, thus helping to achieve $1.7 billion in savings and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers about $600 million.

Improving Electricity Sector Efficiency

The Ontario Energy Board (OEB)

- The Ontario Energy Board (OEB) regulates and licences more than 70 Local Distribution Companies (LDCs) in the province. The OEB would identify opportunities for cost efficiencies by:
  - Encouraging shared partnerships on services between utilities, which will help reduce costs and encourage further innovation for small to medium sized utilities;
  - Reviewing regulatory requirements to reduce "red tape" and eliminate unnecessary costs on LDCs; and
  - Looking at opportunities to further drive transmitter and LDC efficiencies and productivity improvements, including the use of innovative technologies and business processes.

Independent Electricity System Operator

- The IESO plans for the province's electricity needs, balances the supply and demand for electricity in Ontario in real time and administers conservation programs.

- The IESO's Market Renewal includes such initiatives as developing a capacity auction process, introducing a day-ahead energy market, etc.

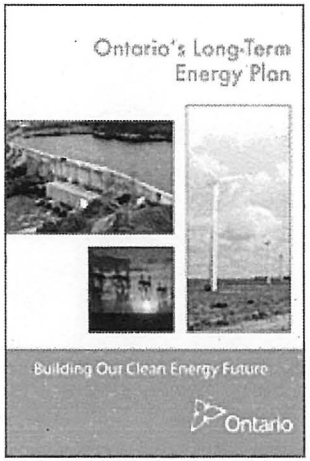
- Changes related to IESO's Market Renewal initiatives are estimated to save at least $200 million per year, starting in 2021.

2017 Long-Term Energy Plan

- The Ministry of Energy is developing the next Long-Term Energy Plan (LTEP) after receiving feedback from the public, stakeholders and indigenous communities during the engagement process that took place from October to January 2017.

- The LTEP process is designed to be iterative and flexible and only commit resources as demand needs become clearer.

- The Ministry of Energy anticipates that the next LTEP will be published in spring 2017.





Ontario

NEWS

Office of the Premier

Ontario Cutting Electricity Bills by 25 Per Cent

System Restructuring Delivers Lasting Relief to Households Across Province

NEWS March 2, 2017

Ontario is lowering electricity bills by 25 per cent on average for all residential customers as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness.

Starting this summer, Ontario's Fair Hydro Plan would provide households with this 25 per cent break. Many small businesses and farms would also benefit from the initiative. People with low incomes and those living in eligible rural communities would receive even greater reductions to their electricity bills. As part of this plan, rate increases over the next four years would be held to the rate of inflation for everyone.

These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

Taken together, these changes will deliver the single-largest reduction to electricity rates in Ontario's history.

Recently, electricity rates have risen for two key reasons:

- Decades of under-investment in the electricity system by governments of all stripes resulted in the need to invest more than $50 billion in generation, transmission and distribution assets, to ensure the system is clean and reliable.

- The decision to eliminate Ontario's use of coal and produce clean, renewable power, as well as policies put in place to provide targeted support to rural and low-income customers have created additional costs.

The burden of financing these system improvements and funding key programs has unfairly fallen almost entirely on the shoulders of today's ratepayers. To relieve that burden and share costs more fairly, two system fixes are being undertaken.

Recognizing that the electricity infrastructure that has been built will last for many decades to come, the province would refinance those capital investments to ensure that system costs are more equitably distributed over time. In addition, a number of important programs, such as the Ontario Electricity Support Program (OESP), will now be funded by the government instead of by ratepayers.

.../2

The province will also launch a new Affordability Fund, enhance the existing OESP and Rural or Remote Rate Protection Program (RRRP) and provide on-reserve First Nations households with a delivery credit. These new measures will cost the government up to $2.5 billion over the next three years.

Notwithstanding that hydro rate relief costs will add significant pressure on the fiscal framework, the province continues to project a balanced budget for 2017-18, and will provide a full update on its fiscal plan in the spring budget.

Reducing electricity costs is part of Ontario's plan to create jobs, grow our economy and help people in their everyday lives.

QUOTES

"I have heard from people around the province who are worried about the price they are asked to pay for electricity and the impact it has on their household budget. Electricity is a necessity. By fixing problems in the system, we will be able to provide every residential customer in Ontario with an average 25 per cent off their bills now and make rates fairer in the future."
— Kathleen Wynne, Premier of Ontario

"Ratepayers across Ontario have been loud and clear — we need to do more to help reduce costs. The government has listened and Ontario's Fair Hydro Plan would reduce costs now and ensure an affordable and reliable electricity system. These new measures would have a significant impact on your monthly hydro bill and would help the most vulnerable."
— Glenn Thibeault, Minister of Energy

QUICK FACTS

- Ontario's Fair Hydro Plan would improve sector efficiency and modernize the province's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

- The Province will expand the RRRP to provide distribution charge relief to additional customers served by LDCs with the highest rates. About 800,000 customers would benefit from the enhanced RRRP program.

- The Affordability Fund would be accessible to Local Distribution Companies (LDCs) for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.

- On-reserve First Nations customers will receive a 100 per cent credit of the delivery line on their monthly electricity bills.

- The expanded OESP will provide an additional $180 to $276 per year for households of eligible size and combined income.

- Ontario is expanding the Industrial Conservation Initiative (ICI) program by reducing the threshold from 1MW to 500kW and targeting more small manufacturing and industrial consumers.

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LEARN MORE

Learn how Ontario is developing the next Long-Term Energy Plan.

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BACKGROUNDER

Ministry of Energy

Enhancing Electricity Support and Conservation Programs

Ontario's Fair Hydro Plan would lower electricity bills by 25 per cent on average for all residential consumers in the province. Many small businesses and farms would also benefit from the initiative, with additional relief for people with low incomes and those living in eligible rural communities.

These new measures will cost the government up to $2.5 billion over the next three years.

Broadening Rural or Remote Rate Protection (RRRP)

- The Rural or Remote Rate Protection (RRRP) program provides a rate subsidy to rural and remote residential customers who face higher distribution costs compared to urban areas.
- The RRRP is currently provided to approximately 350,000 rural residential customers in Ontario.
- The Province will expand the RRRP to provide distribution charge relief to additional customers served by LDCs with the highest rates. About 800,000 customers would benefit from the enhanced RRRP program. LDCs benefitting from the expanded RRRP include: Hydro One R2 and R1 customers, Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma. The benefits would differ from LDC to LDC. Credit amounts would be set using the lowest cost distribution LDC from the group, as set by the Ontario Energy Board (OEB). For example:
    a) A Hydro One R2 customer consuming 2,500kWh a month would have their distribution cost reduced by about $75.
    b) A Hydro One R1 customer consuming 1,000kWh a month would have their distribution cost reduced by about $18.
    c) An InnPower customer consuming 1,000kWh a month would have their distribution cost reduced by about $12.
- The Province will also move to fund RRRP costs through the tax base, reducing regulatory charges for all Ontario ratepayers.

Expanding the Ontario Electricity Support Program (OESP)

- The OESP is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers, providing a rebate directly on bills. There are two scales: one with basic credits, and an enhanced credit for Indigenous people or those who use electric heat or certain electrically intensive medical devices.
- Ontario is increasing the OESP by 50 per cent, meaning that single, low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180), and the lowest credit for the enhanced scale would increase from $45 to $68 ($816 per year, an increase of $276).
- Ontario is exploring automatic qualification for customers who are enrolled in other provincial low-income social programs.
- The Province is also moving forward in having the OESP funded by provincial revenues, reducing

regulatory charges for all Ontario ratepayers.

Providing a First Nations On-Reserve Delivery Credit

- In 2016, the Ontario Energy Board (OEB) engaged with First Nations, including remote communities, the distributors serving them, and consumer groups such as the Low Income Energy Network.
- Following the engagement process the OEB recommended:
    - Eliminating the delivery charge for all on-reserve First Nations residential customers and removing the monthly service charge for customers of licensed distributors which charge a bundled rate. The OEB estimates this would provide residential customers an average monthly benefit of $85.
    - Automatically qualifying on-reserve First Nations residential customers (approximately 21,500 customers).
    - Enabling greater information sharing between distributors and Band Councils to identify all on-reserve First Nations customers.
- The Province is also moving forward in having the First Nations On-Reserve Delivery Credit funded by provincial revenues.
- The government intends to introduce legislation that would, if passed, enable the above initiatives. In addition, an Affordability Fund will be established through a transfer payment agreement with Hydro One. No legislative amendments are required for this fund

Establishing an Affordability Fund

- The Affordability Fund will assist electricity customers who cannot qualify for low-income conservation programs.
- The Affordability Fund will provide LDCs with an additional tool to help customers in need. LDCs would use the Fund to provide support to customers for energy efficiency improvements to help reduce their future electricity bills.
- The Province will work with Hydro One, in consultation with all other LDCs, to establish a Trust to serve as the administrator of the Affordability Fund.
- The Province will pay for the Affordability Fund through provincial revenues.

For media inquiries only call:

Colin Nekolaichuk, Minister's Office, 416-325-2690
Colin.Nekolaichuk@ontario.ca.

Natasha Demetriades, Communications Branch, 416-326-5452
Natasha.Demetriades@ontario.ca

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BACKGROUNDER

Ministry of Energy

Refinancing the Global Adjustment

Ontario's Fair Hydro Plan would lower electricity bills by 25 per cent on average for all residential consumers in the province. Many small businesses and farms would also benefit from the initiative, with additional relief for people with low incomes and those living in eligible rural communities.

Decades of under-investment in the electricity system by governments of all stripes resulted in the need to make significant investments in generation, transmission and distribution assets. In addition, an important decision was made to eliminate Ontario's use of coal and build clean, renewable supply. Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment (GA).

The majority of the province's electricity generators have 20-year contracts. Many of these generators will be able to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA is being refinanced. Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers. Under current forecasts, the immediate reduction in the GA would be about $2.5 billion per year on average over the first 10 years, with annual interest costs not exceeding $1.4 billion.

The government intends to introduce legislation that would, if passed, enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to refinance the GA over a longer period of time. The legislation would also outline the role for the Ontario Energy Board (OEB), as it relates to the financing proposal.

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BACKGROUNDER

Ministry of Energy

Energy Sector Efficiencies

Ontario's Fair Hydro Plan would lower electricity bills by 25 per cent on average for all residential consumers in the province. Many small businesses and farms would also benefit from the initiative, with additional relief for people with low incomes and those living in eligible rural communities.

Ontario's commitment to lowering energy costs for ratepayers would include working with the province's agencies to identify opportunities to drive efficiency and productivity improvements.

Ontario Energy Board (OEB)

- The OEB regulates and licences more than 70 Local Distribution Companies (LDCs).
- The OEB sets electricity rates and prices and monitors and assesses the performance of electrical utilities.
- The OEB will identify opportunities for cost efficiencies by:
    - Encouraging shared partnerships on services between utilities, which would help reduce costs and encourage further innovation for small to medium-sized utilities.
    - Reviewing business cases behind its regulatory requirements to reduce red tape and eliminate costs that LDCs indicate are creating pressures on operating expenses.
    - Looking at opportunities to further drive transmitter and LDC efficiencies and productivity improvements, including the use of innovative technologies and business processes.

Independent Electricity System Operator (IESO)

- The IESO plans for the province's electricity needs, balances the supply and demand for electricity in Ontario in real time and administers conservation programs.
- The IESO and partners have begun a market renewal project to enhance efficiency and performance of the wholesale electricity market.
- Changes related to the IESO's market renewal initiatives are estimated to save at least $200 million per year, starting in 2021.

Long-Term Energy Plan 2017

- The Ontario Government has commenced work on the next Long-Term Energy Plan (LTEP).
- Ontario is in a strong electricity supply situation and well-positioned to meet demand at this time. The LTEP process is designed to be iterative and flexible and only commit resources as demand needs become clearer. The Province is committed to continuing to put conservation first in its energy planning decisions, where cost-effective.
- When new electricity supply is needed, the next LTEP would ensure that future procurements are focused on outcomes, rather than contracting with specific technologies. This technology-neutral approach would foster innovation and create competition. This approach is expected to lower the cost of electricity supply.
- The Province is committed to continuing to put conservation first in its energy planning decisions, where cost-effective, and to developing an LTEP that helps the province achieve its climate change goals.
- The Ministry of Energy anticipates that the next LTEP will be published in spring 2017.

For media inquiries only call:

Colin Nekolaichuk, Minister's Office, 416-325-2690
Colin.Nekolaichuk@ontario.ca

Natasha Demetriades, Communications Branch, 416-326-5452
natasha.demetriades@ontario.ca

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BACKGROUNDER

Ministry of Energy

Previous Actions to Reduce Energy Costs

Ontario's Fair Hydro Plan would lower electricity bills by 25 per cent on average for all residential consumers in the province. Many small businesses and farms would also benefit from the initiative, with additional relief for people with low incomes and those living in eligible rural communities.

Ontario has taken a number of other actions to reduce electricity costs, including:

- A new agreement to trade electricity, energy capacity, and energy storage with Quebec. This is expected to reduce electricity system costs by $70 million.
- Providing eligible rural ratepayers with additional relief via the Rural or Remote Electricity Rate Program (RRRP).
- Removing the Debt Retirement Charge (DRC) early for all residential customers, saving the typical ratepayer $70 per year.
- Renegotiating the Green Energy Investment Agreement (GEIA) with Samsung, reducing contract costs by $3.7 billion.
- Deferring the construction of two new nuclear reactors at Darlington, avoiding an estimated $15 billion in new construction costs.
- Maximizing the value of our existing nuclear fleet by starting Bruce Power refurbishments in 2020, instead of 2016, helping to achieve $1.7 billion in savings relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast and by continuing to operate Pickering until 2024, pending regulatory approvals, which saves ratepayers as much as $600 million.
- Reducing Feed-In Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion.
- Introducing a competitive Large Renewable Procurement (LRP I) process to drive costs down by approximately $1.5 billion relative to the 2013 LTEP forecast.
- Expanding eligibility for the Industrial Conservation Initiative (ICI) which could provide up to one-third savings for eligible industrial and manufacturing customers.
- Suspending the second Large Renewable Procurement program (LRP II) and the Energy From Waste Standard Offer Program (EFWSOP), resulting in up to $3.8 billion in savings, relative to the 2013 LTEP forecast.
- Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements – resulting in savings of up to $129 M.

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Ontario

Electricity Price Mitigation

Ministry of Energy

March 1, 2017

Minister

Deputy Minister

Ontario

Context

- Electricity costs are increasing as the necessary investments are made to decarbonize and modernize the province's electricity infrastructure (i.e., $35 billion+ investment in cleaner generation and $15.5 billion investment in transmission and local distribution systems).

- Ontario has taken a number of actions to lower electricity costs for all consumers by:
  - Deferring investments in generation (e.g., new build nuclear), improving market efficiency (e.g., wind dispatch) and decreasing the cost of renewable procurements (e.g., Green Energy Investment Agreement (GEIA) renegotiation, decreasing Feed-In Tariff (FIT) prices, competitive Large Renewable Procurement (LRP)).
  - Increasing cost effectiveness and improving efficiency by adopting new electricity market approaches (e.g., no new NUG contracting and demand response).

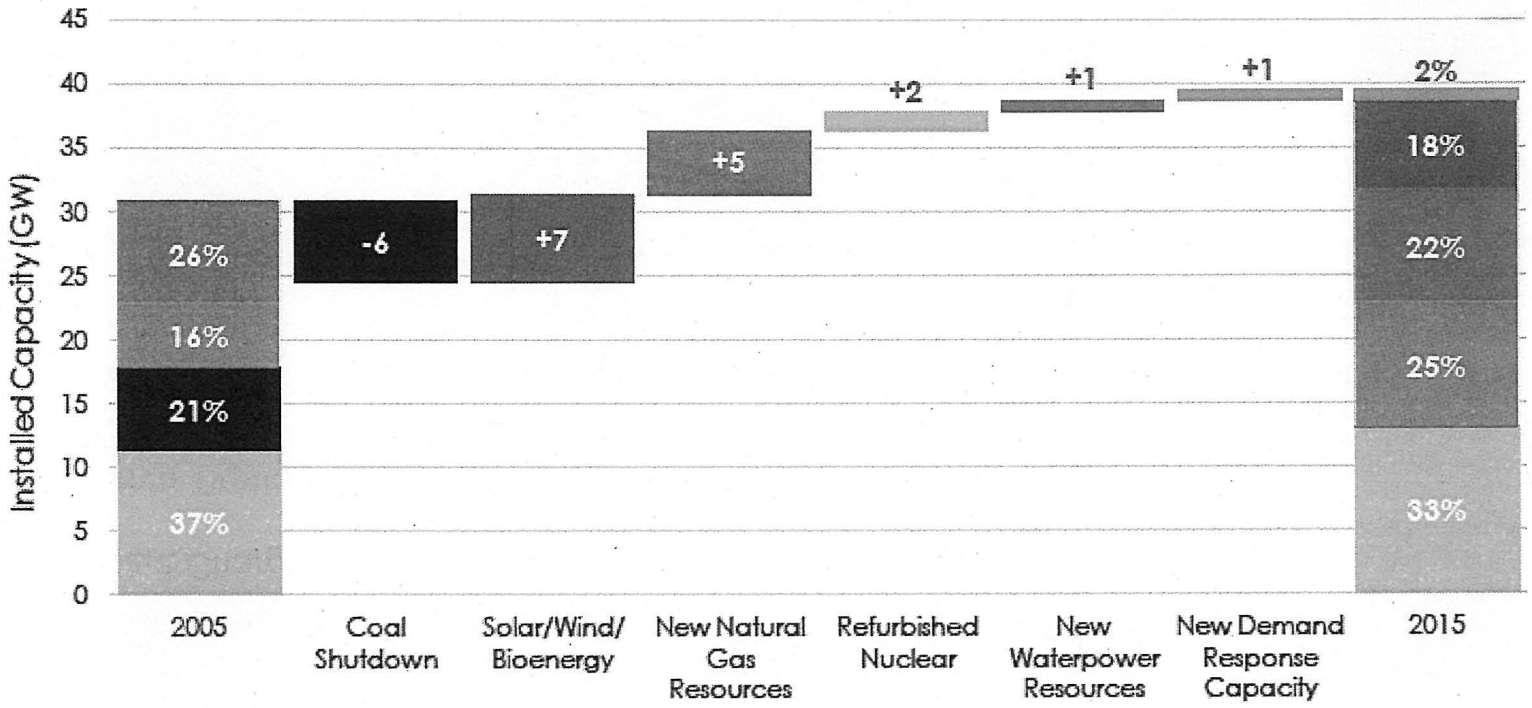
- On November 28, 2016, the Minister of Energy announced the need for changes in how electricity resources are procured, the need for wholesale market renewal and greater electricity consumer choice.

- The Ministry of Energy is currently updating its Long-Term Energy Plan (LTEP), which provides an opportunity to consider a range of policy changes to how the Ontario energy sector operates.

- On a number of occasions the Premier has indicated publicly that further relief on electricity prices will be provided to consumers in the near term.

Context – Infrastructure Investments

- In the eleven year period between 2005 and 2015, government added new electrical capacity to Ontario's grid to restore reliability, replace coal and meet environmental objectives.



