RE: Comments on Energy's deck

From: "MacIntyre, Kyle (TBS)" <kyle.macintyre@ontario.ca>
To: "Angus, Helen (TBS)" <helen.angus@ontario.ca>
Date: Wed, 07 Dec 2016 10:42:49 -0500

And here is a summary of the deck from staff:

Context

The purpose of this deck is to outline additional initiatives that the government can undertake that can help lower the cost of electricity for residential and industrial consumers and transform how the electricity market operates in Ontario. This deck is a follow-up to the comments the Minister of Energy last week raised regarding the need for changes in how electricity resources are procured and the need for electricity market renewal.

Proposed Initiatives

Energy proposed a number of initiatives that could be undertaken that can provide further savings for residential and industrial electricity consumers (note: this is in addition to the 8% electricity rebate to residential consumers and the CCAP/GGRA proposal to use cap and trade proceeds to mitigate electricity rates for industrial/commercial consumers). The list of initiatives are found on page 6 and the on-bill impacts are found on page 8 and 9 of the deck. From their slide deck, it appears the benefit to residential consumers is approximately $0.18 to $3.58 in savings per 750kwh.

Fiscal Impacts

A main component of Energy's proposal is to shift programs that are currently funded by rate-payers to the tax-base. This shift would create significant fiscal impacts to the government, as none of these programs are currently included in the fiscal plan. For example:

- Funding electricity support programs (i.e., OESP, RRRP, First Nations Delivery Rate) through the tax-base would represent a cost of $440M annually.
- Funding the Industrial Conservation initiative through the tax-base would require $900M annually.
- Reducing OPG borrowing costs and ending the debt retirement charge would also create additional fiscal impacts

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From: MacIntyre, Kyle (TBS)
Sent: December-07-16 10:38 AM
To: Angus, Helen (TBS); Jancik, Mike (TBS); Pichelli, Jason (TBS)
Cc: Nelson, Dane (TBS); Simone, Nicole (TBS) (Nicole.Simone@ontario.ca)
Subject: Comments on Energy's deck

Hi All,

We will be passing along some comments to Energy on the deck they shared on Monday. At a highlevel, here are our key comments:

- There is a need for greater understanding/information of the cost, objectives and outcomes of the proposals on additional electricity price relief is required. Some of the proposals, such as transitioning rate-based programs to tax-based, have significant fiscal impacts which need to be better outlined/understood in the deck. Clarity is also needed to understand the objectives and outcomes of moving these programs to the tax-base, including the impacts this would have for electricity consumers.

- Timing is a key consideration that should be addressed – should these proposals be for immediate and near-term implementation, it would create significant fiscal impacts in 2017-18 and 2018-19. Scalable options should be considered for all initiatives (i.e., options for the implementation of initiatives to be spread over the long-term, or through a staged-approach to help minimize the fiscal impact).

- Some of the proposals from Energy would require accounting changes (e.g. amortizing conversation program costs). Energy should work with OPCD in developing these proposals. The Auditor General may also need to be consulted.