LEGISLATION AND REGULATIONS COMMITTEE
BRIEFING NOTE

Energy
Ontario Electricity Support

Cabinet (Info) February 15, 2017	TB/MBC March 1, 2017	Cabinet (Policy) March 1, 2017	Announcement March 2, 2017
LRC/Cabinet (Reg) April 10, 2017	Effective Date (Reg) May 1, 2017	TB/MBC (Leg) Spring 2017	LRC (Leg) Spring 2017
Cabinet (Leg) Spring 2017			

Summary of Proposal

This proposal is consistent with Cabinet and Treasury Board/Management Board of Cabinet (TB/MBC) direction on March 1, 2017 to help vulnerable electricity consumers through an expanded Ontario Electricity Support Program by:

- Expanding every benefit level of the program by 50%;
- Increasing program eligibility;
- Moving the program from being funded by the rate-base to the tax base; and
- Pursuing additional measures to increase program uptake.

Proposal

The Ontario Electricity Support Program (OESP) is an Ontario Energy Board (OEB) program that provides a monthly credit directly on the electricity bills of eligible consumers, based on their household income and size. There are two scales – one with basic credits, and enhanced credits for Indigenous people or those who use electric heat or certain electrically intensive medical devices.

The Ministry of Energy (ENERGY) is seeking approval to amend Ontario Regulation 314/15 under the *Ontario Energy Board Act, 1998* to:

- Increase funding by 50% for existing OESP-eligible consumers; and
- Add new classes of OESP-eligible consumers.

On May 1, 2017, the IESO will cease collection of volumetric OESP charges from all consumers, as per a March 23, 2017 OEB Decision and Order. ENERGY intends to report back to TB/MBC and the Legislation and Regulations Committee (LRC) to seek approval of legislation in spring 2017 that would, if passed, transfer the OESP from the rate-base to the tax base prior to the IESO's variance account being exhausted.

Why does Ontario need these changes? Why now?

Addressing rising electricity prices is among the highest priorities for Ontarians. There has been increased media attention and public pressure for the government to provide ratepayer relief.

On March 2, 2017, the Ontario government announced its intention to enhance the OESP, as part of a larger electricity rate mitigation package.

How will this proposal impact Ontario?

This proposal would help vulnerable electricity consumers by increasing credits for existing OESP-eligible consumers. For instance, single, low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180). For single consumers receiving the lowest credit for the enhanced scale, the amount would increase from $45 to $68 per month ($816 per year, an increase of $276).

This proposal would also extend eligibility to more electricity consumers based on new household income and size categories.

The proposed changes are anticipated to increase program participation. As of March 31, 2017, over 188,000 applications have been approved. Of the 290,000 applications received by this date, 122,000 of them are for energy-intensive applications (electric heating or medical devices) and nearly 14,000 applications have been received from Indigenous customers.

What is the expected cost to government?

ENERGY anticipates there would be no immediate costs to government resulting from the proposed regulatory amendments.

Transferring the OESP from the rate-base to a government funded program is expected to cost up to $1.1 billion over four years (2017-18 to 2020-21), as per ENERGY's initial estimates.

What are the key steps to deliver this proposal?

If approved, the OEB would implement the proposed OESP changes by May 1, 2017. The OEB, utilities, unit sub-metering companies, and other partners are already updating their systems to prepare for the expanded OESP.

How will the changes be communicated?

ENERGY recommends a high-profile communications approach for the Ministry and the OEB to inform low-income Ontarians of the new OESP credit amounts and the expanded eligibility criteria. Tactics would include continued promotion of the program through traditional advertising, shared promotion through utility bills, and stakeholder outreach to community and social agencies.

Terms You Need to Know

- **Ontario Electricity Support Program (OESP)** – An income-tested, application based program that lowers electricity costs for the most vulnerable consumers by providing a credit on monthly electricity bills. The program is delivered by the Ontario Energy Board and has been in place since January 1, 2016.

- **Ontario Energy Board (OEB)** – A Crown agency that independently regulates Ontario's electricity and natural gas sectors in the public interest. Implements an open and transparent process to allow stakeholders to comment on various items.

- **Independent Electricity System Operator (IESO)** – An independent corporation and agency of the Ministry of Energy that operates the electricity market in Ontario. Balances the supply and demand of electricity in Ontario, and then directs its flow across the province's transmission lines, including interties with other jurisdictions.

- **Local Distribution Companies (LDCs)** – Local electricity utilities, responsible for distributing power from transmission lines to people's homes (e.g., Hydro Ottawa and Toronto Hydro).

Cabinet Office Analysis

The Ontario Electricity Support Program (OESP) is an Ontario Energy Board (OEB) program that provides a monthly credit directly on the electricity bills of eligible consumers, based on their household income (total after tax) and size.

The basic and enhanced OESP credit amounts that currently exist are depicted in Tables 1 and 2. The enhanced OESP credit amounts are available to Indigenous people, those who heat their home with electricity, and those who rely on the following at-home medical devices: kidney dialysis machine, mechanical ventilators (invasive and non-invasive), and oxygen concentrator.

Existing OESP Credit Amounts

Table 1: Existing – Basic

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$30	$30	$34	$38	$42	$50	$50
$28,001 - $39,000			$30	$34	$38	$42	$50
$39,001 - $48,000					$30	$34	$38
$48,001 - $52,000							$30

Table 2: Existing – Enhanced

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$45	$45	$50	$55	$60	$75	$75
$28,001 - $39,000			$45	$50	$55	$60	$75
$39,001 - $48,000					$45	$50	$55
$48,001 - $52,000							$45

ENERGY is proposing to amend Ontario Regulation 314/15 under the *Ontario Energy Board Act, 1998* to enhance the OESP by increasing the OESP credit amounts by 50% for all credit amounts, and adding new classes of OESP eligible consumers. The proposed OESP credit amounts are depicted in Tables 3 and 4, with new classes shaded in grey.

