Cabinet agreed that:

1. ENERGY implement electricity rate mitigation actions that support up to a 25% electricity bill reduction (including the 8% reduction announced in 2016) for an average household in 2017.

2. ENERGY implement electricity rate mitigation 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 by:

   A. Subject to legal and accounting confirmation, refinancing Global Adjustment (GA) 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 up to X%. Total projected bill increases will be kept in line with inflation until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures recovery of the accumulated debt by 2048 with a cap of 25% above the actual cost of electricity service in each year for the same typical customer beginning in July 2017.

      i. Explore expanding the powers of Ontario Energy Board (OEB), Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) and using 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 and report back to Cabinet and Treasury Board/Management Board of Cabinet (TB/MBC) with a recommended approach, including proposed legislative amendments, by March 2017.

   B. If a non-fiscal mechanism cannot be established, ENERGY report back to Cabinet and TB/MBC with 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.

3. ENERGY implement additional 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:

Commented [RK1]: Is this Minute aspirational, vs listing specific measures? If so, as per 2B below, should it be cited as conditional in some way?

And/or should it be more specific, with the elements listed, and limited to them, at least as proposed to get to the up to 25%: 8% OREC, GA, tax-based funding for existing RRRP and OESP, and then be specific that is conditional on 2A, and, failing 2A, 2B?

Commented [KM2]: Average residential household?

Commented [KM3]: Is there an expectation that there would be a report back on the proposed approach that would include the legal risks and accounting treatment of GA refinancing?

Commented [KM4]: Previously drafted as "2%". How are other Energy programs dealt with? Specific reference to CPI?

Commented [MG5]: This had been added, then deleted by energy based on email over the weekend. That said, a few questions as there may be some benefit to including to be very clear what the intent is for repayment?
-Needs definition of whose accumulated debt and whether it includes interest and principle?
-Should the 25% be a range in case flexibility is needed?
-Need to confirm timing

Commented [RK6R6]: What if there is a change in the amount to be deferred due to GA costs being higher than expected, or from interest rates that are higher than modelled?

I.e., what if it becomes not possible to meet both the 2048 timeframe for full recovery and the 25% cap?

Is this an exposure to the entity carrying the deferral amounts, if cost recovery is capped and it has not fully recovered costs by 2048? – Does that raise the risk that it may not ultimately be sustainable, with then a fiscal impact?

If the expectation is that a future Cabinet could remove one or both of the 2048 or 25% limit, why impose it?

Or, is the intent to expose the entity to real risk – is that needed for the accounting treatment? And would such a constraint, presumably needed to be publicly revealed to third party bondholders, then raise the cost of debt, or would the third party debt be kept to a small tranche and senior to any government-provided debt? Would that affect the accounting analysis, if sustainability is questionable, or reliance on government debt?

Commented [MG7]: Would OEFC and/or OFA require any change to existing powers? If so, would include in this section

Commented [KM8]: Should we note here that these are intended to be non-fiscal?

Commented [KM9]: Include review of distribution support once the LDCs move to their fixed rate?

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 cost paid by the average consumer of the LDCs noted by fall 2017.

B. Expanding every benefit level of the Ontario Electricity Support Program 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 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; and

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

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

   A. Ontario Energy Board (OEB) – Identify opportunities for OEB red-tape reduction and future LDC efficiencies and rates;

   B. Directing Independent Electricity System Operator (IESO) – Modernize Ontario's electricity market through electricity Market Renewal initiatives; and

   C. TBD OPG

Commented [CC10]: OPG rate smoothing approval? ENERGY please provide language.

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

   A. Working with the Ministry of Housing to explore ways to provide direct assistance to tenants/renters that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs and report back to Treasury Board/Management Board of Cabinet and Cabinet in winter 2017.

Commented [KM11]: Confirm language.

B. Exploring ways to establish additional supports for Class B consumers and report back to Treasury Board/Management Board of Cabinet and Cabinet in winter 2017 with a recommended approach.

Commented [MG12]: New – propose a report back as not sure we've landed on exact mechanism (e.g., eliminate DRC early, expand ICI)

6. ENERGY seek necessary Treasury Board /Management Board of Cabinet approvals of these initiatives prior to any announcements in winter 2017.

7. ENERGY report to LRC and Cabinet in winter 2017 with legislative amendments to implement the above initiatives, as necessary.

8. ENERGY to report back to LRC and Cabinet for approval of any supporting regulations and complementary regulatory amendments in winter 2017.

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