Ontario

DRAFT

October 23, 2017

2018-19 Program Review, Renewal & Transformation

Ministry of Energy Overview

Serge Imbrogno, Deputy Minister	Glenn Thibeault, Minister
Date	Date

Confidential Advice to Cabinet

About the Ministry

- The Ministry of Energy oversees a $20 billion electricity sector portfolio and a natural gas sector with about 3.5 million residential, commercial and industrial natural gas consumers, all with just over 200 FTEs.
- The Ministry has evolved from a policy ministry into delivering the government's top energy priority – providing Ontarians with an affordable supply of energy and more choices in their energy use – through the implementation of the Long-Term Energy Plan, and the administration of programs introduced through Ontario's Fair Hydro Plan.
- The Ministry also provides support to its ratepayer funded agencies – the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB) – to ensure the successful delivery of key energy initiatives and policies.
- The Ministry's Government Business Enterprises have achieved significant revenue to contribute to the fiscal plan – $860 million in net income attributed to the Province in 2016-17:
  - $500 million net income from Hydro One;
  - $342 million net income from OPG; and
  - $18 million net income from Brampton Distribution Holdco. Incorporated.

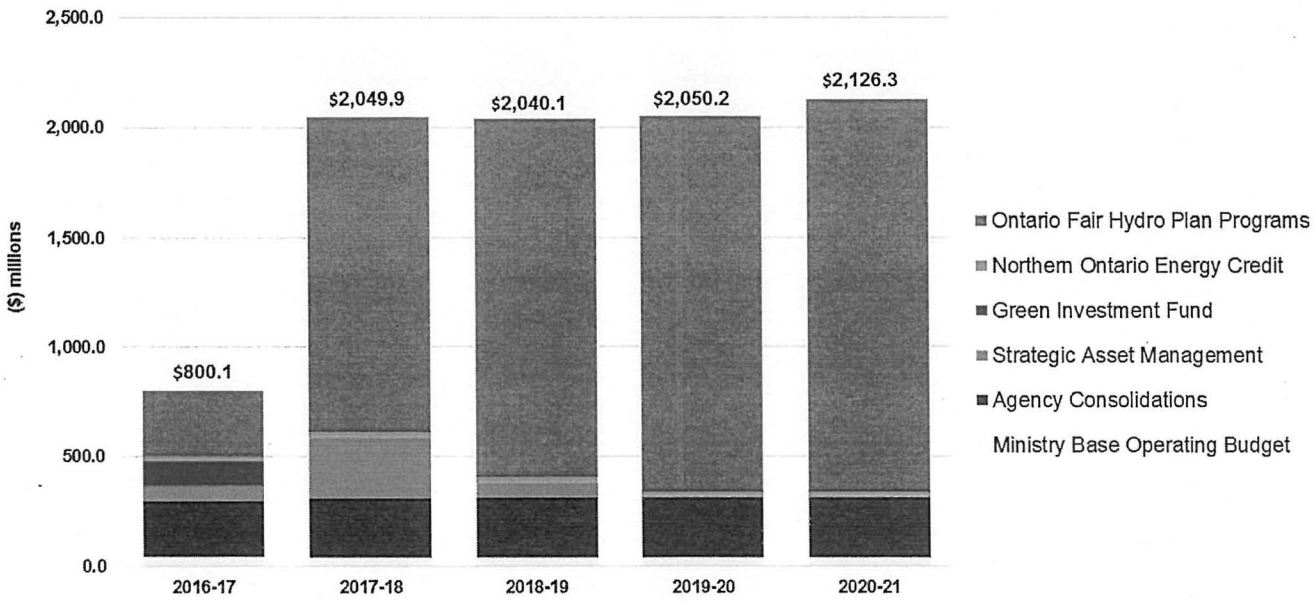
Ministry Mandate and Commitments

- Historically, the Ministry of Energy has been a policy development ministry that has successfully executed its mandate with just over 200 FTEs.
- The Ministry's focus on the energy consumer, and the commitment to providing an affordable supply of energy and ensuring fairness and consumer choice is highlighted through the 2016 Mandate Letter which includes:
  - Taking further action to mitigate the impact of electricity prices on consumers and businesses;
  - Developing the Province's next Long-Term Energy Plan;
  - Promoting energy conservation and the adoption of renewable energy
  - Supporting the growth of the low-carbon economy and reductions in greenhouse gas pollution;
  - Engaging with Indigenous partners in energy planning decisions and supporting economic development and reconciliation; and
  - Driving efficiencies and maximizing return on investment from the electricity sector.
- The introduction of Ontario's Fair Hydro Plan, in March 2017, has added significant program administration to the core mandate of the Ministry.

Expanded Mandate and Commitments

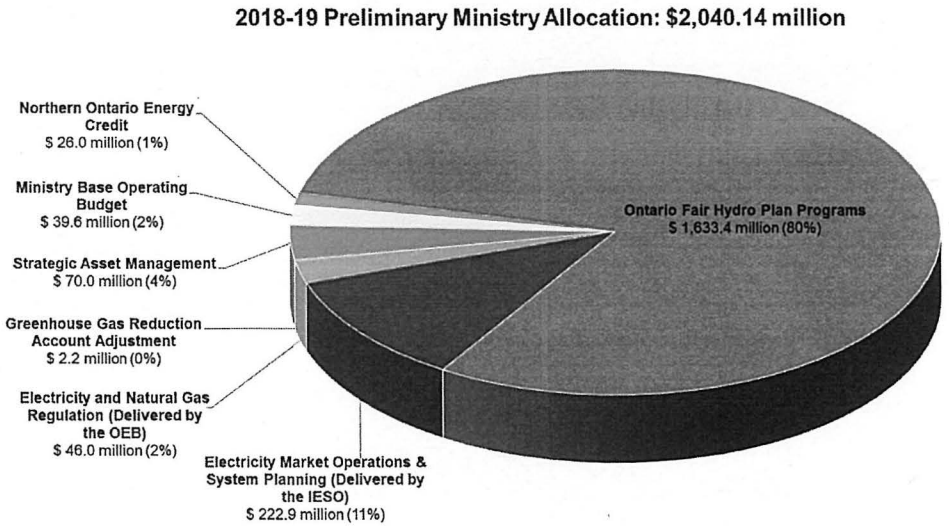
- The Ministry has created a broader strategy to mitigate the impact of electricity prices on consumers and businesses through the introduction of Ontario's Fair Hydro Plan. This has resulted in additional program delivery responsibilities and the accountability of five new permanent transfer payment programs, that were approved by Cabinet.
- This requires more staff resources to manage the additional responsibilities that come with the administration of new permanent programs such as legislative and regulatory changes, forecasting, data modelling and analysis, financial analysis, risk management, communications and contract management integral to the day-to-day ongoing oversight and administration of these Fair Hydro Plan programs.
- In addition to program delivery to mitigate the impact of electricity prices, the Ministry's policy responsibilities has expanded considerably due to the following high-priority commitments:
  - Developing the Province's strategic energy framework through the Long-Term Energy Plan, which includes new and updated initiatives, including the Smart Grid Fund, International Energy Demonstration Fund, and enhancing consumer protection over Unit Sub-Metering Providers.
  - Implementing CCAP initiatives to combat global climate change, including Energy & Water Reporting Benchmarking, energy efficiency rebate programs through the Green Investment Fund, Green Button Implementation, and continued support of cap and trade implementation
- The Ministry is temporarily managing the additional workload with 19 risk-managed FTEs. This short-term strategy is not sustainable. The continuation of these risk-managed positions will result in significant pressure within the Ministry as the current vacancy rate is 2.3% (4 FTEs).

Preliminary Multi-Year Allocation (2016-17 to 2020-21)



- Between 2016-17 and 2017-18, the Ministry's allocation increased 156% to enable the implementation of new programs and initiatives within its expanded mandate.
- While the Ministry's responsibility has grown significantly, the allocation for its own base operating budget has not increased.

Preliminary Allocation for 2018-19



- Only 2.0%, or $39.6 million, of the Ministry's allocation is discretionary for spending on delivering its policy mandate and commitments outside of the Fair Hydro Plan.
- The largest component of the Ministry's allocation is its Fair Hydro Plan initiatives which account for 80%, or $1,633.4 million of its allocation. These programs are demand-driven entitlement programs and spending is non-discretionary.
- The consolidation of fiscally neutral agencies – the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB) – account for 13%, or $268.9 million, of the Ministry's allocation. These entities would have no impact on the fiscal plan since expenses are fully cost recovered from the rate base.

Key Performance Indicators

	Energy conservation	Costs of electricity	Maintaining low emissions	OPG/Hydro One Income	Innovation
KPI	Continue to increase energy efficiency and conservation in Ontario	Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan	Maintaining low electricity sector emissions in support of the province's climate change targets	Net Income contributions to the Province from OPG and Hydro One	Supporting the energy innovation sector and modernizing Ontario grids
Outcome Measures	**Current Value:** 13.5 TWh in 2015 **Target Value:** 30 TWh in 2032	**Current Value:** $128 in 2017-18 **Target Value:** $195 in 2034-35	**Current Value:** 3.9 Mt in 2017-18 **Target Value:** 5.5 - 8.1 Mt in 2034-35	**Current Value:** $842M in 2016-17 **Target Value:** $1,001M* in 2018-19 *reflects decrease of Hydro One ownership from ~71 to ~45% 2018-19	**Current Value:** 38 projects by March 31, 2017 **Target Value:** 50 new projects by March 31, 2022
Outcome Statement	Conservation is the cleanest and most cost-effective energy resource and offers consumers a way to reduce their energy bills and reduces the need to build new electricity infrastructure.	The Province will hold typical residential bill increases to the rate of inflation for four years under Ontario's Fair Hydro Plan.	By refurbishing emission-free nuclear capacity and sourcing clean renewable power, Ontario will maintain a low emissions profile and help achieve the Province's Greenhouse Gas (GHG) emission reduction targets.	By driving increased revenues and reduced costs at OPG and Hydro One, the Province's net income flowing from these entities will grow to enable the Province to support ongoing policies and programs across the Province.	Investing in innovative energy projects contributes to a modernized grid in Ontario and helps create local jobs and economic growth.
Goal	**Providing Ontarians with an affordable supply of energy and more choices for their energy use.**				

Approach to Ministry Plan

- The Ministry has developed a plan to deliver its mandate and commitments within its preliminary allocation, while contributing significant savings to the fiscal plan.
  - In administering the Fair Hydro Plan, rigorous due diligence was undertaken on the five transfer payment programs, including reviewing the underlying forecast assumptions. Based on the analysis, the Ministry is able to contribute a portion of its allocation back to the fiscal plan to support other priority projects across the government.
  - The Ministry's core mandate has expanded to include program delivery of the OFHP, however, its base budget has remained unchanged. In order to deliver on this expanded mandate, the Ministry is requesting to realign a small portion of surplus from its OFHP transfer payment allocation to administer these programs.
  - The Ministry has identified internal offsets to manage the pressures of key 2017 LTEP initiatives, which were approved by Cabinet, including the Smart Grid Fund and the International Energy Demonstration Fund.
- The table below outlines the Ministry's net contribution from its 2018-19 PRRT Plan.

Operating Expense ($ Millions)	2018-19	2019-20	2020-21
Net Savings – Ontario Fair Hydro Plan Initiatives*	20.6	29.1	51.5
Net Savings – Strategic Asset Management**	35.0	-	-
LTEP Commitment - Smart Grid Fund	(20.00)	(18.00)	(15.00)
LTEP Commitment - International Energy Demonstration Fund	(1.50)	(3.00)	(4.00)
Contribution to the Fiscal Plan (+Surplus / -Deficit)	**34.10**	**8.10**	**32.50**

*Net savings after realigning internal Ministry resources to support the Fair Hydro Plan.
** Net savings after potential pressures related to share sale negotiations with the Métis Nation of Ontario.

Ontario Fair Hydro Plan Update

Millions ($)	2018-19	2019-20	2020-21
Updated Forecast – Ontario Rebate for Electricity Consumers	(22.0)	(21.0)	(24.0)
Updated Forecast – Ontario Electricity Support Program	(29.4)	(61.0)	(87.0)
Updated Forecast – On-Reserve First Nation Delivery Credit	(0.4)	0.9	1.9
Updated Forecast – Rural or Remote Rate Protection	(233.3)	(244.1)	(255.8)
Distribution Rate Protection	260.1	291.7	309.0
Administrative of Ontario Fair Hydro Plan Programs (include 19 FTEs)	4.40	4.40	4.40
Net Fiscal Impact (Savings / Expenditure Increase)	**(20.6)**	**(29.1)**	**(51.5)**

- The current allocation for its Electricity Price Mitigation initiatives – Ontario Rebate for Electricity Consumers, Ontario Electricity Support Program, First Nations On-Delivery Credit, Rural or Remote Rate Protection – is $1,633.4 million.

- Prior to its roll-out, initial program forecasts were determine through historical data and assumptions on a number of variables including program uptake, weather, consumption, electricity rates, etc.

- Since implementation, the Ministry has, with the support of risk-managed positions, collected and analyzed updated program data to produce revised forecasts that result in program savings, to be partially used to offset other program pressures.

- The Ministry is risk-managing 19 positions to provide rigorous due diligence and cover a variety of program delivery functions to help with the increase in workload. This includes:
  - Forecasting, data modelling and analysis;
  - Oversight on policy, regulation and legislative changes;
  - Providing financial and risk management expertise and oversight;
  - Developing internal control framework to ensure the financial integrity;
  - Overseeing program performance and identifying operational issues;
  - Managing contracts and agreements that are integral to the day-to-day ongoing administration;
  - Designing and implementing a program evaluation framework; and
  - Communications and marketing support.

Ontario Fair Hydro Plan Update (con't)

- The Ministry's FTE cap has remained at just over 200 FTEs. As of September 2017, it has a low vacancy rate of 2.3% or 4 FTEs.
  - The continuation of these risk-managed positions is not sustainable and will result in significant pressure within the Ministry.

- To manage this pressure, the Ministry is proposing to re-appropriate a small portion of the Fair Hydro Plan budget towards funding 19 permanent FTEs, starting in 2018-19, to support program delivery of the permanent transfer payment programs.

- The Ministry will re-appropriate $4.4 million into payroll and program delivery costs for 19 FTEs ($4.4 million represents only 0.28% of the allocation for the program being managed):
  - $2.8 million in salary and wages and office administration; and
  - $1.6 million in programs delivery and communications costs.

Smart Grid Fund and International Energy Demonstration Fund

Millions ($)	2018-19	2019-20	2020-21
Funding to support LTEP Commitment for an updated Smart Grid Fund (Offset by internal Ministry surplus)	20.00	18.00	15.00
Funding to support LTEP Commitment for an International Energy Demonstration Fund Pilot Program (Offset by internal Ministry surplus)	1.50	3.00	4.00

- The Ministry is investing in innovative technologies to modernize and improve the efficiency of Ontario's grid, driving down costs to customers and providing customers with more choice.
- In July 2016, Cabinet approved the Ministry's Long-Term Energy Plan, including a commitment to develop an updated Smart Grid Fund and an International Energy Demonstration Fund.
- The Ministry proposes to fund these LTEP Commitments using offsets from within the Ministry's preliminary allocation.

Smart Grid Fund

- In August 2017, TB/MBC approved a five-year $60 million Smart Grid Fund (SGF) program and directed the Ministry to provide a program update through 2018-19 PRRT.
- The SGF is a key component of the government's Grid Modernization Policy to overcome barriers to innovation, and supports important jobs and economic growth outcomes in the energy innovation sector.

International Energy Demonstration Fund

- The Ministry has worked with MIT/MEDG/MRIS to develop a $10.5 million, five-year program.
- The IEDF would provide financial support to Ontario companies to demonstrate their technologies internationally, in new operating environments, while supporting economic development in Ontario.

Strategic Asset Management

Millions ($)	2018-19	2019-20	2020-21
Strategic Asset Management Allocation	(70.00)	-	-
Métis Nation of Ontario Transaction Costs	30.00	-	-
Legal and Financial Costs Associated with Negotiations	5.00	-	-
Net Fiscal Impact (Savings / Expenditure Increase)	**(35.0)**	**-**	**-**

- The Ministry's Strategic Asset Management program has contributed significant revenue to the Province through the sales of Hydro One and Hydro One Brampton.

Hydro One Brampton:

- In 2017, the Province finalized the sale of Hydro One Brampton, generating approximately $615 million in revenue, of which approximately $108 million will be contributed to the Trillium Trust, with the remainder to flow to the Consolidated Revenue Fund and be used for ongoing Brampton Holdco expenses.

Hydro One:

- In November 2015, the Province completed the Hydro One Ltd. IPO and raised approximately $1.83 billion in gross proceeds and approximately $116 million from related share sales. Hydro One secondary share offering was completed in April 2016, generating approximately $2 billion in gross proceeds.
  - In May 2017, the Ministry completed the broadening of ownership of Hydro One. The final share sale raised approximately $2.8 billion in gross proceeds.

- As share sales are completed, the Ministry requires only a portion of this allocation to offset potential pressures related to share sale negotiations with the Métis Nation of Ontario in relation to broadening the ownership of Hydro One. While it is expected that these costs will materialize in 2017-18, they could occur in 2018-19 depending on progress of negotiations and timing of closing.

