# Question/Answer
## Electricity Price Mitigation

**Looking at the entire proposal, are there any groups of consumers who would not be eligible for any electricity price mitigation (e.g., commercial consumers over 1MW, but not a part of ICI, or any others)?**

All electricity consumer groups will benefit from one or more of the proposed electricity price mitigation initiatives.

For example, under the current proposal:

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

- Industrial, institutional and commercial consumers over 1 MW will be eligible for ICI and proceeds recycling; and

- All other consumers would be eligible for proceeds recycling (i.e., existing ICI participants and industrial, institutional and commercial consumers below 1 MW or that choose not to participate in ICI).

**Note:** Electricity consumers in rental units not separately billed for the electricity they consume in their unit would not receive any electricity price mitigation unless the building owner passes on the savings through a decrease in rent.

**How would consumers who do not currently pay HST on their invoices be impacted by this proposal?**

The 8% rebate is not dependent on consumers paying HST on their electricity cost.

So consumers not paying HST on their electricity cost would still get the 8% rebate so long as they were eligible (i.e. eligible for RPP, or would be eligible for RPP if their electricity account was with a licensed distributor).

BPS consumers (specifically MUSH sector) pay HST. They are generally not eligible to claim input tax credits. However, MUSH sector entities can generally recover a portion of the HST they pay by applying for public sector body (PSB) rebates from the CRA.

**How would the proposed 8% rebate impact renters? For rental units, would savings be passed on to the individual units by the landlords? If yes, how? For rental units, how was the OCEB applied?**

Electricity consumers in rental units not separately billed for the electricity they consume in their unit would not receive any electricity price mitigation unless the building owner passes on the savings through a decrease in rent.

Rental units separately billed for electricity consumption in the unit would have the savings passed on to them. "Sub-metered" buildings would have the savings passed on to the individual units by unit sub-meter providers (working for the landlord). Other buildings would have the savings passed on to the individual units by the electricity distributor (utility) directly.

OCEB was applied to rental units that were separately billed for the electricity they consumed. Electricity consumers in rental units not separately billed for the electricity they consume in their unit would not receive any OCEB unless the building owner passes on the savings through a decrease in rent. The OCEB was applied on bills in the same way it was applied for homes (10% of the after-tax cost of electricity, up to the 3,000 kWh per month cap).

In "sub-metered" buildings, bills were issued to the rental units by a unit sub-meter provider, and the unit sub-meter provider applied the OCEB on those bills. In other buildings, bills were issued to the rental units by the distributor (LDC), and the LDC applied the OCEB on those bills.

**Is it possible to cap the rebate for residential consumers within the Regulated Price Plan?**

"Capping" refers to 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.

Implementing a cap on residential consumers only is likely technically possible, however the Ministry would need to consult with local distribution companies to confirm. Adding such complexity to program delivery would increase the cost of upgrades to LDC billing systems, costs that are ultimately passed on to consumers through distribution rates. The inclusion of a cap would also require additional communication with all customers that would be reflected on electricity bills which already are required to convey a significant amount of information. LDCs could expect to experience communication challenges with consumers confused about the limitations on their rebate.

In addition, placing a cap on residential consumers only may present an issue for local distribution companies as they may have limitations in their ability to clearly distinguish

or identify residential consumers from within rate classes for billing purposes. LDCs would need to incur additional administration costs to address these limitations.

The 3,000 kWh per month cap for the OCEB program also created an inequity amongst some multi-unit residential complexes with respect to common area electricity consumption.

For buildings that were suite metered by LDCs, their common area meter was limited to 3,000 kWh per month. Conversely, bulk or unit sub-metered buildings, were required to submit self-declaration forms to their LDC identifying the number of units in the building, creating a building cap (3,000 kWh * # units). Since average consumption for residential units is much less than the cap, a significant residual amount of cap space was available to offset common area electricity consumption.

For example, a 100 unit building with average unit consumption of 1,000 kWh per month, had 200,000 kWh per month (3,000 – 1,000) * 100) to devote to the common area consumption.

**What is the potential impact of capping residential consumers within the Regulated Price Plan?**

If residential consumers were capped within the RPP, it is expected that the main impact would be that customers who rely on electricity for heating (one of the subgroups of residential consumers most affected by rising electricity costs) would not receive the full 8% rebate. The exact fiscal impact of not capping residential customers is unknown as the Ministry of Energy does not have data on the number of residential consumers who exceed 3,000kWh.

If a 3,000kWh cap was placed on residential consumers, potential savings may be minimal given that a typical residential customer consumes 750 kWh per month on average.

Given that the fiscal savings is believed to be small, the potential administrative complexity, and the potential impact on those that heat electrically, ministry staff believe that a cap on residential consumers is not warranted.

**For ICI participants, is there any analysis of the economic benefit of the ICI program, vs the 8% rebate? (specifically, could this possibly incent ICI participants to opt out of the program?)**

The only electricity consumers that would be potentially eligible for both the 8% rebate and ICI would be large farms and potentially large multi-unit residential sub-metered builds (i.e., a very large apartment complex or condominium).

