

TB/MBC Sept. 12, 2016	Cabinet Sept. 12, 2016	Announcement Sept. 13, 2016	Introduction Sept. 15, 2016
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This government's commitment	"The government will also take steps, through investments in residential energy efficiency, to ensure that the net impact of cap and trade on electricity cost would actually provide a modest benefit of up to \$2 per month, on average, to residential consumers. – <i>Ontario Budget 2016</i>
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SUMMARY OF PROPOSAL

The Ministry of Energy is seeking Cabinet approval to implement the following electricity price mitigation initiatives. The approach identified below would provide relief across all electricity consumer classes:

- Provide an 8% rebate equal to the provincial portion of HST to consumers eligible for the Regulated Price Plan (i.e., residential, small business and farms);
- Update the Rural or Remote Rate Protection (RRRP) program to provide further relief to rural customers;
- Expand Industrial Conservation Initiative (ICI) eligibility by lowering the threshold from 3 MW to 1 MW to provide support to Class B electricity consumers (i.e., commercial, institutional and small industrial); and
- Redirect cap and trade proceeds to commercial and industrial electricity consumers to provide a modest reduction in rates.

The Ministry also proposes to make amendments to the *Ontario Clean Energy Act, 2010*, to allow for the ceasing of all payments and reimbursements under that Act after a prescribed date.

8% Rebate to Regulated Price Plan (RPP) eligible consumers

Under the proposal, ENERGY would introduce the *Ontario Rebate for Electricity Consumers Act, 2016* in September 2016 to provide a rebate of 8% to consumers eligible for the Regulated Price Plan (this would be equivalent to the provincial portion of the HST), effective January 1, 2017. The below table indicates which consumers would be eligible for the rebate.

Eligible for the 8% rebate (< 50 kW or < 250,000 kWh/year)	Not eligible for the 8% rebate (> 50 kW or > 250,000 kWh/year)
- Residential Regulated Price Plan consumers - Residential retail consumers - Multi-unit residential buildings and other facilities used as residential rental units - Long-term care homes and school residences - Regulated Price Plan eligible farms - Small businesses - Coffee / snack retailer - Convenience store - Apparel store - Hair salon - Small insurance office	- Class A consumers - Manufacturer - Large grocery store - Mines - Auto assembly plants - Class B consumers (except farms that have opted out of the Regulated Price Plan) - Commercial offices (low rise) - Hotel - General warehousing

Those ineligible to receive the 8% rebate will benefit from one or more of the other initiatives under this proposal (e.g., RRRP update, ICI expansion, proceeds recycling).

Rural or Remote Rate Protection Update

RRRP is a rate-based funded program that helps offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province. Currently, RRRP is a \$175 million program. For an average residential customer, the cost of supporting RRRP is roughly \$1 per month. For other customers, the cost can range from \$65 for a greenhouse to \$8,000 for a medium industrial.

The majority of the program funding (\$125.5 million) is provided to Hydro One's lowest-density customers – classified as R2 customers. There are approximately 329,000 R2 customers. The current program provides a rebate of \$31.50. The proposed update to the program would increase the benefit to \$60/month.

The proposal includes an additional \$110 million in program funding that would see an increased benefit of approximately \$29/month. This would bring R2 bills in line with Hydro One R1 (medium density) bills at 1000 kWh and would increase the R2 portion of the RRRP to \$235 million. The additional monthly cost for an average residential consumer would be approximately \$0.60. ENERGY is also proposing that RRRP could be indexed at inflation or "trued up" on a regular basis to ensure the benefit remains constant.

Industrial Conservation Initiative (ICI) Expansion

The ICI was implemented in January 2011 to help large industrial power users control their electricity costs while shifting electricity consumption away from peak periods, thus benefiting all electricity consumers by decreasing the need for costly peaking generation. Electricity consumers over 5 MW and consumers from 3-5 MW in certain energy intensive sectors (e.g., pulp and paper, auto, manufacturing, steel, chemicals and mines) are eligible for ICI (i.e., approximately 300 Class A consumers). For an average residential customer, the cost of supporting ICI was roughly \$5/month in 2015.