Equity Injections to support Global Adjustment Refinancing

Millions ($)	2018-19
Operating Asset to support equity injections to the Ontario Power Generation (OPG) to support Global Adjustment Refinancing	1,100.00

- The Fair Hydro Plan refinances a portion of the Global Adjustment (GA). The financing allows electricity costs to be spread out and over present and future generations, providing immediate rate relief to residential consumers.

- OPG was appointed as the Finance Services Manager to refinance the GA costs and will use the funds in order to keep its capital structure in line, as it supports the implementation of the Fair Hydro Plan.

- In order to keep its capital structure in line, OPG requires a 44 percent equity injections on an ongoing basis from the Ministry of Energy.

- The equity injection to support GA refinancing is fiscally neutral.

- Initial forecasts estimates $1.1 billion will be required for 2018-19. This number is based on the average estimated annual GA refinancing cost of $2.5 billion for the first ten years of which 44 percent will be funded through the equity injection.

- As part of its annual business plan, OPG is required to submit equity requirements forecasts. OPG's Business Plan is expected to be submitted November/December 2017.
  - An updated forecast of the equity injection will be provided to TB/MBC when the Ministry submits OPG's 2018-20 Business Plan.

Funding and Resources for Climate Change Action Plan (CCAP) Initiatives

Millions ($)	2018-19	2019-20	2020-21
Funding from GGRA to support Microgrid Technology for Diesel Reduction	9.80	19.80	19.80
Funding from GGRA for 3 additional permanent FTEs, and funding, for program administration related to CCAP initiatives	0.45	0.45	0.45

- As part of the Climate Change Action Plan, the Ministry is responsible for initiatives that decarbonize an emissions-heavy fuel sector, which supplies most of energy needed in the province for transportation, heating and manufacturing.
- In summer 2017, the Ministry submitted GGRA Intake Forms to MOECC for its Microgrid Technology for Diesel Reduction program which aims to reduce diesel use in First Nations where grid connection is not viable.
- This is a three year, $50 million program, offset from GGRA, that is tracking to the Minister's Roundtable on Climate Change in November, 2017.
- In addition, the Ministry is requesting an increase of $0.45 million starting in 2018-19 for permanent staffing resources and operational costs, including $0.30 million in salaries and wages.
- The requested FTEs will support the Ministry's CCAP initiatives (Microgrid Technology for Diesel Reduction and Electric Vehicle Overnight Charging Program) and would cover a variety of positions essential to program delivery.

Report Backs and Ministry Realignment

Report Back on Affordability Fund

- The Ministry will provide updates on program design and implementation.
- The Ministry will continue to assess the need for an additional funding request, considering Fund results and electricity customer needs.

Report Back on Electric Vehicle Overnight Charging Program

- The Ministry's preliminary allocation includes out-year funding for Electric Vehicle Overnight Charging Program, to be funded by GGRA. The Ministry will provide an update on status.

Temporary FTE transfer to MAG

- The Ministry of Energy will extend the temporary transfer of 1 FTE to the Ministry of the Attorney General in 2018-19 for additional legal services support dedicated to Energy.

Temporary FTE transfer to MGCS

- The Ministry of Energy will extend the temporary transfer of 1 FTE to the Ministry of Government and Consumer Services in 2018-19 for services to support Energy & Water Reporting Benchmarking initiative.

Internal Realignment

- Internal realignment of $0.86 million from Services to Salary & Wages to ensure that the Ministry has sufficient payroll allocation.

Key Ministry Risks

Risk Description	Financial Impacts	Mitigation / Action	Risk Status
Electricity Rate Mitigation Programs Electricity Rate Mitigation Programs account for $1,633.4 million, or 80%, of the Ministry's 2018-19 preliminary allocation. These programs represent the largest fiscal risk exposure to the Ministry as they are tied to legislation that entitles recipients to funding. Actual fiscal costs may fluctuate depending on external factors (e.g. electricity prices, consumption, weather, and general economic and demographic factors of consumers). The Electricity Rate Mitigation Programs have significantly expanded the Ministry's mandate, while staff capacity has remained unchanged. The Ministry is currently risk-managing 19 FTEs above its allocation to support the administration of six transfer payment programs.	$4.4 million	The Ministry will continue to collect and analyze actual program data in order to update Electricity Rate Mitigation Program forecasts. The Ministry has identified a decrease in the out-year costs these programs and will internally realign resources to meeting program administration needs starting in 2018-19. The Ministry is also requesting 19 permanent FTEs during the 2018-19 PRRT to mitigation the administrative needs.	High

Key Ministry Risks

Risk Description	Financial Impacts	Mitigation / Action	Risk Status
Métis Nation of Ontario Negotiation in Relation to Broadening the Ownership of Hydro One Ministry reported back to TB (September 13th) and Cabinet (September 28th) and obtained a revised mandate for discussions with MNO. Discussions are currently underway. Depending on the terms and timing of the final agreement, the Ministry may require up to $35 million in 2018-19 in support of the MNO negotiation and settlement.	$35 million	The Ministry will report back to TB/MBC for approval prior to finalization of the term sheet.	High
Affordability Fund Trust The Affordability Fund is a $200 million program that serves households who are not eligible for low income conservation programs and unable to make energy efficiency improvements without support. On March 6, 2017, TB/MBC approved $100 million for the establishment of the Fund as part of the government's Ontario Fair Hydro Plan. Depending on program results and electricity customer needs, the Affordability Fund Trust could require additional funding in 2018-19.	Up to $100 million	The Ministry will provide regular updates to TB/MBC through Quarterly Reports including spending to date, results to date and a value for money assessment, starting Q4 2017-18. The Ministry will continue to assess the need for additional funding based on program results and electricity customer needs.	High

Stakeholder Management / Engagement Plans

Key Stakeholder Groups	Issues / Considerations	Stakeholder Engagement / Communications Strategy
Residential, Farms and Small Businesses Consumers	• Necessary investments in modernizing our electricity system led to increases in the cost of electricity service for residential, farm and small business electricity consumers. • Ontario Fair Hydro Plan has provided reductions to electricity bills.	• Extensive province-wide consultations for the updated Long-Term Energy Plan took place in fall 2016. • Ensure engagement of stakeholders and communication regarding existing and new conservation initiatives as they are developed and implemented. • Communication about the implementation of new Ontario Fair Hydro Plan electricity price mitigation initiatives.
Commercial and Industrial Consumers	• Necessary investments in modernizing our electricity system have led to increases in the cost of electricity for commercial and industrial electricity consumers. • Some reduction in bills due to Ontario Fair Hydro Plan initiatives, but less impact than for residential consumers.	• Extensive province-wide consultations for the updated Long-Term Energy Plan took place in fall 2016. • Existing programs provide some relief to large industrials; ICI programs expansion will extend relief to some smaller consumers. • Ministry working with Ontario Chambers of Commerce to raise awareness of programs available to businesses.
Indigenous Communities	• Broadening the ownership of Hydro One.	• The Province reached an agreement in principle with Chiefs of Ontario for shares of Hydro One in July 2016 and is working to close the transaction by year end 2017. The Province will work with Chiefs of Ontario to ensure an effective and coordinated communications plan upon close. The Province is also engaged in discussions with the Métis Nation of Ontario in relation to broadening the ownership of Hydro One.

Appendix: Ministry Program Inventory and Outcomes

- Through consultations with the Centre for Excellence, the Ministry has refined its PRRT program inventory to align to its expanded mandate for Ontario's Fair Hydro Plan and other high-priority policy commitments.
- The updated program inventory provides a comprehensive view of the Ministry's programs and initiatives, and will assist in measuring output and outcomes that align with the broader strategic mandate of the Ministry of Energy.

	Program Inventory	Initiatives
1	**Rate Mitigation**	Ontario Electricity Support Program, Rural or Remote Rate Protection, On-Reserve First Nations Delivery Credit, OPG Share Purchase, Affordability Fund
2	**Ontario Rebate for Electricity Consumers**	
3	**Long-Term Energy Plan Initiatives**	Conservation Initiatives, Green Energy Initiatives, Indigenous Energy Agreement
4	**Innovative Energy Technologies**	Smart Grid Fund, International Energy Demonstration Fund
5	**Climate Change Action Plan, Greenhouse Gas Reduction Account initiatives**	Electric Vehicle Overnight Charging Program, Microgrid Technology for Diesel Reduction
6	**Strategic Asset Management**	Strategic Asset Management Indigenous Participation
7	**Electricity and Natural Gas Sector Regulation**	Ontario Energy Board
8	**Electricity System Market Operations & System Planning**	Independent Electricity System Operator
9	**Ontario Clean Energy Benefit** *(program ended 2015-16)*	
10	**Northern Ontario Energy Credit** *(Administered by Ministry of Finance)*	
11	**Internal Functions**	Minister's Office, Deputy Minister's Office, Legal Services, Communications, Corporate Services, Policy Development and Implementation

Summary of Ministry Allocation

2018-19 PRRT Multi-year Allocation
Energy
Total Expense
($ Millions)

	O/C	2018-19	2019-20	2020-21
Prelinary Allocation (Includes in-year approvals)				
Operating Expense		2,015.9330	2,025.5803	2,102.2303
Capital Expense		24.2470	24.6149	24.0913
Total Preliminary Allocation Outlook		**2,040.1800**	**2,050.1952**	**2,126.3216**
Annual Growth		*-0.5%*	*0.5%*	*3.7%*
Propsoed PRRT Approvals & Allocation Adjustments				
Ministry Voted				
ENE: Updated Forecasts for Fair Hydro Plan	O	(25.0400)	(33.5000)	(55.9000)
ENE: Strategic Asset Management - Services	O	(70.0000)	-	-
ENE: Ontario's Fair Hydro Plan - Program Administration Costs	O	4.4000	4.4000	4.4000
ENE: Métis Nation of Ontario Transaction Costs	O	30.0000	-	-
ENE: Metis Nation of Ontario - Legal and Financial Costs Associated with Negotiations	O	5.0000	-	-
ENE: LTEP Commitment - Smart Grid Fund	O	20.0000	18.0000	15.0000
ENE: LTEP Commitment - International Energy Demonstration Fund	O	1.5000	3.0000	4.0000
Total Ministry Voted (net fiscal impact)		**(34.1400)**	**(8.1000)**	**(32.5000)**
PRRT Consolidation Adjustments (no fiscal impact)				
ENE: Consolidation Adjustment - Independent Electricity System Operator	O	4.5114	(3.9404)	(3.9404)
ENE: Consolidation Adjustment - Ontario Energy Board	O	(0.9757)	(1.0386)	1.0134
ENE: Consolidation Adjustment - Independent Electricity System Operator	C	-0.2994	(0.2300)	(0.2300)
ENE: Consolidation Adjustment - Ontario Energy Board	C	1.3159	1.5977	0.7475
Total Consolidation Adjustments		**4.5522**	**(3.6113)**	**(2.4095)**
GGRA Adjustments (no fiscal impact)				
ENE: GGRA Adjustment: Remote Microgrids for Diesel Reduction	O	9.8000	19.8000	19.8000
ENE: GGRA Adjustment: Staffing and Operational Costs for FTEs to support GGRA Initiatives	O	0.4500	0.4500	0.4500
Total GGRA Adjustments		**10.2500**	**20.2500**	**20.2500**
Total Proposed PRRT Approvals & Allocation Adjustments		**(19.3378)**	**8.5387**	**(14.6595)**
Approved PRRT Outlook				
Operating Expense		1,995.5787	2,032.7513	2,087.0533
Capital Expense		25.2635	25.9826	24.6088
Total Approved Approved PRRT Outlook		**2,020.8422**	**2,058.7339**	**2,111.6621**
Annual Growth		*-1.4%*	*1.9%*	*2.6%*

2018-19 Preliminary Planning Allocation
Energy
Operating Assets
($ Millions)

	2018-19	2019-20	2020-21
Potential Approvals & Allocation Adjustments			
ENE: OPG Share Purchase	1,100.0000	-	-
Total Potential Approvals & Allocation Adjustments	**1,100.0000**	**-**	**-**
Total Preliminary Allocation	1,100.0000	-	-
Annual Growth	*0.0%*	*-100.0%*	-
Total Preliminary Allocation plus Government Reorganization	1,100.0000	-	-
Annual Growth	*0.0%*	*-100.0%*	-

PROGRAM NOTE

ENERGY – Rate Mitigation Programs Update

Government Priority Outcome **Reduced Poverty, Inequality and Exclusion**

Program Type **Assisting**

Ministry Linkages **MCSS, MOF**

I. Assessment of Program Base

$M	15-16	16-17	17-18	18-19	19-20	20-21	Growth Rate 15-16 to 17-18	Growth Rate 18-19 to 20-21
Current Allocation								
Operating Expense	-	-	499.0	751.4	829.0	892.0		
Capital Expense	-	-	-	-	-	-		
Total Expense	**-**	**-**	**499.0**	**751.4**	**829.0**	**892.0**		
% Growth		-	N/A	50.6%	10.3%	7.6%	-	18.7%
Operating Assets	-	-	-	-				
Capital Assets	-	-	-	-	-	-		

Notes:

1. The Ontario Rebate for Electricity Consumers allocation is not included in the above table, refer to OREC Program Note for updates.

1) OBJECTIVES

Ontario is taking action to reduce electricity bills for families, farms, and businesses.

Electricity costs have increased as the necessary investments are made to decarbonize and modernize the province's electricity infrastructure.

Since 2010, electricity prices have risen considerably, particularly for households and small businesses. Prices are forecasted to continue to increase as additional generation comes online. Since 2010, average bills for residential consumers (i.e., using 750 kWh/month) have increased by over 50% and rates paid by commercial and industrial electricity consumers have increased by 56% and 6% respectively over the same period.

PROGRAM NOTE

.RGY – Rate Mitigation Programs Update

OUTCOMES

n March 2, 2017, the Province introduced Ontario's Fair Hydro Plan to help the most vulnerable Ontarians (customers who are disproportionately affected by increased electricity costs) by enhancing electricity support programs and shifting cost onto the tax-base. This results in more affordable electricity for residential customers, small businesses and farms through several rate reduction initiatives. These programs include:

1. Rural or Remote Electricity Rate Protection (RRRP)

Rural or Remote Rate Protection mitigates some of the high costs of electricity distribution in rural or remote areas of the Province. RRRP is a legacy program of the old Ontario Hydro and has existed in its current form since 2001. The program was paid for by the rate-base (i.e., Ontario electricity consumers). In order to provide further relief to electricity consumers, the Ministry shifted funding for a large portion of RRRP (the portion that mitigates distribution costs for Hydro One low-density residential R2 customers) from electricity rate payers to the tax base.

Currently, Hydro One R2 customers receive $60.50 per month from RRRP to defray the high cost of distribution, as prescribed in regulation.

2. Distribution Rate Protection (DRP)

Distribution Rate Protection provides tax funded rate protection to full-time residential customers of 8 Local Distribution Companies (LDCs) with some of the highest distribution rates. These LDCs and their residential customers, as prescribed by regulation, are:

- Hydro One Networks (R1 and R2 only);
- Algoma Power;
- Atikokan Hydro;
- Chapleau PUC;
- InnPower;
- Lakeland Power (Parry Sound rate area only);
- Northern Ontario Wires; and
- Sioux Lookout Hydro.

DRP provides these customers a benefit by ensuring that the base distribution charge they pay each month is no higher than a monthly maximum, as determined by the OEB. The monthly maximum is determined by calculating what each of the prescribed LDCs' monthly base distribution rates would have been if it was fully-fixed, and choosing the lowest monthly amount from the group, provided the rates have been re-set by OEB for the 2017 rate year.

For this year, two LDCs (Chapleau and InnPower) did not have rates re-set for 2017; therefore, these LDCs' rates were not used to determine the maximum monthly charge. These LDCs' customers are still eligible for DRP using the maximum monthly charge set by the OEB.

Base distribution rates are the monthly service change and the variable distribution charge, excluding any other fixed or variable rate-riders or rate-adders. The maximum monthly charge is currently set at $36.43. Regardless of approved rates or consumption, no eligible customer shall pay a monthly base distribution charge in excess of $36.43.

Note: the Ministry will be creating a transfer payment line and reallocating a portion of RRRP allocation towards DRP during the 2018-19 PRRT Submission.

3. Expanded Ontario Electricity Support Program (OESP)

The Ontario Electricity Support Program is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by a rebate directly on bills. OESP credits vary by income level and family size, and there are two credit scales that include:

- The basic program credit ranged from $30/month to $50/month.
- An enhanced credit that ranged from $45/month to $75/month for consumers that are either Indigenous, use electric heat or have certain medical devices.

In order to provide further relief, the government increased the existing benefit scales by an additional 50% and expanded the categories of OESP credits. As a result of these changes, OESP consumers will see savings of approximately $40 – $113 on their monthly bill (up from the current $30 - $75). The OESP will also receive its funding from the tax base when the rate based pooled funding has been depleted.