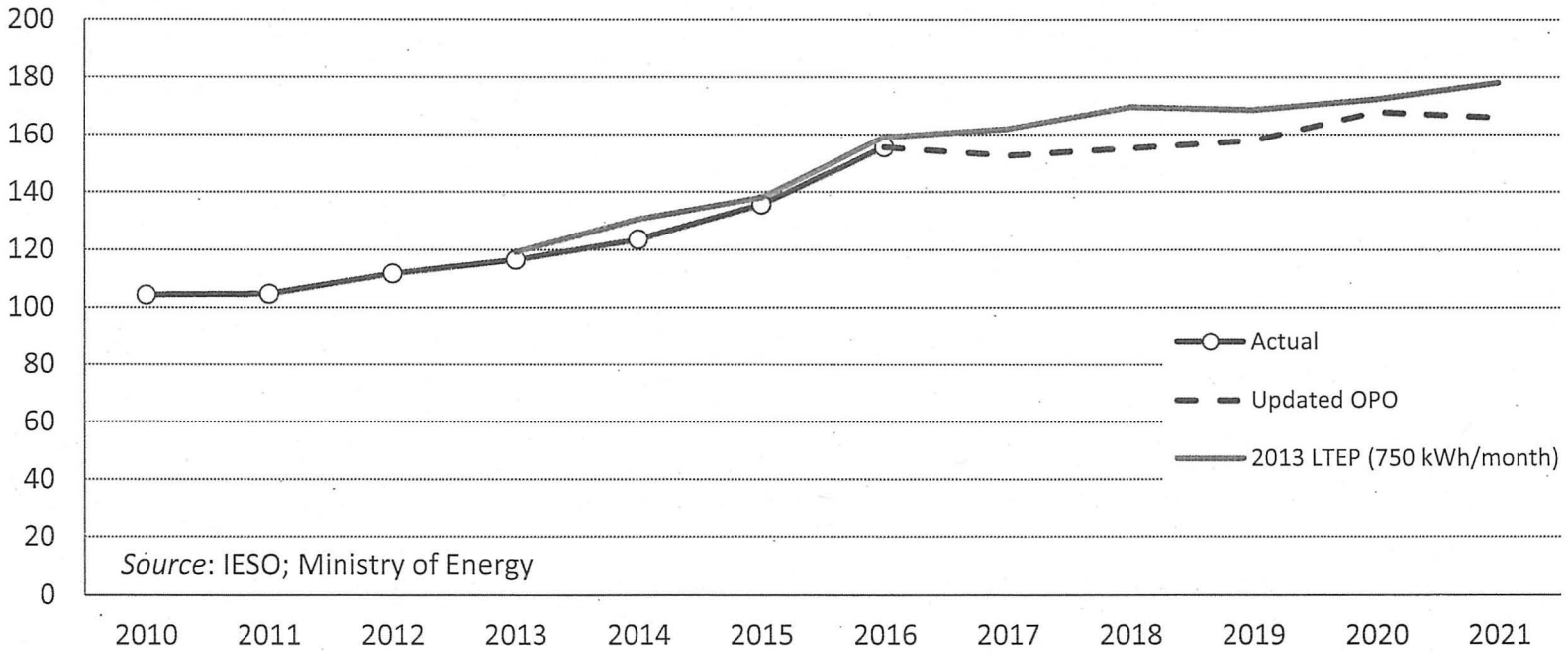
Source: IESO Ontario Planning Outlook

Context – Electricity Prices

- Electricity price increases have generally outpaced inflation. There have been several government policies that have impacted electricity prices over the past several years, including: HST, the Industrial Conservation Initiative, the Ontario Clean Energy Benefit (OCEB) and the Debt Retirement Charge (DRC).

Illustrative Typical Residential Electricity Bills

Historical and Forecast in $/month



Ontario

Context – Recent and Existing Government Funded Electricity Cost Mitigations

($Millions)	14-15	15-16	16-17[1]	17-18[1]	18-19[1]	19-20[1]	20-21[1]	Who Benefits
Ontario Clean Energy Benefit (OCEB) [2]	1,078	860	***OCEB ended on December 31, 2015***					• Residential customers, farms, small business (i.e., 10% off, on up to 3,000 kWh/month)
Ontario Rebate for Electricity Consumers (OREC or 8% rebate)*	-	-	300	1,100	1,200	1,200	1,200	• Residential customers, farms, small business (i.e., amount equal to the 8% Provincial portion of HST)
Ending Debt Retirement Charge (DRC) for Residential[3]	-	85	330	330	--	--	--	• Residential customers (i.e., saves about $70 per year for a typical residential consumer)
Northern Ontario Energy Credit (NOEC) [4]	24	26	25	25	25	25	25	• For eligible northern Ontario residents (i.e., for 2017, single people can receive up to $148,and families up to $227, depending on adjusted family income)
Ontario Energy and Property Tax Credit (OEPTC) (Energy component only)[4]	429	444	450	460	470	481	481	• For eligible low-to moderate-income individuals and families, & qualifying seniors (i.e., for 2017, up to $227, depending on adjusted family income)
Northern Industrial Electricity Rate Program (NIERP)	108	120	120	120	120	120	120	• Qualifying northern Ontario large industrial electricity consumers (i.e., rebate of 2cents/kilowatt-hour)
TOTAL	**1,639**	**1,535**	**1,225**	**2,035**	**1,815**	**1,826**	**1,826**	

Notes:

1. 2016-17 to 2020-21 based on forecasted numbers
2. OCEB ended December 31, 2015
3. 2015-16 estimated for 3 months of reduced DRC revenue. Estimated impact up to March 31, 2018.
4. Part of the Ontario Trillium Benefit. While related to energy generally, key policy driver for OEPTC when introduced in 2010 was electricity, as prices were forecast to rise, while fossil fuel prices, particularly natural gas, were low and falling.

* Sourced from Energy PRRT submission

Source: Ministry of Finance

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Ontario

Context – Recent Actions Taken To Mitigate Electricity Rates

- Following the 2016 Throne Speech, the several actions were announced to further reduce electricity costs.

1. As of January 1, 2017, Ontario is rebating an amount equal to the provincial portion of the HST to reduce eligible residential, small business and farm electricity bills by 8%.

2. Expanded support available to eligible rural ratepayers by updating Rural or Remote Rate Protection (RRRP) with additional relief, decreasing total electricity bills by an average of $45 each month when combined with the 8% rebate.

3. Expanding the Industrial Conservation Initiative (ICI) – up to one-third savings for participants.

4. Suspending the LRP II and the Energy from Waste Standard Offer Program (EFWSOP) – up to $3.8 billion in cost savings.

5. Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements – an average annual savings of $15 million.

Ontario

Rate Mitigation Proposal

- The following approaches are proposed:

1) Smoothing the global adjustment (GA) to provide significant and immediate rate relief through cost deferral of the GA:
   - Smoothing Mechanism (i.e., 25% reduction); and
   - Implementation Model.

2) Enhancing competitiveness for Class B electricity consumers (i.e. manufacturing) by lowering the eligibility threshold for Industrial Conservation Initiative (ICI).

3) Helping vulnerable electricity consumers by enhancing electricity support and conservation programs and shifting cost onto the tax-base:
   - Rural or Remote Electricity Rate Protection (RRRP) Enhancement (Delivery Charge Relief);
   - Ontario Electricity Support Program (OESP) Expansion;
   - New Affordability Fund; and
   - On-Reserve First Nations Delivery Credit.

4) Ongoing activities to bend the future cost curve of electricity:
   - Ontario Energy Board (OEB) – Identify opportunities for future LDC efficiencies and rates;
   - Independent Electricity System Operator (IESO) – Modernize Ontario's electricity market through electricity Market Renewal initiatives.

Ontario

GLOBAL ADJUSTMENT (GA) SMOOTHING

Ontario

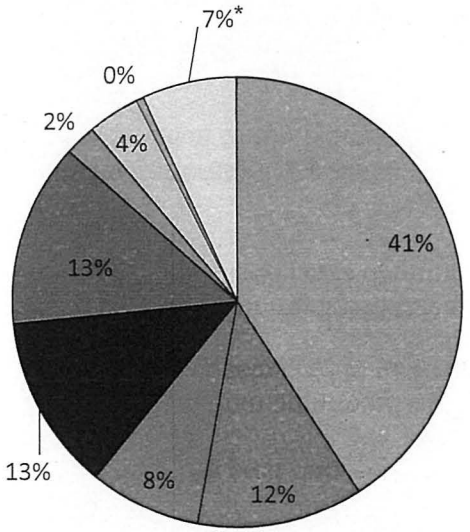
Overview – GA Smoothing

- The Global Adjustment (GA) has risen over the past decade as the province's electricity system has decarbonized.
  - The vast majority of GA costs now stem from greenhouse gas (GHG) emissions-free renewable and nuclear generation facilities, as well as natural gas plants that were constructed to restore system reliability and replace coal-fired capacity.
  - Generators in Ontario received contracted or regulated rates, which are typically designed to recover capital, financing, and fixed operations costs. The GA recovers these fixed costs of running the province's generation fleet, as well as the cost of conservation programs.
- The majority of the province's electricity generators are under 20-year contracts and account for less than half of the GA. Some of these generators will continue to provide value to the electricity system beyond their contract lives (i.e., beyond 20-years).
  - There is an opportunity to recognize the long-term benefit of these assets to the electricity system and "bring forward" that benefit for ratepayers today by deferring some of the current costs.
  - GA Smoothing would spread these costs over a longer period and provide immediate ratepayer relief (i.e., similar to re-financing a mortgage). By recognizing that generation assets are expected to continue to provide residual benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- The GA Smoothing option under consideration is illustrative and show potential rate mitigation measures to meet a targeted 25% reduction from the projected residential bill in 2017.
  - These residential impacts are based on a forecast for a household connected to Toronto Hydro that consumes 750 kWh per month.
  - Actual ratepayer savings would vary due to differences in consumption patterns.
  - Targeted to Regulated Price Plan (RPP) -eligible;
  - Rate increases would be capped at Consumer Price Index (CPI) for the first four years. Subsequent years would be set above CPI in order to ensure that bill increases due to repayments are capped at around 10% of the total bill.

GA Smoothing – Cost Breakout

- The Global Adjustment (GA) accounts for the fixed costs, including capital costs, of running Ontario's generation fleet, as well as the cost of conservation programs. The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.
  - Generators in Ontario received contracted or regulated rates, which are typically designed to recover capital, financing and fixed operations costs. Most generators are on 20-year contracts with the exception of hydroelectric and nuclear plants. They operate on longer contracts (or are regulated on a cost-of-service basis by the OEB) in recognition of the much longer operating lives of these facilities.
- Chart below shows the breakout of the GA by generator and program types. In 2016, the GA costs were $12.3 billion. These costs will evolve over time as 2,181 MW of previously contracted generation comes online in the coming years.

2016 GA Cost: $12.3 billion



	GA ($M)
Nuclear	5,053
Hydro	1,473
Natural Gas	985
Wind	1,552
Solar	1,630
Biomass, Landfill and Byproduct	278
Conservation	467
IEI Program	60
OEFC*	842

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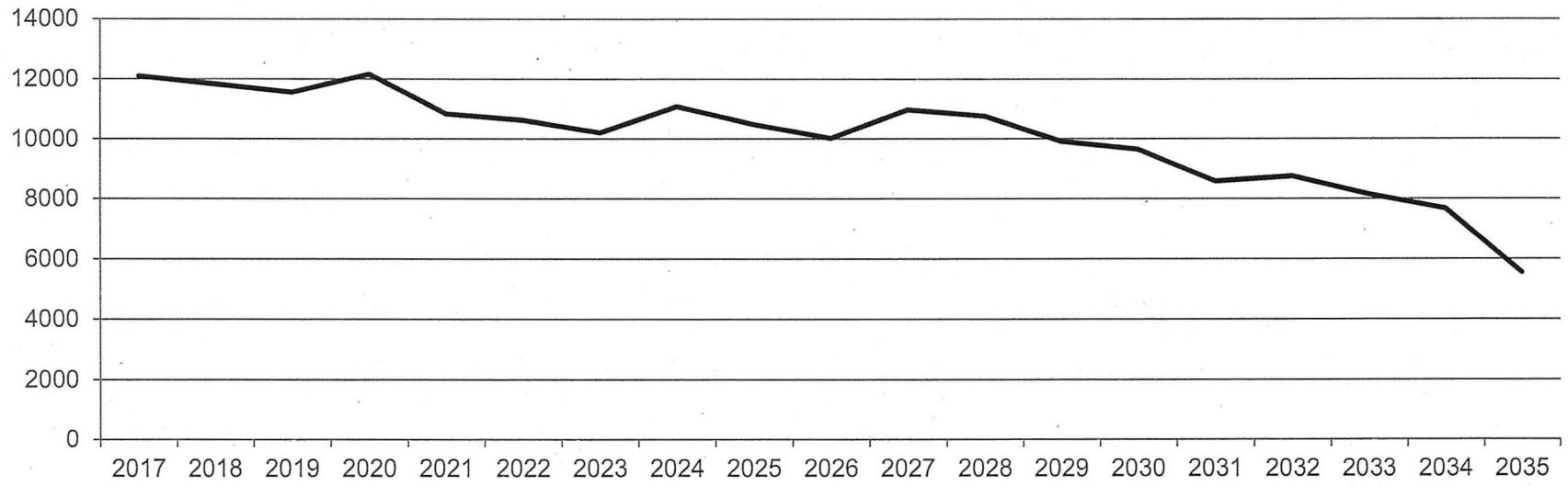
*Note: OEFC indicates the cost of generator contracts managed by the OEFC which include contracts for natural gas, hydro and biomass generators.
** Note: Conservation measures, not quantified here, serve to reduce Ontario energy demand. Actual electricity generation would be larger than 155 TWh in the absence of conservation programs.

Ontario

GA Smoothing – Global Adjustment Forecast

- The amount of Global Adjustment (GA) is forecast to decrease through the forecast period. Several factors contribute to the decline of GA, including:
  - Expiry of electricity generation contracts;
  - Cost of existing contracts reduced due to Inflation; and
  - Higher wholesale electricity prices due to higher natural gas/carbon prices, higher demand and reduced nuclear generating capacity.

Forecast Global Adjustment Cost (nominal $ million)



Ontario

GA Smoothing – Expected Life of Electricity Generating Assets

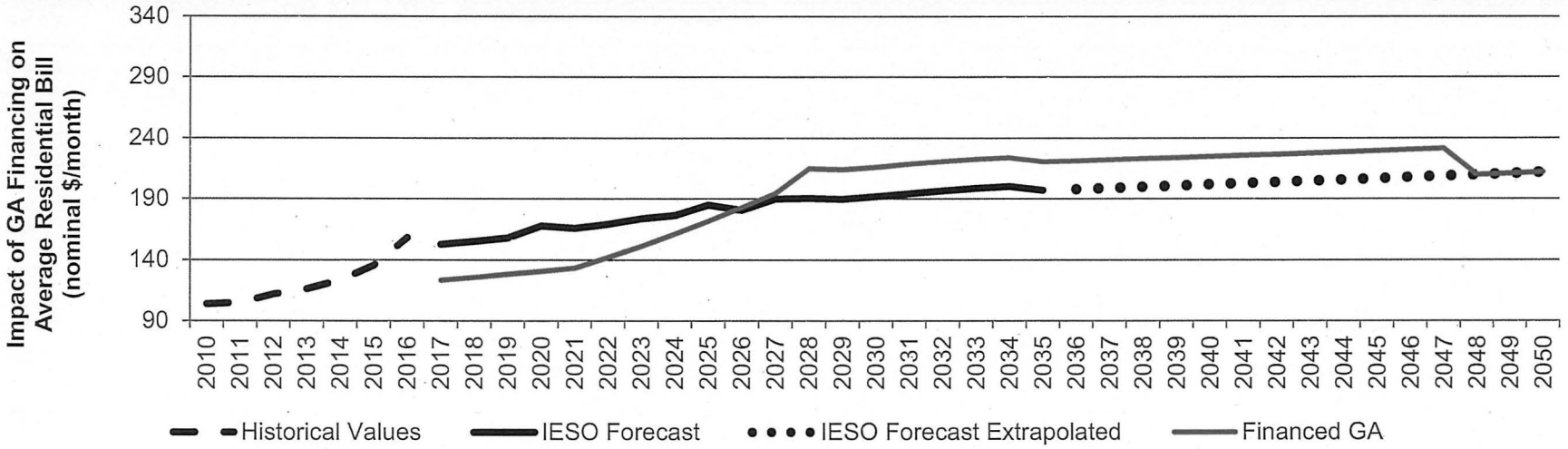
- Gas, wind and solar generators are typically contracted for a 20-year period (e.g., with the Ontario Electricity System Operator (IESO), etc).
  - Nuclear and hydroelectric generators are contracted for a much longer period or regulated by the Ontario Energy Board (OEB) on a cost-of-service basis.
- While it is likely that gas, wind and solar generators will be able to operate beyond their current contracts, IESO advises that generators will need to decide what level of capital investment is appropriate for ongoing operations (i.e., by replacing and/or refurbishing major facility components).
  - In IESO's 2016 Ontario Planning Outlook (OPO), it was assumed that the service lives of generators could be extended beyond their contract term based on additional investments and ongoing costs. **Note:** This was not an assessment of the cost/benefits or a prediction of what the generators would actually do at the end of their contracts.
- The table below outlines IESO's current estimates for service lives of gas, wind and solar facilities. The ongoing service lives of these facilities depend on: initial facility design & build, operating activities (e.g., hours of operation, etc.) and level of facility maintenance (i.e., ongoing component repair and replacement).

Technology	Contract Life (yrs)	Expected Life (yrs)	Expected Cost Post-Contract Life
Gas	20	Up to 30	Life varies with initial design, how it is operated and maintained.
Wind	20	Up to 30	Older technologies may deteriorate faster. Elements such as foundations and electrical integration can last longer.
Solar	20	Up to 30	Performance deteriorates to about 80% by end of contract. Some facilities built in the initial contract periods may deteriorate more; however, technology is improving rapidly. Components need to replaced 5 to 30 years depending on design.

Source: IESO consultant reports (2014 and 2015)

Ontario

A. GA Smoothing for RPP-Eligible Only (Borrow $2.5 billion in 2017, Residential Bills Lowered 25%, Lower Total Debt)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Average monthly residential bill w GA financing impact and tax *($/month)*	104	105	112	116	124	136	158	123	126	128	131	133	142	151	161	172	183	195	215	214	216	219	221	223	224	221	222	222	223	224	225	226	227	228	229	230	230	231	210
Year-over-year change in bill *(%)*	-	1.0	6.7	3.9	6.1	9.8	16.7	-22.1	2.0	2.0	2.0	2.0	6.5	6.5	6.5	6.5	6.5	6.5	10.5	-0.4	0.9	1.2	1.0	0.8	0.6	-1.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	-9.3
Impact of GA financing pre-tax *($/month)*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-26.1	-26.1	-26.2	-32.8	-28.7	-23.9	-19.9	-13.5	-11.8	2.0	4.2	21.8	21.8	21.7	21.7	21.5	21.4	21.3	21.0	20.9	20.8	20.7	20.6	20.5	20.4	20.4	20.3	20.2	20.1	20.0	19.9	0.0
Total Accumulated Debt *($ billion)*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	5.1	7.9	11.4	14.6	17.8	20.8	23.2	25.6	26.7	27.7	26.8	26.0	25.1	24.1	23.1	22.0	20.9	19.7	18.5	17.2	15.9	14.4	12.9	11.3	9.7	7.9	6.1	4.2	2.1	0.0	0.0
Total Change in Accumulated Debt *($ billion)*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.6	2.8	3.5	3.2	3.2	2.9	2.4	2.4	1.1	0.9	-0.8	-0.9	-0.9	-1.0	-1.0	-1.1	-1.1	-1.2	-1.2	-1.3	-1.4	-1.4	-1.5	-1.6	-1.7	-1.7	-1.8	-1.9	-2.0	-2.1	0.0

Notes: Assumes 30 year financing period and a nominal interest rate of 5% (compounded monthly). Ratepayer GA payments increase annually beyond 2021 such that the average monthly residential electricity bill increases by 6.5% per year with a limit of $2.2 billion above the true cost of GA in any given year to cap repayment charges at around 10% of total bill. IESO forecast is based on IESO's revised OPO forecast as of February 2017. Includes the cancellation of LRP II and EFW, expansion of ICI. Does not include smoothed OPG rates. Above residential bill is based on a 750 kWh per month Toronto Hydro customer.

Ontario

A. GA Smoothing for RPP-Eligible Only – Residential Bills Lowered 25% (with Tax-base Funded 8% Rebate and Social Programs, 2% increase)

- Total bill below is based on a revised IESO forecast. See footnotes for more information.