Under the proposal, ICI would be expanded so that all consumers over 1 MW are eligible for the program, which would:

- Reduce electricity peak demand and electricity system costs by incenting more consumers to lower their electricity demand during peak periods;

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- Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods; and
- Increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system.

Newly eligible consumers in the program would mostly fall into the smaller industrial, institutional and commercial category, including: automotive supply chain companies, office towers, large shopping malls, greenhouses and others. The base setting period for the expanded program would begin in 2017, with the benefit seen by consumers starting in 2018.

	Benefit to New ICI Participants	System Benefit	Financial Impact	Residential Bill Impact
	Bill Savings	Peak Demand Reduction (MW)	GA shifted to Class B (\$M)	
Short-term	Up to 21%	80	47	Increase of \$0.42/month
Long-term	Up to 34%	165	82	Increase of \$0.74/month

Recycle cap and trade proceeds to commercial and industrial consumers

The 2016 Budget committed to offset the impact of cap and trade for commercial and industrial consumers, while also providing a benefit of up to \$2 per month for residential consumers. To meet this commitment, the Climate Change Action Plan (CCAP) committed \$1.3 billion from the Greenhouse Gas Reduction Account (GGRA) over the first compliance period (2017-2020). However, providing an 8% rebate to RPP consumers would allow for GGRA proceeds previously committed to residential consumers to be redirected to other consumer classes and/or GHG reduction initiatives in the fiscal plan.

Under this proposal, non-RPP Class B consumers and Class A consumers would receive volumetric recycling of proceeds totalling \$270 million per year on average over the first compliance period. These consumers would see a benefit of about \$3/MWh on average, in addition to offsetting the cost of carbon. This represents additional recycling to commercial and industrial consumers compared to the CCAP commitment, while requiring an estimated \$60 million less proceeds per year (i.e., a reduction of \$0.24 billion over the first compliance period).

The Climate Change Mitigation and Low-carbon Economy Act requires that the Minister of the Environment and Climate Change evaluate all actions and provide advice to Treasury Board in advance of a decision on the use of cap and trade proceeds. In the absence of the Minister's review and evaluation, Treasury Board is unable to approve the use of these funds. The Minister's evaluation includes a review of the GHG emission reductions anticipated to be reduced, or reductions to be supported by the action to ensure compliance with the legislation. **Following the Minister's evaluation, Treasury Board authorizes funds to be deployed from the GGRA.**

Should there be low demand for carbon allowances, auction proceeds would be less than the amount projected in the CCAP. This could mean a short-fall for proceeds recycling as proposed. However, natural gas utilities are expected to purchase allowances quarterly equal to their emissions.

What is the expected cost to government?

The proposal would cost an estimated \$1.2 billion per year. This is not in the government's fiscal plan and so represents an additional pressure on the plan.

FINANCIAL SUMMARY			
\$ Millions	2016-17	2017-18	2018-19
Initiative cost requested	300.0	1200.0	1100.0
Initiative cost recommended	300.0	1200.0	1100.0
Recommended program base	300.0	1200.0	1100.0
Offset Recommended – Applies if cap and trade proceeds diverted to in-plan initiatives	0.0	(60.0)	(60.0)
Total Fiscal Impact	300.0	1140.0	1040.0

The Ministry also proposes to use \$270 million per year of cap and trade proceeds to mitigate electricity prices for commercial and industrial consumers, through volumetric proceeds recycling. This would require an estimated \$60 million less per year in proceeds than the \$330 million per year previously estimated, and could provide fiscal plan flexibility of about \$60 million per year to commit to other GHG reduction initiatives in the fiscal plan. If cap and trade proceeds are not available to support this initiative, that portion of the proposal would be abandoned.

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Conversely, if cap and trade proceeds are not available to support this initiative, an additional pressure of \$270M/year on the fiscal plan would be created.

The cost of the ICI and RRRP program expansions will be shared across the electricity rate base, and are estimated to cost approximately \$0.60/month (RRRP) and \$0.74/month (ICI) for the average residential customer. The total new costs to the rate base for each program expansion are \$82 million and \$110 million, respectively.

How will the changes be communicated?