The Ministry of Energy is also working with the Ministry of Community and Social Services to improve alignment between the OESP and Social Assistance programs to help get more vulnerable consumers enrolled in the program. Amendments to the *Ontario Energy Board Act, 1998* provide MCSS with the authority to collect the information needed to complete OESP applications for social assistance clients, and for the OEB to share information with MCSS to support its efforts to align OESP with other social assistance program delivery. These changes will ensure that applicants deemed financially eligible for Ontario Works and the Ontario Disability Support Program will automatically be eligible for OESP, if they receive electricity bills.

Table 1 – OESP Credit Scales

OESP Credit Scales							
Household Income (After Tax)	**Household Size (Number of people living in household)**						
	1	2	3	4	5	6	7+
< $28,000	$45	$45	$51	$57	$63	$75	$75
$28,001 - $39,000	$40	$40	$45	$51	$57	$63	$75
$39,001 - $48,000	$35	$35	$35	$40	$45	$51	$57
$48,001 - $52,000	$35	$35	$35	$35	$35	$40	$45
Over $52,001	$35	$35	$35	$35	$35	$35	$35
Household Income (After Tax)	**Household Size (Number of people living in household)**						
	Energy Intensive						
	1	2	3	4	5	6	7+
< $28,000	$68	$68	$75	$83	$90	$113	$113
$28,001 - $39,000	$60	$60	$68	$75	$83	$90	$113
$39,001 - $48,000	$52	$52	$52	$60	$68	$75	$83
$48,001 - $52,000	$52	$52	$52	$52	$52	$60	$68
Over $52, 001	$52	$52	$52	$52	$52	$52	$52
Red cells: new eligibility categories under the FHP that came into effect on May 1, 2017.							
Orange cells: new eligibility categories to ensure that OESP is available to those deemed financially eligible for social assistance but were previously ineligible for OESP.							
Purple cells: new eligibility categories to ensure that, if financial eligibility categories for social assistance change in the future, clients will remain eligible for OESP.							

4. First Nations Delivery Credit (FNDC)

On-reserve First Nations customers face unique challenges that impact electricity affordability.

At the request of the Minister of Energy, the OEB worked with the Chiefs of Ontario to develop options to address these issues. In December 2016, the OEB delivered a Report on Options for Appropriate Rate Assistance for On-reserve First Nations Electricity Decisions. As a result, the Government announced the First Nations Delivery Credit (FNDC) as part of the OFHP.

The FNDC provides First Nation residential customers who live on-reserve and are served by a licensed LDC with a credit equal to 100% of their delivery charges. For those few LDCs that serve on-reserve residential customers that do not have delivery charges, the monthly credit is based on the value of the monthly service charge or minimum monthly charge.

First Nation on-reserve residential customers that are currently registered with their LDC for the HST exemption will be automatically eligible and enrolled to receive the First Nation Delivery Credit.

3) Resources

The current allocation for the social programs goes towards reimbursing the LDCs for the rebates that are provided to eligible consumers. Consumers are deemed eligible for the rebates simply by meeting the eligibility criteria.

The OESP is slightly different in that eligible customers must apply to receive those credits, and in some instances, may need to apply through MCSS to be deemed eligible.

Rebates are applied automatically to eligible customer bills by the LDCs or USMPs, reducing administration costs from activities such as mailing out rebate cheques. The direct impact of resources on the program outcome is cost efficiency and effectiveness.

4) Cost Drivers

Cost drivers vary among programs. All of these programs' costs are affected by the number of eligible customers (or uptake). Increasing or decreasing eligible customers will affect total program costs. OESP program costs could also be influenced by trends in household income, which affects eligibility, and the uptake rate of eligible households.

DRP and FNDC are also affected by consumption volume risk – driven primarily by weather variations in both summer and winter. While distribution rates are moving to fully-fixed rates, this will not occur for Hydro One Networks, the largest cost driver for both DRP and FNDC, until 2023. Once distribution rates are fully-fixed, volume risk will disappear for DRP. However, FNDC will still be volume dependent through variable delivery costs.

DRP and FNDC are also affected by the distribution rates approved by the OEB for Hydro One Networks, and other LDCs that are prescribed (DRP) or serve on-reserve customers (FNDC).

Cost Drivers	Description
Customers (uptake)	Number of eligible customers. More customers directly increases costs for RRRP, DRP, FNDC and OESP. Customer count in the Hydro One Networks R2 customer class is the only cost driver for RRRP as long as the prescribed monthly benefit remains the same. The primary cost driver for OESP is related to the credits paid out to recipients. Credits are fixed, based on household size and income. As a result, this cost driver will be a factor of the number of households who apply and are accepted into the program.
Hydro One Dx Rates	Hydro One Networks has the largest number of customers eligible for DRP and FNDC. It comprises the majority of these programs' costs. Hydro One Networks also has the highest distribution rates in the province. Hydro One has filed an application with the OEB to increase its rates in 2018, 2019, 2020, 2021 and 2022. If approved, this would increase DRP costs and would also affect FNDC program costs.
Other LDC rates	For DRP, the rates prescribed LDCs, other than Hydro One, will also affect the cost of the DRP program. If the differential between the lowest cost LDC's rates relative to Hydro One Networks' rates decreases (e.g., the lowest cost in the group increases), the cost of the DRP program would decline. If the differential between the lowest cost LDC of the group and Hydro One Networks increases, the cost of the DRP program would increase.
Weather	Changes in weather affects the volume of electricity consumed. This is turn affects the total bill through the cost of electricity, volumetric components of delivery, and the regulatory charge. Weather (and volume) is a significant cost risk for OREC, DRP (until distribution rates become fully fixed in 2023) and FNDC.
Electricity Price	The electricity price will also affect the program cost of FNDC as distribution line loss costs, which are part of delivery costs, are affected by electricity prices. Hydro One Networks has among the highest line loss rates in the province and the majority of customers receiving FNDC are Hydro One Networks customers. Electricity prices are approved by the OEB.
Administrative Costs	A secondary and smaller cost driver is related to the administration of the program, which includes efforts to increase enrolment through advertising, costs associated with service contracts, and creating a new MCSS call centre with dedicated FTEs to help automatically enrol social assistance clients. Since the program was implemented in January 2016, administrative costs have accounted for 9.4% of all funds dispersed for the program. Administrative costs for a Ministry-led program are anticipated to account for a similar ratio of overall costs.

5) Growth Rates

OESP

A primary objective of the amendments to OESP under FHP is to increase uptake to ensure a greater percentage of eligible households are enrolled in the program. The Ministry will undertake steps to achieve 100% enrolment over the next four years. As a result, growth rates are dependent on the success of these measures. Costs associated with a program that reaches 100% enrolment in year two will have a higher growth rate than a program that reaches full enrolment in year four.

RRRP, DRP, FNDC

Growth rates are dependant on customers in the Hydro One Networks R2 customer class. Eligibility for these programs are automatic. Currently, everyone who is eligible has already enrolled as a customer. Therefore, the Ministry doesn't expect any major changes.

6) Risks

The Ministry of Energy is bringing forward a suite of initiatives to address the impact of rising electricity prices. The sector is complex and a number of key assumptions used as inputs into the model are variables/forecasts themselves. As such, there is an inherent risk in the cost estimates that are provided.

Program costs are also highly dependent on uptake, number of customers, approved rates, and / or electricity usage, and as such, can fluctuate from year to year. For example, the OESP currently has an estimated participation rate of 28% that increases towards 100% participation at a very aggressive rate. The Ministry is proposing to adjust this growth rate to more closely reflect the current trend and expectations for normal benefits program maturity. The Ministry will estimate growth towards 100% participation from 2018-2019 onwards at a more conservative rate.

DRP program costs are dependent on the differential between the rates charged by the most expensive LDC prescribed for the program (Hydro One Networks) and the least cost LDC prescribed for the program (currently Northern Ontario Wires). LDCs rates are subject to change, and the differential between the lowest and highest is not easily predictable. Hydro One has made an application to the OEB for rates for 2018 to 2021, which if approved, could increase program costs by $65M per year by fiscal 2020-21. As well, Northern Ontario Wires reached a settlement for 2017 rates which reduced the maximum monthly charge by $1.57. This increases costs in the current fiscal year by $10M.

It is also important to understand how these enhanced electricity programs may impact the behaviour of various key stakeholders going forward with regard to program uptake and electricity usage and hence the assumptions built into the models and the financial estimates.

These programs are permanent programs and costs will continue to incur past 2021-22. Electricity prices, after the first 4 years of the Ontario Fair Hydro Plan, are projected to increase above inflation for the foreseeable future.

PROGRAM NOTE

ENERGY – Rate Mitigation Programs Update

II. Requested Program Changes

$M	17-18	18-19	19-20	20-21	Growth Rate 18-19 to 20-21
Proposed Allocation					
Operating Expense	406.8	752.8	820.9	864.5	
Capital Expense	-	-	-	-	
Total Expense	**406.8**	**752.8**	**820.9**	**864.5**	
% Growth		85.1%	9.0%	5.3%	14.8%
Operating Assets	0.0	0.0			
Capital Assets	0.0	0.0	0.0	0.0	

Notes:
1. The Ontario Rebate for Electricity Consumers allocation is not included in the above table, refer to OREC Program Note for updates.
2. OESP will transition from the rate-based variance account to the tax base before the end of the 2017-2018 fiscal year, resulting in savings in 2017-18.

In administering the Fair Hydro Plan, rigorous due diligence was undertaken on the five transfer payment programs, including reviewing the underlying forecast assumptions. Based on the analysis, the Ministry is able to contribute a portion of its allocation back to the fiscal plan to support other priority projects across the government.

The Ministry's core mandate has expanded to include program delivery of the OFHP, however, its base budget has remained unchanged. In order to deliver on this expanded mandate, the Ministry is requesting to realign a small portion of surplus from its OFHP transfer payment allocation to administer these programs.

Millions ($)	2018-19	2019-20	2020-21
Updated Forecast – Ontario Rebate for Electricity Consumers*	(22.0)	(21.0)	(24.0)
Updated Forecast – Ontario Electricity Support Program	(29.4)	(61.0)	(87.0)
Updated Forecast – On-Reserve First Nation Delivery Credit	(0.4)	0.9	1.9
Updated Forecast – Rural or Remote Rate Protection	(233.3)	(244.1)	(255.8)
Distribution Rate Protection	260.1	291.7	309.0
19 FTEs to support administration of Fair Hydro Plan Programs	4.4	4.4	4.4
Net Savings (+Savings / - Expenditure Increase)	**(20.6)**	**(29.1)**	**(51.5)**

**While the above chart provides an overview of all the Ontario Fair Hydro Plan's social program updates, updates for the Ontario Rebate for Electricity Consumers are outlined in the OREC program note. Due to different end beneficiaries, the social programs and OREC are in two separate program inventories.*

A. OFHP Forecast Update

1) Rationale for Change (including impacts on outcomes and growth rates)

The Ministry's current allocation for its Fair Hydro Plan initiatives is $1,633.4 million and includes five Transfer Payment programs.

Prior to its roll-out, initial program forecasts were determine through historical data and assumptions on a number of variables including program uptake, weather, consumption, electricity rates, etc.

Since implementation, the Ministry has collected and analyzed updated program data to produce revised forecasts that result in program savings,

Cost Projection Change Rationale

1. Rural or Remote Electricity Rate Protection (RRRP)

Rural or Remote Rate Protection ($ millions)	2018-19	2019-20	2020-21
Preliminary Allocation	250.0	256.0	263.0
Revised Forecast *(based on H1 Customer Projections)*	238.7	239.9	241.2
+ Surplus / - Deficit	**11.3**	**16.1**	**21.8**

RRRP costs that are funded through the tax base are available exclusively to Hydro One low-density residential (R2) customers. As a result of the regulatory amendment as part of the OFHP, the cost of this program is set at $60.50 per month per customer ($726 per year). Therefore, there is very little variation in the cost of the program. The only sources of variation would be (i) change in customer numbers, or (ii) change in the monthly amount, which is currently prescribed in regulation.

Customer numbers for the rural low-density areas of the province served by Hydro One in the R2 rate class have generally been stable to declining in past years. Hydro One's current rate application before the OEB sees the number of R2 customers declining in 2018, and then gradually increasing from 2019-2022. The revised forecast uses Hydro One's customer projection, but holds the monthly benefit constant at $60.50 per month per customer for the entire time horizon.

Note that the Ministry is requesting to separate out the allocation for DRP from the RRRP TP Line. RRRP and DRP were initially approved as one transfer payment line as the creation of DRP grew out of policy conversations related to the expansion of distribution rate relief to rural areas. While this was originally conceived of as an expansion of the existing RRRP program, for a number of policy and

operational reasons DRP was established as a separate program. While RRRP and DRP serve similar purposes, they have different legislative and regulatory frameworks, different eligibility criteria, and the IESO reports on them as distinct to the Ministry. Thus to align with operational practice the program transfer payment lines should be separated.

2. Distribution Rate Protection (DRP)

Distribution Rate Protection ($M)	2018-19	2019-20	2020-21
Preliminary Allocation	222.0	228.0	234.0
Revised Forecast *(based on H1 Rate Application – full approval)*	260.1	291.7	309.0
+ Surplus / - Deficit	**-38.1**	**-63.7**	**-75.0**

Cost of the DRP program is strongly influenced by the difference between the maximum monthly charge (set by the lowest charge in the group) and the highest charge. By far, the largest cost of the program is supporting customers of Hydro One Networks, as Hydro One has by far the largest number of eligible customers and also the highest rates.

Hydro One has submitted a rate application to the OEB that may see its customer rates rise relative to the lowest charge on the prescribed LDCs, if approved as filed.

The revised forecast assumes Hydro One's rates are approved as filed, and uses Hydro One projected customer numbers. It assumes the maximum monthly charge will increase at the rate of inflation (2%). This revised forecast also assumes Hydro One's rate increase will not become effective until July 2018.

The original cost projections assumed a maximum monthly charge of $38. The OEB subsequently determined a charge of $36.43 due to lower rates for Northern Ontario Wires being approved than anticipated, which increased program costs.

3. First Nation Delivery Credit (FNDC)

First Nation Delivery Credit ($M)	2018-19	2019-20	2020-21
Preliminary Allocation	20.0	20.0	20.0
Revised Forecast *(based on H1 Rate Application – full approval)*	19.6	20.9	21.9
+ Surplus / - Deficit	**0.4**	**-0.9**	**-1.9**

The delivery charge consists of variable distribution, transmission and line loss charges, therefore, it is subject to volume risk due to weather. Other risks include customer growth and Hydro One's 2018 rate application.

The revised forecast assumes Hydro One's rate application for 2018-2022 rates is approved as filed and implemented in July 2018.

4. Ontario Electricity Support Program (OESP)

Ontario Electricity Support Program ($M)	2018-19	2019-20	2020-21
Preliminary Allocation	259.4	325.0	375.0
Revised Forecast *(based on 60% uptake)*	230.0	264.0	288.0
+ Surplus / - Deficit	**29.4**	**61.0**	**87.0**

The cost of the OESP program is heavily dependent on program uptake because the credits are fixed amounts.

The revised forecast assumes that the program will only reach 60% by 2020-21 and will grow at a slower rate compared to what was originally estimated.

2) Impacts on Program Resources

Projections

Based on revised projections, the Ministry will have a surplus in future years for its social programs when compared to the original allocations.

RRRP, DRP, FNDC, OESP	2018-19	2019-20	2020-21
Total Original Forecast	751.4	829.0	892.0
Total Revised Forecast	748.4	816.5	860.1
+ Surplus / - Deficit	**+3.0**	**+12.5**	**+31.9**

3) Program Linkages

OESP

The Ministry of Energy is also working with the Ministry of Community and Social Services to improve alignment between the OESP and social assistance programs to help get more vulnerable consumers enrolled in the program delivery. These changes will ensure that applicants deemed financially

eligible for Ontario Works and the Ontario Disability Support Program will automatically be eligible for OESP, if they receive electricity bills.

As noted in Table 1, in section I, 1), new eligibility categories ensure that if financial eligibility categories for social assistance change in the future, social assistance will continue to remain eligible for OESP.

These changes were enabled by amending Schedule 1 of *O. Regulation 314/15 of the Ontario Energy Board Act, 1998.*

FNDC

B. OFHP FTE REQUEST

Historically, the Ministry of Energy has been a policy development ministry that has focused on the energy consumer, and the commitment to providing an affordable supply of energy and ensuring fairness and consumer choice is highlighted through the 2016 Mandate Letter which includes:

- Taking further action to mitigate the impact of electricity prices on consumers and businesses;
- Developing the Province's next Long-Term Energy Plan;
- Promoting energy conservation and the adoption of renewable energy
- Supporting the growth of the low-carbon economy and reductions in greenhouse gas pollution;
- Engaging with Indigenous partners in energy planning decisions and supporting economic development and reconciliation; and
- Driving efficiencies and maximizing return on investment from the electricity sector.

The introduction of Ontario's Fair Hydro Plan has transformed the Ministry's mandate from essentially policy development to program administration and delivery, while continuing its policy work. In addition, the Ministry continues to manage high priority commitments including,the development of the Province's strategic energy framework through the Long-Term Energy Plan and initiatives related to the Climate Change Action Plan (GGRA) such as the Green Investment Fund, Energy Water Reporting and Benchmarking initiative.