These consumers would not have to choose because they would be eligible for both.

**Note:** Navigant's advises that new participants in ICI can potentially achieve up to 34% in savings under the program (i.e., well above the 8% rebate). However, the extent of the savings under ICI would depend on a particular consumer's ability to shift electricity consumption away from peak-periods.

**Is it possible to target proceeds recycling to Class A consumers that existed prior to the pending expansion of the Industrial Conservation Initiative (ICI)?**

Yes, it is likely possible to target proceeds recycling to consumers within a rate class, including the Class A consumers that existed prior to expansion of ICI.

Currently there are about 300 Class A consumers –70 are billed directly by IESO and the remainder are billed by LDCs. In order to target proceeds recycling for these 300 consumers, IESO and LDCs would need to distinguish consumers from within rate classes for billing purposes and bill them accordingly.

The Ministry has identified the following key considerations with respect to targeting proceeds recycling to existing Class A consumers:

1. IESO and LDCs currently do not track consumers within Class A. Consequently, this would represent a new administrative/billing process which would add to the administrative complexities associated with IESO/LDC billing practices. Further consultation with LDCs/IESO would be needed to better understand the potential administrative complexities/issues related to pursuing targeted recycling.

2. The primary goal of proceeds recycling is to incent consumers to continue to use electricity or fuel switch to electricity, over more greenhouse gas (GHG) emissions intensive fuels. Targeting recycling to specific consumers segments may call into question whether the goal of proceeds recycling is emissions reduction or strictly rate mitigation for specific consumers. Put another way, it could be difficult to justify recycling to some Class A consumers but not others, if the purpose of the recycling is to incent fuel switching and greenhouse gas reductions for all consumers.

Given the considerations outlined above, the Ministry would advise against the pursuit of targeted proceeds recycling.

**[Please provide a summary of where any gaps are, or any overlap (any consumers receiving more than one type of price mitigation). Specific scenarios that were mentioned are: ICI participants who will be eligible, what happens in the waiting period? Consumers who are eligible for ICI but choose not to apply? Consumers who are ineligible for ICI but are not RPP? There is also a note in the**

**draft minute about needing more detail about the intended use of GGRA funds – the process and the intended recipients.**

This question is answered in slides in the Cabinet Submission.

**For the ICI program, how quickly can the base year be started?**

First base year can be May 1, 2016 to April 30, 2017.

**For seniors, northern customers, low income customers – are there incremental benefits to a rebate?**

This program applies to all regulated price plan (RPP) customers. Since seniors, northern customers, and low income customers are RPP customers, they would receive the rebate. The rebate would be applied in addition to any payments received under the Rural or Remote Rate Protection program, the Ontario Electricity Support Program, and any eligible tax credits they receive.

**How will consumers who do not pay HST be impacted by the 8% rebate?**

The rebate is not an HST rebate and any HST-exempt customers who are otherwise eligible for the rebate will still receive it.

**For First Nations, what is the cost sharing arrangement with the federal government for diesel, and how does HST factor in?**

Residential FN customers on reserve are generally HST exempt (as are some band assets), however, incorporated entities undertaking commercial activities (such as economic development corporations) are HST eligible. This program will apply to Ontario ratepayers, including ratepayers on reserve, irrespective of whether they are currently HST exempt.

Twenty-five remote First Nation communities in Northwestern Ontario currently rely on local diesel generation systems for their electricity needs. Local residents in the communities pay only about 10% of the actual cost to service them; the balance is covered through various federal government and Ontario ratepayer subsidies.

Fifteen of the 25 remote communities are served by Hydro One Remote Communities Inc. (RemoteCo) and 10 communities are served by band-owned Independent Power Authorities (IPAs). **RemoteCo** is regulated by the Ontario Energy Board (OEB), and receives the provincial Rural and Remote Rate Protection (RRRP) subsidy using funds collected from Ontario's ratebase. **IPAs** are not regulated by the OEB and do not receive RRRP. IPAs receive operating subsidies from Indigenous and Northern Affairs Canada.

**Is it possible that an OESP recipient could end up with a positive bill (being owed money) with the rebate applied?**

No, even with an 8% rebate on top of the OESP rebate, bills will still be negative (money owed to the LDC).

In instances where a low-income customer is charged on equal billing, a situation could emerge where a customer has overpaid at the end of a 12-month cycle after OESP and the 8% rebate are factored in. This would result in cash or credits being returned to the customer. However this process would just be to “true up” the consumers payments with their actual cost of electricity, and does not represent a situation where the consumer was paid to consume electricity.

**Would the DRC be added to the bill before the rebate is removed? Similarly, does the rebate capture the increased system cost (resulting from natural gas)?**

Answer is yes on both - rebate would apply to DRC and electricity line (within which increased wholesale price resulting from cap and trade will appear).