Re: Draft BN for Monday TB/MBC Meeting

From: "Katona, Keley (ENERGY)" <keley.katona@ontario.ca>
To: "Strang, James (TBS)" <james.strang@ontario.ca>
Cc: "Fung, Felix (TBS)" <felix.fung@ontario.ca>, "Morgenstern, Madeleine (TBS)" <madeleine.morgenstern@ontario.ca>, "Laughton, Patrick (TBS)" <patrick.laughton@ontario.ca>, "Moore, Karen (CAB)" <karen.moore4@ontario.ca>, "MacIntyre, Kyle (TBS)" <kyle.macintyre@ontario.ca>, "Foster, Robert (CAB)" <robert.foster@ontario.ca>
Date: Sun, 11 Sep 2016 21:14:36 -0400
Attachments: RAN Electricity Price Mitigation v11 2016 09 10-ENERGY.docx (509.95 kB)

Hi James,
Attached are a few tracked edits to the note. Also an explanation below for why we need a proceeds recycling minute.
Please let me know if you have any questions.
Thanks,
Keley

Q/ Why do we need a Cabinet and Treasury Board minute for the proceeds recycling item?

In the proposed Cabinet and Treasury Board minutes, ENERGY is updating and further clarifying its approach to meet the public commitments made in the 2016 Budget and the Climate Change Action Plan (CCAP) (i.e., to recycle auction proceeds to address the impacts of cap and trade on commercial, industrial and residential electricity consumers).

As outlined in the proposed minutes, ENERGY would work with MOECC to invest cap and trade auction proceeds towards non-Regulated Price Plan electricity consumers (e.g., commercial and industrial consumers) over the first compliance period (2017-2020). In this updated approach, residential electricity consumers are no longer eligible for auction proceeds because they would receive the 8% rebate as well as the RRRP update for eligible rural consumers. Note: This change in eligibility means that less auction proceeds are required to meet the public commitments.

The proposed minutes also provides greater clarity around ENERGY's approach. For example, ENERGY plans to use a "volumetric rebate" mechanism to recycle the auction proceeds that would have a linkage to GHG emission reductions (and the government's CCAP). The minutes also provides further clarity that auction proceeds would be used to promote fuel switching to make electricity more competitive with traditionally cheaper fossil fuels, again supporting the government's CCAP.

In addition, the proposed minutes provide an update on the amount of auction proceeds required to meet the public commitments as a result of the change in which electricity consumers would be eligible for proceeds recycling (i.e., no longer residential consumers).

Finally, it is recognized that ENERGY will continue to work with MOECC and TBS to obtain the necessary approvals required to use action proceeds. These approvals include a Minister of Environment and Climate Change evaluation process, TBS's PRRT process and Cabinet approval.

From: Strang, James (TBS)
Sent: Sunday, September 11, 2016 3:51 PM
To: Subrahmanyan, Sriram (MOF)
Cc: Fung, Felix (TBS); Morgenstern, Madeleine (TBS); Langleben, Ann (MOF); Laughton, Patrick (TBS);

Arbabzadeh, Nina (TBS); Kim, John (OFA); Smook, Nick (TBS); Kaufman, Paul (TBS); Hatzis, Len (TBS); Kathirgamanathan,Shajee (OFA); Moore, Karen (CAB); Graham, Helen (TBS); Inglis, Liane (MOF); DeSouza, Jenarra (MOF); Katona, Keley (ENERGY); Kwan, Ronald (OFA); Schuurman, Tim (MOF)
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The numbers in the attached, the latest version sent a 2:24pm Sunday (today), move the outyear numbers back to the numbers the Chair was briefed on and consistent with FINAL policy deck that speaks to about $1.0B annually.

Energy submitted a Minister signed TB/MBC admin sheet requesting $300M in 2016-17. It is higher than the $261M and $271M we've heard of previously, but it addresses our concern that ENERGY at these lower estimates could find itself, in 2016-17 even after going through supplementary estimates, requesting additional funding from the Treasury Board Contingency Fund if for example it needs more than $261M or $271M. While both numbers suggest precision in their estimation, the $10M jump suggest a need for prudency.

In looking at OCEB, that started January 1, 2011, the 2010-11 amount in Public Accounts was $299.8M (Noting OCEB was at 10%, but the 8% rebate has expanded eligibility).

The recommended minute directs any underspending in 2016-17 be returned to the Treasury Board Contingency Fund, and directs energy to return through the upcoming PRRT process to, if needed, update its outyear estimates (as happened for OCEB).

James

From: Subrahmanyan, Sriram (MOF)
Sent: September 11, 2016 3:26 PM
To: Strang, James (TBS); Katona, Keley (ENERGY); Kwan, Ronald (OFA); Schuurman, Tim (MOF)
Cc: Fung, Felix (TBS); Morgenstern, Madeleine (TBS); Langleben, Ann (MOF); Laughton, Patrick (TBS); Arbabzadeh, Nina (TBS); Kim, John (OFA); Smook, Nick (TBS); Kaufman, Paul (TBS); Hatzis, Len (TBS); Kathirgamanathan,Shajee (OFA); Moore, Karen (CAB); Graham, Helen (TBS); Inglis, Liane (MOF); DeSouza, Jenarra (MOF)
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Can you advise why the costs have increased? It was about $250m this year and $1b after, less cap and trade.

Thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Strang, James (TBS)
Sent: Saturday, September 10, 2016 6:49 PM
To: Katona, Keley (ENERGY)
Cc: Fung, Felix (TBS); Morgenstern, Madeleine (TBS); Subrahmanyan, Sriram (MOF); Langleben, Ann (MOF); Laughton, Patrick (TBS); Arbabzadeh, Nina (TBS); Kim, John (OFA); Smook, Nick (TBS); Kaufman, Paul (TBS); Hatzis, Len (TBS); Kathirgamanathan,Shajee (OFA); Moore, Karen (CAB); Graham, Helen (TBS); Inglis, Liane (MOF); DeSouza, Jenarra (MOF)
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Attached is the draft briefing note for TB/MBC on Monday. We followed the minute for OCEB then refined it for this item.

James