This expanded mandate requires rigorous due diligence and a variety of program delivery functions to help with the increase in workload. This includes:

- Forecasting, data modelling and analysis;
- Oversight on policy, regulation and legislative changes;
- Providing financial and risk management expertise and oversight;
- Developing internal control framework to ensure the financial integrity;

- Overseeing program performance and identifying operational issues;
- Managing contracts and agreements that are integral to the day-to-day ongoing administration;
- Designing and implementing a program evaluation framework; and
- Communications and marketing support.

The Ministry is temporarily managing the additional workload with 19 risk-managed FTEs. This short-term strategy is not sustainable. The continuation of these risk-managed positions will result in significant pressure within the Ministry as the current vacancy rate, as of September 2017, is 2.3% (4 FTEs).

The Ministry is requesting 19 FTEs to support the following programs:

Ontario Rebate for Electricity Consumers (OREC)

The Ministry is requesting a total of 4 permanent FTEs starting in 2018-19, to cover a variety of responsibilities critical to the success of the Ontario Rebate for Electricity Consumers, including:

Financial and Risk Management

- Develop a strategic risk management strategy and audit plan
- Develop an internal control framework to ensure the financial integrity in the use of public funds is maintained for audit purposes, and that appropriate accountability mechanisms are in place.
- Manage the appropriation and provide information to Treasury Board for quarterly reporting.
- Manage appropriation variances, and compute accruals.
- Prepare reports and central agency request for spending authority and/or in-year funding adjustments as part of the annual PRRT process based on information and forecasted data.
- Monthly tracking of payments and settlement statements based on information received from the IESO. There will be a need to track and monitor data elements in each month in order to know how much funding has been provided and to what entities.
- Internal due diligence checks of payments.
- Develop contract management tools to ensure that service partners are meeting contractual requirements and compliance of Transfer Payment directives are being met.
- Monitor monthly payments.
- Provide updates in quarterly management reports on expenditures to date and beneficiaries.
- Data analysis to calculate and forecast program uptake rates and costs.

The Ministry's partners in this initiative – the IESO, OFA and the Ministry of Finance – are not providing program administration support. Rather, the IESO and OFA are only making payments on behalf of the Ministry of Energy, and the Ministry of Finance is tasked with auditing entities post payment.

Ontario Electricity Support Program (OESP)

OESP is shifting from rate payers to tax payers. This change in will require program administration to shift from the Ontario Energy Board (OEB), which currently delivers the OESP, to the Ministry.

PROGRAM NOTE

ENERGY – Rate Mitigation Programs Update

The OEB has an entire team dedicated to the administration and oversight of the OESP, this includes a full-time manager and approximately three additional FTEs.. In order for the successful transition of the OESP, the Ministry will require additional permanent staff resources in order to take on full operational responsibilities associated with this program, which includes all activities currently administered by the four OEB staff, as well as additional functions that the OEB has yet to undertake (e.g. program review and audit).

The Ministry is requesting a total of 5 permanent FTEs beginning in 2018-19 and onwards. The FTEs requested will cover a variety of responsibilities critical to the success of the OESP, including:

- Managing contracts and agreements that are integral to the day-to-day ongoing administration of the program, which include:
    - The Central Service Provider, which is responsible for maintaining the system used to receive and process all OESP applications and communicate to local distribution companies (LDCs) and unit sub-meter providers (USMPs), as well as responding to inquiries related to the program;
    - Contracts with 127 OESP intake agencies that receive fees for services provided in support of OESP applications and enrolment;
    - The Ontario Native Welfare Administrators Association (ONWAA), which serves as an intake agency for First Nation communities and requires both operational and fee-for-service payments; and
    - Memoranda of understanding with the Independent Electricity System Operator (IESO), the Ministry of Finance (MOF), and the Ministry of Community and Social Services (MCSS) that govern the interaction with these entities in respect of OESP administration.
- Overseeing program performance, identifying operational issues, and maintaining continuous contact with service providers and stakeholders in order to make adjustments to program administration as required.
- Designing and implementing a program evaluation framework and audit procedures to review the effectiveness of contracts and agreements, examine use of resources, perform client review, determine if the program is meeting objectives and achieving expected outcomes, and develop recommendations for changes to program design and administration, if deemed necessary.
- Developing and implementing a communications plan to raise program awareness and increase uptake, which includes multimedia advertising campaigns that target potentially eligible electricity customers, and developing a process to test the efficacy of advertising with support from the Behavioural Insights Unit at the Treasury Board Secretariat.
- Working with the OEB and other ministries on an ongoing basis to review legislative and regulatory authorities and undertake efforts to support initiatives that require collaboration:

  - Engage the OEB to perform updates to codes and rules as needed to support program delivery.
  - Work with the MOF on the *Benefits Administration Integration Act, 2016* and associated regulatory development / implementation.
  - Facilitate ongoing work between the OESP service provider and MCSS to integrate software systems in order to electronically automate the enrolment of social assistance clients into OESP, and to collaborate on other policy and program issues as they arise.
- Undertake financial due diligence in accordance with OPS standards and procedures, including central agency reporting, controllership, financial management and due diligence, and forecasting for in / out year funding adjustments.
- Continue government policy oversight responsibilities, which include periodic review and amendments to the legal framework that governs the OESP.

The ministry's other partners in this initiative – the IESO and the Ontario Financing Authority (OFA) – are not providing program administration support. Rather, the IESO and OFA are only making payments on behalf of the Ministry of Energy. The MOF does provide support for the administration of OESP, but otherwise is only tasked with auditing entities post payment.

On-Reserve First Nation Delivery Credit (FNDC), Rural or Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

The Ministry is requesting 6 permanent FTEs, starting in 2018-19 to support the ongoing delivery, policy and related regulatory tasks associated with the RRRP, DRP and FNDC. These critical tasks include:

- Overseeing program performance, identifying operational issues, and maintaining continuous contact with stakeholders in order to ensure effective program administration and that credits are properly delivered to eligible customers.
- Financial support to track and monitor data elements each month in order to determine how much funding has been provided and to what entities, and tracking payments and settlement statements based on information received from the IESO.
- Communications and marketing support to handle internal and external program stakeholders.

Affordability Fund

The Ministry is requesting 1 FTE to support the delivery of the Affordability Fund. The position will:

- Review and provide analysis of program design documents, including rules, operational guidelines, tools and other materials, developed by the Affordability Fund Trust to support the ADM, Conservation and Renewable Energy Division in representing the Province as an Observer on the Board of Trustees.

- Review quarterly and annual reports of the Affordability Fund Trust and analyze performance on key metrics over time to inform required quarterly report-backs to Treasury Board/Management Board of Cabinet.
- Contribute to the development of communications plans and products, and provide information and materials in response to request from internal and external stakeholders.
- Identify potential performance or other program delivery issues that may require government decision-making and providing recommendations for corrective actions as appropriate.
- Maintain positive relationships with internal and external stakeholders, including with the IESO, OEB and electricity distributors, to gather intelligence and obtain data related to the Fund and its impact, and to identify and resolve concerns or issues.

Forecasting & Analysis, and Regulatory Support

In addition to the implementation of the OFHP programs, the Ministry also requires dedicated staff to conduct complex forecasting, data modelling and analysis on an ongoing basis as well as provide legislation and regulation development support. This allows the Ministry to monitor the budget to ensure that it stays within its allocation and update its forecast on a regular basis to ensure up-to-date and accurate forecasts. This includes the following responsibilities:

- Developing legislation and regulations
- Developing and updating the Fair Allocation Amount
- Working with the OEB, as needed, to help with the inclusion of Fair Hydro Plan as they determine Regulated Price Plan rates/the GA modifier
- Working with the Financial Services Manager (OPG) on the development of, and updates to, the Financing Plan
- Monitoring the impacts of the OFHP and working with agencies or making regulatory amendments to address issues
- Analysing the impact over time of the OFHP on various consumer types, including the impact of changes to non-commodity charges on bills
- Reviewing OFHP communications materials

4) Impacts on Program Resources

The Ministry requires permanent FTEs to allow fordedicated resources to ensure the proper implementation and management of the OFHP programs. These programs do not have an end date. Given the high profile and large magnitude of the programs, it is important that sufficient resources are available to carry out the Ministry's role in reducing electricity prices for Ontarians.

5) Changes in Cost Drivers & Growth Rates

The main cost driver for the salary and wages for of these FTEs is the annual salary increases each employee is entitled to receive. The FTEs would all be classified under AMAPCEO. AMAPCEO and

the OPS Employer have reached an agreement to extend the prior contract for four years, with a 7.5% increase in salary over that period. The new agreement, already ratified by AMAPCEO members and Cabinet, will run from April 1, 2018 through March 31, 2022.

Salary Increases (Across-the-Board):

- 1.5% - October 1, 2017
- 1.0% - April 1, 2019
- 1.0% - October 1, 2019
- 1.0% - April 1, 2020
- 1.0% - October 1, 2020
- 1.0% - April 1, 2021
- 1.0% - October 1, 2021

In addition to the across-the-board increases, the collective agreement also allows for merit increase as another form of compensation based on performance. As per the collective agreement, for employees in AMAPCEO classifications who are not at the maximum of their salary, a merit increase for a twelve month work cycle is processed in an amount of 0-5% of their salary at the discretion of the Employer.

III. Requested Change Decisions

1) Operating Decisions

A. Key Decisions: OFHP Forecast Update

Operating Decisions	$M	18-19	19-20	20-21	Docket #
A. Revise expenditures in RRRP	Operating Expense	498.8	531.6	550.2	X
	Operating Asset	0.0			
• Revised forecast amount. See section II					
B. Revise expenditures in FNDC	Operating Expense	19.6	20.9	21.9	X
	Operating Asset	0.0			
• Revised forecast amount. See section II					
C. Revise expenditures in OESP	Operating Expense	230.0	264.0	288.0	X
	Operating Asset	0.0			
• Revised forecast amount. See section II					

Technical Decisions

Technical Decisions	$M	18-19	19-20	20-21	Docket #
D. Reallocation of expenses from RRRP TP line to DRP TP line within same vote 2905-01	Operating Expense RRRP	(260.1)	(309.0)	(309.0)	X
	Operating Expense DRP	260.1	291.7	309.0	

Non-Financial Decisions

Non-Financial Decisions	Docket #
APPROVE the creation of a new transfer payment line "Distribution Rate Protection" in Vote/Item 2905-01, Electricity Price Mitigation.	X

B. Key Decisions: OFHP FTE Request

Operating Decisions	$M	18-19	19-20	20-21	Docket #
A. 5 Permanent FTEs for OESP program management and oversight	Operating Expense	0.75	0.75	0.75	X
	Operating Asset	-			
• To support the ongoing administration of the OESP after it transitions from the Ontario Energy Board to the Ministry of Energy, as it is a permanent program with no end date. See section IV for more information					
	$M	18-19	19-20	20-21	Docket #
B. 4 Permanent FTEs for OREC program management and oversight	Operating Expense	0.59	0.59	0.59	X
	Operating Asset	-			

- To support the administration of OREC which is a billion dollar permanent program.
- See section IV for more information

	$M	18-19	19-20	20-21	Docket #
C. 6 Permanent FTEs for RRRP, DRP, FNDC program management and oversight	Operating Expense	0.88	0. 88	0.88	X
	Operating Asset	-			

- To support the implementation of social programs as they are permanent programs with no end date
- See section IV for more information

	$M	18-19	19-20	20-21	Docket #
D. 1 Permanent FTEs for Affordability Fund	Operating Expense	0.15	0.15	0.15	X
	Operating Asset	-			

- To support the implementation of social programs as they are permanent programs with no end date
- See section IV for more information

	$M	18-19	19-20	20-21	Docket #
E. 3 Permanent FTEs for OFHP forecasting, analysis and regulatory support	Operating Expense	0.48	0.48	0.48	X
	Operating Asset				

- Support the forecasting for OFHP programs

	$M	18-19	19-20	20-21	Docket #
F. Resources for program delivery and communication costs	Operating Expense	1.6	1.6	1.6	X
	Operating Asset	-			

	$M	18-19	19-20	20-21	Docket #

IV. Full-Time Equivalent Decisions

The Ministry will be re-appropriating a portion of the Fair Hydro Plan budget to support funding 19 permanent FTEs, starting in 2018-19, to support program delivery of the permanent transfer payment programs.

Financial Details

(All figures in $000s)		18-19	19-20	20-21	FTEs Requested (permanent or temporary or inter-ministry transfer)	Comments
OREC						
Regulatory and Agency Policy Unit, Delivery and Agency Policy Branch, Strategic, Network and Agency Policy Division	S&W	0.40	0.40	0.40	4 permanent for OREC	• 1 Team Lead • 1 Sr. Analyst • 1 Financial Analyst • 1 Program Analyst
	Benefits	0.05	0.05	0.05		
	ODOE	0.14	0.14	0.14		
	Total	**0.59**	**0.59**	**0.59**		
FTE Requirements		4	4	4		
Accommodation Costs		N/A	N/A	N/A		

Square Footage Requirement		N/A	N/A	N/A		
ODOE Costs		N/A	N/A	N/A		

RRRP, DRP, FNDC

Regulatory and Agency Policy Unit, Delivery and Agency Policy Branch, Strategic, Network and Agency Policy Division	S&W	0.59	0.59	0.59	6 permanent for RRRP, DRP, FNDC	• 3 Sr. Policy Advisor • 2 Policy Advisor • 1 Financial Analyst
	Benefits	0.77	0.77	0.77		
	ODOE	0.21	0.21	0.21		
	Total	**0.88**	**0.88**	**0.88**		

FTE Requirements	6	6	6
Accommodation Costs	N/A	N/A	N/A
Square Footage Requirement	N/A	N/A	N/A
ODOE Costs	N/A	N/A	N/A

OESP

Distribution and Grid Modernization Unit, Distribution and Agency Policy Branch, Strategic, Network and Agency Policy Division	S&W	0.51	0.51	0.51	5 permanent for OESP	• 3 Sr. Policy Advisor • 2 Policy Advisor
	Benefits	0.07	0.07	0.07		
	ODOE	0.18	0.18	0.18		
	Total	**0.75**	**0.75**	**0.75**		

FTE Requirements	5	5	5
Accommodation Costs	N/A	N/A	N/A
Square Footage Requirement	N/A	N/A	N/A
ODOE Costs	N/A	N/A	N/A

Affordability Fund

Energy Conservation Policy Unit, Conservation & Energy Efficiency Branch, Conservation and Renewable Energy Division	S&W	0.10	0.10	0.10	1 permanent for Affordability Fund	• 1 Sr. Policy Advisor
	Benefits	0.01	0.01	0.01		
	ODOE	0.04	0.04	0.04		
	Total	**0.15**	**0.15**	**0.15**		

FTE Requirements	1	1	1
Accommodation Costs	N/A	N/A	N/A
Square Footage Requirement	N/A	N/A	N/A
ODOE Costs	N/A	N/A	N/A

PROGRAM NOTE

ENERGY – Rate Mitigation Programs Update

OFHP Forecasting & Analysis

Energy Supply and Economics Branch, Energy Supply Policy Division	S&W	0.33	0.33	0.33	3 permanent	• 3 Sr. Policy Advisors
	Benefits	0.04	0.04	0.04		
	ODOE	0.11	0.11	0.11		
	Total	**0.48**	**0.48**	**0.48**		

FTE Requirements	3	3	3
Accommodation Costs	N/A	N/A	N/A
Square Footage Requirement	N/A	N/A	N/A
ODOE Costs	N/A	N/A	N/A

Historical Approvals

N/A. No historic FTE approvals were given for the requested programs.

Job/Position Details

The Ministry is requesting 19 permanent FTES.