Proposed OESP Credit Amounts

Table 3: Proposed – Basic

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$45	$45	$51	$57	$63	$75	$75
$28,001 - $39,000		$40	$45	$51	$57	$63	$75
$39,001 - $48,000			$35	$40	$45	$51	$57
$48,001 - $52,000					$35	$40	$45

Table 4: Proposed – Enhanced

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$68	$68	$75	$83	$90	$113	$113
$28,001 - $39,000		$60	$68	$75	$83	$90	$113
$39,001 - $48,000			$52	$60	$68	$75	$83
$48,001 - $52,000					$52	$60	$68

If approved, the OEB would implement the proposed changes by May 1, 2017.

ENERGY intends to report back to TB/MBC and LRC to seek approval of legislation in spring 2017 that would, if passed, transfer the OESP from the rate-base to the tax-base. In the meantime, ENERGY would ensure the Independent Electricity System Operator (IESO) would continue to draw from its OESP variance account to fund the program. The variance account is the difference between the volumetric charge collected by the IESO from all electricity consumers, less the amount paid to OESP recipients. The IESO will cease collection of the volumetric charge on May 1, 2017, in accordance with a Decision and Order issued by the OEB on March 23, 2017.

Linkages

The government announced the proposed regulatory changes to the OESP as part of Ontario's Fair Hydro Plan. Other rate mitigation items that make up this plan include a new Affordability Fund, an enhanced Rural or Remote Rate Protection program, and a delivery credit for on-reserve First Nations households.

Low-income electricity consumers that qualify for the OESP could qualify for other energy relief programs, including one-time grants from the OEB's Low-Income Energy Assistance Program (LEAP), as well as credits from the Ontarian Trillium Benefit's Ontario Energy and Property Tax Credit and Northern Ontario Energy Credit programs.

- Under LEAP, low-income electricity consumers receive emergency financial assistance, and also benefit from special rules, such as having security deposits waived, longer payment times on arrears payment plans, and longer grace periods if facing disconnection.

On February 22, 2017, the government passed the *Protecting Vulnerable Energy Consumers Act, 2017,* which grants the OEB power in preventing electricity consumers from being disconnected during the winter months.

The government is taking other steps to address energy affordability. For instance, the Ministry of Housing is bringing forward a proposal to LRC on April 10, 2017 to make utility increases, starting with carbon costs for natural gas, ineligible for Above Guideline Increases, so that tenants in rent controlled units cannot be subject to rent being increased above the guideline on account of increased utility costs.

Delivery

If approved, the proposed regulatory amendments would take effect upon filing. The OEB would be responsible for implementing the changes by May 1, 2017.

The OEB would continue to report to ENERGY on OESP participation data, including the number of applications submitted, approved, and declined.

ENERGY would report back to TB/MBC and LRC in spring 2017 with proposed legislation that would, if passed, transfer the OESP from the rate-base to the tax base.

Stakeholder Response

On March 9, 2017, ENERGY posted this proposal for comment on the Regulatory Registry. The comment period is open until April 8, 2017. As of April 3, 2017, one comment was received, which questioned why the posting did not address moving the program from the rate-base to the tax base.

On March 14, 2017, ENERGY consulted with local distribution companies (LDCs) on Ontario's Fair Hydro Plan, including the proposed regulatory and legislative changes for the OESP.

On March 29, 2017, the OEB hosted a webinar for utilities, unit sub-metering providers, and other partners on the proposed regulatory changes. ENERGY anticipates that the majority of stakeholders would be able to update their systems so as to implement the regulatory changes by May 1, 2017.

Key Risks and Considerations

The proposal relies heavily on LDCs as partners for implementation. There are approximately 70 LDCs in Ontario that vary in size, efficiency, and ability to implement change. However, LDCs did not raise any concerns about meeting implementation timelines during the March 14, 2017 meeting and March 29, 2017 webinar. Further, Ontario Regulation 314/15 provides the OEB the authority to adjust the credit amounts after 2016. Thus, when the OESP was initially being created, LDCs were instructed by the OEB to design their systems so they could quickly adopt program changes.

The proposed OESP credit amounts would no longer follow the low income definition as set by the recently updated Statistics Canada Low Income Measure (LIM). This could apply pressure on other provincial programs to increase funding amounts. However, not all provincial social assistance programs use LIM. Based on ENERGY's initial analyses of Ontario Works and the Ontario Disability Support Program, there are some individuals who may be eligible for those programs yet still not be eligible for the OESP. ENERGY is working with the Ministry of Community and Social Services to meet other commitments under the Fair Hydro Plan (e.g., exploring automatic qualification for customers who are enrolled in other provincial low-income social programs).

The original participation target for the program is 60% based on experience of similar programs in other jurisdictions. After 15 months of program delivery, the OESP is currently at 33% participation. One of the main issues identified by the OEB in the application process is the need for signed consent forms to release tax information. ENERGY is working with the Ministry of Finance, Canada Revenue Agency, the OEB, and its service provider to remove the need for wet signatures and remove this impediment to program uptake. ENERGY is also engaging with the Ministry of

Community and Social Services to identify ways to improve OESP uptake through program streamlining.