Residential (750 kWh/month)	Actual 2016	2017	2018	2019	2020	2021
Total Bill (includes HST)	**158**	**164**	**167**	**170**	**181**	**178**
Total Bill (excludes HST)	140	145	148	150	160	158
Impact of GA Financing		-26	-26	-26	-32	-28
Impact of Tax-Basing Social Programs		-2	-2	-2	-3	-3
Subtotal		117	120	122	125	127
8% rebate		-9	-10	-10	-10	-10
HST		15	16	16	16	17
Revised Bill (includes HST)	**158**	**123**	**126**	**128**	**131**	**133**
Year-over-Year Change		-22%	2%	2%	2%	2%
Change from Forecast		**-25%**	**-25%**	**-25%**	**-28%**	**-25%**

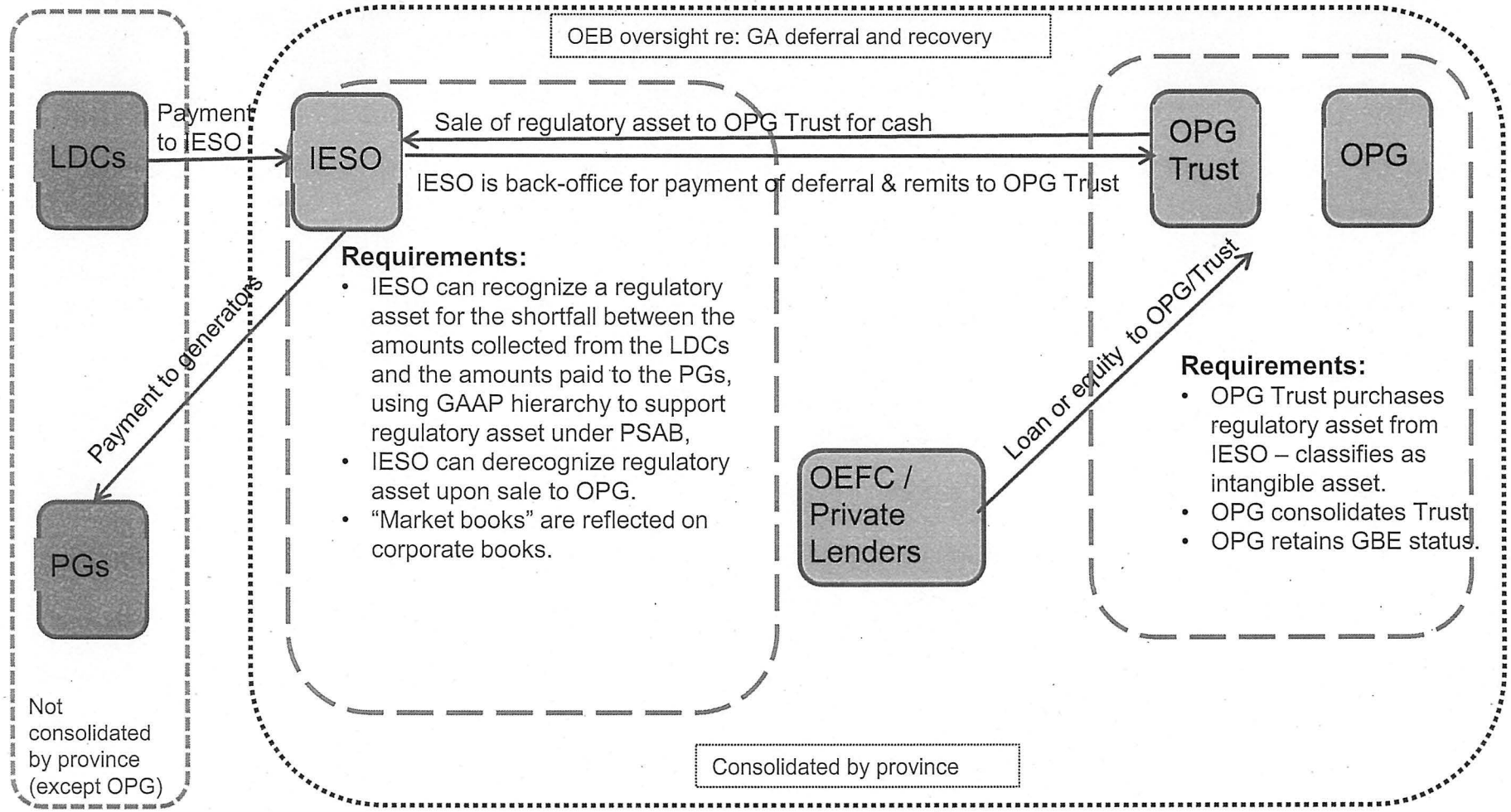
Commercial & Small Industrial ($/MWh)	Actual 2016	2017	2018	2019	2020	2021
Class B Total (excludes HST)	**160**	**165**	**160**	**162**	**173**	**169**
Class B Revised Total (excludes HST)	**160**	**162**	**157**	**159**	**170**	**166**
Year-over-Year Change		1%	-3%	1%	7%	-2%
Change from Forecast		-2%	-2%	-2%	-2%	-2%

Large Industrial ($/MWh)	Actual 2016	2017	2018	2019	2020	2021
Class A Total (excludes HST)	**90**	**91**	**93**	**88**	**95**	**96**
Class A Revised Total (excludes HST)	**90**	**88**	**90**	**84**	**92**	**93**
Year-over-Year Change		-2%	2%	-6%	9%	1%
Change from Forecast		-4%	-4%	-4%	-4%	-4%

Notes: Based on IESO's revised OPO forecast as of February 2017. Includes the cancellation of LRP II and EFW, expansion of ICI. Does not include smoothed OPG rates. Above residential bill is based on a 750 kWh per month Toronto Hydro customer. Above Class B estimate based on a 1 MW customer connected to Toronto Hydro, assumes delivery charge escalates as per residential forecast. "Social programs" refers to existing RRRP and OESP. While initiatives would take several months to implement, the above estimate for 2017 reflects a full-year impact. The 8% rebate above represents savings compared to status quo due to the reduction in the sub-total from GA financing.

B. GA Smoothing – Potential Structure

- The following diagram provides an overview of a potential GA smoothing structure, as well as interactions between sector entities and elements required to meet accounting objectives.



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Note: Proposed structure is subject to legal and accounting confirmation, absent that confirmation, there would be a fiscal impact to the province.

Ontario

B. GA Smoothing – Accounting Considerations

- OPCD advises that analysis is not complete; several requirements (below) are high risk re: satisfactory resolution.
- Complexity of the structure and length of deferral/recovery increase risk and decrease transparency
- If all requirements can be met, an accounting analysis is expected to support: (1) increase in provincial borrowing (2) no increase in net debt, and (3) no impact on annual surplus/deficit, but depending on funding to OPG/Trust from Province, an increase in interest on debt and an increase in income from OPG will result.
- IESO requirements – IESO Finance, KPMG (Energy advisor and IESO auditor), OPCD and EY (OPCD advisor) are evaluating accounting risks:
  - IESO can recognize a regulatory asset for the shortfall between the amounts collected from the LDCs and the amounts paid to the PGs using GAAP hierarchy to support regulatory asset under PSAB
  - IESO can derecognize regulatory asset upon sale to OPG; and
  - "Market books" are reflected on corporate books.
- OPG requirements – OPG Finance, EY (OPG auditor), PwC (OPG Advisor), and OPCD are evaluating accounting risks:
  - OPG Trust purchases regulatory asset from IESO – classifies as intangible asset;
  - OPG consolidates Trust; and
  - OPG retains GBE status.
- No discussion with OAG; in previous Annual Reports, the OAG has raised concerns about the appropriateness of recognizing rate regulated assets and liabilities.

Ontario

B. GA Smoothing – IESO Considerations

- The Electricity Act enables the Independent Electricity System Operator (IESO) to recover from ratepayers the amounts paid to generators, distributors or other contracted entities.
- The accounting advice received by IESO is that reflecting market balances and regulated assets is a more appropriate presentation for its financial statements going forward.
- IESO is characterized as an "Other Government Organization" (OGO) and consolidated on a line-by-line basis into the Provincial books.

Issue	Response
1. Can IESO adopt regulatory accounting?	• Public sector accounting does not address regulated assets. • Guidance can be drawn from other accounting bodies. • US Federal Accounting Standards Advisory Board (FASB), US Governmental Accounting Standards Board (GASB) and International Accounting Standards Board (IASB) do provide guidance. • FASB accounting standard 980 and IASB have specific references that support the adoption of regulatory accounting. **Conclusion:** There is a hierarchy of accounting principles that support this approach.

Ontario

B. GA Smoothing – IESO Considerations

Issue	Response
2. Can IESO recognize the GA deferral as a regulatory variance account?	Criteria for recognition are: • Rates are established by or are subject to approval by an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers. • Rates are designed to recover the specific costs of regulated business-type activities. • In view of demand, it is reasonable to assume that rates will be set to recover the regulated business-type and can be collected from customers. **Conclusion:** Legislation creates the right to collection, currently and in the future. With either OEB or IESO board involvement a regulatory asset can be recognized.
3. Can IESO sell the variance account related to the deferral of the annual Global Adjustment account?	• The sale of the variance account to OPG Trust must be structured as an absolute assignment of future economic benefits of the Asset with no obligations, rights or benefits remaining of IESO. • In that case, this would represent a sale of the future right to collect these amounts from the ratepayer. **Conclusion:** Based upon proposed terms of the sale agreement, there would be no future economic benefit for IESO. Risk and rewards are entirely transferred to OPG Trust.

Ontario

B. GA Smoothing – OPG Accounting Considerations

- OPG's Special Purpose Vehicle (SPV)/Trust is a stand-alone entity able to conduct business separately under a Trust agreement. **Note:** The conditions required for OPG to consolidate the SPV/Trust are outlined in the following table:

Issue	Response
1. Decision Making	• OPG must have decision making authority on the operation of the SPV/Trust (without a veto right by the Province), including naming of trustees, establishing operating plans and budgets, setting or changing financing policies. • The SPV/Trust while operating within the legislation, must be controlled by OPG to operate freely and to alter terms and conditions not specified in the legislation to ensure recovery of the deferred amounts.
2. Business Risk	• The SPV/Trust must have variability of returns as a normal business enterprise would, including such things as interest charged on deferred amounts, decisions on how to finance these deferred amounts, the ability to make / lose and keep any spread from financing.
3. Funding	• The Province cannot directly or indirectly fund more than 50% of SPV/Trust or any investment in the SPV/Trust. • OPG must own at least 50% of the most exposed equity /sub-debt in the SPV/Trust.
4. Directive	• Directive that is issued should not be prescriptive or direct OPG to set up this business. The directive should only be "guiding" i.e. to allow OPG to evaluate options and put forward to the OPG Board a recommended plan for Shareholder approval.

Ontario

B. GA Smoothing – OPG Accounting Considerations (cont'd)

Issue	Response
5. Other required Attributes	• The legislation that supports the formation of the SPV/Trust must have the following attributes: – Must require interest, carrying and administrative costs be paid to the Trust to allow for Revenue recognition; – The amount to be deferred must either be specified or be calculated based on a specific formula that is not subject to ongoing decision making by the Province. **The Province cannot have the ability to override this formula;** – SPV/Trust and its debt holders will require their capital guaranteed and paid for directly by the Province if the Province revokes the legislation; and – The spirit of the legislation should be reflected in the Trust Indenture Agreement.

Ontario

B. GA Smoothing – OPG's Financing Structure Requirements

KEY ELEMENTS REQUIRED TO ENSURE THE DEFERRAL OF GA CHARGES CAN BE FINANCED:

Creating the Right to Recover Deferred GA

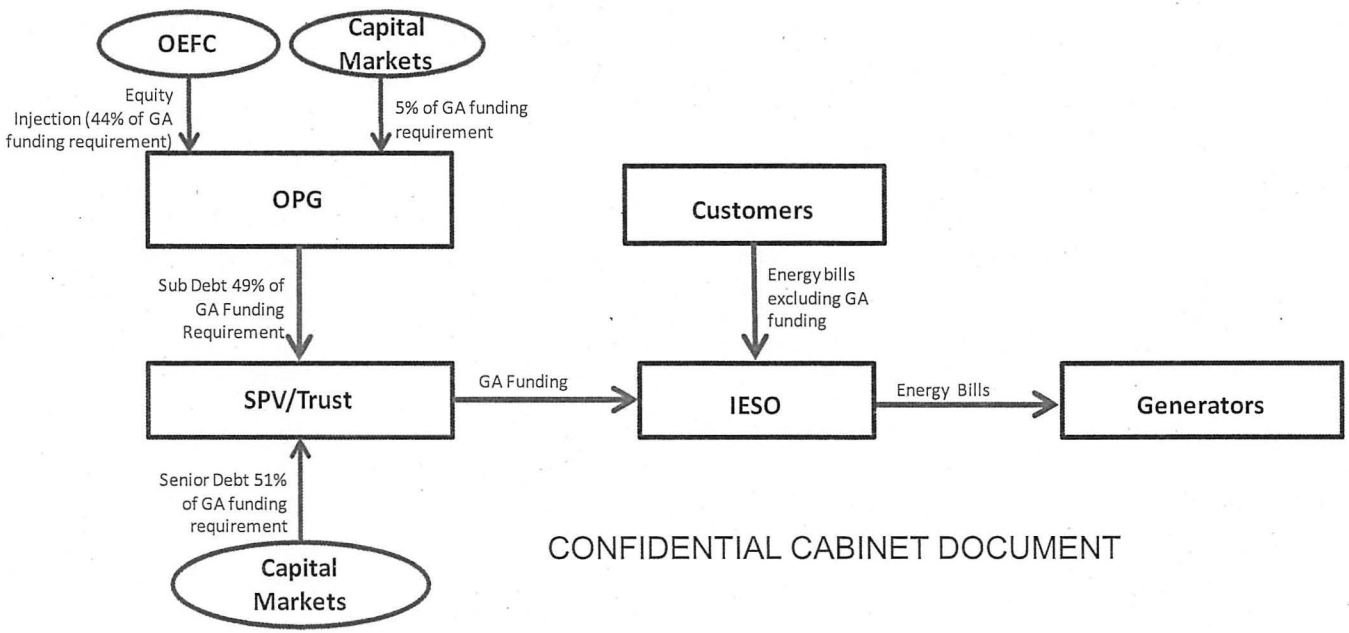
- Legislation enshrines the ability of the IESO to create a Right to charge customers in the future for the Global Adjustment (GA) deferred today including principal amount deferred, interest and other financing costs on the amount deferred and fees, expenses and other administrative costs.
- The Right can be sold to an appropriate Trust or Special Purpose Vehicle (SPV) to obtain funds to pay amounts due to generators under contracts or regulation. These SPVs are generally single purpose entities with no other operations that could add risk to the entity, dilute debt holder rights, allow parties from other operations to claim rights to the future recovery from customers or allow these other parties to initiate bankruptcy proceedings.
- Right must be irrevocable and if the Right is amended by future governments the debt holders have the right of action against the government to recover the amount outstanding including interest, fees, expenses and any damages resulting from the amendment.
- Right must specify the recovery period or the mechanism for setting the recovery rate including true up of the rate to ensure all amounts are recovered.

Economic Factors

- Limits on the recovery amount (principal, interest, fees and expenses) charged to customers in future periods must have compensating elements such as longer recovery period to ensure the full amount deferred plus interest, financing and other administration costs is recovered from customers.
- Need to balance customer relief with debt holder risk. Longer recovery periods and larger deferred balances increase risk to the debt holder of future government intervention.
- The amount required by the SPV to purchase and service the Right will be funded 51% from debt holders, 5% from OPG through capital markets and 44% from OPG via equity injection to OPG from the Province. The funding from OPG will be loaned to the SPV as subordinated debt.

B. GA Smoothing – OPG's Financing Structure Requirements (cont'd)

- Special Purpose Vehicle (SPV) will be used to raise the GA financing and ring fence OPG from its legal obligations
- SPV will be structured to allow for GBE accounting consolidation into OPG
- Given that SPV will be consolidated into OPG for accounting purposes, the significant amount of debt required to fund the GA deferral will have a severe impact on OPG's credit rating. If 100% of the requirement is funded by debt OPG would be downgraded.
- To manage this exposure and minimize the cost of funding. The required funding would be split into 2 buckets:
  1. 56% from capital markets; and
  2. The remainder provided by the Province via equity injection, which would be loaned to SPV as subordinated debt.
- The use of equity to fund a portion of the GA deferral also allows for an improvement in both Net Income and EBITDA as incremental revenue is captured by the increase in the value of the deferral which would offset the fiscal impact of the borrowing at Province level.
- Credit rating metrics are generally maintained within established limits.



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Ontario

GA Smoothing – OEB Considerations

- Ontario Energy Board (OEB) oversight may be required as part of creating a regulatory asset.
- Subject to final confirmation, there are several other spheres for possible OEB oversight:
  - The rate payer impact of IESO deferral account and eventual repayment of the deferred Global Adjustment (GA), within pre-defined legislative parameters;
  - The administrative costs of the OPG's Special Purpose Vehicle (SPV) /Trust (e.g., as the OEB reviews and approves IESO's expenditure and revenue requirements and makes orders fixing just and reasonable rates for the Smart Metering Entity);
  - The SPV/Trust's returns (e.g., as the OEB does with OPG's regulated assets) and whether any income to OPG can be used for the benefit of rate payers;
  - The review of the final structure of the debt issuance for the limited purpose of ensuring requirements of law have been met; and
  - In out years, review of the collection of charges to ensure that collection is sufficient, and not greater than necessary, to pay debt service.
- The scope of OEB oversight will ultimately need to balance the interests and needs of rate payers, the market, OPG and the Province.

Ontario

B. GA Smoothing – Ontario Financing Authority (OFA) Considerations

- Under the proposed structure, the financing of the deferred Global Adjustment (GA) costs would be effectively done in part by each of the OPG Special Purpose Vehicle (SPV)/Trust, the Province and OPG: the OPG SPV/Trust would borrow 51%, the Province 44% and OPG 5% of the required GA amounts needed to be financed.
  - In the alternative, the Province (through the OFA/OEFC) could borrow the required amounts each year, likely at a lower cost. However, the target for an arms-length trust and potential risk transfer would not be achieved.

	OPG Structured Financing	OFA/OEFC/Provincial Financing
Financing Considerations	• As the OPG SPV/Trust would be borrowing in its own corporate capacity from the public markets, it will likely incur a higher interest cost compared to the Province's borrowing. • This would increase the cost of GA smoothing and the ultimate rate impact on future consumers. • The Trust would be exposed to interest rate changes. • Availability of debt financing may also be limited, depending on the overall amount of deferral, and the subsequent rate impact during the recovery period. OPG has cited examples of a 10% threshold on overall rate impacts of the deferral recovery amounts. • With a potential guarantee from the Province for the borrowing of the OPG SPV/Trust, OPG could see borrowing costs closer to the Province. However, this would redirect the risk back to the Province, removing the intended benefits of using this particular structure, and could add risk to the targeted accounting treatment. • With, or potentially even without a provincial guarantee, OPG SPV/Trust's borrowing could be seen as debt effectively supported by the Province by credit rating agencies and included in their analysis and determination of the Province's ratings. • If a Provincial guarantee endangers the targeted accounting treatment, it may be hard to justify the higher cost borrowing by OPG SPV/Trust to be passed through to ratepayers.	• Province's borrowing from the public markets would add to the borrowing program and the Province's gross debt. • The Province would expect to be able to finance the GA deferral at a lower financing cost than the OPG SPV/Trust, but would likely not achieve the targeted accounting treatment based on OPG's analysis. • Net debt would not increase, to the extent supported by increased equity in OPG under that model, and/or if the accounting treatment can be achieved as backed by a GA-related asset (OPG does not consider that the accounting can be achieved if the SPV/Trust is financed by the Province). • The Province's interest on debt (IOD)cost would need to be effectively recovered through the GA. – E.g., an OPG equity return to cover the cost of borrowing for the equity injection. – Or more directly if the Province is providing financing directly to the GA entity. • The cost of borrowing for the Province could change: 1. The Province's credit rating could be at risk of being re-evaluated by Rating Agencies, which may negatively impact the cost at which the Province borrows and 2. An increase in the Province`s borrowing rates, as a result of increased borrowing. The market may not have adequate demand for the Province to carry-out these borrowings without increasing the interest rate on the debt issues for GA financing and for all of the Province's borrowings. • The interest cost of GA deferral would be exposed to changes in the interest rate environment generally.

Ontario

GA Smoothing – Legal Considerations

- In principle, refinancing the Global Adjustment (GA) to spread the costs of generation and conservation assets over the useful life of the assets presents only a low risk of being a tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.

- Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the short term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.

- Former Supreme Court Justice Ian Binnie has provided a legal opinion concluding that the current proposal is at a moderately high risk of being a tax, for the following reasons:
  - The degree of constitutional risk is in direct proportion to the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year from electricity generated by those facilities.
  - If the government fails to establish that the relevant electricity generating assets will continue to perform economically over the 30 year period, or if the GA charge is in the opinion of the Court disproportionately backend loaded, the GA will not qualify as a regulatory charge (and would be characterized as a tax).
  - By shifting costs to the 20-30 year customers, the government may in reality be disproportionately back-end loading the GA with the effect that the 20-30 year consumers will be subsidizing the 1-20 year consumers.
  - The judges can be expected to be aware of the difficult political problem of high energy costs in in Ontario, and will take a careful look at the government's evidence in support of the re-allocation of the GA.

Ontario

GA Smoothing – Policy Considerations

- Borrowing money to smooth the Global Adjustment (GA), while lowering costs in the short term, results in a more rapid rise in electricity prices beyond the rate of increase already expected.
  - In addition, should Ontario electricity demand be lower than forecasted, the cost of paying off the debt will be spread over a smaller pool of consumption, further increasing future costs for individual ratepayers.

- The impacts are also based on a GA forecast. Since the GA fluctuates, actuals will vary based on demand, the addition of new generation and natural gas prices.
  - A "true-up" mechanism will be required to account for the difference between the "estimate" and "actual" GA costs.