The permanent FTEs and administration support funding requested will cover a variety of positions critical to the program delivery and program development of this initiative:

Bargaining Agent Classification	Quantity/Position Title	Role
7A008 – Program07	1 Team Lead	• Provide leadership by conducting program/planning research, analysis and provide advice and program support to senior management on a range of issues impacting government programs. • Lead the development of program strategies related to government's strategic direction and provide recommendations for new program strategies and modifications to existing programs based on evidence from research and analysis, and stakeholder consultations. Provide leadership to support the government's fiscal, economic and other public programs goals/objectives for the energy sector.
7A007 – Policy07	4 Sr. Policy Advisor	• Provide leadership by conducting research, analysis and provide advice and policy support to senior management on a range of issues in relation to government policy. • Develops and provides recommendation of new policy strategies and or modifications to existing policies. Research and analyze ministry policies to identify implications, both current and emerging policy issues requiring legislative reform, policy, or program responses. Builds stakeholder relationships, gathers information,

		obtains data and collaborates on policy development or research, and identifies and resolves concerns and issues. • Responsible for strategic policy advice, expertise, and briefings to senior management, including the Minister and Deputy Minister.
6A008 - Program06	1 Senior Analyst	• To provide program/planning leadership and program expertise in the evaluation, development and implementation of program options on program planning and to provide related consultation. • Coordinates qualitative and financial analysis, including program analysis and environmental scans, to support program recommendations that include e.g., costing of options, analysis of immediate and long term impacts, and best practices in sector. Develops in-depth reports and program options with recommendations for senior management decision making purposes.
6A007 - Policy06	6 Senior Analyst	• Provide expertise in the analysis and development of strategic policies related to policy, planning and implementation. • Provides expert policy advice and briefings to senior management on strategic energy sector issues, related environmental and regulatory implications industry concerns. Provides input to the development of policy specific communication plans, and prepares a range of material (e.g., briefing notes, correspondence, policy papers, presentations) requested by internal and external stakeholders.
5A007 – Policy05	4 Policy Advisor	• To provide project leadership and policy expertise in the evaluation, analysis, development and implementation of policy options on funding programs, policy and planning and to provide related consultation and outreach services. • Defines and conducts research studies and economic and financial analysis to formulate policies regarding the demand, supply, pricing and competitiveness of energy in Ontario. Evaluates options and alternatives in terms of economics, cost analysis, practicality, impact on industry and householders; analyzing the province's energy/gas situation and competitiveness in comparison to other jurisdictions; assessing conflicting views and issues from stakeholders to develop ministry positions on issues.
5A001 – Financial05	2 Financial Analyst	• Conduct financial analysis in support of creating financial

		data/material and to provide consultation and liaison services in support of financial planning initiatives. • Prepares and coordinates financial analyses, estimates/budgets, year-end reports, business cases and financial forecasts to support the division's results based planning process. Reviews and analyzes information on ministry expenditures, pressures and risks for input into internal and central agency report. Assists in the development of management strategies to address identified financial issues, including risk management or surpluses/deficits; identifies and assesses financial trends, risks and opportunities; recommends funds realignment/re-allocation of resources.
4A008 – Program04	1 Program Analyst	• Conduct program research, analysis and provide advice and program support to senior management on a range of issues impacting government programs. • Prepares in-depth reports and program options and environmental scans, to support program recommendations that include e.g., costing of options, analysis of immediate and long term impacts, and best practices in the energy sector. Conducts research and analysis of data collected using a variety of recognized research techniques to prepare briefings and presentations.

V. Labour Relations and Compensation

All the FTEs will be under AMAPCEO.

Bargaining Group (Full Time Equivalents)	18-19	19-20	20-21
OPSEU			
AMAPCEO	19	19	19
PEGO			
ALOC			
OCAA			
PSAT			
AOPDPS			
OPPA			
Non-Bargaining			
To be determined			
Total	**19**	**19**	**19**

VI. Risks

Objective(s)	Risk(s)	Risk Category	Risk Level	Rationale for Risk Level & Mitigation Plan Considerations
The outcome of programs under the Ontario Fair Hydro Plan is to provide significant rate relief to Ontarians to help manage electricity costs.	*Unpredictability of energy sector cost drivers on forecasts.*	*Financial*	*Medium*	• **Risk Likelihood: Possibly** • **Risk Impact: Minor** • **Time Scale: Potential for less than 6 months** **Mitigation/Action Plan Considerations:** • The sector is complex and a number of key assumptions used as inputs into the model are variables/forecasts themselves. It is important to ensure the models and assumptions are stress tested. Sensitivity analysis, which would allow the government to develop a risk based outlook to manage potential fluctuations in the cost of these initiatives, would support better decision making and support meeting the government's fiscal targets. • Cost projects will need to be refined throughout the duration of the programs.
The outcome of programs under the Ontario Fair Hydro Plan is to provide significant rate relief to Ontarians to help manage electricity costs.	*No sunset date for programs.*	*Financial*	*Low*	• **Risk Likelihood: Unlikely** • **Risk Impact: Minor** • **Time Scale: Potential for 6-12 Months** **Mitigation/Action Plan Considerations:** • Long term forecasts provide some insight into the full cost of the initiatives for the longer term. Understanding the numerous factors that impact the costs of the social programs will be key in determining these forecasts.
The outcome of programs under the Ontario Fair Hydro Plan is to provide significant rate relief to Ontarians to help manage electricity costs.	*RRRP- creates potential disincentives from eligible LDCs towards productivity and performance improvements to drive down delivery costs/changes.*	*Financial*	*Low*	• **Risk Likelihood: Rare** • **Risk Impact: Minor** • **Time Scale: Less than 6 Months** **Mitigation/Action Plan Considerations:** • Ministry will work to provide a long term forecast along with underlying assumptions, with risk bands that account for variability of distribution costs and the proposed distribution charge cap, to show the full expected financial impact of this initiative on the long term fiscal plan. • Productivity and performance improvements will be incented through other policy mechanisms.

The outcome of programs under the Ontario Fair Hydro Plan is to provide significant rate relief to Ontarians to help manage electricity costs.	*OESP – Uptake may not meet targets*	*Financial*	*Low*	• **Risk Likelihood: Possibly** • **Risk Impact: Moderate** • **Time Scale: Potential for 6-12 Months** **Mitigation/Action Plan Considerations:** • More focussed efforts on increasing uptake of the program. • Long-term forecasts must include uptake estimates to ensure that program costs can be better assessed. • Ongoing engagement with TBS, MCSS, program partners, and other benefits providers on means to increase uptake.

VII. Implementation

RRRP, DRP, OESP and FNDC transitioned to the tax-base as of July 1, 2017.

OESP

In order to complete the transition of the OESP from the rate base to the tax base, an Order-in-Council is required to proclaim amendments to the *Ontario Energy Board Act, 1998* that received Royal Assent on June 1, 2017. In addition, further changes to the OESP regulation under this act (O.Reg. 314/15) will also be required.

The Ministry of Energy will seek approval for the proclamation and regulatory amendments simultaneously in late November or early December 2017.

VIII. Communications/Stakeholder Engagement Plans

RRRP, DRP, FNDC

The Ministry had regularly occurring working group meetings with stakeholders for the DRP and FNDC programs. The Ministry also consulted with Chiefs of Ontario with regards to the First Nations Delivery Credit. Working group meetings with LDC stakeholders continued on after program implementation to ensure that any issues were addressed in a timely manner and that all programs were being delivered correctly.

OESP

The Ministry will need to take responsibility for web content associated with the OESP. Further, it will take responsibility for designing and implementing a communications plan to raise program awareness and increase program uptake, which is expected to include advertising campaigns that target potentially eligible customers. This work will be undertaken with support from TBS Behavioral Insights. The Ministry of Energy will also collaborate with MCSS on communications planning given its role in aligning the OESP with other social assistance programs.

IX. Previously Requested Report Backs

Report Backs	Docket #

- To report back to TB/MBC through regular updates including quarterly reports and the 2018-19 Program Review, Renewal and Transformation (PRRT) on the status of implementation, and revised out-year expenditure requirements if applicable.

Enhanced RRRP

- Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to broaden RRRP.
- Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
    - Current program outcomes identified and results achieved to date.
    - Establishing program performance management framework including targets for the broadened program now government funded
    - Report on and assessment of impacts of consolidation of LDCs
    - Assessment of distribution rates and implications for the program

Expanded OESP

- Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to expand OESP.
- Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
    - Identify eligibility criteria, and refinements being made.
    - Current program outcomes identified and results achieved to date.
    - Establishing program performance management framework including targets for the expanded program now government funded.

First Nations Delivery Credit

- Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

PROGRAM NOTE

ENERGY – Rate Mitigation Programs Update

X. Proposed Minute

The Treasury Board/Management Board of Cabinet receive a request:

1. To adjust the projections for future year allocations for the Social Programs under the Fair Hydro Plan that will allow the Ministry of Energy to continue to successfully deliver on its commitment to providing significant rate relief to Ontarians to help manage electricity costs.

2. For 19 permanent FTEs that will support the implementation of the Ontario Fair Hydro Plan initiatives

In this regard, the Board approve the following multi-year resources for the program:

$M	18-19	19-20	20-21
Operating Expense	1.4	(8.1)	(27.5)
Capital Expense	-	-	-
Total Expense	1.4	(8.1)	(27.5)
Operating Assets	-		
Capital Assets	-	-	-

In this regard, the Board:

i)	APPROVE a decrease of $ 29,400,000 in 2018-19, $ 61,000,000 in 2019-20, and $ 87,000,000 in 2020-21, in the transfer payment line "Ontario Electricity Support Program", Electricity Price Mitigation (Vote/Item 2905-01) for the continued delivery and transition of the Ontario Electricity Support Program.	Docket #
ii)	APPROVE a decrease of $ 400,000 in 2018-19, an increase of $ 900,000 in 2019-20 and $ 1,900,000 in 2020-21, in the transfer payment line "On-Reserve First Nations Delivery Credit" in Electricity Price Mitigation (Vote/Item 2905-01) for the continued delivery of the First Nations Delivery Credit.	Docket #
iii)	APPROVE an increase of $ 26,800,000 in 2018-19, $ 47,600,000 in 2019-20, and $ 53,200,000 in 2020-21, in the transfer payment line "Rural or Remote Electricity Rate Protection Program " in Electricity Price Mitigation (Vote/Item 2905-01) for the continued delivery of the Rural or Remote Electricity Rate Protection Program.	Docket #
iv)	APPROVE the creation of a new transfer payment line entitled "Distribution Rate Protection" under Vote/Item 2905-01, Electricity Price Mitigation to provide rate protection to full-time residential customers of 8 LDCs with some of the highest distribution rates.	Docket #
v)	APPROVE the reallocation of $ 260,100,000 in 2018-19, $ 291,700,000 in 2019-20, and $ 309,000,000 in 2020-21from the transfer payment line "Rural or	Docket #

	Remote Rate Protection" to the transfer payment line "Distribution Rate Protection" under Vote/Item 2905-01, Electricity Price Mitigation.	
vi)	APPROVE an increase of $ 2,181,624 including $ 1,1,930,641 in Salaries and Wages, in 2018-19, 2019-20, 2020-21 in the Energy Development and Management (2902-01) for the implementation of the Ontario Fair Hydro Plan Initiatives.	Docket #
vii)	APPROVE an increase of $ 1,600,000 in Services in 2018-19, 2019-20, and 2020-21, in the Energy Development and Management (2902-01) for program delivery and communications costs to support the implementation of the Ontario Fair Hydro Plan Initiatives.	Docket #
viii)	APPROVE an increase of $ 665,000 in Services in 2018-19, 2019-20, and 2020-21, in the Energy Development and Management (2902-01) for office operation costs to support the implementation of the Ontario Fair Hydro Plan Initiatives.	Docket #
ix)	APPROVE the permanent increase of 19 FTEs in 2018-19 and onwards.	Docket #

PROGRAM NOTE

ENERGY – Ontario Rebate for Electricity Consumers Program

Government Priority Outcome **Reduced Poverty, Inequality and Exclusion**

Program Type **Assisting**

Ministry Linkages **MOF, OFA**

I. Assessment of Program Base

$M	15-16	16-17	17-18	18-19	19-20	20-21	21-22	Growth Rate 15-16 to 17-18	Growth Rate 18-19 to 21-22
Current Allocation									
Operating Expense	-	300.0	939	882	882	895	-		
Capital Expense	-	-	-	-	-	-	-		
Total Expense	**-**	**-**	**939**	**882**	**882**	**895**	**-**		
% Growth				-6.07%	0.00%	1.47%			1.47%
Operating Assets	-	-	-	-					
Capital Assets	-	-	-	-	-	-	-		

1) OBJECTIVES

Ontario is taking action to reduce electricity bills for families, farms, and businesses.

Electricity costs have increased as the necessary investments are made to decarbonize and modernize the province's electricity infrastructure.

Since 2010, electricity prices have risen considerably, particularly for households and small businesses. Prices are forecasted to continue to increase as additional generation comes online. Since 2010, average bills for residential consumers (i.e., using 750 kWh/month) have increased by over 50% and rates paid by commercial and industrial electricity consumers have increased by 56% and 6% respectively over the same period.

2) OUTCOMES

The Ontario Rebate for Electricity Consumers (OREC) provides an 8% rebate, equal to the provincial portion of HST, to consumers that are eligible for the Regulated Price Plan, as well as other eligible consumers as defined by legislation – this includes about five million residential consumers, small businesses and farms.

The rebate was automatically added to every eligible consumer's bill beginning January 1, 2017.

OREC aims to make electricity more affordable for Ontarians. The 8% rebate is one of the rate mitigation programs that make up the OFHP which aims to lower electricity bills for residential consumers, small businesses and farms by 25 per cent.

3) Resources

The current transfer payment allocation for the OREC program goes solely towards reimbursing the Local Distribution Companies (LDCs) for the 8% rebate that was provided to eligible consumers. Consumers are eligible for the rebate the moment they use electricity. Rebates are applied automatically to eligible customer bills by the LDCs or USMPs, reducing administration costs from activities such as mailing out rebate cheques. The direct impact of resources on the program outcome is cost efficiency and effectiveness.

4) Cost Drivers

Cost Drivers	Description
Electricity Price	Electricity prices are defined by commodity and non-commodity elements, both of which vary over time. Commodity costs, which impact TOU prices, vary with the cost of fuel and generation costs. Non-commodity costs change on a periodic basis as the amount LDCs charge for electricity delivery varies with each rate application.
Weather/Consumption	One of the main factors that affect consumption is weather. Unusually hot or cold temperatures can affect the cost of a consumer's bill, as it would impact the amount of air conditioning or heating the consumer uses.

5) Growth Rates

For the purpose of completeness, data is provided starting from January 2017. However, LDCs/USMPs were delayed in reporting to the OREC database as they needed time to adjust their billing system configuration in order for the OREC benefit to be reflected on customer's bills. In addition, the remaining OFHP initiatives were introduced in spring 2017 reducing customer's electricity bills. This means that actual data in March 2017 and prior are not considered a reliable indicator of OREC cost and consumption. Another updated forecast will be conducted once a full year of data has been collected.

PROGRAM NOTE

ENERGY – Ontario Rebate for Electricity Consumers Program

Historical Analysis of OREC Eligible Customer Consumption

The table below provides comparison of OREC eligible customer consumption since the introduction of the program in January 2017 to August 2017.

Settlement Period	Consumption of OREC Eligible Customer		
	Forecast	Actuals	Variance
January 2017	6.4	3.7	-73%
February 2017	5.8	6.0	2%
March 2017	6.0	6.5	6%
April 2017	5.4	5.3	-3%
May 2017	5.4	5.3	-2%
June 2017	5.8	5.2	-10%
July 2017	6.3	5.7	-10%
August 2017	6.2	6.4	2%
Total	**47.5**	**44.1**	**-8%**

Key Observations / Considerations:

- For the period as a whole, consumption is approximately in line with expectations.

  The large variance between the actuals and estimates in January 2017 is likely the result of delayed reporting to the OREC database.

  - As part of program implementation, Local Distribution Companies/Unit Sub-Meter Providers (LDCs/USMPs) required additional time to adjust their billing system configuration in order for the OREC benefit to be reflected on customer's bills. The *Ontario Rebate for Electricity Consumers Act* (ORECA) was implemented on January 1, 2017, and allowed a grace period until July 1, 2017 for LDCs to fully transition their systems in order to report the benefit on bills. Consumers will be entitled to a lump sum credit from the period between January 1 and the time the benefit begins appearing on their bills.

- Based on year-to-date information, total consumption for 2017 is expected to be lower than previous years, partly due to unseasonably cool weather over the summer period when electricity consumption is typically at its peak.

- To date, OREC consumption is approximately 47% of the total estimated yearly consumption. Extrapolating this consumption for the 2017 fiscal year as a whole would estimate annual OREC consumption at 66.1 TWh, which is approximately in line with the 70.9 TWh used in the original forecast model.

  However, it should be noted that actuals may be lower than the estimated if unseasonable weather persists for the remainder of the year.

Historical Analysis of OREC Program Cost

The table below provides a comparison between LDC invoices received and rebates for OREC eligible customer bills.

- In addition to the reporting delays, there are significant lags between when actual OREC claims are received and when the cost has been incurred by the LDCs. This is due to different types of billing cycles. Therefore, in order to conduct an accurate and fulsome analysis, a full year's worth of data is recommended. An overview of LDCs billing cycles is provide is Section 7, Other Factors.

Settlement Period	ENERGY March 2017 Estimate Cost Per Month ($ millions)	OREC Actual Cost Per Month ($ millions)	ENERGY October 2017 Estimate Cost Per Month – Annualised ($ millions)	ENERGY October 2017 Estimate Cost Per Month – Regulated Price Plan ($ millions)
January 2017	*90.6*	*32.0*	*87.1*	*94.3*
February 2017	*81.8*	*73.5*	*78.6*	*85.1*
March 2017	*84.9*	*83.2*	*81.5*	*88.3*
April 2017	76.3	71.1	73.3	79.4
May 2017	76.3	72.4	73.3	72.6
June 2017	81.4	66.3	78.2	77.4
July 2017	84.1	66.8	80.9	76.5
August 2017	83.3	68.6	80.2	75.8
Total	**658.7**	**533.9**	**633.1**	**649.4**

Key Observations / Considerations:

- The Ministry's estimates of OREC program cost have been greater than actual costs. The variance between estimate and actual on a cost per unit basis could be the result of several factors, including the assumed retail contract premiums, the share of OREC consumers on retail vs RPP contracts and bill reductions as result of OFHP.

- The model has also been adapted to calculate prices on an RPP basis to more accurately reflect changes announced under the OFHP. Combined, these modifications mean the ENERGY cost estimates align more closely with the OREC actuals.

Note: ENERGY cost estimate varies month-on-month on basis of the assumed demand profile which rises from April through to July.