Public high-profile communications would coincide with introduction of legislation in September 2016. Stakeholder outreach/technical briefings will be held with LDCs, Ontario Chamber of Commerce, Association of Major Power Consumers of Ontario, Ontario Energy Board low-income table, Association of Municipalities of Ontario, and others.

The changes will be positioned as:

- A fiscally prudent plan to benefit all ratepayers in a meaningful way.
- Rural customers will receive significant rate relief.
- Businesses across Ontario will have even more opportunity to be competitive and manage their energy costs.

Terms you need to know

- **Global Adjustment (GA)** – Amount that accounts for differences between the market price of electricity and rates paid to regulated and contracted generators and for conservation programs. The GA is collected from all electricity ratepayers in Ontario.
- **Local Distribution Companies (LDCs)** – Local electricity utilities, responsible for distributing power from transmission lines to people's homes (e.g., Hydro Ottawa, Toronto Hydro, etc.)
- **Regulated Price Plan (RPP)** - Since April 2005, the Ontario Energy Board (OEB) has administered an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators. This pricing plan is known as the Regulated Price Plan (RPP). About 5 million residential consumers, small businesses and farms are eligible for the RPP.
- **Class B Consumer** – commercial, institutional and small industrial consumers, typically with load size between 0.05 – 3 MW. Class B consumers pay GA as a flat rate applied to electricity consumption. Class B consumers include those that choose not to become Class A.
- **Class A Consumer** – large commercial and large industrial consumers with average peak load size above 3 MW, subject to eligibility. Class A consumers pay GA based on their electricity consumption during the five highest peak demand hours during the year.

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http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2004-0205/RPP_Roadmap_Report_of_the_Board_20151116.pdf

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CABINET OFFICE ANALYSIS

The proposal aims to provide rate relief to Ontario electricity ratepayers. The proposal would meet and exceed the 2016 Budget commitment to “offset the impact of cap and trade on electricity rates in Ontario for commercial and industrial electricity consumers, while also providing a modest benefit of up to \$2 per month for residential electricity consumers”. The proposal builds on earlier electricity rate mitigation initiatives, including the Ontario Clean Energy Benefit (OCEB), ending the electricity Debt Retirement Charge (DRC), and the Ontario Electricity Support Program (OESP) that targets low-income households.

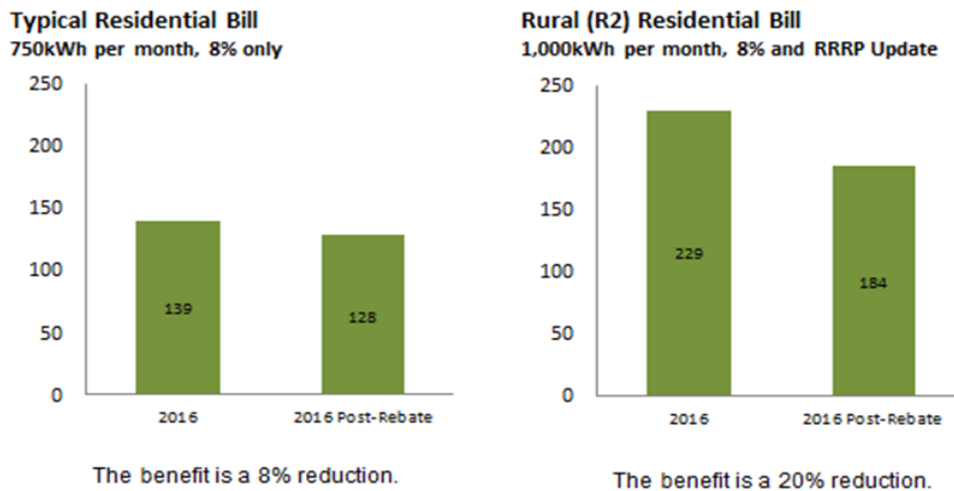
Since 2010, electricity prices have risen considerably in Ontario, particularly for families and small businesses. Prices are forecast to continue to increase as additional renewable energy generation is brought online. Ontario currently provides rate mitigation to various electricity consumers through a combination of tax-based and rate-based programs. Rate-based programs are funded by shifting costs from one consumer group to another.