- Although Class B electricity consumers, such as commercial and small industries, do not receive the benefit of GA smoothing (i.e., because it is only targeted to RPP consumers), the Ministry has a proposal later in the submission to address competitiveness for Class B consumers (i.e., targeted lowering of the Industrial Conservation Initiative (ICI) eligibility thresholder from 1 MW to 500 kW).
  - Class B consumers have raised concerns about the cost of electricity and its impact on their business competitiveness.
  - **Note:** Although Class B and Class A consumers will not receive the rate relief benefits of GA smoothing, both consumers will benefit from tax-basing the electricity social programs.

- Given the legal framework the amount of GA smoothing needs to be proportionate to the generating contracts (i.e., 20-year) and the additional years of generation services still available (i.e., additional 10-years of service).

- Rating agencies and investors in the Province's debt may view this borrowing as an obligation of the Province, regardless of accounting treatment. Depending on the magnitude of the debt to be incurred could have an impact on the Province's borrowing cost.

- The GA smoothing proposal will accrue total interest of $25 billion based on the proposed option. This amount of interest is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.
  - An increase in the borrowing rate from 5% to 6% would increase the total interest costs by almost $9 billion and would require an extension of the financing term beyond 30 years.

Ontario

GA Smoothing – Fiscal Considerations

- If the proposed legal and accounting treatment of the GA financing smoothing proposal is not implemented, there would be a negative impact on the province's fiscal plan, as shown below.

Fiscal Impact ($M)	2017-18	2018-19	2019-20	2020-21	2021-22
Bills Lowered by 25%, RPP-Eligible Only*	2,534	2,668	2,942	3,420	3,232

*Numerical values represent amount borrowed in indicated fiscal year plus accumulated interest from previous year's accumulated debt

Source: Ministry of Energy

Ontario

ENHANCING COMPETITIVENESS FOR CLASS B ELECTRICITY CONSUMERS

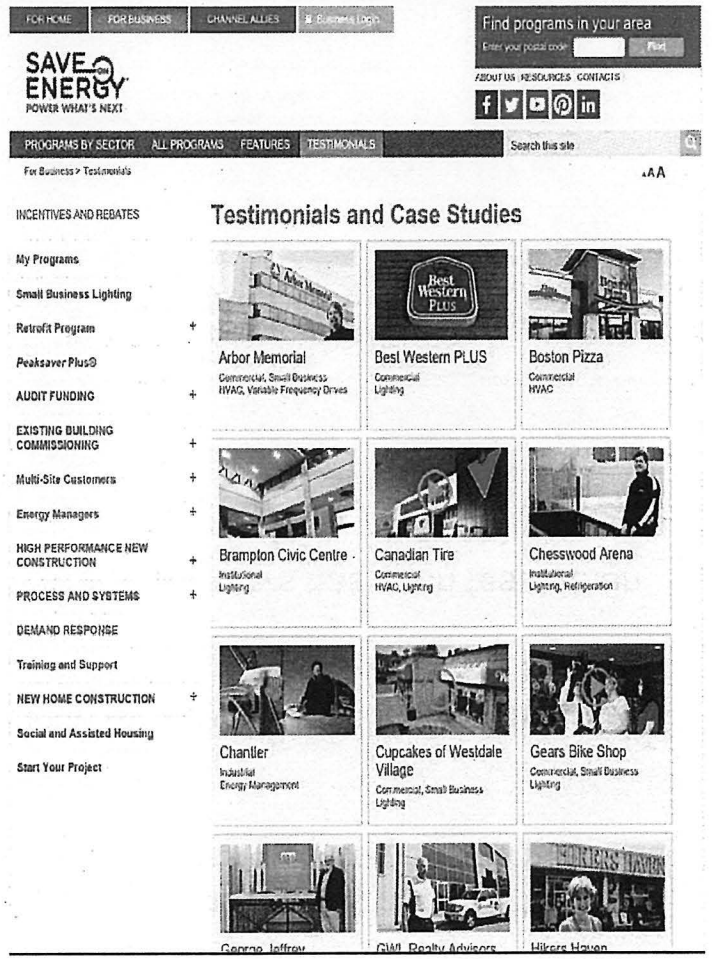
Support for Class B Consumers

- Class B electricity consumers comprise about 50,000 customers, including many mid-size manufacturers (i.e., automotive parts suppliers, plastics manufacturers), large commercial buildings (i.e., office blocks, mid-sized shopping malls) and broader public sector facilities (i.e., hospitals, college campuses).

- Through saveONenergy, many Class B consumers have already taken advantage of energy efficiency programs.

  - Although saveONenergy programs like Process and Systems Upgrade Incentive exist, these programs generally require significant investment on behalf of the customer in addition to the incentives and therefore may be difficult to take advantage of.

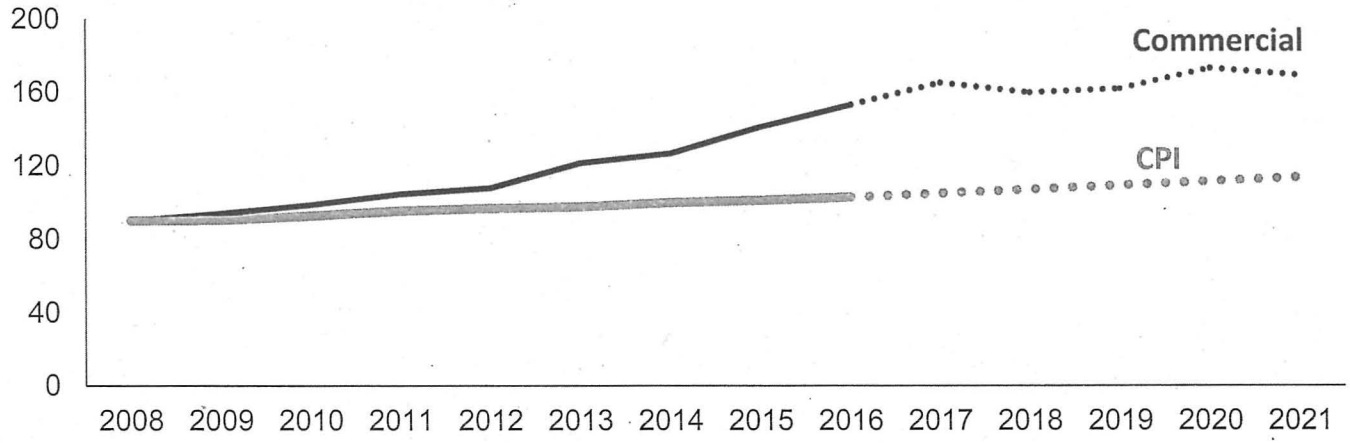
  - For Class B manufacturers whose electricity consumption is primarily based on process activities (e.g., injection moulding, welding, etc), traditional conservation measures like lighting and ventilation upgrades have limited benefit.



Support for Class B Consumers (cont'd)

- Class B consumers are too large for the Regulated Price Plan (so do not qualify for the 8% rebate for small businesses or Time-Of-Use pricing) and too small to be Class A (so do not qualify for the Industrial Conservation Initiative (ICI) for large consumers).
- Price mitigation initiatives could be provided to Class B to address stakeholders' concerns (e.g., Coalition of Concerned Manufacturers of Ontario, etc).
- The chart below highlights that the cost of electricity for Class B consumers has risen faster than CPI.

Illustrative Electricity Prices
in $/MWh



***Source*:** IESO; OEB; Ministry of Energy

Ontario

Lower ICI Threshold Below 1 MW for Energy Intensive Industry

- The Industrial Conservation Initiative's (ICI) eligibility threshold for participation was recently lowered to 1 MW. The lowering of the ICI eligibility threshold provides an opportunity for additional Class B consumers to save on their electricity costs if they choose to opt-in to ICI (i.e., and become new Class A consumers):
  - Beginning in July 2017, new participants will be billed Global Adjustment (GA) on the basis of their contribution to province-wide peak demand.
  - Prior to lowering the ICI eligibility threshold, electricity 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. **Note:** To achieve the benefits of ICI, participants must reduce their electricity demand during the five system peak hours.

- To enhance the competitiveness of larger Class B consumers whose electricity demand are too low to currently qualify for ICI, the Ministry proposed to:
  1. Expand ICI by extending eligibility to larger Class B consumers with average monthly peak demand over 500 kilowatts; and
  2. Target the expansion to energy intensive industries with the North American Industry Classification System (NAICS) codes 31 - 33 (i.e., Manufacturing).

- In addition, the Ministry will assist Class B participation in ICI through a targeted outreach campaign delivered by the Ontario Chamber of Commerce (OCC).

Ontario

Lower ICI Threshold Below 1 MW – Considerations

- A targeted lowering of the ICI eligibility threshold from 1 MW to 500 kW provides benefit to larger Class B consumers (i.e., manufacturing) while limiting the cost shift to other electricity consumers.
  - **Note:** A Class B consumer that run only a day shift, resulting in fairly peaky load profiles would need to adjusted its behaviour to maximize the benefits of ICI.

- Preliminary analysis by ENERGY staff show that the estimated impact of a targeted lowering of the ICI eligibility threshold from 1 MW to 500 kW would increase a typical residential bill by up to 0.66% or just over $1/month based on a 2016 bill of about $158.
  - The actual impact would vary depending on uptake and consumer responsiveness.
  - 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.

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



Ontario

Lower ICI Threshold Below 1 MW – Legal Considerations

- The quantum of a regulatory charge may be set at different rates within a regulatory structure where the differential prices are intended to serve other regulatory goals including an intention to modify the behavior of persons within the scheme.

- Expanding access to the Class A pricing regime is intended to serve regulatory goals by encouraging consumers to shift their electricity use away from peak hours, which benefits the electricity system as a whole. While Class B consumers will have to pay more of the GA cost in order to finance the reduction for Class A consumers, this is generally permissible since Class B consumers are not modifying their behaviour and the total amount recovered for the GA does not exceed its cost. CLB has previously advised that the differential pricing structure generally only attracts a **moderately low risk** of being a tax, and this risk level does not change if the option of Class A pricing is extended to a broader class of consumers.

- It is more difficult to justify a differential regulatory charge on the basis of behavioral modification when the lower charge is not available to some participants in the regulatory scheme whose conduct could equally serve the same goals. To the extent that there is not a regulatory rationale for extending the new class A option only to certain sectors, risk increases. The amount of risk in this scenario will vary depending on the quantum of the premium that Class B consumers pay to create the behavior modification incentive for Class A and the degree to which the excluded sectors can credibly claim to be able to achieve the same outcome were they permitted to participate in this aspect of the program.

Ontario

ELECTRICITY SUPPORT AND CONSERVATION PROGRAMS TO HELP VULNERABLE ELECTRICITY CONSUMERS

Ontario

Electricity Support and Conservation Programs to Help Vulnerable Electricity Consumers

- To date, a number of electricity support programs are funded through the electricity rate-base. There is opportunity to provide support to a more targeted subset of customers who are disproportionately affected by increased electricity costs and to shift these costs to the tax base.
- These customers include:
  - **High Delivery Cost Customers:** Some customers in rural areas where the cost to deliver electricity is high can experience difficulty in reducing their electricity bill through conservation, particularly when reliant on electric heating.
  - **Low-Income Customers:** Rising electricity costs make up a disproportionally large amount of the household expenditures for low-income households.
  - **First Nation On-Reserve Customers:** On-Reserve First Nations customers experience challenges with energy affordability and are seeking to address historical grievances associated with electricity system infrastructure.
- To provide targeted assistance to the customers and alleviate electricity cost burden, ENERGY proposes to:

A. **Enhance Rural or Remote Rate Protection** (RRRP) by funding its costs through the tax base and providing additional support to customers of designated Hydro One rate classes and other high distribution cost Local Distribution Companies (LDCs).

B. **Enhance Ontario Electricity Support Program** (OESP) by funding its costs through the tax base and increasing eligible benefits by 50%.

C. **Establish a new Affordability Fund**, providing energy efficiency measures at no or minimal cost to those who are ineligible for low-income conservation programs, have difficulty paying their electricity bills and who cannot make energy efficiency upgrades without financial assistance.

D. **Implementing On-Reserve First Nations Delivery Credit**, to remove Delivery charges for on-reserve First Nations customers.

A. Delivery and Distribution Charge – Background

- The **Delivery** line on a typical consumer bill is specific to a consumer's Local Distribution Company (LDCs) and accounts for roughly 25-35% of the total bill before taxes.
- Delivery covers the costs of getting electricity from generating stations across the province to homes and businesses and combines three cost components of the electricity sector into one line item charge:
  - **Transmission:** The costs of moving electricity across high voltage lines from generating stations to the distribution system. This cost is recovered through a variable charge that is approved by the OEB.
  - **Distribution:** The costs of moving electricity from the transmission system to homes and businesses. Depending on the LDC, distribution costs makes up about 60% to 80% of the Delivery line.
    - This cost is currently recovered through both a variable charge and fixed charge, approved by the OEB. Distribution rates are moving to a fully-fixed charge over next 5 years.
  - **Line Loss:** The costs to recover electricity that is lost as heat when its delivered over a power line. Each LDC is assigned by the OEB a specific line-loss adjustment factor to reflect their loses particular to their assets. This factor is multiplied against the monthly electricity cost to determine the monthly cost.

SAMPLE MONTHLY BILL STATEMENT

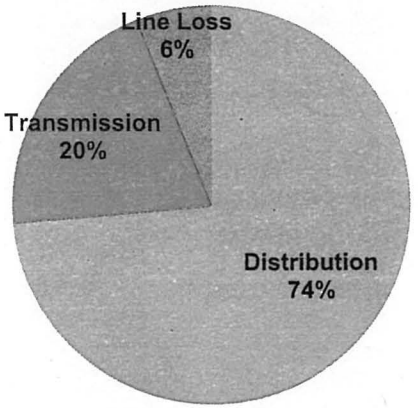
Anytown Hydro-Electric Limited

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges	
Electricity	
Off-Peak @ 8.700 ¢/kWh	41.20
Mid-Peak @ 13.200 ¢/kWh	16.35
On-Peak @ 18.00 ¢/kWh	23.60
Delivery	53.07
Regulatory Charges	4.79
Debt Retirement Charge	0.00
Total Electricity Charges	**$139.00**
HST	18.07
8% Provincial Rebate	(11.12)
Total Amount	**$145.95**

Cost breakdown of Delivery Line for an Average Residential Bill*



* Toronto Hydro Bill @ 750kWhs

A. Rural or Remote Rate Protection Program – Background

- Rural or Remote Rate Protection (RRRP) mitigates some of the high costs of electricity distribution in rural or remote areas of the Province. It is a legacy program of the old Ontario Hydro and has existed in its current form since 2001.
  - RRRP is funded by ratepayers in Ontario and funded through the regulatory line of the electricity bill. Currently costs $1.58/month for a 750kWh consumer.
- Part of the program helps fund the costs of Hydro One customers classified into the "R2" residential rate class. There are 335,000 R2 customers across the Province. These customers have some of the highest Delivery costs in the Province.
  - From 2001-2016 the program provided $125.4 million annually to help defray these costs.
  - In the 2016 Speech from the Throne, this funding was expanded by $116.4M to a total of $241.9 million.
  - As of Jan 2017 R2 customers receive $60.50/month off their distribution costs.
- These customers still have high delivery and high distribution costs and are often faced with significantly higher than average bills.
  - The higher than average consumption patterns coupled with higher than average distribution rates has resulted in monthly bills many view as no longer affordable or equitable.



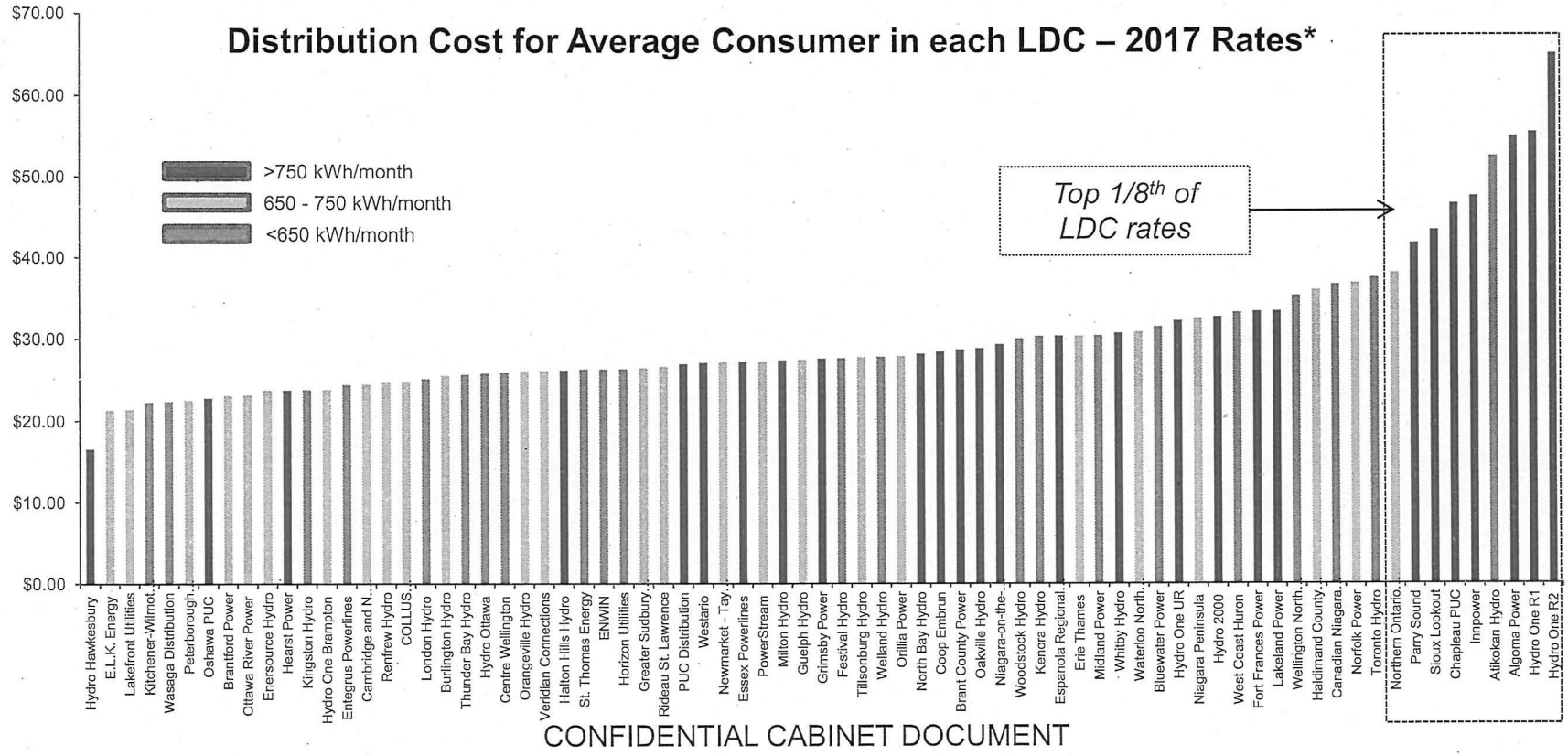
Ontario

A. Enhancing the Rural or Remote Protection Program (RRRP)

- While the RRRP helps mitigate some of the higher distribution costs for Hydro One R2 customers, there is an opportunity to provide further relief to consumers in relatively high-distribution cost outlier LDCs (top ~1/8th of distribution rate classes).
  - If expanded to the top 1/8th of distribution costs, this enhancement would also include Hydro One R1 customers (medium density), as well as LDCs with high distribution costs including: Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma.
- Mitigation could be provided by harmonizing distribution rates for these LDCs at the lowest distribution rate paid by an average consumer in this group.
  - Based on projected 2017 LDC rates, the lowest distribution rate paid by an average consumer in this group would be ~$38/month (with the highest being $65).
  - Is consistent with the OEB's mandated move to fully fixed distribution rates for all LDCs.
  - Roughly 800,000 customers would receive benefits from the current RRRP program and from these additional enhancements.
  - Setting a lowest distribution rate across these LDCs would help mitigate geographic-based differences in rates for the consumers who are most impacted and often see such differences as inequitable.
- Mitigation for all electricity consumers would be provided by moving the existing RRRP program costs and the proposed enhancements from the electricity rate base to the tax-base.

A. Enhancing the Rural or Remote Protection Program (RRRP)

- The table below shows what 2017 distribution costs are projected to be for the average consumer within each LDC across the province, and highlights the highest-cost distribution rates.
- The charts on the following slides show what the benefits would be in each LDC if the fiscal plan was used to support harmonizing distribution costs for customers of the LDCs in the top ~1/8th of rate classes at $38/month.