6) Risks

Retroactive claims

- Customers who are not receiving OREC or are receiving inaccurate amounts can claim up to 24 months' worth of retroactive unpaid claims under the program.

- Once customer retroactive claims are made with LDCs/USMPs, LDCs/USMPs then have six months to submit those claims with the IESO.

Difficulties in forecasting

- The Ministry has the ability to forecast electricity consumption and cost based on prior program experiences, including the Ontario Clean Energy Benefit (OCEB) program. OCEB was in effect from 2010 to 2015 and provided energy consumers a benefit of 10% off of their electricity bill, with a monthly cap on the maximum benefit received. The Ministry has leveraged the forecasting experience of administering OCEB in the development of forecasting for the new OREC program.
- Unlike OCEB, OREC does not have a monthly kWh usage cap on the maximum benefit. The lack of monthly cap poses a forecasting challenge, as the financial impact is not completely known to the Ministry.
- As LDCs/USMPs complete initial program implementation set-up for OREC and catch up on reporting, the Ministry will receive more program data, which will enhance the accuracy of forecasting without a monthly cap. The Ministry has built in buffer allowances in anticipation of this unknown cost.

Financial Risks

- The estimated cost of the Ontario Rebate for Electricity Consumers is based on projected electricity prices, applied to estimated consumption each year by residential, farm, and small businesses. There is a fiscal risk exposure, as the final fiscal cost will depend on actual prices, including existing and new retailer contract prices and numbers, and actual consumption by eligible consumers, which are subject to considerable variability.

- As a result, there is the possibility that there are insufficient funds near year-end. A mitigation strategy will require a flexible and quick method for obtaining additional funds, or otherwise risk late payment to the IESO, LDCs and sub-metering providers. A late payment could delay the availability of the rebate to customers or cause significant working capital issues for these entities.

Independent Power Authorities (IPA)

There are inherent risks in the program delivery especially with respect to the IPAs, due to their varying degrees of sophistication. Some are well-managed and have administrative functions contracted out, while others are significantly restrained by resources. The billing of customers across IPAs is not necessarily consistent (it may be that not all customers are billed regularly) and some IPAs may not be able to apply the rebate directly to customer's electricity bills. IPAs are provided up to $10,000 to upgrade their billing systems to allow for the rebate to be applied directly on the bill under the OREC. The Ministry will use a similar process to that which was used during the delivery of the Ontario Clean Energy Benefit, in order to provide support to Independent Power Authorities erving remote Indigenous communities.

7) Other Factors

LDC OREC Claim Lags

LDCs/USMPs use either bill cycle or accrual based accounting systems to submit OREC claims to the Ministry and Independent Electricity Systems Operator (IESO). 32% of claims made are on an accrual-basis and 68% are on a billed-basis. These proportions were developed using information provided to the Ministry by electricity distributors through the Ministry reporting portal.

Based on information collected formally and informally from LDCs/USMPs, the Ministry has determined that these companies spread their customer bills evenly throughout the month.

An accrual-based accounting system will have less lag time in making OREC claims as compared to a bill cycle basis accounting system:

- Companies using bill cycle based accounting systems can only submit claims to the Ministry and IESO after they have billed their customer and after the month-end which results in an average 1.5 month lag. For example, if a customer has a billing cycle from February 15 – March 15, the LDC can only submit an OREC claim in April when March has ended for this billing cycle.
- An accrual-based accounting system uses unbilled revenue reports (i.e. metered usage data reports) to forecast how much their OREC claim will be for that month regardless of a customer's billing cycle.

Claims lag result in added complexity for the Ministry when determining monthly and yearly accrual amounts.

PROGRAM NOTE

ENERGY – Ontario Rebate for Electricity Consumers Program

II. Requested Program Changes

$M	17-18	18-19	19-20	20-21	Growth Rate 18-19 to 20-21
Proposed Allocation					
Operating Expense	939	860	861	871	
Capital Expense		-	-	-	
Total Expense		-	-	-	
% Growth		-8.41%	0.12%	1.16%	1.28%
Operating Assets	-	-			
Capital Assets	-	-	-	-	

$M	21-22	22-23	23-24	24-25	25-26	26-27	27-28
Capital Expense	-	-	-	-	-	-	-
Capital Assets	-	-	-	-	-	-	-

1) Rationale for Change (including impacts on outcomes)

ENERGY has developed a revised forecast based on the latest projection of customer prices under the OFHP.

Prior to its roll-out, initial program forecasts were determine through historical data and assumptions on a number of variables including program uptake, weather, consumption, electricity rates, etc.

Since implementation, the Ministry has collected and analyzed updated program data to produce revised forecasts that result in program savings - this revised forecast estimates OREC cost to be an average $30 million lower per fiscal year than the March 2017 forecast.

Ontario Rebate for Electricity Consumers ($M)	2018-19	2019-20	2020-21
Preliminary Allocation	882.0	882.0	895.0
Revised Forecast *(revised October 2017)*	860.0	861.0	871.0
+ Surplus / - Deficit	**22.0**	**21.0**	**24.0**

2) Impacts on Program Resources

The revised forecast does not negatively impact program resources as the entire transfer payment allocation is being used to reimburse LDCs for program costs.

3) Changes in Cost Drivers

The cost drivers indicated in section 1 are still applicable. However, due to the introduction of the Ontario Fair Hydro Plan and cooler than normal summer temperatures, the Ministry has revised its OREC forecast lower than the original estimate.

New Cost Drivers	Description
Bill reduction due to the introduction of Ontario Fair Hydro Plan	The Ontario Fair Hydro Plan (OFHP) came into effect June 1, 2017. The OFHP aims to reduce the electricity bills of residential, small business and farms. A variety of programs were introduced with the goal of lowering the electricity bills of Ontarians. Therefore lowering the cost forecast.

4) Changes in Growth Rates

The growth rates using the revised forecast range are on average 1.16-1.28% which is slightly lower than the original growth rates from the original forecast. Refer to section I. Assessment of Program Base, "Updated Growth Rates" for more information on the growth rates for OREC.

PROGRAM NOTE

ENERGY – Ontario Rebate for Electricity Consumers Program

III. Requested Change Decisions

1) Operating Decisions

Key Decisions

Operating Decisions	$M	18-19	19-20	20-21	Docket #
A. Decrease in expenditures for OREC	Operating Expense	(22)	(21)	(24)	
	Operating Asset	-			

- Due to updated information, the Ministry is revising its forecast for the Ontario Rebate for Electricity Consumers program

IV. Full-Time Equivalent Decisions

The Ministry will be re-appropriating a portion of the Fair Hydro Plan budget to support funding 19 permanent FTEs, including FTEs for OREC, starting in 2018-19, to support program delivery of the permanent transfer payment programs. Please refer to "2018-19 PRRT Program note – Rate Mitigation Program" for more information

V. Labour Relations and Compensation

The Ministry will be re-appropriating a portion of the Fair Hydro Plan budget to support funding 19 permanent FTEs, including FTEs for OREC, starting in 2018-19, to support program delivery of the permanent transfer payment programs. Please refer to "2018-19 PRRT Program note – Rate Mitigation Program" for more information.

VI. Risks

Objective(s)	Risk(s)	Risk Category	Risk Level	Rationale for Risk Level & Mitigation Plan Considerations
The outcome of programs under the Ontario Fair Hydro Plan, including the OREC is to provide significant rate relief to Ontarians to help manage electricity costs.	*Retroactive claims*	*Financial*	*Low*	• **Risk Likelihood:** • **Risk Impact:** • **Time Scale:** **Mitigation/Action Plan Considerations:** • Customers who are not receiving OREC or are receiving inaccurate amounts can claim up to 24 months' worth of retroactive unpaid claims under the program. • Once customer retroactive claims are made with LDCs/USMPs, LDCs/USMPs then have six months to submit those claims with the IESO.

The outcome of programs under the Ontario Fair Hydro Plan, including the OREC is to provide significant rate relief to Ontarians to help manage electricity costs.	*No sunset date for programs.*	*Financial*	*Low*	• **Risk Likelihood: Unlikely** • **Risk Impact: Minor** • **Time Scale: Potential for 6-12 Months** **Mitigation/Action Plan Considerations:** • Long term forecasts provide some insight into the full cost of the initiatives for the longer term. Understanding the numerous factors that impact the costs of the social programs will be key in determining these forecasts.
The outcome of programs under the Ontario Fair Hydro Plan, including the OREC is to provide significant rate relief to Ontarians to help manage electricity costs.	*Difficulties in forecasting*	*Policy*	*Medium*	• **Risk Likelihood:** • **Risk Impact:** • **Time Scale:** **Mitigation/Action Plan Considerations:** • As LDCs/USMPs complete initial program implementation set-up for OREC and catch up on reporting, the Ministry will receive more program data over time, which will enhance the accuracy of forecasting for a program without a monthly cap. Until this happens, The Ministry has built in buffer allowances in anticipation of this unknown cost.
The outcome of programs under the Ontario Fair Hydro Plan, including the OREC is to provide significant rate relief to Ontarians to help manage electricity costs.	*Actuals higher than forecasted amounts*	*Financial*	*Low*	• **Risk Likelihood:** • **Risk Impact:** • **Time Scale:** **Mitigation/Action Plan Considerations:** • A mitigation strategy will require a flexible and quick method for obtaining additional funds, or otherwise risk late payment to the IESO, LDCs and sub-metering providers. A late payment, which could delay the availability of the rebate to customers or cause significant working capital issues for these entities.

PROGRAM NOTE

ENERGY – Ontario Rebate for Electricity Consumers Program

VII. Proposed Minute

The Treasury Board/Management Board of Cabinet to receive a request to approve a revised forecast allocation for OREC for 2018-19, 2019-2020 and 2020-21.

In this regard, the Board approve the following multi-year resources for the program:

$M	18-19	19-20	20-21
Operating Expense	860	861	871
Capital Expense	-	-	-
Total Expense	860	861	871
Operating Assets	-	-	-
Capital Assets	-	-	-

Note the following multi-year capital resources:

$M	21-22	22-23	23-24	24-25	25-26	26-27	27-28
Capital Expense	-	-	-	-	-	-	-
Capital Assets	-	-	-	-	-	-	-

In this regard, the Board:

i)	APPROVE a decrease of $22,000,000 in 2018-19, $21,000,000 in 2019-20, and $24,000,000 in 2020-21, in the transfer payment line "Ontario Rebate for Electricity Consumers", Vote/Item 2905-01 Electricity Price Mitigation.	Docket #

PROGRAM NOTE

ENERGY – OPG Share Sale

Government Priority Outcome	**Reduced Poverty, Inequality and Exclusion**
Program Type	**Supporting**
Ministry Linkages	**MOF**

I. Assessment of Program Base

$M	15-16	16-17	17-18	18-19	19-20	20-21	Growth Rate 15-16 to 17-18	Growth Rate 18-19 to 20-21
Current Allocation								
Operating Expense	-	-	-	-	-	-		
Capital Expense	-	-	-	-	-	-		
Total Expense	-	-	-	-	-	-		
% Growth		-	-	-	-	-	-	-
Operating Assets	-		1,100.0					
Capital Assets	-	-	-	-	-	-		

1) OBJECTIVES

Ontario's Fairy Hydro Plan was announced in March 2017 and includes a number of measures to provide relief to electricity consumers, including refinancing the Global Adjustment (GA) costs .

These funds will be used to purchase shares from Ontario Power Generation (OPG) and as such, are an equity injection to the company. OPG has been appointed as the Finance Services Manager to refinance the GA costs and will use the funds in order to keep its capital structure in line, as it supports the implementation of the Fair Hydro Plan.

PROGRAM NOTE

ENERGY – OPG Share Sale

OUTCOMES

On March 2, 2017, the Province introduced Ontario's Fair Hydro Plan (OFHP) to reduce electricity bills by 25 percent on average for typical households across Ontario. The Plan includes a proposal to refinance a portion of the Global Adjustment (GA) in order to fairly allocate costs across present and future generations of electricity consumers.

Refinancing a portion of GA provides significant and immediate rate relief by spreading the cost of electricity investments over the expended lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.

RESOURCES

The refinancing of the GA is to come from the following sources:

1. 51 per cent of the funding will come from debt financing through Capital Markets
2. 49 per cent will come from OPG

    - **44 per cent to come from an equity cash injection from the Province**
    - 5 per cent to come from financing from capital markets through medium term notes (subordinated to financing under 1) .

This PRRT request is for the 44 per cent that the Province has committed to funding through equity injections in OPG.

Background

2017-18: The Ministry forecasted that it would require an Operating Asset of $1.1 billion for 2017-18 fiscal year. The total debt requirement is forecasted to be approximately $2.5 billion including interest from May 1, 2017 to April 30, 2018. After accounting for the Province's March 31 year-end, this represents about $2.3 billion debt requirement in 2017-18. It is anticipated that 49 per cent of this would be financed through the Provinces' equity injections as OPG may not have sufficient time to access capital markets in-year. This would result in a projected equity injection of approximately $1.1 billion for the fiscal year.

2) Cost Drivers

The cost drivers for the amount for the equity injection are dependent on the amount of costs to be refinanced under the Global Adjustment (GA).

- The amount to be refinanced is defined by the adjustment required to the commodity charge in ratepayer bills to implement the Ontario Fair Hydro Plan (OFHP)
- The commodity charge adjustments set in the OFHP are based on a fair allocation of costs for clean energy assets for the period 2005 – 2047
- The amount to be refinanced changes year-to-year due to the design of the OFHP, and variation in both commodity and non-commodity charges

3) Risks

There is a risk that the equity injection amount is greater than the current estimate. The Ministry will update its required appropriation when it seeks approval of OPG's Business Plan from TB/MBC.

II. Requested Program Changes

$M	17-18	18-19	19-20	20-21	Growth Rate 18-19 to 20-21
Proposed Allocation					
Operating Expense	-	-	-	-	
Capital Expense	-	-	-	-	
Total Expense	-	-	-	-	
% Growth		-	-	-	-
Operating Assets	1,127.0	**1,100.0**			
Capital Assets	-	-	-	-	

1) RATIONALE FOR CHANGE (INCLUDING IMPACTS ON OUTCOMES)

In order to continue and refinance the Global Adjustment and provide rate relief to electricity consumers, as well as allow OPG to maintain its commercial capital structure, ongoing equity injections in OPG are required.

For 2018-19, the Ministry forecasts $1.1 billion in equity injections is required to support OPG's obligations to implement the Fair Hydro Plan.

- The GA refinancing would be about $2.5 billion per year on average for the first 10 years. Using the average amount and applying 44 per cent, results in an estimated equity injection of $1.1 billion.
- The actual amounts may differ based on updates on Fair Allocation Amounts and discussions with OPG.
    - As part of its annual business plan, OPG is required to submit the equity requirements for the upcoming years. However, OPG's Annual Business Plan will not be submitted to the Minister until November/December 2017.
    - On September 28, 2017, the Ministry of Energy provided OPG the Fair Allocation Amount for each period up to April 30, 2047 for the purpose of developing a financing plan.
        - Using this document, the estimated equity injection for 2018-19 is $974 million. However given these amounts may be updated, for prudency, the

Ministry of Energy recommends an allocation of $1.1 billion for the 2018-19 period for the equity injection.

2) Changes in Cost Drivers

The total debt requirement fluctuates from year to year due to due to the design of the OFHP, and variation in both commodity and non-commodity charges.

3) Program Linkages

The GA refinancing is part of the Ontario's Fair Hydro Plan, which lowers electricity bills by 25 per cent for a typical residential consumer. Up to half a million small businesses and farms are also expected to benefit. Any rate increases for residential consumers over four years would be held to the rate of inflation. Measures in the Fair Hydro Plan include the 8 per cent rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on electricity bills.

PROGRAM NOTE

ENERGY – OPG Share Sale

III. Requested Change Decisions

1) Operating Decisions

Key Decisions

Operating Decisions	$M	18-19	19-20	20-21	Docket #
A. To meet the Province's funding requirement, it is estimated $1,100.0 million in OPG equity injections is required in 2018-19.	Operating Expense	X	X	X	X
	Operating Asset	1,100.0			

- Rationale: The $1,100 billion is 44 per cent of the total estimated debt requirement of $2.5 billion for 2018-19. The total debt requirement fluctuates from year to year due to due to the design of the OFHP, and variation in both commodity and non-commodity charges.

IV. Risks

Objective(s)	Risk(s)	Risk Category	Risk Level	Rationale for Risk Level & Mitigation Plan Considerations
Provide equity injection to OPG to support the GA refinancing component of the Ontario Fair Hydro Plan.	Due to the use of estimated projections, a shortfall may emerge resulting in insufficient funding for the 2018/19 equity injections	Financial	Medium	• **Risk Likelihood:** Possibly • **Risk Impact:** Moderate. • **Time Scale:** Less than six months **Mitigation/Action Plan Considerations:** The Ministry may need to seek an additional funding if its requested allocation differs from OPG's projected equity injection need. OPG makes this projection in its 2018-20 Business Plan. The Business Plan is expected to be submitted to the Minister in late 2017.

V. Implementation

The process for how the equity injection will flow from the Province to OPG is outlined in a Master Share Subscription Agreement. This agreement is being finalized.