Under the proposal, all electricity consumers will benefit from one or more of the proposed electricity price mitigation initiatives.

Residential and Small Business

Residential and small businesses (below 50 kW or 250,000 kWh/year), multi-unit residential, and farms eligible for the RPP will be eligible for the 8% rebate. In addition,

rural residential consumers classified as low-density customers (i.e., R2 customers) will be eligible for the RRRP **benefit** increase.

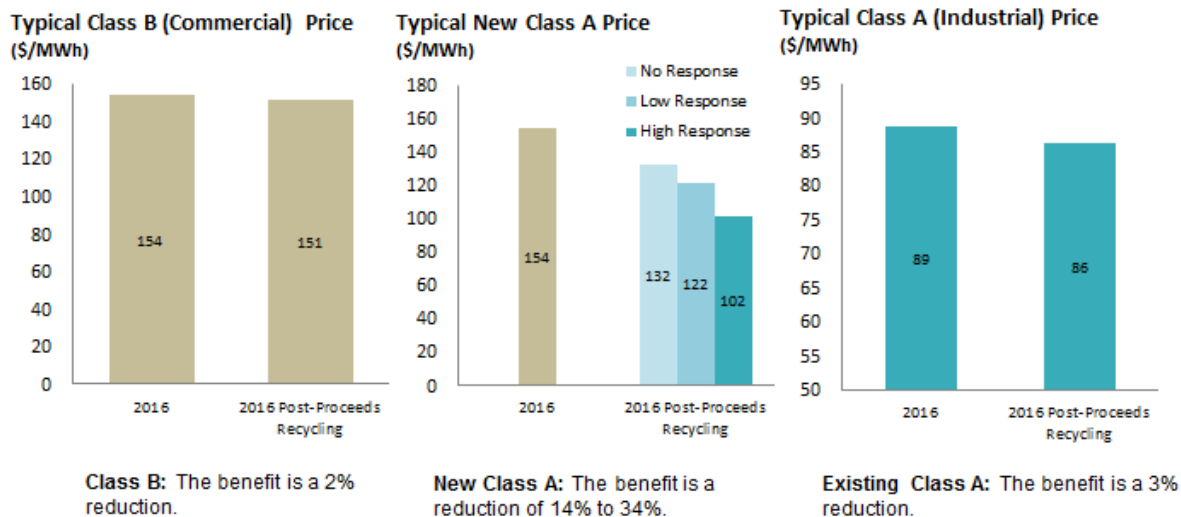


The actual amount of the 8% rebate will fluctuate with consumer consumption (i.e., the higher the pre-tax bill, the higher the rebate will be).

Industrial and Commercial Consumers

The ministry is recommending lowering the Class A threshold to include **consumers** with monthly peak demand greater than 1 MW. This is expected to add about 300 new commercial, institutional and small industrial **consumers** to the existing pool. It is estimated that these new Class A **consumer** could see their electricity bills reduced by 34% in the long-term. Non-ICI consumers (i.e., residential and Class B consumers) would see an increase in their bills of approximately \$0.74/month as a result of this change.

The Ministry is recommending that new entrants be required to opt-in to the ICI program in order to become Class A **consumers**. The reason for this requirement is that **consumers** in industries that are unable to shift their **electricity** use away from times of peak demand (i.e., motor vehicle manufacturing) may see their bills increase if they were included in the ICI program.



Under this proposal, non-RPP Class B consumers and Class A consumers would receive volumetric recycling of proceeds totalling \$270 million per year, on average, over the first compliance period (2017-2020). These consumers would see a benefit of about \$3/MWh on average in addition to offsetting the cost of carbon.

Risks and Considerations:

Electricity Rates

The 8% rebate would be structured and delivered in a similar fashion to the former OCEB. There is a risk that the government could be criticized for replacing the OCEB with a smaller rate relief package, just one year after the OCEB ended.