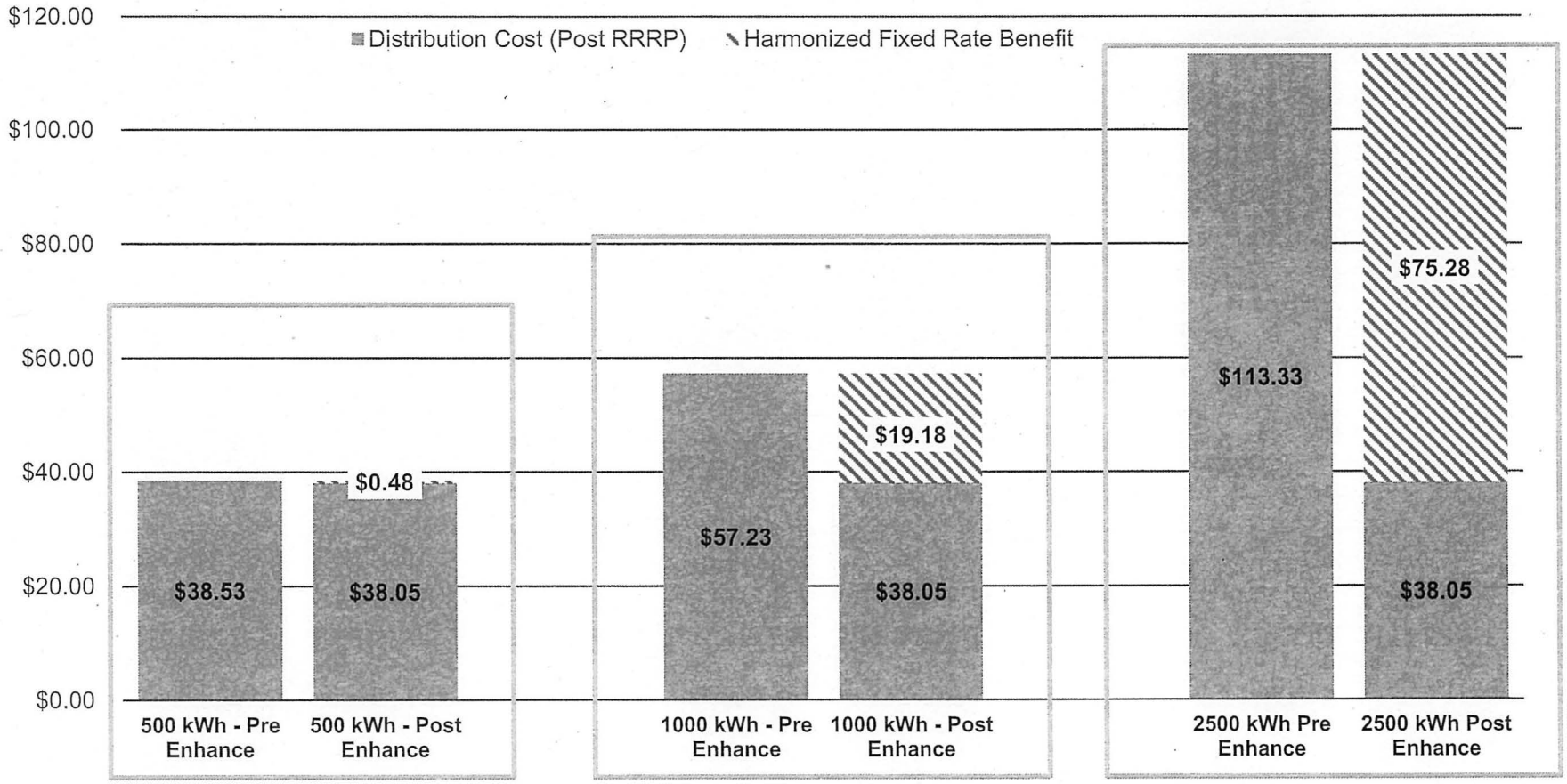


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**2017 Approved and Proposed (Decisions Pending – rates are subject to change).*

A. Harmonized Distribution Cost – Ratepayer Impact (Hydro One R2)

- For Hydro One R2 customers, the enhanced benefits below are in addition to the $60.50 they already receive through the existing RRRP.

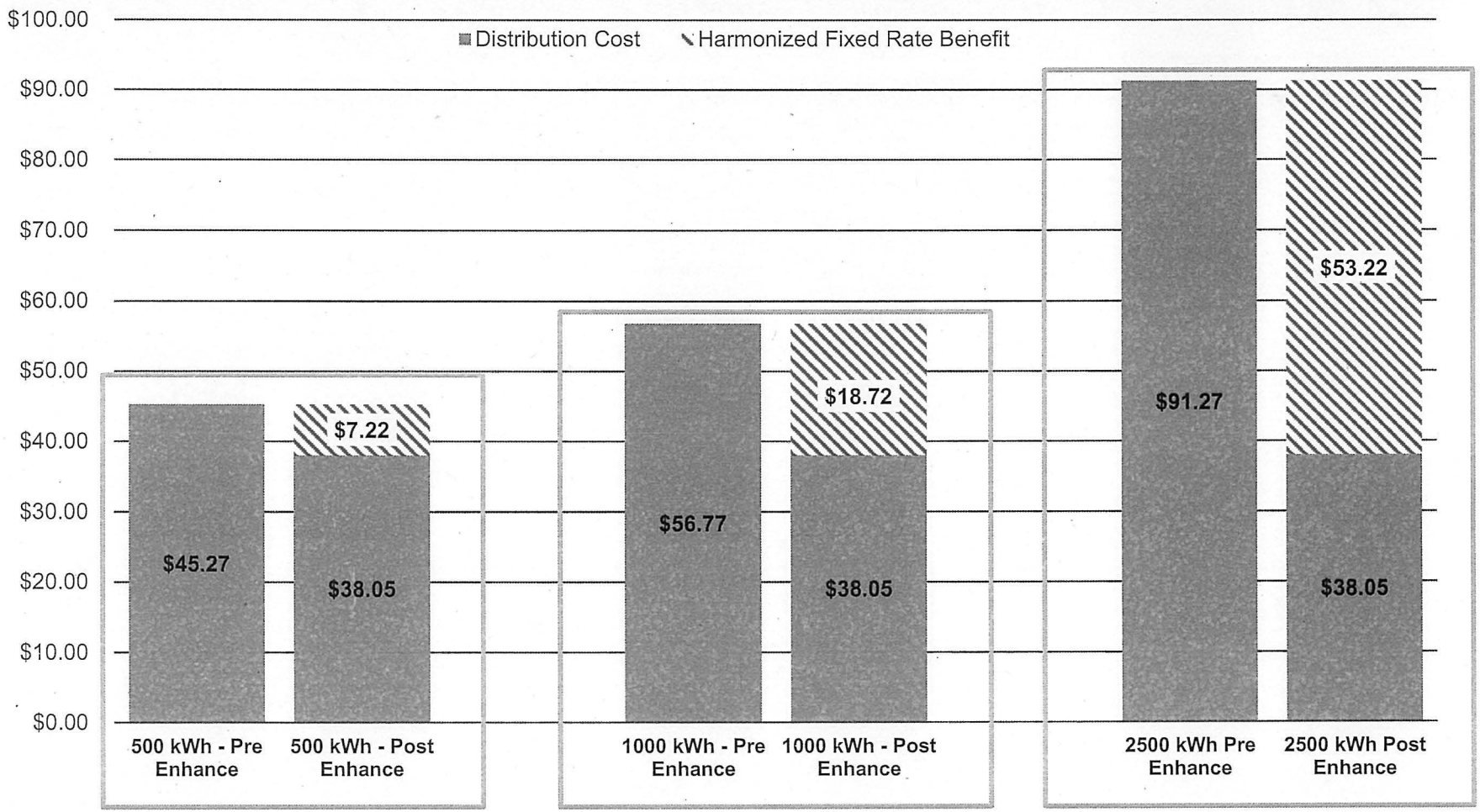


Note: *Rates are for 2017 (either approved or proposed). Distribution is one component of Delivery line charge. Transmission and line loss charges not shown.*

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A. Harmonized Distribution Cost – Ratepayer Impact (Hydro One R1)

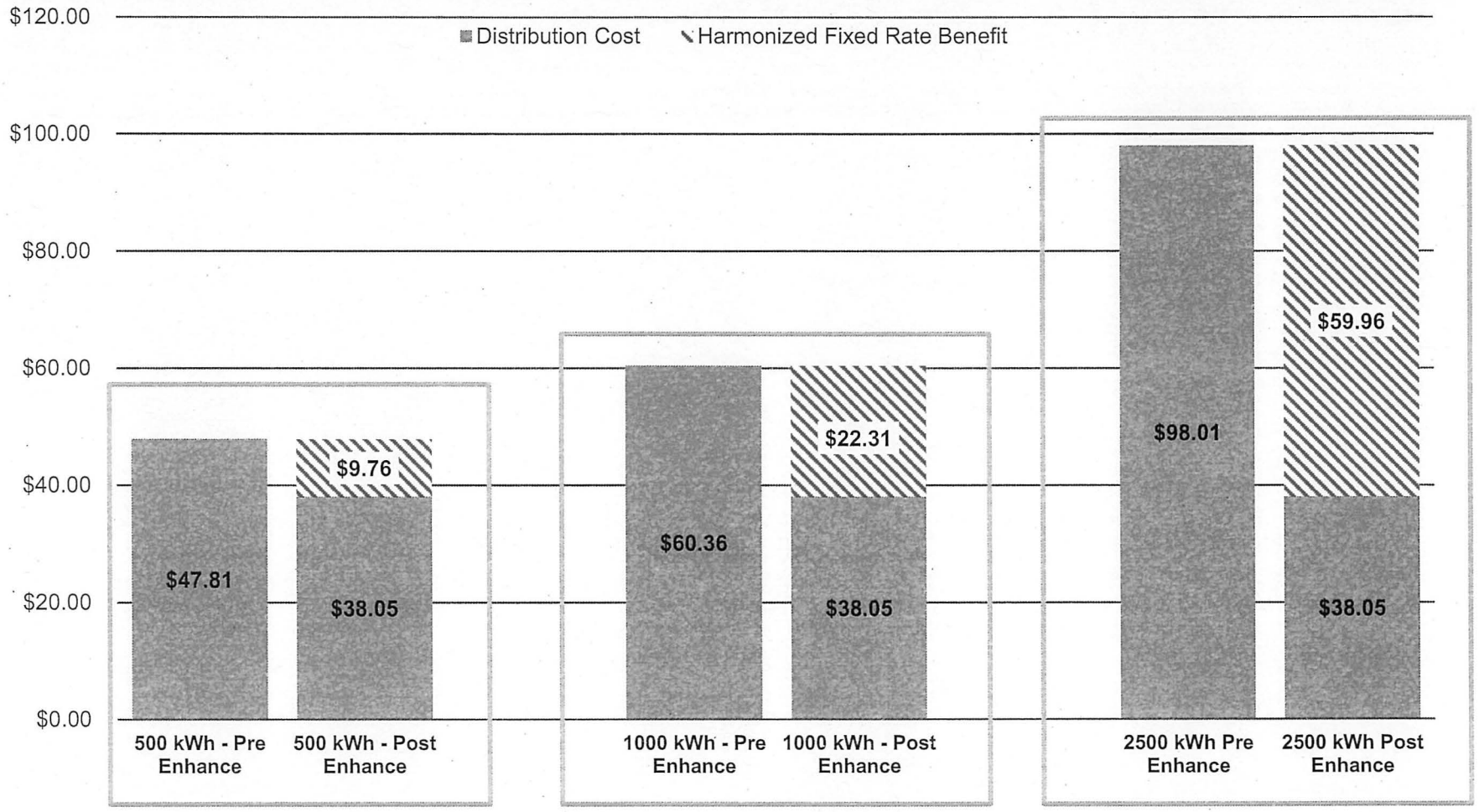


Note: *Rates are for 2017 (either approved or proposed)*
Distribution is one component of Delivery line charge.
Transmission and line loss charges not shown.

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A. Harmonized Distribution Cost – Ratepayer Impact (Algoma Power)

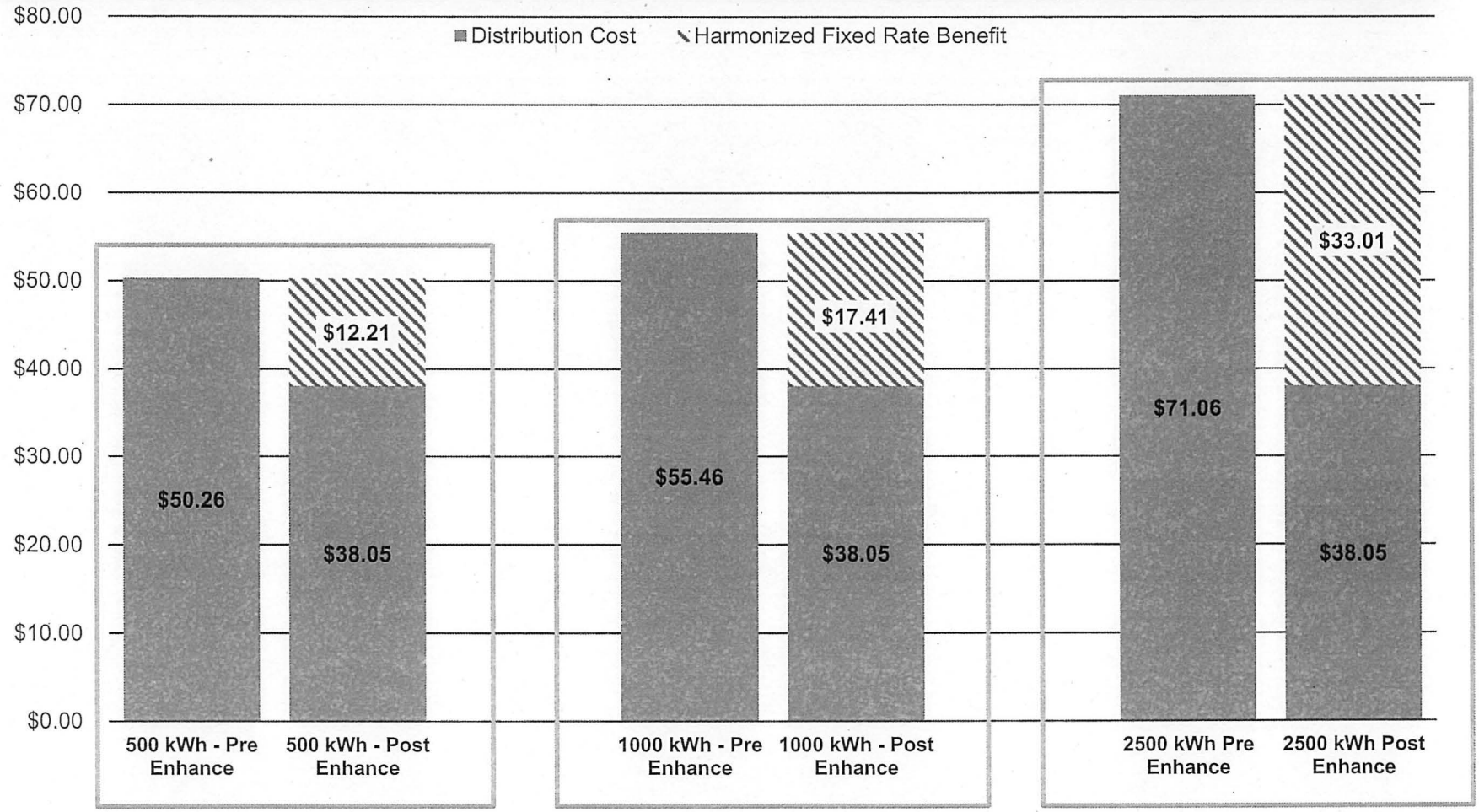


Note: *Rates are for 2017 (either approved or proposed). Algoma Power receives RRRP to support operational costs. Distribution is one component of Delivery line charge. Transmission and line loss charges not shown.*

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A. Harmonized Distribution Cost – Ratepayer Impact (Atikokan Hydro)

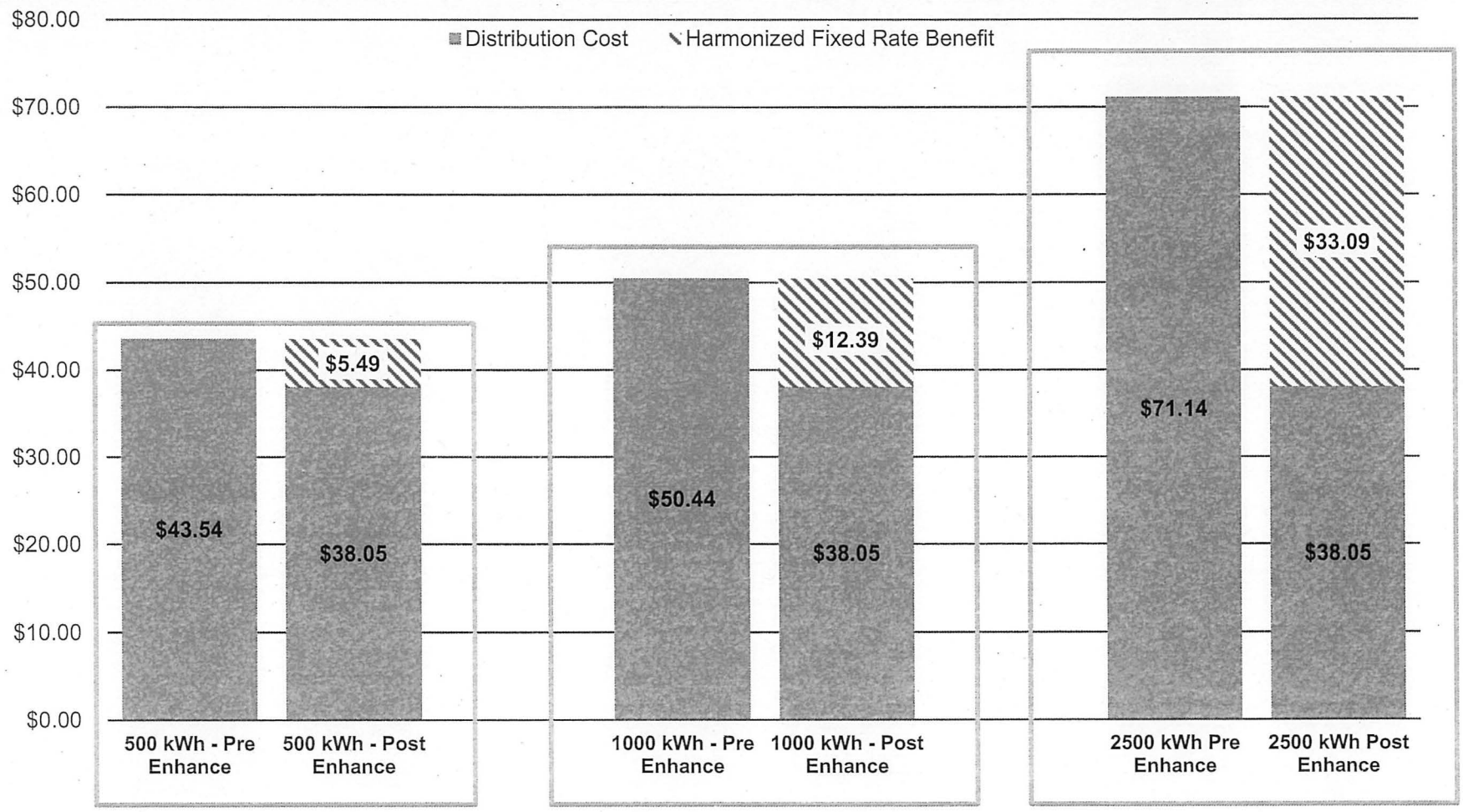


Note: *Rates are for 2017 (either approved or proposed)*
Distribution is one component of Delivery line charge.
Transmission and line loss charges not shown.

