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CABINET MEETING OF: March 1, 2017

CABINET MINUTE NO. 5 – 14/2017

Agenda Item:

Direct to Cabinet

Policy

MINISTRY OF ENERGY

- Electricity Price Mitigation

Cabinet agreed that the Ministry of Energy (ENERGY) develop electricity rate mitigation actions that, in total, support a 25% electricity bill reduction (including the 8% reduction announced in 2016) in 2017 for a typical household by undertaking the following actions:

1. For consumers eligible to be billed under the Ontario Energy Board's (OEB) Regulated Price Plan (RPP), and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor, ENERGY:

   A. Subject to completed legal, accounting and financing risk assessments, finance a portion of the Global Adjustment (GA) costs in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical customer consuming 750kWh per month in 2017 by about 16% (i.e., $26 per month). Total projected bill increases will be kept in line with Consumer Price Index (CPI) until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt and associated financing costs by 2048, with escalation in subsequent years set above CPI in order to ensure that bill increases due to repayments are capped at around 10% of the total bill. To this end, ENERGY:

i. Explore expanding the powers of OEB, Independent Electricity System Operator (IESO), and Ontario Power Generation (OPG), and use other mechanisms, including the putting in place of appropriate payment, settlement and cost-recovery authorities for and through the IESO (including accommodating payments to and from any appropriate entity), to manage the deferred GA costs.

2. ENERGY develop and implement, subject to appropriate Treasury Board/Management Board of Cabinet (TB/MBC) approvals, rate mitigation initiatives targeted at specific populations, including:

A. Broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer-funded program to a government-funded program, beginning in 2017, including:

i. Harmonizing distribution cost for customers with the highest distribution rates (Hydro One [R1 and R2 rate classes], Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power [Parry Sound service territory] and Northern Ontario Wires Inc.) at the lowest distribution rate paid by an average consumer in this group by Fall 2017.

B. Expanding every benefit level of the Ontario Electricity Support Program (OESP) by 50%, moving the program from a ratepayer-funded program to a government-funded program beginning in 2017 and pursuing additional measures to substantially increase take-up.

C. Establishing a new one-time government-funded Affordability Fund in 2016-17 to provide relief to electricity customers who do not qualify for existing low income programs and cannot purchase energy efficiency measures without financial assistance.

D. Establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve.

E. Expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500 kW for consumers under North American Industry Classification System (NAICS) codes 31-33 (i.e., manufacturing), to enhance competitiveness for Class B electricity consumers beginning July 2017. Newly eligible consumers would be required to opt-in to the program if they wish to participate.

3. ENERGY report back to TB/MBC prior to announcement on:

   A. A mechanism for refinancing the Global Adjustment, per Part 1A, including legal, accounting, and financing risk assessments.

   B. Additional proposed rate mitigation initiatives targeted at specific populations, per Part 2, including a proposal to move the RRRP program and OESP from ratepayer-funded programs to government-funded programs.

4. If a non-fiscal mechanism cannot be established for refinancing the Global Adjustment, ENERGY report to TB/MBC on options for achieving a comparable level of electricity rate mitigation in the most cost effective way in order to minimize the impact on the province's fiscal plan.

5. ENERGY, through the Long-Term Energy Plan, take steps to further reduce electricity rates across the system by:

   A. Identifying opportunities for OEB red-tape reduction and future LDC efficiencies and rates.

   B. Directing IESO to modernize Ontario's electricity market through electricity Market Renewal initiatives.

6. ENERGY explore additional rate mitigation initiatives targeted at specific populations, including:

   A. Working with the Ministry of Economic Development and Growth (including Small Business), the Ministry of Finance (MOF), the Ministry of the Environment and Climate Change (MOECC) and the Ministry of Labor (MOL) to identify additional opportunities to assist Class B electricity consumers and small-and-medium sized manufacturers, and report back to TB/MBC and Cabinet in Spring 2017.

   B. Working with the Ministry of Housing to explore ways to provide direct assistance to tenants that are not sub-metered and who do not directly benefit under the existing and proposed rate mitigation programs, and report back to TB/MBC and Cabinet in Spring 2017.

7. ENERGY seek any further TB/MBC approvals of these initiatives, prior to implementation.

8. ENERGY report back to TB/MBC by 2021 with a review of the RRRP program changes, including the efficiency and effectiveness of the program.

9. ENERGY seek needed approvals in Winter 2017 for legislative amendments to implement the above initiatives, as necessary.

10. ENERGY seek needed approvals for any supporting regulations and complementary regulatory amendments in Winter 2017.

11. ENERGY and MOF work with the Premier's Office and the Cabinet Office on the development and implementation of an integrated communications strategy.

Stephen Orsini
Secretary of the Cabinet