The proposal may also create the expectation that the government is committed to reducing or holding constant the absolute cost of electricity for consumers. Many other factors, including nuclear refurbishment and new renewable energy generation, will contribute to forecasted electricity rate increases. In addition, the impact of cap and trade would be added to electricity bills as of January 2017, while the offsetting effect of proceeds recycling **may** not occur immediately, due to implementation considerations and alignment with the first cap and trade auction expected in March 2017.

Fiscal Pressures

This proposal does not align with the 2016 Budget fiscal plan and there are no proposed offsets identified. In 2016-17 the proposal would result in a fiscal pressure of \$300M, growing to \$1.2B in 2017-18 and beyond. The proposal does not include a scheduled review period or an end date for the legislated benefit, resulting in an ongoing fiscal pressure that could only be removed by legislative amendment.

Variable Impact across Electricity Consumers

For the rate-based portions of the proposal (**i.e.**, the expansion of ICI and RRRP) the result is an increase in costs for ratepayers not included in those programs (**i.e.**, primarily

residential, small business and farms). Shifting costs to some electricity consumers to lower rates for others carries the risk that the charge would be characterized as an unconstitutional tax. To establish that the charge is legitimate, it must be established that the purpose and effect of the charge is to facilitate the maintenance of a financially viable electricity system by way of load management or some other feature under which those who are subsidized provide an overall system benefit enjoyed by those who subsidize them.

Under the proposal, some eligible consumers (e.g., multi-unit residential buildings) may receive multiple benefits (8% rebate and proceeds recycling), while others would be eligible for only one type of benefit.

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Use of Cap and Trade Proceeds

The *Climate Change Mitigation and Low-Carbon Economy Act, 2016* specifies that money gathered from cap and trade auctions may be used to fund, directly or indirectly, costs relating to prescribed initiatives *that are reasonably likely to reduce, or support the reduction of, greenhouse gas* and costs relating to any other initiatives that are reasonably likely to do so.

Energy and the Ministry of the Environment and Climate Change (MOECC) will need to work together to support the Minister of Environment and Climate Change's review and evaluation to assess the environmental implications of this proposal in more detail, and ensure that GHG emission reductions are being achieved, consistent with the requirements of the *Climate Change Mitigation and Low-Carbon Economy Act, 2016*.

Under the proposal, Energy has identified that GHG emission reductions would be achieved by:

- Reducing the cost of electricity to make it more competitive against fossil fuels, which could potentially lead to fuel switching; and
- Maintaining the incentive for recipients of proceeds to shift consumption to off-peak periods.

Alternative Options Considered

1) 8% rebate across all consumer classes – providing an 8% rebate to all consumers would ensure that residential, small business, commercial and industrial consumers would receive the benefit. The projected cost of an 8% rebate to all consumers would be approximately \$1.8B/year.

a. Cap of 3,000 kWh - limiting the calculation of the 8% rebate to the amount of fixed and volumetric charges calculated using only the first 3,000 kWh per month of consumption. Charges related to consumption over 3,000 kWh would not receive the 8% rebate. Implementation of a cap would be administratively burdensome for LDCs and likely to incur additional costs that would be passed on to ratepayers.

2) Federally administered point-of-sale rebate – under the HST agreement with the federal government, Ontario can designate items as eligible for a point-of-sale (POS) rebate of the eight per cent provincial portion of the HST in certain circumstances and within a certain envelope of rebate “room”. At \$735M and growing, a POS rebate on electricity would likely exceed the amount of rebate room available (approx. \$500M). This option

would require successful negotiation with the federal government on amending the HST agreement.

- 3) Mitigation through tax credits – Ontario could make changes to tax credits and benefits it provides through the Personal Income Tax system to help lower-income Ontarians with their electricity costs. Options include increasing the OEPTC energy amount, creating a new electricity tax credit, or increasing the NOEC amount. OEPTC and NOEC are notional and not based on usage. In most cases, home energy receipts are not required.

Delivery

The 8% rebate and RRRP updates would be effective January 1, 2017. Implementation of the 8% rebate will be done through LDCs, and will require adjustments to LDC billing systems, which could impact delivery costs and timelines.

The Ministry indicates it will consult with LDCs (possibly through Ontario Energy Board) to accurately assess these impacts once the program has been announced. LDCs have asked for at least six months' notice when implementing billing system changes, which can be mitigated by allowing LDCs to provide retroactive rebates if their systems cannot be updated in time for the January 2017 implementation.