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Ontario

A. Harmonized Distribution Cost – Ratepayer Impact (InnPower)

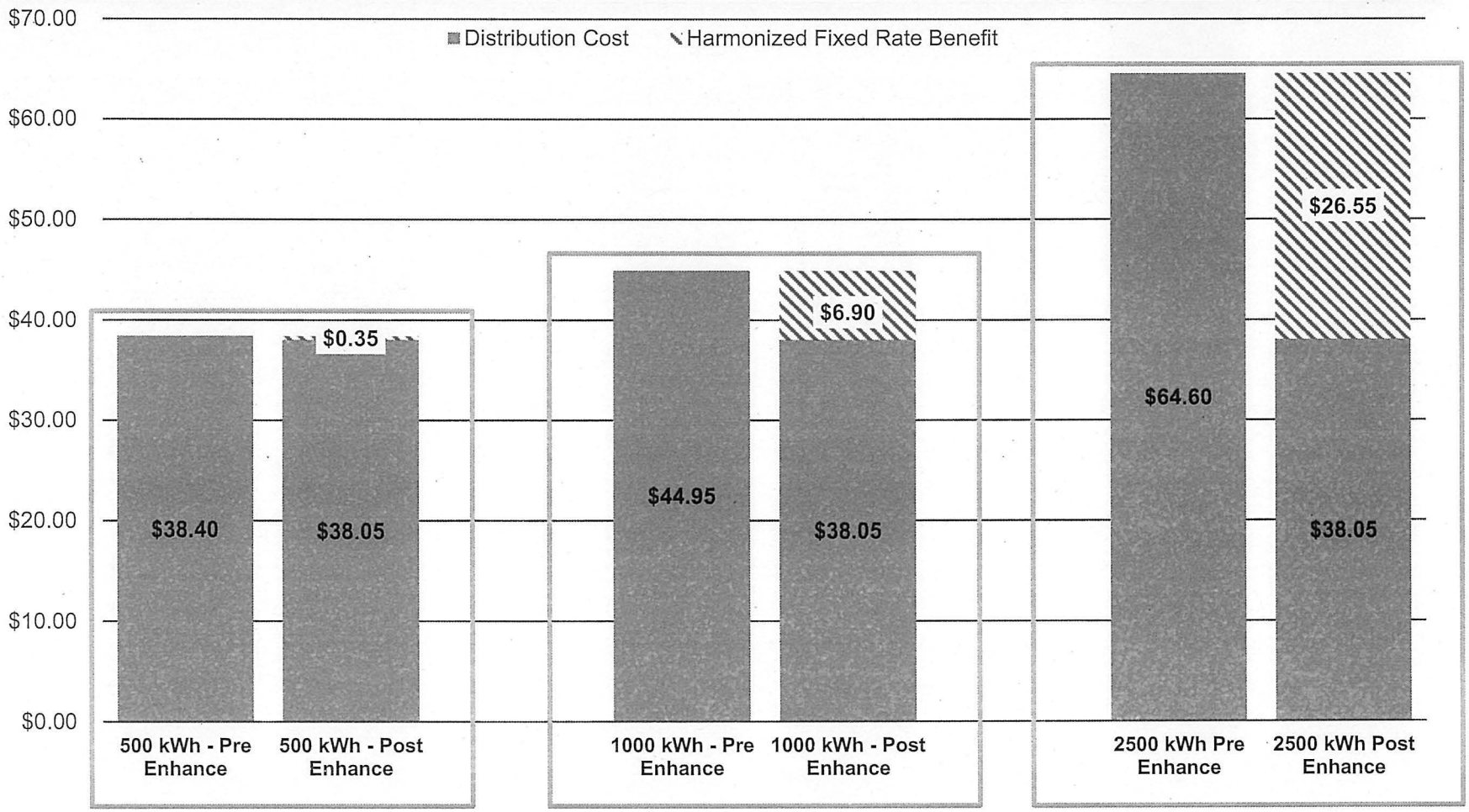


Note: *Rates are for 2017 (either approved or proposed) Distribution is one component of Delivery line charge. Transmission and line loss charges not shown.*

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Ontario

A. Harmonized Distribution Cost – Ratepayer Impact (Chapleau PUC)

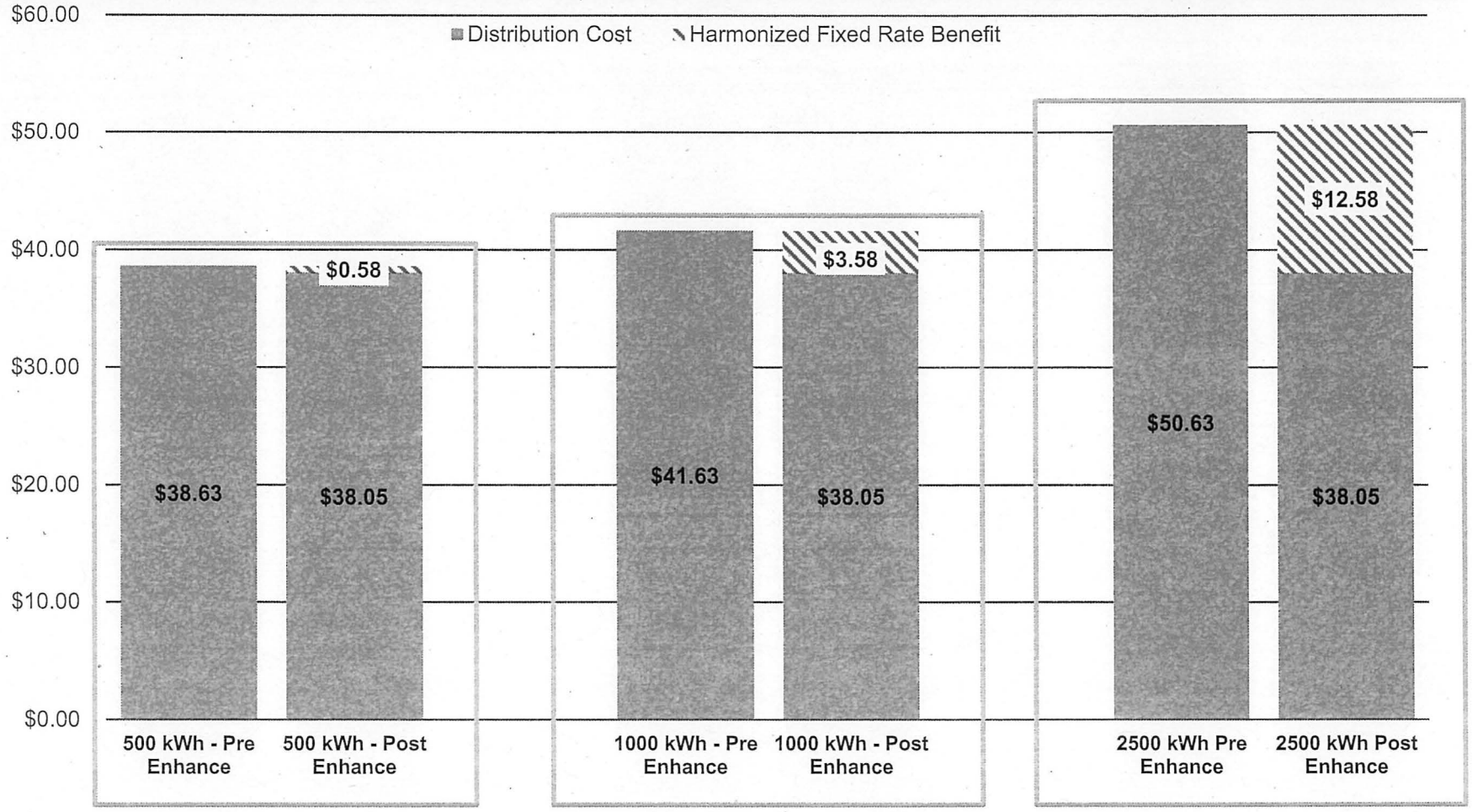


Note: *Rates are for 2017 (either approved or proposed)*
Distribution is one component of Delivery line charge.
Transmission and line loss charges not shown.

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Ontario

A. Harmonized Distribution Cost – Ratepayer Impact (Sioux Lookout Hydro)

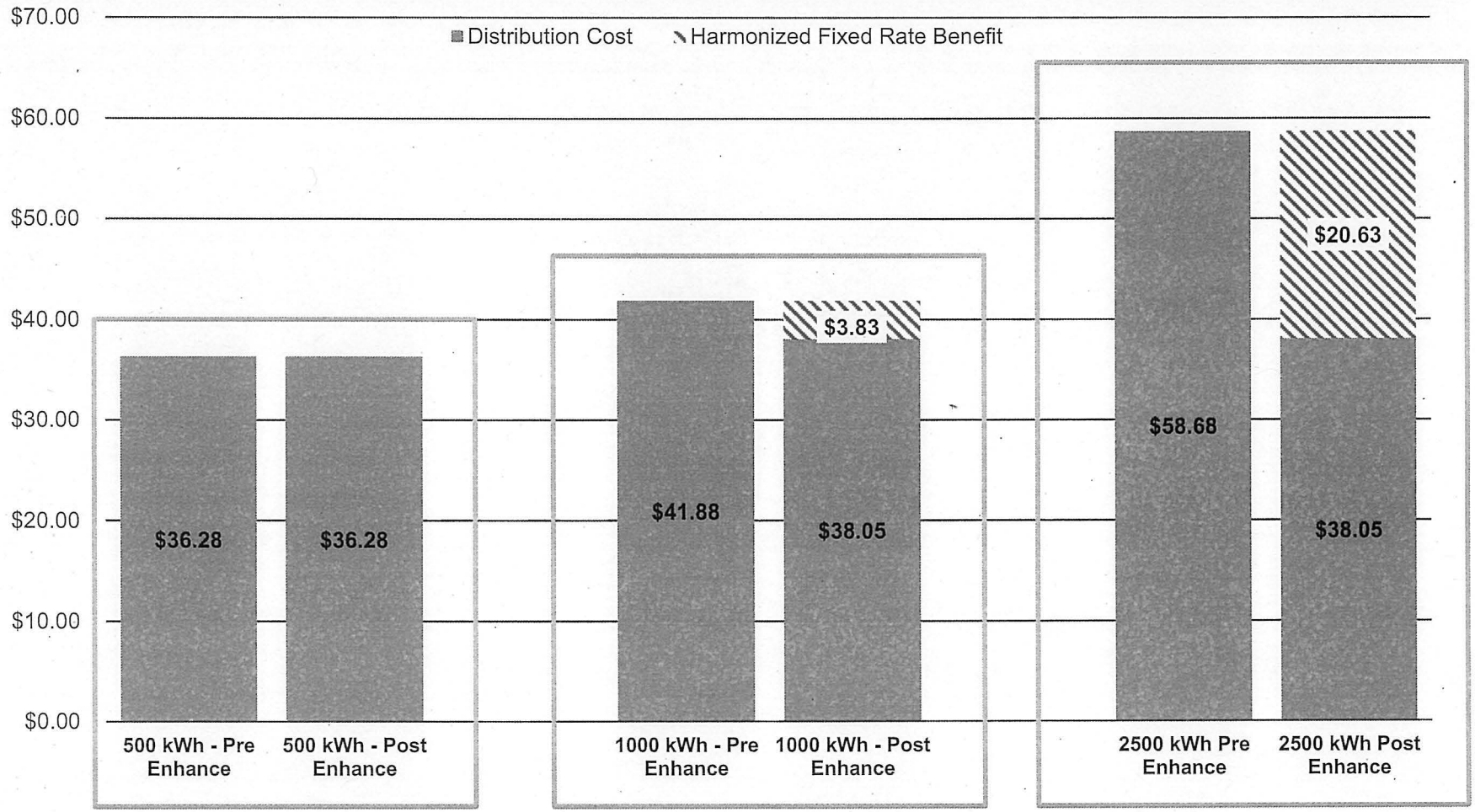


Note: *Rates are for 2017 (either approved or proposed) Distribution is one component of Delivery line charge. Transmission and line loss charges not shown.*

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Ontario

A. Harmonized Distribution Cost – Ratepayer Impact (Lakeland Power – Parry Sound)

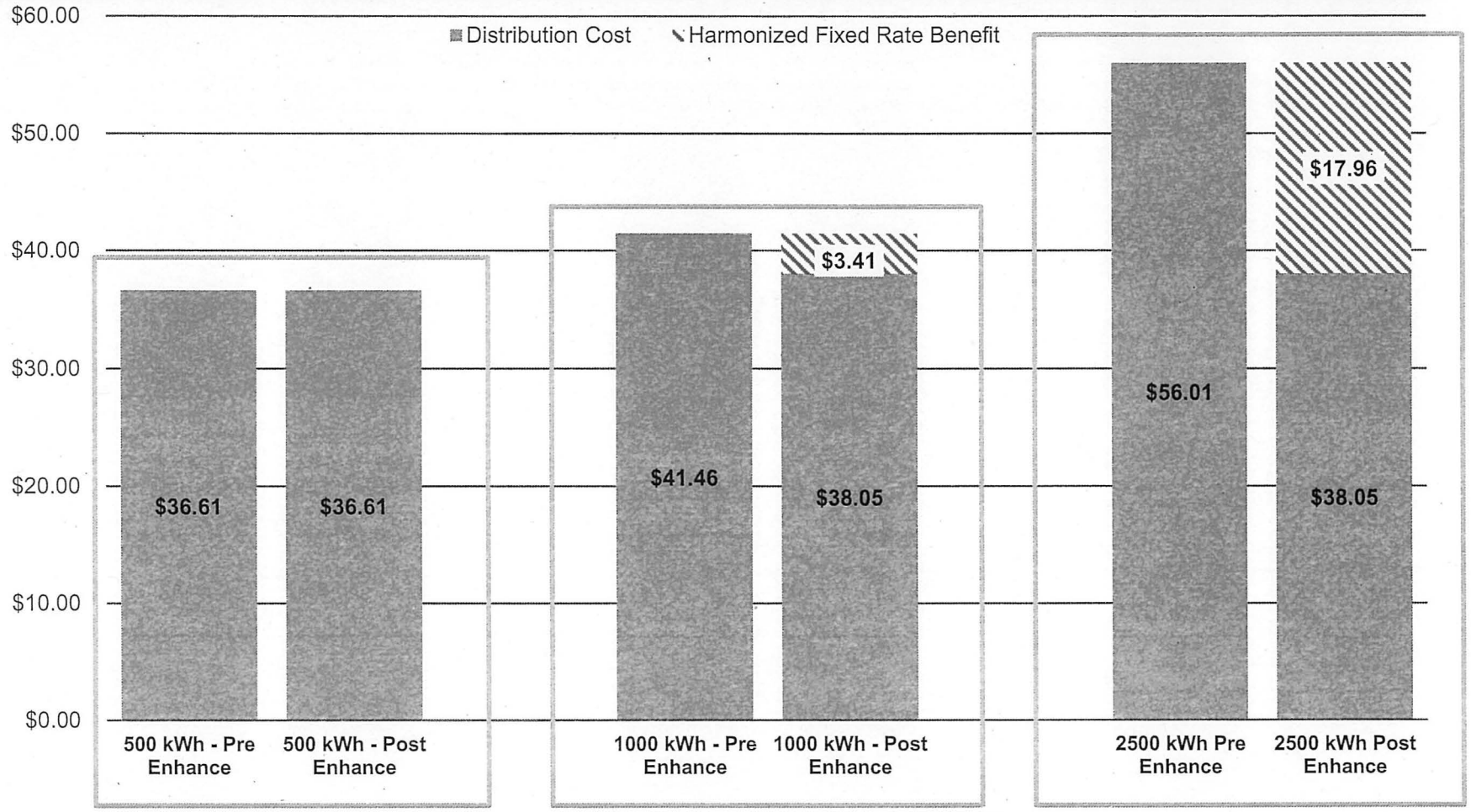


Note: *Rates are for 2017 (either approved or proposed). Rates are for the Parry Sound territory within Lakeland Power. Other Lakeland Power customers (Huntsville area) not impacted. Distribution is one component of Delivery line charge. Transmission and line loss charges not shown.*

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Ontario

A. Harmonized Distribution Cost – Ratepayer Impact (Northern Ontario Wires Inc.)



Note: *Rates are for 2017 (either approved or proposed)*
Distribution is one component of Delivery line charge.
Transmission and line loss charges not shown.

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Ontario

A. RRRP Enhancement – Considerations

Implementation

- The Ministry will need to ensure that only the high distribution cost LDCs are captured within the program framework
  - LDCs may need to be named explicitly in the legislation/regulation
  - A mechanism would also need to be created to ensure the level of benefit changes year to year
- LDCs will need to change their billing and customer information systems. OEB estimates that the implementation would take at least 6 months or more, following finalized regulations
- New legislation would be required to establish this program.
- Providing a tax-based subsidy outside of exiting rate setting mechanism reduces incentives for customers and distributors to engage on operating costs and capital planning.
- A mechanism will need to be created to ensure that LDCs/OEB/IESO/Province are aligned in the year-to-year forecasting and costing of the RRRP program and the enhancements.

A. RRRP Enhancement – Considerations (cont'd)

Fiscal

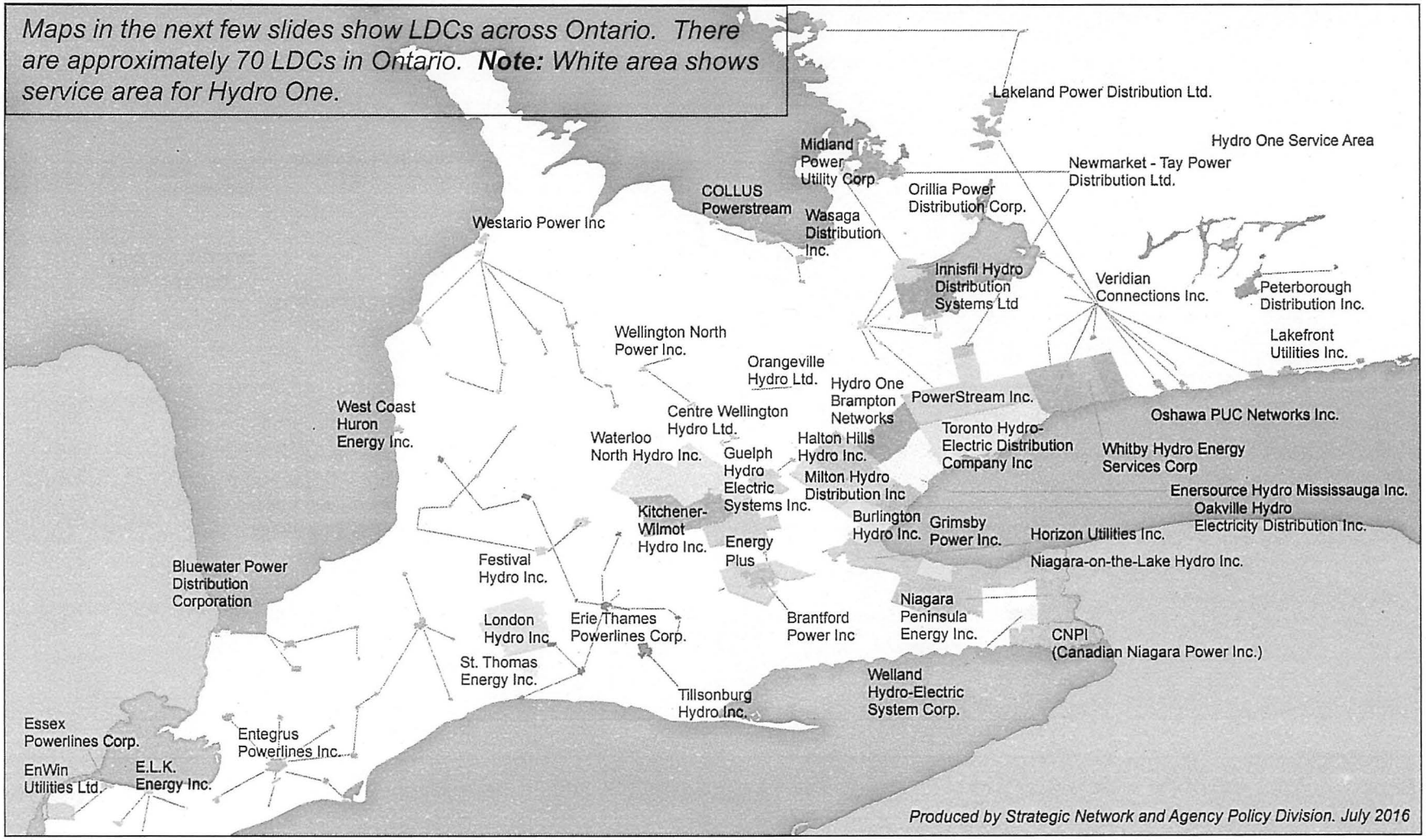
- As distribution costs vary year to year, forecasting fiscal impacts are challenging:
  - Hydro One is expected to submit its cost of service application for 2018 and beyond (3-5 years) in spring 2017. The rate increases requested in this application could potentially increase the proposed fixed rate which could have a significant impact on fiscal requirements and ratepayer impacts.
  - The other high distribution cost LDCs generally have lower distribution cost increases, however, it is difficult to forecast fiscally the impact of the program until LDCs submit their cost of service applications to the Ontario Energy Board (OEB).