As per the agreement, OPG (acting as the Financing Entity) will acquire assets from the IESO. Coincident with this acquisition, OPG will provide notice to the Province of the amount of equity injection required and the corresponding number of shares to be issued by OPG to the Province. This process is expected to occur monthly. [1]

[11] From Master Share Subscription Agreement, provided from IGS to SNAP on September 27 2017.

VI. Communications/Stakeholder Engagement Plans

No engagement is required for this specific aspect of the Fair Hydro Plan. Stakeholder engagement and communications on the Fair Hydro Plan is ongoing.

VII. Previously Requested Report Backs

Report Backs	Docket #
• **May 2017: Report back on Ontario Fair Hydro Plan – Implementation Update** Report back on Ontario Fair Hydro Plan Implementation.	
• **June 2017: Ontario's Fair Hydro Plan Report Back** Report back on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval, including: Global Adjustment Refinancing.	X

VIII. Proposed Minute

The Treasury Board/Management Board of Cabinet receive a request to approve $1.1 billion to fund the 2018-19 equity injection to allow OPG to continue and finance the Global Adjustment in support of Ontario's Fair Hydro Plan.

In this regard, the Board approve the following multi-year resources for the program:

$M	18-19	19-20	20-21
Operating Expense	X.X	X.X	X.X
Capital Expense	X.X	X.X	X.X
Total Expense	X.X	X.X	X.X
Operating Assets	1,100.0		
Capital Assets	X.X	X.X	X.X

In this regard, the Board approve/note/direct:

i)	APPROVE an increase of $ 1,100,000,000 in 2018-19 for the Operating Asset, "OPG Share Sales," under Vote/Item 2905-05, Electricity Price Mitigation.	Docket #
ii)	NOTE ENERGY will update Treasury Board/ Management Board of Cabinet on OPG's equity injections forecast when it submits OPG's annual Business Plan	Docket #

Key Performance Indicators

	Energy conservation	Costs of electricity	Maintaining low emissions	OPG/Hydro One Income	Innovation
KPI	Continue to increase energy efficiency and conservation in Ontario	Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan	Maintaining low electricity sector emissions in support of the province's climate change targets	Net Income contributions to the Province from OPG and Hydro One	Supporting the energy innovation sector and modernizing Ontario grids
Outcome Measures	**Current Value:** 13.5 TWh in 2015 **Target Value:** 30 TWh in 2032	**Current Value:** $128 in 2017-18 **Target Value:** $195 in 2034-35	**Current Value:** 3.9 Mt in 2017-18 **Target Value:** 5.5 - 8.1 Mt in 2034-35	**Current Value:** $842M in 2016-17 **Target Value:** $1,001M* in 2018-19 *reflects decrease of Hydro One ownership from ~71 to ~45% 2018-19	**Current Value:** 38 projects by March 31, 2017 **Target Value:** 50 new projects by March 31, 2022
Outcome Statement	Conservation is the cleanest and most cost-effective energy resource and offers consumers a way to reduce their energy bills and reduces the need to build new electricity infrastructure.	The Province will hold typical residential bill increases to the rate of inflation for four years under Ontario's Fair Hydro Plan.	By refurbishing emission-free nuclear capacity and sourcing clean renewable power, Ontario will maintain a low emissions profile and help achieve the Province's Greenhouse Gas (GHG) emission reduction targets.	By driving increased revenues and reduced costs at OPG and Hydro One, the Province's net income flowing from these entities will grow to enable the Province to support ongoing policies and programs across the Province.	Investing in innovative energy projects contributes to a modernized grid in Ontario and helps create local jobs and economic growth.

Goal: **Providing Ontarians with an affordable supply of energy and more choices for their energy use.**

2018-19 PRRT ENERGY Program Inventory

1. Rate Mitigation

General Information:

Description: Delivered by the Ontario Energy Board, the Ontario Electricity Support program provides a monthly rate reduction directly on bills of eligible low-income electricity consumers in Ontario. Credits are calculated by household size and income and range from $35 - $75 per month.
Rural or Remote Rate Protection (RRRP) provides a direct credit on the electricity bills of rural or remote residential customers who are faced with higher distribution costs compared to urban areas.
The On-Reserve First Nations Delivery Credit removes delivery charges directly from on-reserve First Nations' customers electricity bills.

Issue/Need: The 2017 Budget includes providing substantial relief from electricity bills as a key priority.
Certain customers are in greater need of support and rate relief, such as low-income, customers relying on electricity intensive medical devices, customers living in the North with more expensive home heating costs.
Rural and remote customers face high distribution costs on their electricity bills as the cost of distributing power to lower-density areas is much higher than for urban and higher density areas.

Program Type: Supporting

Program Eligibility: Entitlement/Statutory

Funding Duration: Ongoing

Multi-Year Outcome: Other Public Interest

Ministry KPIs: Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan

Performance Measure - Outcome:

Indicator: Reduction of electricity bills for residential, small business and farm customers.

Outcome Statement: Electricity is made more affordable for residential customers, small businesses and farms by the Ontario Electricity Support Program, Rural or Remote Rate Protection, On-Reserve First Nations Delivery Credit.

Data Ownership: Other organization

Data Sources: Independent Electricity System Operator, Ontario Energy Board

Frequency of Data Collection: More often than annual

Statistical Methods: Reduction to electricity bill regulatory charges ($/MWh)

Explanation of Result: Regulatory charges of the electricity bills will for residential customers, small businesses and farms will be reduced as a result of shifting cost recovery for OESP and the majority of RRRP from electricity bills to provincial revenues.

	Date	Value	Comment
Baseline	2017	0	Average reduction of Regulatory charges on customers' bills - based on 750 kwhs per month. Reduction of OESP charges began on May 1, 2017 and reduction of RRRP charges began on July 1, 2017
Target	2018	2.245	The metric value is not expected to change.The value is the reduction in regulatory charges and this has been set and will continue to be the same year over year. These savings exist from the regulatory changes made and the charge difference will not vary going forward.

Additional Information: Baseline and target are the same as the reduction in regulatory charges has already been set and will continue to be the same year over year.

Performance Measure – Output:

Indicator: Increase the number of customers that will benefit from Ontario Electricity Support Program (OESP).

Data Ownership: Ministry

Frequency of Data Collection: More often than annual

Data sources: Ontario Energy Board, Independent Electricity System Operator, Statistics Canada

Statistical Methods: Number of customers that will be befitting from the OESP. Program was already in place.

Explanation of Result: Under the Fair Hydro Plan (FHP), changes to the program include introduction of new eligibility categories and automatic enrolment of Ontario Works and Ontario Disability Support Program clients. As a result of these changes, 391,231 customers are anticipated to be enrolled in OESP by the end of 2018.

	Date	Value	Comment
Baseline	2017	188,237	Enrolment as of May 1, 2017, when changes to OESP under FHP came into effect.
Target	2020	407,441	The Ministry expects that 60% of eligible customers will be enrolled by December 31, 2020. It is estimated that there are approximately 679,079 eligible customers.
Trend	2016	173,182	Enrolment as of December 31, 2016.
Trend	2017	271,628	Estimated enrolment as of December 31, 2017.
Trend	2018	339,534	Estimated enrolment as of December 31, 2018.
Trend	2019	373,488	Estimated enrolment as of December 31, 2019.

2. Ontario Rebate for Electricity Consumers

General Information:

Description: The program provides an 8% rebate, equal to the provincial portion of HST, to consumers eligible for the Regulated Price Plan and other eligible consumers as defined by legislation – this includes about five million residential consumers, small businesses and farms. The program began on January 1, 2017.

Issue/Need: Since 2010, electricity prices have risen considerably, particularly for households and small businesses. Prices are forecast to continue to increase as additional generation comes online. Since 2010, average bills for residential consumers (i.e., using 750 kWh/month) have increased by over 50% and rates paid by commercial have increased by 56%.

The 8% rebate is part of a broader package of rate mitigation measures, that will help all electricity rate payers, announced in the 2016 Speech from the Throne, including:

• Enhancement of existing Rural or Remote Rate Protection to provide additional support to approximately 330,000 eligible rural consumers; and

• Expanding participation in the Industrial Conservation Initiative to allow more businesses to participate.

Program Type: Assisting

Program Eligibility: Entitlement/Statutory

Funding Duration: Ongoing

Multi-Year Outcome: Reduced Poverty, Inequality and Exclusion

Ministry KPIs: Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan

Performance Measure - Outcome:

Indicator: Average reduction to electricity bills to households, small business and farms

Outcome Statement: Electricity is made more affordable by Ontario Rebate for Electricity Consumers recipients during a period of rising prices as Ontario transitions to a cleaner, modern electricity system

Data Ownership: Other organization

Data Sources: Ministry, Independent Electricity System Operator

Frequency of Data Collection: Between one and two years

Statistical Methods: Average reduction to electricity bill (%)

Explanation of Result: Baseline data and trend values are not available as the program came into effect January 2017. A full year of data reporting is required.

	Date	Value	Comment
Baseline	03/31/2016	0	
Target	03/31/2019	8	
Trend	03/31/2016	0	

Performance Measure - Output:

Indicator: Percentage of eligible customers who have not yet received the 8% reduction on their electricity bill.

Data Ownership: More than one source

Frequency of Data Collection: More often than annual

Data sources: Ministry, Independent Electricity System Operator, Ontario Financing Authority

Statistical Methods: The difference (as a %) between total eligible OREC customers and OREC customers actually receiving 8% rebate

Additional Information: This is a placeholder output. The Ministry requires more time to do further analysis and collect data to determine feasibility of the output.

3. Innovative Energy Technologies

General Information:

Description: The International Demonstration Fund would be a $10M grant-based pilot program. The fund would provide financial support for projects led by Ontario-based companies that demonstrate Ontario technologies.

The renewed Smart Grid Fund ($60M over five years) would involve an expanded program scope and target grid modernization innovative solutions..

Issue/Need: The Minister's 2016 Mandate letter commits ENERGY to develop LTEP guided by themes such as innovation and grid modernization.

Investing in innovative technologies supports Ontario energy companies abroad, domestically and raises the profile of the Province's energy sector.

Program Type: Supporting

Program Eligibility: Discretionary

Funding Duration: Time limited

Multi-Year Outcome: Modernized Infrastructure and Transportation Networks

Ministry KPIs:
Continue to Increase energy efficiency and conservation in Ontario
Supporting the energy innovation sector and modernizing Ontario grids

Performance Measure - Outcome:

Indicator: Advancing Commercialization in the Sector; Supporting Diversification to International Markets

Outcome Statement: Help the energy sector mature and support the domestic adoption and commercialization of smart grid technologies; support international demonstration of Ontario smart grid, renewable and other innovative energy technologies.

Data Ownership: Ministry

Data Sources: Lead Smart Grid Fund (SGF) recipients; Lead International Energy Demonstration Fund (IEDF) recipients

Frequency of Data Collection: More often than annual

Statistical Methods: For SGF, number of sales generated domestically and internationally; for IEDF pilot, number of international demonstration projects, jobs created

	Date	Value	Comment
Baseline		0	N/A; Comment: Projects expected to finish and have commercialization reports. Projects typically take 2 years to complete. Commercialization reports assess market viability one year after a project completes. For IEDF, all project(s) expected to be selected by 2022; job creation data to be included in regular and final reporting, expected to end 2023-24.
Target			

Additional Information: The renewed SGF is a new a program and does not have baseline.

Performance Measure – Output:

Indicator: Advancing Ontario Innovation economy by creating jobs (SGF and IEDF)

Data Ownership: Ministry

Frequency of Data Collection: Between one and two years

Data sources: Ontario Energy Board, Independent Electricity System Operator

Statistical Methods: Lead SGF recipients; lead IEDF recipients

	Date	Value	Comment
Baseline	03/01/2018		
Target	03/31/2019		Tracking number of jobs in first call of applications and recipients.
Trend	03/31/2021		Subsequent tracking of jobs in calls for applications and recipients.

Additional Information: The renewed SGF is a new a program and does not have baseline.

4. Climate Change Action Plan, Greenhouse Gas Reduction Account Initiatives

General Information:

Description: An Overnight Electric Vehicle Charging program would offer Ontarians rebates against the cost of charging EVs overnight.

Issue/Need: The Climate Change Action Plan includes a commitment to establish a four-year free overnight electric vehicle-charging program for residential and multi-unit residential customers starting in 2017. Charging electric cars at night can help balance electricity system

demands and potentially reduce costs associated with exporting excess electricity overnight. The goal would be to lower overall electricity bills for homes that charge vehicles.

Program Type: Supporting

Program Eligibility: Discretionary

Funding Duration: Time limited

Multi-Year Outcome: Leader on Environmental Sustainability and Climate Change Mitigation

Ministry KPIs:
Maintaining low electricity sector emissions in support of the province's climate change targets
Supporting the energy innovation sector and modernizing Ontario grids.

Performance Measure - Outcome:

Indicator: Participants charge during stated overnight timeframes.

Outcome Statement: On average, incentives/rebates for the cost of charging an EV overnight can lower electricity costs for EV owners by $190/year.

Data Ownership: Ministry

Data Sources: The current program proposal would require installation of a device that tracks EV charging behaviour. This information would be regularly remitted for program administration purposes and data collection.

Frequency of Data Collection: More often than annual

Statistical Methods: Measure charging behaviour and compare to data generated by a similar federally funded program that does not incent a change in charging behaviour.

Explanation of Result: The Ministry has not received MTCC approval for delivering the program. The Ministry is unable to complete an analysis of results until it has received approval and detailed program design is completed.

Performance Measure – Output:

Indicator: Average annual reduction in electricity costs.

Data Ownership: Ministry

Frequency of Data Collection: More often than annual

Data sources: The Ministry of Energy will procure a services provider to distribute telematics devices to verify overnight charging and collect data on EV usage and charging behaviour. The Ministry will maintain sole ownership of all data collected under the program.

Statistical Methods: Number of EVs receiving incentives/rebates; Average annual value of incentives/rebates.

Explanation of Result: The Ministry has not received MTCC approval for delivering the program. The Ministry is unable to complete an analysis of results until it has received approval and detailed program design is completed.

	Date	Value	Comment
Baseline	2015		
Target	2021		
Trend	2015		
Trend	2016		
Trend	2017		
Trend	2018		
Trend	2019		
Trend	2020		

5. Long-Term Energy Plan Initiatives

General Information:

Description: The group of Long-Term Energy Plan programs represent a small portion of the ministry's allocation but directly engages and impacts important ministry stakeholders. It is an important delivery mechanism to deliver on the Government's energy priorities, including:

-Supporting Ontario companies to develop, test, and commercialize the next generation of smart grid solutions through real-world demonstrations on Ontario's electricity system. This further solidifies Ontario's reputation as a global hub for smart grid technology, ensures Ontario energy consumers have one of the cleanest and most reliable electricity systems in the world, and gives them more control over their energy costs. It is a key component of the Long-Term Energy Plan, and supports green energy economic development and green jobs.

-Assisting community-based conservation planning and outreach, along with the delivery of conservation education initiatives to effect change in consumer behaviour.

-Support and encouragement

Issue/Need: The successful implementation of the Long-Term Energy Plan requires the participation and engagement of a diverse group of energy stakeholders (e.g. energy consumers, Aboriginal communities, municipalities and other broader public sector organizations, businesses, industry associations, Broader Public Sector, etc.). Providing support and fostering innovation among the stakeholders is crucial for the advancement of Ontario's energy sector.

Program Type: Supporting

Program Eligibility: Discretionary

Funding Duration: Ongoing

Multi-Year Outcome: Leader on Environmental Sustainability and Climate Change Mitigation

Ministry KPIs:
Maintaining low electricity sector emissions in support of the province's climate change targets
Continue to increase energy efficiency and conservation in Ontario
Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan
Supporting the energy innovation sector and modernizing Ontario grids

Performance Measure - Outcome:

Indicator: Participants charge during stated overnight timeframes.

Outcome Statement: On average, incentives/rebates for the cost of charging an EV overnight can lower electricity costs for EV owners by $190/year.

Data Ownership: Ministry

Data Sources: The current program proposal would require installation of a device that tracks EV charging behaviour. This information would be regularly remitted for program administration purposes and data collection.

Frequency of Data Collection: More often than annual

Statistical Methods: Measure charging behaviour and compare to data generated by a similar federally funded program that does not incent a change in charging behaviour.

Explanation of Result: The Ministry has not received MTCC approval for delivering the program. The Ministry is unable to complete an analysis of results until it has received approval and detailed program design is completed.

	Date	Value	Comment
Baseline	03/31/2012	21.4	AM15: 21.4 PJ/year in 2032
Target	03/21/2022	105	Cumulative energy savings (PJ/year) in 2032 for amendments up to year 2021/22
Trend	03/31/2013	47.9	AM 16: 26.5 PJ/year in 2032
Trend	03/31/2014	66.6	AM17: 18.7 PJ/year in 2032
Trend	03/31/2015	71	AM 19: 4.4 PJ/year in 2032 (AM18: editorial update, no savings)
Trend	03/31/2016	88.5	AM20: 17.5 PJ/year in 2032
Trend	03/31/2017	101.3	AM 21: 12.8 PJ/year in 2032

Performance Measure - Output:

Indicator: Regular (annual / biennial) update to Ontario's Energy Efficiency Regulation to set/update efficiency standards.