The ICI expansion will impact ratepayers in 2018, due to the time required to implement the expansion and for billing changes. Implementation of the change will be done by a Minister's regulation amendment in fall 2016.

Recycling cap and trade proceeds would commence in 2017, subject to the results of Ontario's first cap and trade auction. Energy, working with MOECC, will report back to TB/MBC in fall 2016 for final approval on the use of proceeds to support this initiative.

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Linkages:

Ontario's Climate Change Action Plan (CCAP)

The CCAP, released in summer 2016, reiterated the 2016 Budget commitment and stated that Ontario intends to invest in initiatives that both reduce greenhouse gas (GHG) emissions and ensure that the net impact of cap and trade would not result in an overall increase in electricity costs for commercial and industrial consumers, and that there would be a modest benefit of up to \$2 per month, on average, to residential consumers.

Specifically, the CCAP committed to "use cap and trade proceeds to offset the cost of greenhouse gas pollution reduction initiatives that are currently funded by residential and industrial consumers through their bills." Redirecting cap and trade auction proceeds to lower the cost of electricity would offset committed investments/initiatives which reduce GHG emissions (e.g., non-emitting generation and conservation programs). By using the proceeds to lower the cost of electricity, there is potential to incent fuel-switching away from fossil fuels toward much cleaner grid-connected electricity and support CCAP goals of electrification.

At the time, it was estimated that redirecting cap and trade auction proceeds to lower the cost of electricity would reduce up to 3,000,000 tonnes of greenhouse gas (GHG) emissions by 2020.

\$ Billions	2017-18	2018-19	2019-20	2020-21	Total
Total Committed in CCAP	\$1.5 – 2.1	\$1.5 – 2.1	\$1.5 – 2.1	\$1.5 – 2.1	\$6.0 – 8.3
Electricity Price Mitigation	Up to 0.3	Up to 0.3	Up to 0.3	Up to 0.3	Up to 1.3

Electricity Rate Mitigation Initiatives:

The OCEB was a five-year legislated program put in place as a broad-based, transitional measure to a cleaner electricity system. OCEB was also put in place following the implementation of the Harmonised Sales Tax (HST). Unlike the previous provincial Retail Sales Tax (RST), the HST (and GST) included electricity in the taxable base. OCEB expired on December 31, 2015.

The government also recently ended the electricity Debt Retirement Charge (DRC) on residential users earlier than planned, as of January 1, 2016, and put in place the low-income targeted Ontario Electricity Support Program (OESP), effective xx, 2016.

Other Jurisdictions

Jurisdiction	Tax	Tax Paid by Business Consumers	Tax Paid by Residential Consumers	Comment
British Columbia	PST	Yes – 7%	No	- PST does not apply to residential energy, including electricity, acquired solely for residential use in a residential dwelling - BC's carbon tax does not apply to electricity bills.
Alberta	None	N/A	N/A	Alberta does not have a provincial sales tax.
Saskatchewan	PST	Yes – 5% Except for electricity purchased to heat a building.	No	- PST does not apply to electricity purchased for use in a residential dwelling. - PST does not apply to electricity purchased for use in heating a building that is heated solely by the electricity.
Manitoba	PST	Yes – 8% Reduced rate of 1.6% applies to electricity used by a qualifying business to operate machinery	Yes – 8% Electricity purchased for mixed use, 80% of which is home heating, has a reduced rate of 1.4%. Electricity solely to heat the purchaser's home is exempt.	Winnipeg also applies a tax of 2.5% on residential and 5% on commercial.
Ontario	HST	Yes (less ITC (input tax credits))	Yes – 8%	
Quebec	QST	Yes (less ITCs)	Yes – 9.975%	
Nova Scotia	HST	Yes (less ITCs)	Yes – 10% less provincially administered rebate.	Rebate is equal to the provincial portion of the HST, and is administered similar to OCEB, but applies to many energy sources.
New Brunswick	HST	Yes (less ITCs)	Yes – 10%	
Prince Edward Island	HST	Yes (less ITCs)	Yes – 9% (10% beginning Oct 1, 2016)	
Newfoundland and Labrador	HST	Yes (less ITCs)	Yes – 10%	Had a provincially administered Home Heating Rebate program until July 2015.
Federal	GST	Yes (less ITCs)	Yes – 5%	