Fiscal Impact ($M)	16-17	17-18	18-19	19-20	20-21
Legacy RRRP to Hydro One R2 Customers	-	126	130	133	136
2016 Speech from the Throne Enhancements to R2 Customers	-	117	120	123	127
Proposed Enhancements to Hydro One and Identified LDCs	-	216	222	228	234
TOTAL	-	**459**	**472**	**484**	**497**

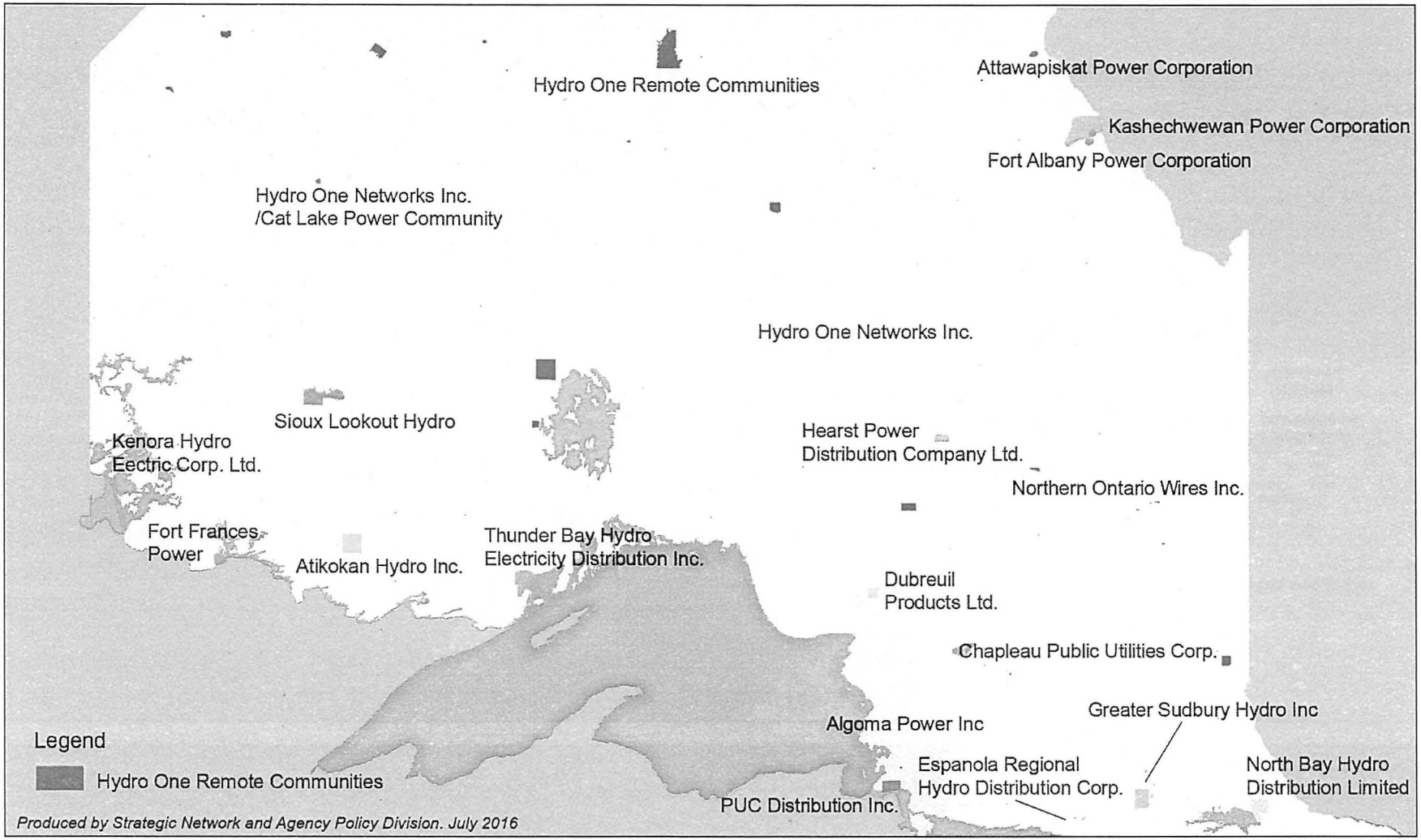
Note: Current regulatory framework calls for RRRP to increase by average distribution rate increase. Forecast assumes 2.6% annually though is subject to OEB proceedings. Fiscal projection is subject to consumer consumption patterns that may change due to extreme weather or other factors. Does not include Algoma Power or Hydro One Remotes, which would continue to be on the rate-base.

A. RRRP Enhancement – LDC Service Territory (Southwestern Ontario)

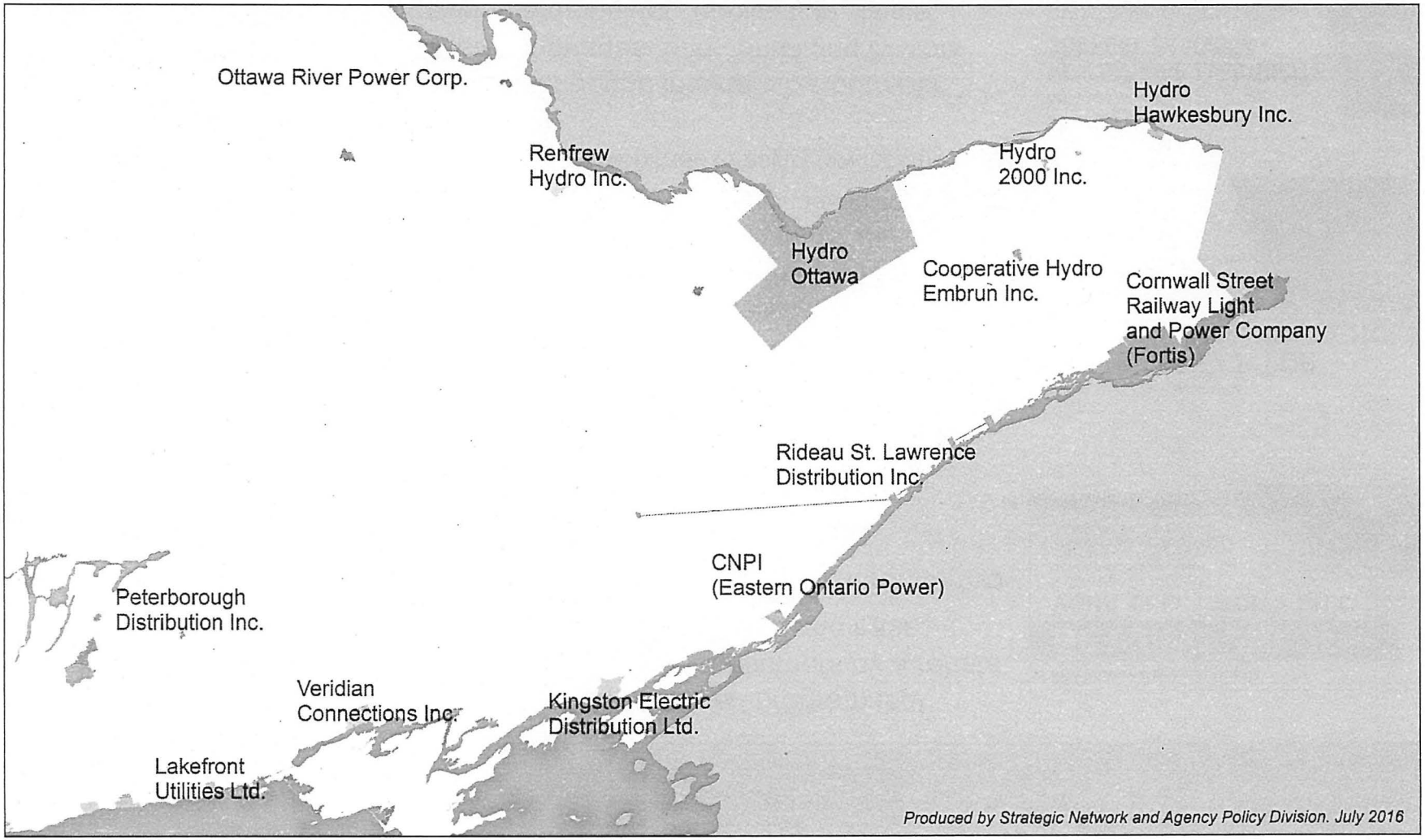
Maps in the next few slides show LDCs across Ontario. There are approximately 70 LDCs in Ontario. ***Note:*** *White area shows service area for Hydro One.*



A. RRRP Enhancement – LDC Service Territory (Northern Ontario)



A. RRRP Enhancement – LDC Service Territory (Eastern Ontario)



Ontario

B. Ontario Electricity Support Program (OESP)

- The OESP is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by a rebate directly on bills. The OESP is currently funded by the rate base.
- OESP credits vary by income level and family size, and there are two credit scales that include:
  - The basic program credit ranges from $30/month to $50/month.
  - An enhanced credit that ranges from $45/month to $75/month for consumers that are either Indigenous, use electric heat or have certain medical devices.
- The OESP launched on January 1, 2016, and in just over a year:
  - Almost 180,000 have been enrolled in the program representing 30% of the total targeted low-income population and some 278,000 applications have been received.
  - Almost $50 million in credits have been provided to vulnerable consumers.
  - Some 172 intake agencies have been mobilized to assist low income consumers to apply for the OESP.
- To drive this uptake, the OEB has engaged in extensive outreach, including advertising in multiple languages, and continuing to work with partner agencies to develop a model for "application clinics" across the province to increase program awareness and uptake across the province.







Ontario

B. Ontario Electricity Support Program (OESP) (cont'd)

- There are a numbers of ways that the OESP program can be enhanced:
  - Streamline the OESP process to drive participation toward 100%:
    - ENERGY and the Ministry of Community and Social Services (MCSS) have been working on automatic OESP qualification for Ontario Works (OW) and Ontario's Disability Support Program (ODSP) recipients who pay electricity bills.
      - MCSS estimates some 110,000 OW and ODSP recipients pay electricity bills;
      - This process could follow the "deemed eligibility" model used for the Healthy Smiles program. Using an existing model should simplify the implementation process.
      - The qualification process may have to be done manually at first, with a more automated IT solution in the longer-term.
    - Working with the CRA to make the application process easier / quicker to get through by finding an alternative to the requirement to mail-in signed consent forms;
    - Putting in place a more aggressive communications strategy and application intake clinics across the Province to increase awareness of/enrollment in the OESP.
  - Increasing the existing OESP credit scales by an additional 50%; and
  - Expanding the categories of OESP credits.

- It is also recommended that the OESP be supported from the tax-base as part of the rate mitigation package.

Ontario

B. Ontario Electricity Support Program (OESP) (cont'd)

- The tables below outline the existing OESP credit scales and how the scales would be enhanced if increased by 50% and credits are extended to additional groups (represented in the circled boxes):

Existing OESP Credit Scales

Sliding Scale #1	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$30	$30	$34	$38	$42	$50	$50
$28,001 - $39,000			$30	$34	$38	$42	$50
$39,001 - $48,000					$30	$34	$38
$48,001 - $52,000							$30

Sliding Scale #2	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$45	$45	$50	$55	$60	$75	$75
$28,001 - $39,000			$45	$50	$55	$60	$75
$39,001 - $48,000					$45	$50	$55
$48,001 - $52,000							$45

Proposed +50% OESP Credit Increase*

Sliding Scale #1	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$45	$45	$51	$57	$63	$75	$75
$28,001 - $39,000		($40)	$45	$51	$57	$63	$75
$39,001 - $48,000			($35)	($40)	$45	$51	$57
$48,001 - $52,000					($35)	($40)	$45

Sliding Scale #2	Household Size						
Income Bracket	1	2	3	4	5	6	7 +
< $28,000	$68	$68	$75	$83	$90	$113	$113
$28,001 - $39,000		($60)	$68	$75	$83	$90	$113
$39,001 - $48,000			($52)	($60)	$68	$75	$83
$48,001 - $52,000					($52)	($60)	$68

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***Note:** The proposed higher scale, including the amounts in circles are proposed and will be refined in consultation with the OEB.

Ontario

B. Ontario Electricity Support Program (OESP) – Considerations

Fiscal Impact

- Changes to legislation / regulation may be required to establish and define the parameters for OESP to receive funding from the tax-base. The scope of changes would depend on the implementation / delivery mechanisms.
- The OESP regulation will likely require changes to enable OW and ODSP recipients to be "deemed eligible" for the OESP.
- Financial flow-through mechanisms would need to be considered in consultation with IESO and LDCs. Likely to be modeled after processes used for the Ontario Rebate for Electricity Consumers (OREC).
- The OEB has been collecting program funding in excess of program costs and has accrued a positive balance. This balance must be addressed when moving to the tax base.
- If OESP amounts are increased, it will need to be confirmed that the credit is not treated as taxable income. This was addressed in the current iteration of the OESP.
- Adding additional categories to the OESP matrix will take time to implement as it will require changes to the central system as well as LDCs' billing systems. As well, the matrix will no longer follow the Low Income Measure (LIM), which could put additional pressure on the OESP and other provincial programs.

Fiscal Impact ($M)	16-17	17-18	18-19	19-20	20-21
Existing OESP credits	–	118	159	193	222
Incremental Enhance OESP credits by +50%	–	59	80	97	111
Incremental additional OESP categories	–	8	22	35	42
Total	–	**186**	**261**	**325**	**375**

Ontario

C. Establishing a New Affordability Fund

- For eligible low-income customers, the Home Assistance Program (HAP), delivered by LDCs under the Conservation First Framework, provides efficiency upgrades and education, at no cost, to help improve the energy efficiency and comfort of their homes and help customers manage their electricity bills.

- HAP does not address the needs of those customers that do not qualify as "low-income" but could benefit from conservation programs.
  - At the end of 2015, there were over 560,000* residential electricity accounts in arrears; of these about 19,900** (~3.6%) accounts were eligible to participate in low-income conservation and support programs.
  - According to the Ontario Energy Board (OEB), in 2015 about 60,000 customers had their electricity service disconnected.

Proposal: Establish Affordability Fund to Provide Existing Low-Income Conservation Program to Other Electricity Customers

- The Ministry proposes establishing an Affordability Fund which would be available to LDCs to provide similar energy efficiency measures as provided under HAP to targeted customers.

* **Note:** Unverified numbers reported by LDCs to the OEB
** **Note:** Low-income customers identified through participation in LEAP

Ontario

C. Establishing a New Affordability Fund (cont'd)

Fund Details:

- An Affordability Fund would be accessible to LDCs only, and would target those customers who cannot qualify for low-income conservation programs and are in need, such as those who are facing disconnection.
  - By providing support for energy efficiency improvements, the Fund could help these customers reduce their future bills and avoid future disconnections.
  - The Fund would provide LDCs with an additional tool to provide assistance to their customers.

Eligibility Criteria/Fund Principles:

- Determination of eligibility could involve a number of factors and metrics:
  - Do not meet the definition of "low-income";
  - May have triggered action by an LDC collection department (e.g., are in arrears, have been placed on one or more payment plans, are due to be disconnected, etc.);
  - Priority could be given to eligible customers in electrically-heated homes, or other unique circumstances; and
  - Require financial assistance to pay for energy efficiency measures.

Ontario

C. Establishing a New Affordability Fund (cont'd)

Implementation

- ENERGY is currently in discussions with several large LDCs to determine the principles of the Fund and is working with Hydro One to set up an independent Trust to serve as the Fund Administrator.
  - The Fund Administrator would manage the flow of funds to LDCs based on principles set by the province, and be responsible for establishing processes, administration, and criteria for funding applications, thereby ensuring the program is managed on a consistent basis across the province.
  - LDCs would apply for funding to the Fund administrator, to offer energy efficiency measures to those customers in their service territories that meet the targeted eligibility criteria.
  - LDCs have over 10 years of experience in delivering conservation programs, including experience specific to contracting for programs that target low-income customers.
  - LDCs are best positioned to identify and target their customers who are most in need.

- Given the scope of the Fund, an LDC would need a firm financial commitment up front before implementation. LDCs rely on rate-payer funding for most of their activities. The Affordability Fund would be a unique venture from an LDC perspective given that it is tax funded.

Ontario

C. Establishing a New Affordability Fund (cont'd)

Implementation (cont'd)

- Recipients could receive measures ranging from an average of $3,000 to $5,000 per customer, at no or minimal cost. For example, measures available in the Home Assistance Program include:
  - Energy-saving light bulbs (LEDs); power bars; energy efficient window ACs, refrigerators, freezers, dehumidifiers; low-flow showerheads, hot water blankets, pipe wrap and faucet aerators (in homes with electric water heating); and
  - Programmable thermostats, weather stripping, insulation (in homes with electric heating).

- Cold climate air source heat pumps would also be an eligible measure under the Affordability Fund. Heat pumps range in cost from $7,000 to $13,000.

- As an illustration, with $200 million, the estimated reach of the fund could be 15,000 to 65,000 households, depending on measures and uptake.

Ontario

C. Establishing a New Affordability Fund – Considerations

Considerations

- The Affordability Fund addresses a real need.
  - LDCs have expressed the need for an additional tool to provide assistance to their customers.
- Determining allocation of funds to LDCs:
  - Some LDCs may have a disproportionate number of customers in need of assistance; and
  - ENERGY is proposing to seek input from the OEB, LDCs and potentially low income organizations to help develop funding allocation and eligibility principles for the Trust.
- While eligibility principles will be established, LDCs will need a degree of flexibility to target customers:
  - Not all customers who are in need will actively seek help;
  - Some customers in arrears may be "gaming the system" and not truly in need; and
  - LDCs recommend targeted outreach as opposed to broad marketing; a high volume of applications would limit the ability to deliver assistance to customers who need it most.

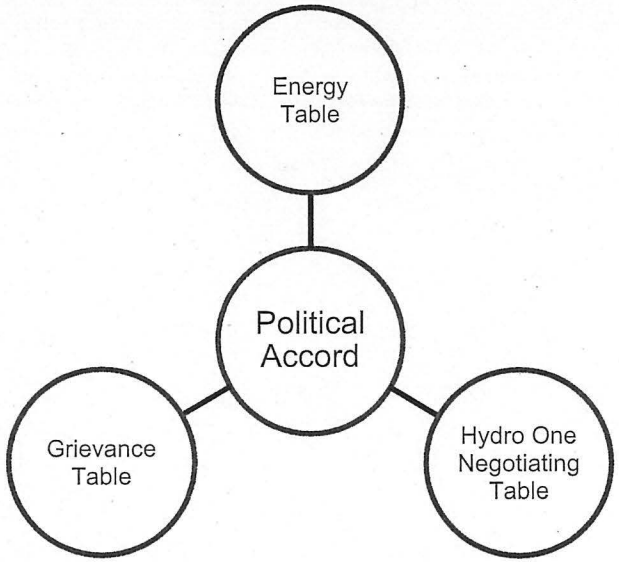
Fiscal Impact

- The Affordability Fund would represent a fiscal impact of $200 million in fiscal year (FY) 2016/17.
- To allow for funds to flow in FY 2016/17, ENERGY would sign a Transfer Payment Agreement (TPA) with Hydro One and transfer money before end of fiscal year to ensure Hydro One can establish the Trust and the Trust can begin operation as the Fund Administrator.
- There is a fiscal risk if monies used for the Fund do not flow before FY year-end 2016/17 and for monies that are sitting in Hydro One at year-end (because of consolidation with province), and a corresponding fiscal pressure in the following years when the funds are flowed from Hydro One (H1) to ratepayers.

Ontario

D. Implementing On-Reserve First Nations Delivery Credit

- ENERGY has a number of Tables with the Chiefs of Ontario (COO) and First Nations that include the Energy Table to discuss policy issues, the Hydro One Negotiating Table to discuss Hydro One shares, and the Grievance Table.
- The Grievance Table process was established at the request of COO as a means to avoid litigation to resolve historic grievances related to the energy sector and prevent these issues from impeding progress on broadening the ownership of Hydro One (H1).
- The cost of electricity and delivery charges were identified as the prevailing grievance at the First Nations-Ontario Energy Table meeting in Timmins in 2016, and the Minister of Energy agreed to explore options for a First Nations Rate through the Grievance Table process.



- On June 27, 2016, following discussions on Hydro One shares and rates at COO's All Chiefs Conference, the Minister of Energy issued a letter directing the OEB to prepare a report providing "*advice on options for an appropriate electricity rate (or rate assistance) for on-reserve First Nations electricity consumers*".
  - OEB engaged with First Nations, including remote communities, the distributors serving them, and consumer groups such as the Low Income Energy Network. It also established an Advisory Committee with the Chiefs of Ontario's Grievance Committee.
- The Ontario Energy Board (OEB) has worked with COO to engage with First Nations to develop options for a First Nations electricity rate. The OEB provided a report to the Minister on December 29, 2016.