Data Ownership: Ministry

Frequency of Data Collection: Between one and two years

Data sources: LRC material for a regulatory amendment

Statistical Methods: # of regulatory amendments published every one to two years

Explanation of Result: The Ministry has not received MTCC approval for delivering the program. The Ministry is unable to complete an analysis of results until it has received approval and detailed program design is completed.

	Date	Value	Comment
Baseline	03/31/2012	1	AM15
Target	03/21/2022	1	One amendment published every one to two years.
Trend	03/31/2013	1	AM16
Trend	03/31/2014	1	AM17
Trend	03/31/2015	2	AM18 and AM19
Trend	03/31/2016	1	AM20
Trend	03/31/2017	1	AM21

6. Strategic Asset Management

General Information:

Description: Following recommendations from the Premier's Advisory Council on Government Assets, the province has completed the broadening of Hydro One ownership through three share offerings.

Issue/Need: In order to help support unprecedented investments in transit, transportation and other priority infrastructure projects, Ontario is broadening ownership of Hydro One, so that taxpayers would realize net proceeds.

Program Type: Public Goods

Program Eligibility: Discretionary

Funding Duration: Time limited

Multi-Year Outcome: Modernized Infrastructure and Transportation Networks

Ministry KPIs:
Net income contributions to the Province from OPG and Hydro One

Performance Measure - Outcome:

Indicator: Progress towards ownership objective.

Outcome Statement: The Province has committed to broaden the ownership of Hydro One in a staged and prudent manner over time to create lasting benefit for the public.

Data Ownership: Ministry

Data Sources: Ministry

Frequency of Data Collection: More often than annual

Statistical Methods: # Shares Held / Total # of Hydro One Shares (%)

Explanation of Result: In May 2017, the Province completed its anticipated final share offering of Hydro One and continues to hold 49.9 per cent of Hydro One's common shares. The Province has exceeded its goal of raising $9B in proceeds, with $4B flowing to the Trillium Trust for infrastructure investments.

Consistent with the legislation, the Province will maintain 40 % ownership of Hydro One.

	Date	Value	Comment
Baseline	03/31/2014	100	
Target	03/21/2018	47.4	Assumes 100% participation and closing of the COO transaction
Trend	03/31/2015	100	
Trend	03/31/2016	83	Post-IPO ownership
Trend	03/31/2017	70.1	Post April 2016 offering

Performance Measure - Output:

Indicator: # shares sold to retail investors, institutional and First Nation investors

Data Ownership: More than one source

Frequency of Data Collection: More often than annual

Data sources: Ministry, Hydro One and TSX (H)

Statistical Methods: Cumulative number of shares sold

Explanation of Result:

• November 2015 IPO: the Province sold 89,250,000 shares at $20.50 per share, generating $1.83 billion in gross proceeds.

• April 2016 secondary offering: the Province sold 72,434,800 common shares at $23.65 per share, generating $1.7 billion in gross proceeds.

• May 2017 final offering: the Province sold 120,000,000 common shares at $23.25 per share, generating $2.8 billion in gross proceeds.

• The Investment and governance branch will continue to support negotiations with First Nations on behalf of the Ministry of Energy with regards to the transfer of shares.

	Date	Value	Comment
Baseline	03/31/2014	0	
Target	03/21/2018	282,212,644	47.4 % ownership of 595,385,325 total shares (Assumes 100% participation and closing of the COO transaction by December 2017)
Trend	03/31/2015	0	
Trend	03/31/2016	89,250,000	Sold in November 2015 IPO
Trend	03/31/2017	161,684,800	89,250,000 + 72,434,800) shares sold from IPO and April 2016 offering

7. Electricity and Natural Gas Sector Regulation-OEB

General Information:

Description: The Ontario Energy Board oversees the Province's electricity and natural gas sectors through effective, fair and transparent regulation and in accordance with the objectives set out in the governing statutory framework. Its mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services at a reasonable cost.

Key Functions:

- Setting gas and electricity rates and prices

- Monitoring the financial and operating performance of natural gas and electrical utilities

- Providing consumers with the information they need to better understand energy matters

- Protecting energy consumers' interests

- Developing regulatory policy to meet emerging energy trends and challenges

Issue/Need: Protection of energy consumers and ensuring that reliable and affordable energy is delivered in the gas and electricity section requires the Province to oversee prices and regulate the conduct of energy utilities.

Program Type: Regulating

Program Eligibility: Entitlement/Statutory

Funding Duration: Ongoing

Multi-Year Outcome: Modernized Infrastructure and Transportation Networks

Ministry KPIs:
Continue to increase energy efficiency and conservation in Ontario
Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan

Performance Measure - Outcome:

Indicator: Electricity distributors maintain a high (i.e., 90%+ / 'A' rating) or positive trending customer satisfaction results.

Outcome Statement: Efficient and reliable distribution sector with just and reasonable set rates results in high or improving customer satisfaction.

Data Ownership: Other organization

Data Sources: Ontario Energy Board

Frequency of Data Collection: Between and two years

Statistical Methods: Energy Distributors with customer satisfaction above 90%/A+target /# of Distributors

Explanation of Result: Reporting requirements for the outcome measure began in 2012, availability of data is available at the end of September for the proceeding year. The 2015 results will focus as a baseline moving forward. Updated data and progress towards target will be assessed in future years.

	Date	Value	Comment
Baseline	12/31/2015	68%	
Target	12/31/2052	100%	
Trend	12/31/2016	35%	This decrease can partially be attributed to customer attitudes to the electricity sector at large during 2016.

Performance Measure - Output:

Indicator: Issue Rate Orders for all Rate Applications to be Received

Data Ownership: Other Organization

Frequency of Data Collection: Annual

Data sources: Ontario Energy Board

Statistical Methods: # of Rate orders Issued / Total # of Rate Applications to be Received

Explanation of Result: The program issues rate orders at 100% of applications received. The result is the baseline to track/maintain efficiency to which progress will be tracked.

	Date	Value	Comment
Baseline	03/31/2016	100%	68/68 (Electricity) 3/3 (Gas)
Target	03/31/2018	100%	Target value and date are ongoing
Trend	12/31/2017	95.1%	64/68 (Electricity) 3/3 (Gas)

8. Electricity System Market Operations & System Planning-IESO

General Information:

Description: The IESO balances the supply and demand for electricity in Ontario and directs its flow across the province's transmission lines. The IESO will continue the responsibility of the OPA after the merger in 2015. The key areas of focus are coordinating conservation efforts across the province, planning the power system and ensuring the development of the needed generation sources. While the IESO is consolidated with the Ministry of Energy, the government does not fund the IESO. Instead, the IESO recovers all its costs through an annual usage fee approved by the Ontario Energy Board and charged to electricity rate payers such that its expenses are fully offset from the electricity rate base.

Issue/Need: Ontarians demand that sufficient electricity is available whenever and wherever it's needed. Ensuring there is enough energy to meet the demand is an ongoing and highly complex process, requiring the close coordination of all parts of the electricity system. Ontario is transforming its electricity system to ensure a reliable, modern and sustainable power supply for the people of Ontario now and well into the future. Doing so requires significant, prudently managed investment in Ontario's electricity system. Electricity system planning requires Ontario's energy agencies, transmitters, local distribution companies and stakeholders to work together in this transformation by advising the government on electricity integrated regional resource plans (IRPPs), helping Ontarians to conserve energy and contracting for the various sources of supply.

Program Type: Public Goods

Program Eligibility: Entitlement/Statutory

Funding Duration: Ongoing

Multi-Year Outcome: Leader on Environmental Sustainability and Climate Change Mitigation

Ministry KPIs:
Continue to increase energy efficiency and conservation in Ontario

Performance Measure - Outcome:

Indicator: The IESO ensures the reliability of the bulk power system by maintaining an adequate electricity capacity reserve.

Outcome Statement: Maintaining an adequate electricity capacity reserve contributes to the reliability of electricity supply for Ontario consumers.

Data Ownership: Other organization

Data Sources: Independent Electricity System Operator

Frequency of Data Collection: Annual

Statistical Methods: (1 = Yes/ 0= No for Results Achieved)

Explanation of Result: IESO has effectively maintained reliability of the electricity system for Ontario consumers. Progress is tracking towards target.

	Date	Value	Comment
Baseline	03/31/2008	1	
Target	03/31/2051	1	
Trend	03/31/2009	1	
Trend	03/31/2010	1	
Trend	03/31/2011	1	
Trend	03/31/2012	1	
Trend	03/31/2013	1	
Trend	03/31/2014	1	
Trend	03/31/2015	1	
Trend	03/31/2016	1	
Trend	03/31/2017	1	

Performance Measure - Output:

Indicator: Electricity capacity reserve remains above requirement under the planned scenario with normal weather conditions

Data Ownership: Other Organization

Frequency of Data Collection: Annual

Data sources: Independent Electricity System Operator

Statistical Methods: (1 = Yes/ 0= NO for Results Achieved)

Explanation of Result: IESO has effectively maintained electricity capacity reserve above requirement.

	Date	Value	Comment
Baseline	03/31/2008	1	
Target	03/31/2051	1	
Trend	03/31/2009	1	
Trend	03/31/2010	1	
Trend	03/31/2011	1	
Trend	03/31/2012	1	
Trend	03/31/2013	1	
Trend	03/31/2014	1	
Trend	03/31/2015	1	
Trend	03/31/2016	1	
Trend	03/31/2017	1	

9. Northern Ontario Energy Credit

General Information:

Description: Helps low-to-moderate income individuals and families living in northern Ontario with their home energy costs. For the 2017-2018 benefit year, qualifying individuals can receive up to $148 and qualifying families (including single parents) can receive up to $227.

Issue/Need: The NOEC was introduced in 2010 to help low- to middle-income families and individuals living in Northern Ontario with their home energy costs, which are often higher in the North due to more severe winters.

Program Type: Assisting

Program Eligibility: Entitlement/Statutory

Funding Duration: Ongoing

Multi-Year Outcome: Reduced Poverty, Inequality and Exclusion

Ministry KPIs: Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan

Performance Measure - Outcome:

Indicator: N/A the program falls outside the ministry purview; all administration and funding are managed by MOF.

Performance Measure - Output:

Indicator: N/A the program falls outside the ministry purview; all administration and funding are managed by MOF

10. Ontario Clean Energy Benefit

General Information:

Description: OCEB ended in 2015. The program provided a benefit equal to 10% of the total cost of electricity on eligible consumers' bills, including tax, limited to the first 3,000 kWh of electricity consumed each month. The benefit helped over 4 million residential consumers and over 400,000 farms and small businesses with their electricity costs. The program is scheduled to end on December 31, 2015.

Issue/Need: At the time the program was created, residential electricity bills are forecasted to rise in future years at an annual average of 6.9% per year between 2014 and 2018, and 2.4% until 2032. Helping consumers manage their electricity cost is one of the key government priorities outlined in the 2014 Ontario Budget.

Program Type: Supporting

Program Eligibility: Entitlement/Statutory

Funding Duration: Time limited

Multi-Year Outcome: Reduced Poverty, Inequality and Exclusion

Ministry KPIs: Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan.

Performance Measure - Outcome:

Indicator: N/A Program had Sunset in 2015-16.

Performance Measure - Output:

Indicator: N/A Program had Sunset in 2015-16

11. Internal Functions

Minister's Office and Deputy Minister's Office: The Main Office provides the overall policy, program and management direction of the Ministry. It consists of the Offices of the Minister, Parliamentary Assistant and the Deputy Minister. Provide executive direction and management to Ministry staff, in order to achieve Ministry and government objectives.

Communications: Communications Services provides support to the ministry's policies and programs through the preparation and distribution of speeches, news releases and other communications tools. It develops and maintains the ministry website on the internet, supports the ministry's intranet site and handles information, advertising and promotion, broad-based educational programs, public inquiry support, regional communications activities and manages the correspondence for the ministry.

Legal Services: Legal Services provides the legislative and legal support to the Ministry. Activities include strategic advisory services, legal drafting and negotiations. Legal staff are employees of the Ministry of the Attorney General and are seconded to the Ministry of Energy.

Corporate Services Division: Corporate Services works to achieve Ministry and government objectives by providing vital corporate services, including accessibility, French Language Services, information technology and business solutions, Freedom of Information and Protection of Privacy activities, information and records management, accommodations and facilities management, emergency management, continuity of operations planning, procurement, controllership and accounting, and strategic and resource planning and allocation activities.

Human Resources: Human Resources is responsible for organizational planning and various HR activities to ensure ministry goals are met and corporate directives are followed. It is responsible for organizational development, health and wellness, employee engagement and diversity activities.

Policy: The Energy Supply Policy Division is responsible for setting the legislative and policy framework to ensure a clean, reliable and affordable energy system for all Ontarians. The division also provides leadership and advice on matters relating to energy supply policy, energy pricing, nuclear energy and intergovernmental affairs.
The Conservation and Renewable Energy Division provides strategic policy coordination and program related advice on key policy areas including conservation policy, conservation initiatives, energy efficiency codes and standards, conservation partnerships, and renewable energy policy.
The Strategic, Network and Agency Policy Division provides policy advice for key areas including: Energy agencies (including the Ontario Power Generation, Ontario Energy Board and the Independent Electricity System Operator) and oversight of shareholder assets; distribution and transmission networks; structural and regulatory frameworks; consumer protection initiatives; energy innovation; partnerships with Indigenous communities; and strategic and cross-cutting issues such as regional and long-term electricity planning.

		Risk Name	Description	Offset Code	Risk Type	Risk Classification	Vote Item	% Likelihood	Impact	2018-19		2019-20		2020-21		Implications of Risk	Mitigating Strategies
	Division(s)	Provide a short name for the risk	Describe your risk in detail, and provide an explanation of what the risk is and its underlying source or cause	Available offset codes: VI: Vote/Item R: Revenue NOF: No Offset	See tab 'Risk Types' for available codes	A: New - One Time B: New - Ongoing C: Existing - One Time D: Existing - Ongoing	Identify the VOTE/ITEM that is affected by the risk	Determine the likelihood in percentage terms	Indicate if impact of risk is: H: high M: medium L: low	Min ($M)	Max ($M)	Min ($M)	Max ($M)	Min ($M)	Max ($M)	Describe the rationale for the likelihood and impact on government operations, services, strategic policy, and stakeholders if the initiative does not proceed or the financial risk is not funded.	Describe the strategy to reduce the impact of the identified risk.
001	SNAP	**Electricity Rate Mitigation Programs**	Electricity Rate Mitigation Programs account for $1,633.4 million, or 80%, of the Ministry's 2018-19 preliminary allocation. These programs represent the largest fiscal risk exposure to the Ministry as they are tied to legislation that entitles recipients to funding. Actual fiscal costs may fluctuate depending on external factors (e.g. electricity prices, consumption, weather, and general economic and demographic factors of consumers). The Electricity Rate Mitigation Programs have significantly expanded the Ministry's mandate, while staff capacity has remained unchanged. The Ministry is currently risk-managing 19 FTEs above its allocation to support the administration of 6 transfer payment programs.	VI	SPD	Existing - Ongoing	2905-01	100%	H	4.4000	4.4000	4.4000	4.4000	4.4000	4.4000	The Fair Hydro Plan Programs do not have an end date. Given the high profile and large magnitude of the programs, it is important that sufficient resources are available to carry out the Ministry's role in reducing electricity prices for Ontarians.	The Ministry will continue to collect and analyze actual program data in order to update Electricity Rate Mitigation Program forecasts. The Ministry has identified a decrease in the estimated out-year costs of Electricity Rate Mitigation Programs in 2018-19 PRRT. The Ministry is requesting additional FTEs and internally realigning resources to offset funding needs starting in 2018-19.
002	IGS	**Métis Nation of Ontario Negotiation in Relation to Broadening the Ownership of Hydro One**	Ministry reported back to TB (September 13th) and Cabinet (September 28th) and obtained a revised mandate for discussions with MNO. Discussions are currently underway. Depending on the terms and timing of the final agreement, the Ministry may require up to $35 million in 2018-19 in support of the MNO negotiation and settlement.	NOF	SPD	New - One Time	2906-01	90%	H	35.0000	35.0000					Due to the potential size of the MNO negotiation and settlement costs, the Minsitry will not be able to offset this pressure from within its allocation.	The Ministry will report back to TB/MBC for approval prior to finalization of the term sheet.
003	CRED	**Affordability Fund Trust**	The Affordability Fund is a $200 million program that serves households who are not eligible for low income conservation programs and unable to make energy efficiency improvements without support. On March 6, 2017, TB/MBC approved $100 million for the establishment of the Fund as part of the government's Ontario Fair Hydro Plan. Depending on program results and electricity customer needs, the Affordability Fund Trust could require additional funding in 2018-19.	NOF	PCD	New - One Time	2902-01	90%	H	100.0000	100.0000					Due to the size of the Affordability Fund program, the Minsitry will not be able to offset the pressure from within its allocation.	The Ministry will provide regular updates to TB/MBC through Quarterly Reports including spending to date, results to date and a value for money assessment, starting Q4 2017-18. The Ministry will continue to assess the need for additional funding based on program results and electricity customer needs.