PROPOSED CABINET MINUTE

Cabinet agreed that:

1. ENERGY implement electricity price mitigation for residential, commercial and industrial consumers, as follows:

- i) Provide a rebate of 8% on the pre-tax cost of electricity for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan; and any other consumers who would be eligible if their electricity account was with a licensed distributor;
- ii) Increase the total amount of rate protection available to R2 low density electricity consumers under the Rural or Remote Rate Protection Program (RRRP) by increasing the subsidy by \$110 million from its current level of \$127 million, which has been capped since 2004;
- iii) Implement a mechanism to periodically adjust the total annual amount of rate protection available to R2 low density electricity consumers under the RRRP, effective on or after January 1, 2018; and
- iv) Expand eligibility for participation in the Industrial Conservation Initiative (ICI) to smaller industrial, institutional and commercial customers by lowering the eligibility threshold to 1 MW and removing restrictions on eligible sectors.

2. ENERGY and MOF seek necessary TB/MBC approvals in Fall 2016.

3. ENERGY and MOF seek approvals for:

- i) the proposed *Ontario Rebate for Electricity Consumers Act, 2016* which would, subject to the Legislature's approval of the Act, include the following elements:
 - i. The rebate would be available starting January 1, 2017;
 - ii. The legislation would specify the types of costs to which the rebate would or would not be applied, with authority to make changes by regulation;
 - iii. The legislation would address invoicing requirements, including authority to prescribe how the rebate is to appear on consumers electricity bills;
 - iv. The legislation would include authority to prescribe the way in which the rebate is to be flowed through to consumers, and the way in which electricity vendors providing the rebate are to be reimbursed;
 - v. The legislation would include record-keeping requirements for electricity vendors and other prescribed persons;
 - vi. The legislation would include inspection powers for inspectors appointed by the minister of Finance, including powers related to the recovery of overpayments;

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- vii. The legislation would include consequential amendments to the *Ontario Energy Board Act, 1998* and the *Ontario Clean Energy Benefit Act, 2010*,
- viii. The legislation would provide for regulation-making authority to establish a limitation period for ceasing payments and reimbursement based on past entitlement. Similar amendments would be provided for the *Ontario Clean Energy Benefit Act, 2010* but would allow the ceasing of all payments and reimbursements after a prescribed date.

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4. ENERGY to report back to LRC and Cabinet for approval of any supporting regulations under the proposed *Ontario Rebate for Electricity Consumers Act, 2016*, and with other complementary regulatory amendments.

5. ENERGY notes the following amendments:

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- i) amendments to Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made under the *Electricity Act, 1998* to lower the Industrial Conservation Initiative (ICI) threshold to 1 megawatt and require electricity consumers and market participants between 1 MW and 5 MW to opt in.
- ii) amendments to Ontario Regulation 442/01 (Rural or Remote Electricity Rate Protection) made under the *Ontario Energy Board Act, 1998*, to increase support through the Rural and Remote Rate Protection Plan to R2 low density electricity customers.

6. ENERGY work with MOECC to recycle an estimated annual average of \$270 million of Cap and Trade auction proceeds from the Greenhouse Gas Reduction Account for non-RPP commercial and industrial electricity consumers over the first compliance period (2017-2020) through a volumetric rebate mechanism.

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

Cabinet approved version [number] of the proposed *Ontario Rebate for Electricity Consumers Act, 2016* for introduction, subject to the following:

- 1. The Office of Legislative Counsel is authorized to prepare a French version and to make minor adjustments to the English version, for the purpose of ensuring consistency between the two versions and making other improvements or correcting mistakes discovered in the translation process.

Appendix A: Proposed Treasury Board Minute

Approve electricity price mitigation for residential, commercial and industrial consumers.