Ontario

D. Implementing On-Reserve First Nations Delivery Credit (cont'd)

- On-reserve First Nations customers face unique challenges that impact electricity affordability, such as the poor quality of the housing stock on-reserve. These challenges result in significantly higher electricity consumption levels and costs.
- First Nations living on reserve are particularly vulnerable low-income consumers: the average income is considerably lower compared to First Nations living off reserve and compared to non-Indigenous populations:
  - Average income of First Nations on reserve in Ontario: $21,100;
  - Average income of First Nations off reserve in Ontario: $31,527;
  - Average income of Non-Indigenous people in Ontario: $42,506; and
  - Median incomes on smaller reserves can fall below $10,000 (e.g., Cat Lake FN).
- Employment rates also differ between on-reserve First Nations, off-reserve First Nations and Non-Indigenous individuals, as well as other indices of social vulnerability:
  - 54% of Indigenous people over 15 years old and living on-reserve in Ontario are unemployed or not in the labour force;
  - The on-reserve unemployment rate is 18.3% compared to 6.4% in Ontario generally; and
  - 67% of families residing on-reserve are single parent families, compared to the Canadian equivalent of 19%.
- First Nations are seeking redress for historic grievances related to lands affected by energy developments, such as transmission or distribution infrastructure built on reserve lands and traditional territories where, in some cases, they may not have been appropriately consulted.
- Further, in some circumstances, linear infrastructure corridors cut First Nation reserves in half, significantly disturbing the use and management of an already small land base; the First Nation communities disturbed by energy infrastructure report having experienced long wait times (e.g., 20 years) for their communities to get connected and receive the benefits of the energy derived from the local infrastructure.

Ontario

D. Implementing On-Reserve First Nations Delivery Credit (cont'd)

- The OEB report to the Minister of Energy on a First Nation on-reserve rate recommended:
  - Eliminate the delivery charge for all on-reserve First Nations residential customers and eliminate the monthly service charge for customers of licensed distributors which charge a bundled rate;
    - The OEB estimates this would provide residential customers an average monthly benefit of $85 at a total annual cost of $13 to $20 million.
  - Automatically qualify on-reserve First Nations residential customers (~21,500 customers);
  - Enable greater information sharing between distributors and band councils to identify all on-reserve First Nations customers; and
  - Continue to provide assistance through OESP and LEAP to eligible on-reserve First Nations customers.
- The OEB suggested the program should be funded from the tax base as it is targeted to a particular segment of the provincial population, or, if rate based, to use a province-wide charge.
- ENERGY recommends moving forward with the implementation of the OEB's recommendations as part of the wider electricity rate relief package and as the Hydro One share agreement with COO continues to be implemented.

Distributor	Number of On-Reserve Residential Customers
Algoma Power Inc.	473
Attawapiskat Power Corporation	336
Bluewater Power Distribution Corporation	237
Cat Lake Power Utility Ltd.	80
Cornwall Electric Distribution	514
Hydro One Networks Inc.	16,679
Hydro One Remote Communities Inc.	2,579
PUC Distribution Inc. (Sault Ste. Marie)	264
Thunder Bay Hydro Electricity Distribution	332
Total Number of Customers	**21,494**

Source: OEB Report to Minister: Options for an Appropriate Rate Assistance Program for On-Reserve First Nations Electricity Consumers (Page 5).

Ontario

D. Implementing On-Reserve First Nations Delivery Credit – Considerations

- Legislative and regulatory will be required to implement this program.
- The OEB will need to work with the LDCs to identify on-reserve consumers to administer the delivery rebate.
- Development of a communications plan containing the following elements:
  - Public release of the OEB report;
  - Commitment to working with LDCs on implementation details; and
  - Advanced notice to the OEB and COO regarding the ministry's decision to move forward on the OEB's recommendation and indicate a willingness to work collaboratively with COO on ways in improve community-LDC communication to ease implementation.
- The rebate will appear on customer's electricity bills, either as a specific line item or a communicated call-out.
- Recipients would continue to be eligible for programs such as the Ontario Electricity Support Program (OESP) and the Low-Income Electricity Assistance Program (LEAP).
- There is a risk that either non-status Indigenous communities without reserves or Métis could challenge the program on the grounds that it discriminates against them contrary to section 15 of the Charter. A genuinely ameliorative program that targets some people but excludes others is shielded from a s. 15 challenge if it serves or advances the ameliorative goal. The proposal has an ameliorative purpose as it targets First Nations communities for a reserve-based program corresponds to the distinct circumstances of reserve-based communities, relative to other Indigenous communities, that affect electricity affordability.

Fiscal Impact ($M)	16-17	17-18	18-19	19-20	20-21
On-Reserve First Nation Delivery Credit	-	20	20	20	20

Ontario

Fiscal Roll-Up

Fiscal Impact ($M)	16-17	17-18	18-19	19-20	20-21
RRRP Enhancements*	-	459	472	484	497
Ontario Electricity Support Program, including the 50% Enhancement & New Matrix Categories	-	186	261	325	375
On-Reserve First Nation Delivery Credit	-	20	20	20	20
Affordability Fund**	200	-	-	-	-
Total	200	665	753	829	892

***Note:** Current regulatory framework calls for RRRP to increase by average distribution rate increase. Forecast assumes 2.6% annually though is subject to OEB proceedings. Fiscal projection is subject to consumer consumption patterns that may change due to extreme weather or other factors. Does not include Algoma Power or Hydro One Remotes, which would continue to be on the rate-base.
****Note:** Funding for the Affordability Fund is one-time in 2016/17.

Ontario

BENDING THE FUTURE COST CURVE OF ELECTRICITY

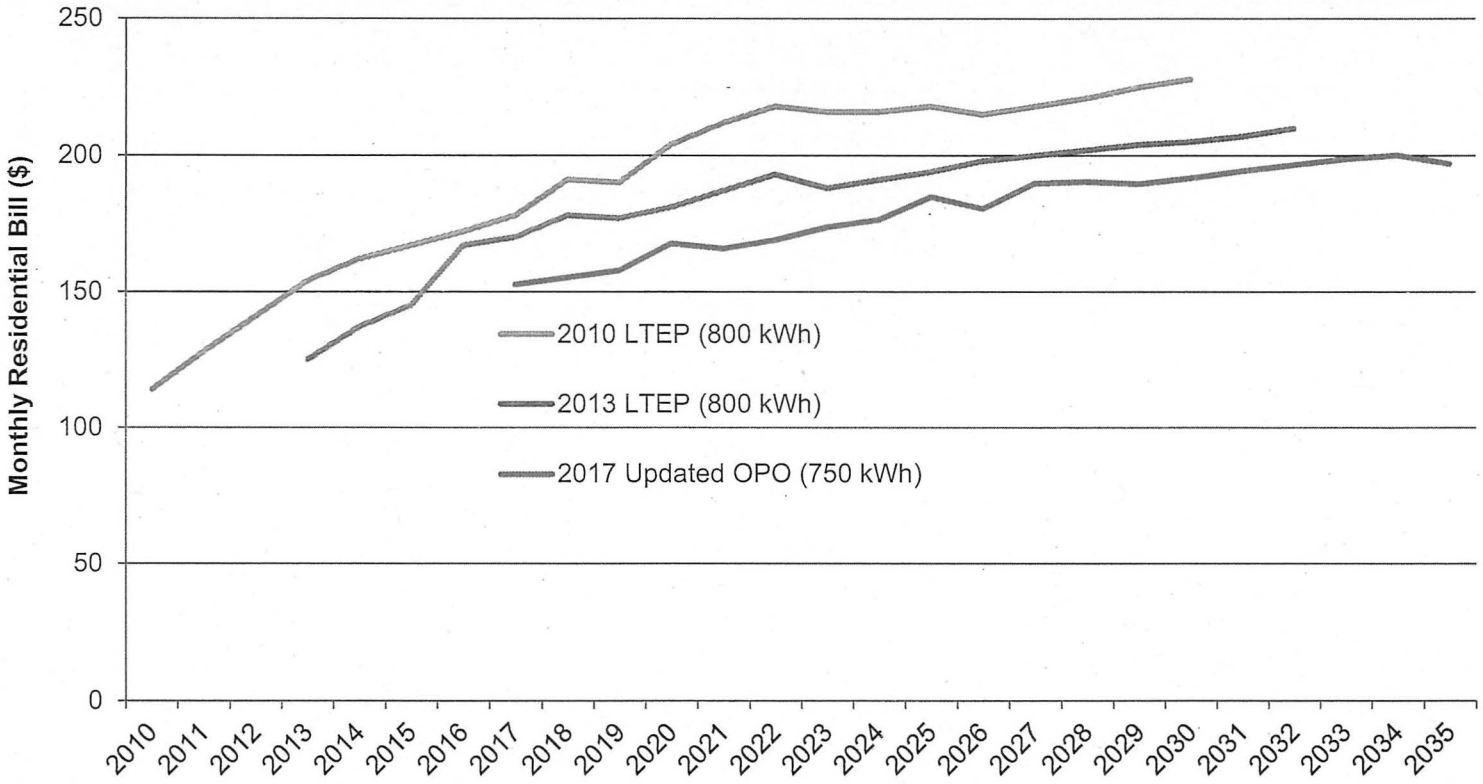
Ontario

Existing Rate Mitigation Actions To Bend The Cost Curve

- Since 2013, the government has taken a number of actions to reduce electricity ratepayer costs, including:
  - Renegotiating the Green Energy Investment Agreement to reduce contract costs by $3.7 billion.
  - Reducing Feed-In Tariff (FIT) prices saving ratepayers at least $1.9 billion.
  - Introducing a competitive Large Renewable Procurement (LRP) process to drive down costs approximately $1.5 billion lower than the 2013 LTEP forecast.
  - Deferring the construction of two new nuclear reactors at Darlington, avoiding an estimated $15 billion in new construction costs.
  - Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020 instead of 2016, thus helping to achieve $1.7 billion in savings and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers about $600 million.
  - Suspending the second round of the LRP process and the Energy-from-Waste Standard Offer Program, which is expected to save up to $3.8 billion in costs.
  - Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements – up to [$xx] cost savings.

Existing Rate Mitigation Actions To Bend The Cost Curve (cont'd)

- The chart below shows how electricity rate forecasts have trended down over time.



Sources: *2010 LTEP (800 kWh/month); 2013 LTEP (800 kWh/month); Revised Ontario Planning Outlook (750 kWh/month as of February 2017) which includes: ICI expansion, RRRP update, 8% rebate, HQ agreement, suspension of LRP II and EFWSOP.*

Ontario

A. OEB – LDC Efficiencies and Rates

Leveraging the OEB

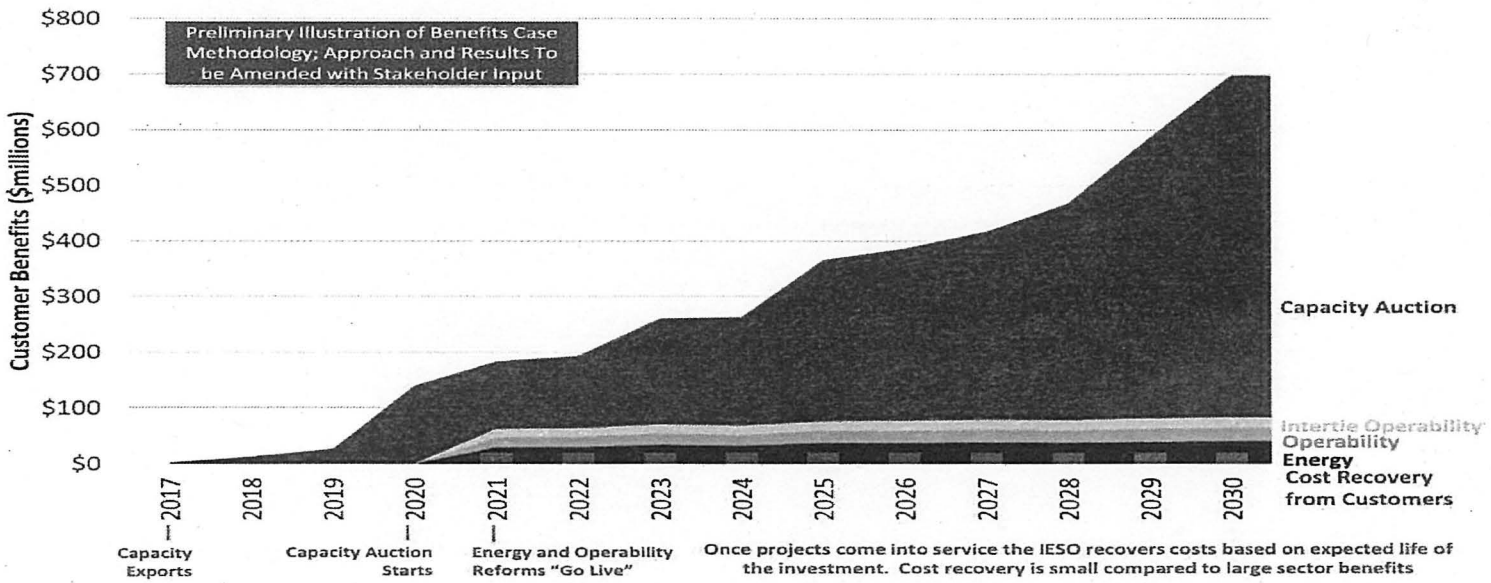
- The Ontario Energy Board (OEB) has a mandate to regulate the electricity distribution sector in the public interest, ensuring the financial viability of the sector while promoting reliable service to customers at just and reasonable rates.
- The OEB, through the Renewed Regulatory Framework for Energy (RRFE), has since 2012 attempted to move the distribution sector towards a performance/outcomes-based regulatory framework.
  - While new reporting requirements such as the LDC performance scorecard are positive developments, RRFE does not tie these system performance expectations to LDC financial performance.
- Encouraging shared partnerships on services between utilities will help reduce costs in the back end and encourage further innovation for small to medium sized utilities.
- In 2012, the government asked the Ontario Distribution Sector Review Panel to make recommendations about how the distribution sector could become more efficient. The Panel concluded that a $1.2 billion net present value in savings could be achieved by consolidating LDCs into 8-12 regional entities.

Opportunities

- ENERGY could help promote and accelerate these efforts by asking the OEB to look at opportunities to further drive LDC efficiencies and productivity. This may indirectly incent LDC consolidation.
- In parallel, the OEB could be instructed to review business cases behind its own regulatory requirements to reduce "red tape" and eliminate costs that LDCs indicate are creating pressures on operating expenses.
- This could be done through the Minister's letter, the LTEP Implementation Directive, s. 35 of the *Ontario Energy Board Act, 1998*, and/or the 2017 Mandate Letter and other agency business planning processes.

B. IESO – Market Renewal

- Continue to move forward with Independent Electricity System Operator's (IESO) Market Renewal initiatives:
  - Moving to "technology-agnostic" procurements will provide new opportunities for innovation and modernization and ensure ratepayers receive the best prices possible.
  - Market Renewal encompasses projects such as a single-schedule system (from the current two-schedule system), more frequent intertie scheduling to better align with other jurisdictions and a day-ahead market. There will be up front capital costs to enable the initiative. IESO is currently assessing these costs.
- Changes related to IESO's Market Renewal initiatives, reflected in HOEP and uplifts, are estimated to save up to $300 million per year, starting in 2021, leading to a reduction of:
  - About $1/month or less than 1% at current retail prices for a typical residential bill; and
  - About $1.30/MWh at current all-in prices for industrial and SME electricity consumers.



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Ontario

SUPPORT FOR TENANTS

Ontario

Support for Tenants – Context

- The government is considering measures to provide relief from high electricity prices, and is interested in ensuring that tenants also receive electricity cost reductions and/or relief.

- Currently, tenants generally either pay for their own electricity use through suite meters (i.e., sub-meters or direct arrangements with hydro providers) or pay for electricity indirectly as a service included in their rent:
  - Tenants who pay for their own electricity will receive electricity costs savings directly through their bills; and
  - Low-income tenants who pay own electricity bills can access energy support programs such as the Ontario Electricity Support Program administered by the Ontario Energy Board (OEB).

- Any potential initiatives could focus on the following options:

For tenants who pay own electricity bills

1. Expand OESP to increase relief or raise income thresholds.

For tenants whose electricity is included in rent

2. Require that landlords pass savings on to tenants (could be addressed by MHO through RTA amendments).
   - Options could include requiring landlords to automatically reduce rents, or allow tenants to apply the Landlord and Tenant Board for relief.
3. Provide energy rebates directly to tenants whose rent includes electricity.

Ontario

Support for Tenants – Potential RTA Hydro Relief Measures / Considerations

- RTA amendments with respect to tenant relief, remedies, and enforcement would be complex, and unable to provide immediate, direct and transparent cost remedies to tenants:
  - Impact of hydro relief measures and electricity cost savings for landlords may vary depending on size of rental building and location (urban/rural):
    - One size fits all approaches would not match actual landlord savings to direct tenant relief; and
    - More targeted approaches would add extreme complexity, leading to greater confusion for landlords and tenants, and difficulty administering enforcement.
  - Passing on actual savings could likely only be done after landlords have experienced decreased costs for a period of time (i.e. one year).
  - Difficulty in informing landlords of their responsibilities and enforcing reductions; would likely have significant resource implications for the Landlord & Tenant Board/Ministry of Attorney General.
  - Difficult for tenants to understand, with the most vulnerable tenants potentially less able to pursue remedies through the LTB.
- The kinds of potential RTA remedies would depend on various specifics regarding the way in which relief was being provided to landlords including whether:
  - The actual electricity cost savings for landlords are transparent to facilitate easy calculation of rent reductions or relief;
  - Hydro relief measures are permanent or temporary; and
  - All relief should be passed on to tenants, or just a portion of the relief (e.g., global adjustment fund, 8% rebate, any other relief).

Ontario

Support for Tenants – Potential RTA Hydro Relief Measures / Other Considerations (cont'd)

- As part of Climate Change Action Plan, MHO has been directed to mitigate the impact of carbon costs on tenants, and is proposing to prevent landlords from charging above-guideline rent increases for extraordinary utility costs increases.
  - May seem unfair that landlords are required to reduce rents or provide relief when utility costs decrease but cannot increase rents when utility costs increase.
- Relief would be limited to certain segments of tenant population:
  - Post-1991 buildings are exempt from the Rent Increase Guideline and landlords could negate any savings to tenants in these buildings through a higher subsequent rent increase.
    - Over 19% of tenant households are estimated to live in post-1991 private rental units including individually rented condos; a high proportion may already pay for electricity separately.
  - Relief may not be required for social housing tenants:
    - Most social housing tenants (80%) pay as per utility scales, which covers electricity usage other than electric heat; and
    - Utility scales were last updated in 2000 and are reflective electricity prices at that time.
- MHO, working with ENERGY and MAG will report back in Spring 2017 with options for electricity rate mitigation for tenants.

Ontario

Legislative Authority – Considerations

GA Smoothing

- **Amendments to *Electricity Act, 1998* (EA) and *Ontario Energy Board Act, 1998* (OEBA)**
  - The OPG Trust will require authority to recover principle, interest and administrative costs through GA from customers.
  - Legislation would authorize IESO to collect amounts on behalf of the OPG's SPV/Trust and settle accounts with the OPG Trust as a service provider. Regulatory amendments to GA Regulations would require IESO to:
    - Separately settle and track amounts received from the SPV/Trust to lower GA (including maintaining variance accounts).
    - Separately settle and track amounts paid back to the SPV/Trust (including maintaining variance accounts).
    - Distributors would continue to collect from consumers and settle with IESO. Generators would continue to be paid by IESO.
  - OEBA-related amendments would allow for OEB oversight. Light touch would focus on the borrowing entity's recovery of administrative costs and its calculation of amounts owing in a period. Heavy touch would give OEB the discretion to determine repayment over time.
  - The certainty of the legislative mechanism to recover the debt and interest, and the extent of discretion of the OEB to alter either amount over time, will have impacts on the availability and cost of capital.
  - Further legal analysis is required as the GA option is developed.

Class B

- **Targeted Lowering ICI Threshold Below 1 MW (to 500kW):** Regulatory amendments (O.Reg. 429/04) will be required to address program details.

Ontario

Legislative Authority – Considerations (cont'd)

Electricity Support Programs

- **RRRP, OESP and First Nations Rate:** Moving costs to the tax base and creating a First Nations rate will require amendments to OEBA. Regulatory amendments (442/01, 314/15, 275/04) will be required to address program details.

- **Affordability Fund:** In order to implement new affordability fund the Province would need to enter into Transfer Payment Agreements with qualified third parties to administer the fund.

Bending the Future Cost Curve of Electricity

- No specific legislative or regulatory amendments identified. IESO may need to amend market rules. Agency MOUs/MOAs may require amendment.

Ontario

Communication Plan

Objective:

- Demonstrate Ontario's commitment to lower electricity costs for ratepayers through new rate relief initiatives.

Strategic Approach

- High-profile Premier's announcement and Technical Briefing
- News release, backgrounders, QA's are being prepared.
- A multimedia marketing and advertising campaign is being prepared on the topic of rate mitigation for electricity consumers.

Ontario

APPENDIX: SEE MINISTRY OF ENERGY'S ELECTRICITY PRICE MITIGATION – APPENDIX