In this regard:

- i) Approve a suite of initiatives to provide relief to various electricity consumer classes:
 - a) Provide a rebate of 8% on the pre-tax cost of electricity for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP); and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor, starting January 1, 2017.
 - b) Increase the total amount of rate protection available to R2 low density electricity consumers under the Rural or Remote Rate Protection Program (RRRP) by increasing the subsidy by \$110 million from its current level of \$127 million which has been capped since 2004.
 - c) Implement a mechanism to periodically adjust the total annual amount of rate protection available to R2 low density electricity consumers under the RRRP, effective on or after January 1, 2018.
 - d) Expand eligibility for participation in the Industrial Conservation Initiative (ICI) to smaller industrial, institutional and commercial customers by lowering the eligibility threshold to 1 MW and removing restrictions on eligible sectors.
 - e) Provide a modest rate reduction to commercial and industrial electricity consumers using cap and trade auction proceeds to offset the cost.
- ii) Recommend to Cabinet the proposed Ontario Rebate for Electricity Consumers Act, 2016 and that the Ministry proceed to Legislation and Regulations Committee before the end of 2016 with supporting regulations under the proposed Ontario Rebate for Electricity Consumers Act, 2016.
- iii) Approve the implementation details associated with the suite of initiatives:
 - a) Approve:
 - 1. The creation of a new item entitled "Rebate for Electricity Consumers" in the Electricity Price Mitigation Program (Vote/Item 2905-3).
 - 2. The creation of a new Transfer Payment entitled "Rebate for Electricity Consumers" in Rebate for Electricity Consumers (Vote/Item 2905-3).
 - 3. An expenditure increase in the amount of \$300,000,000 in 2016-17 in the Transfer Payment entitled "Rebate for Electricity Consumers¹" in

¹ Pending approval of the proposed Ontario Rebate for Electricity Consumers Act, 2016

Rebate for Electricity Consumers (Vote/Item 2905-3). Direct the Ministry to return any under-spending to the Treasury Board Contingency Fund.

b) Note:

1. Funding for 2016-17 will be implemented through Supplementary Estimates in the Fall of 2016.
2. Future year impacts of \$1,006,000,000 in 2017-18 and \$1,004,000,000 in 2018-19 and ongoing.

c) Direct the Ministry to report back to Treasury Board/Management Board of Cabinet in the 2017-18 Program Review, Renewal, and Transformation process on updated future year impacts.

iv) Note the reallocation of Cap and Trade auction proceeds:

- a) The Ministry of Energy to work with the Ministry of the Environment and Climate Change to invest an estimated amount of up to \$1,080,000,000, from 2017-18 to 2020-21, of Cap and Trade auction proceeds for non- Regulated Price Plan commercial and industrial electricity consumers over the first compliance period (2017-2020) through a volumetric rebate mechanism.
- b) The remaining up to \$240,000,000, from 2017-18 to 2020-21, which was previously allocated in the Climate Change Action Plan to eliminate carbon price impacts/ grid emission reductions to ratepayers, to be used for other existing initiatives within the fiscal plan that reduce greenhouse gas emissions.

In this regard:

- 1) Direct the Ministry of the Environment and Climate Change to work with Treasury Board Secretariat and Ministry of Finance to identify other existing initiatives within the fiscal plan that reduce greenhouse gas emissions that can be funded with the remaining up to \$240,000,000, from 2017-18 to 2020-21, which was allocated in the Climate Change Action Plan to eliminate carbon price impacts/ grid emission reductions to ratepayers.
- v) To support implementation of electricity price mitigation, the Ministry is proceeding with the following amendments to existing regulations:
- a) Amendments to Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made under the Electricity Act, 1998 to lower the Industrial Conservation Initiative (ICI) threshold to 1 megawatt and require electricity consumers and market participants between 1 MW and 5 MW to opt in.
 - b) Amendments to Ontario Regulation 442/01 (Rural or Remote Electricity Rate Protection) made under the Ontario Energy Board Act, 1998, to increase

support through the Rural or Remote Rate Protection Plan to R2 low density electricity customers and provide for a periodic adjustment mechanism.

- vi) Direct the Ministry to work with the Premier's Office and Cabinet Office on the development and implementation of an integrated communications strategy.