CABINET BRIEFING NOTE
AND LRC RECOMMENDATION

Energy
Fair Hydro Plan Regulations

Cabinet (info) Feb 15, 2017	TB/MBC March 1, 2017	Cabinet March 1, 2017	Announcement March 2, 2017	TB/MBC May 9, 2017	Cabinet May 10, 2017	Introduction May 11, 2017
Royal Assent June 1, 2017	TB/MBC June 13, 2017	Cabinet June 14, 2017		Program Effective Date July 1, 2017		

Summary of Proposal

The proposed regulations are consistent with Cabinet direction. [TBC]

Context for Decision:

On March 2, 2017, the government announced Ontario's Fair Hydro Plan (OFHP), which would lower bills by 25% for a typical residential consumer, starting in the summer of 2017. Up to 500,000 small businesses and farms would also benefit. These measures include the 8% rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on electricity bills. OFHP includes some benefits for all consumer classes as well as targeted benefits to those with the greatest need, and includes the following major components:

- Refinancing a portion of the Global Adjustment (GA);
- Helping vulnerable electricity consumers ("social programs");
- Extending the Industrial Conservation Initiative (ICI);
- Improving sector efficiency; and
- Modernizing Ontario's electricity market.

Since March 2, 2017, an Affordability Fund and the ICI expansion have been implemented and the implementing legislation required partial GA refinancing and other social programs, the *Fair Hydro Act, 2017,* received Royal Assent June 1, 2017.

Proposal

This proposal is the next step in the implementation of the OFHP and would establish most of the necessary regulations under the *Ontario Energy Board Act, 1998* (OEBA), *Ontario Rebate for Electricity Consumers Act, 2016 (ORECA),* and the *Ontario Fair Hydro Plan Act, 2017* (OFHPA):

1. Partial Refinancing of the Global Adjustment (GA):

The ministry is proposing a new regulation under Part II of the OFHPA that would support the required calculations related to the refinancing of GA, including:

- the required rate reductions under the OFHPA for regulated rate consumers;
- the adjustments to be made in respect of specified consumers as defined in the OFHPA who are not regulated rate consumers;
- the methodology for determining electricity rates and adjustments to GA costs after April 30, 2018; and
- the flow-through of rates and adjustments in circumstances involving unit sub-metering.

2. Social Programs

Distribution Rate Protection (DRP)

The ministry is proposing new regulations to:

- establish a mechanism for OEB to calculate a maximum monthly distribution charge for consumers of prescribed LDCs and residential rate classes. This charge would be established by calculating the fully-fixed base distribution rates, using approved 2017 rates for the prescribed residential rate classes of a prescribed group of distributors, having regards to costs.
- prescribe the following LDCs and residential rate classes as eligible for DRP: Hydro One Networks Inc. (low and medium density classified customers (i.e. R2&R1)), Algoma Power Inc. (residential), Atikokan Hydro Inc., InnPower Corporation, Chapleau Public Utilities Corporation, Sioux Lookout, Lakeland Power Distribution Inc.-Parry Sound Rate Zone, Northern Ontario Wires Inc..
- enable payment flows to prescribed LDCs to allow recovery of DRP payments made to customers. Planned payment flows will follow the same reimbursement process under the ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.

Rural and Remote Rate Protection (RRRP)

The ministry is proposing amendments to O. Reg. 442/01 under the OEBA to:

- enable government funding to cover the total costs of rate protection for Hydro One's R2 customers.

- provide for a fixed monthly credit of $60.50, replacing the existing prescribed annual amount and will remove the escalating factor, as provisions under the DRP provide additional benefits.
- enable payment flows to Hydro One to allow recovery of RRRP payments made to its customers. Planned payment flows will follow the same reimbursement process under ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.

First Nations Delivery Credit (FNDC)

The ministry is proposing new regulations to:

- provide program parameters for the provision of an on-reserve First Nations Delivery Credit to provide for a credit of 100% of the delivery line to on-reserve First Nation residential customers. For on-reserve First Nation customers that are served by LDCs that charge a bundled rate, the credit will eliminate a monthly service charge or minimum monthly charge from the bill.
- enable payment flows to prescribed LDC to allow recovery of FNDC payments made to customers. Planned payment flows will follow the same reimbursement process under ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.
- prescribe the following LDCs as responsible for delivering the program: Algoma, Attawapiskat, Bluewater, Cat Lake, Cornwall, Fort Albany, Kashechewan, Hydro One, Hydro One Remote Communities, PUC (Sault Ste. Marie), Thunder Bay.

The ministry is proposing amendments to O. Reg. 363/16 under the ORECA to:

- provide clarity that FNDC should be included in the base amount used to calculate the 8% rebate.

Ontario Electricity Support Program (OESP)

The ministry is proposing amendments to O. Reg. 314/15 made under the OEBA to include a General Rule that would enable MCSS staff to sign up social assistance clients based upon Ontario Works (OW) and Ontario Disability Support Program (ODSP) eligibility criteria, and matching this eligibility to the existing OESP household size / income credit table.

3. Bill Presentment

The ministry is proposing to create new regulations under the OFHPA that would:

- require electricity vendors and unit sub-meter providers (USMPs) to include messaging related to OFHP and the resultant bill impacts on invoices.
- require electricity vendors and USMPs to accompany paper invoices with a descriptive bill insert to be issued once every quarter within a specific 12-month period, beginning with the first invoice issued on or after July 1, 2017 until the first invoice issued on or after July 1, 2018.
- require electricity vendors identified in regulation as servicing customers on-reserve to include a "First Nations Delivery Credit" as a visible line item on invoices and demonstrate the associated savings, as applicable.

The ministry is proposing amendments to the following regulations under the OEBA:

- O. Reg. 275/04: to remove invoicing requirements related to the debt retirement charge (DRC) exemption message, per s. 8.2. Electricity vendors and USMPs would no longer have to include informational messaging about the DRC on or with invoices, as required by O. Reg. 161/15, s. 6.
- O. Reg. 442/01: repeal the requirement for Hydro One to include RRRP-related messaging on or with invoices under O. Reg. 442/01, s.6.

To fully implement the required regulations for the initiative, the ministry will be seeking further approvals for three additional regulations prior to the July 1, 2017 implementation deadline (June 27 LRC or Cabinet TBC).

Terms you need to know

- **Global Adjustment (GA) –** The GA accounts for the difference between generation costs (contracted and rate-regulated) and the wholesale market price in order to recover fixed costs, including capital costs, of putting in place and operating Ontario's generation fleet, as well as the cost of conservation and demand management programs. The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.
- **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.) LDCs recover their costs through distribution rates. LDCs are licensed to serve a specific geographic area by the Ontario Energy Board (OEB). An LDC must receive Ontario Energy Board approval to charge a distribution rate.
- **Delivery charge –** The costs of getting electricity from generating stations to homes and businesses. Appears as one line on electricity bills, includes three components:
  - <u>Transmission:</u> The costs of moving electricity across high voltage lines from generating stations to the distribution system. This cost is recovered through a variable per unit charge that is approved by the OEB.
  - <u>Distribution:</u> The costs of moving electricity from the transmission system to homes and businesses. Depending on the LDC, distribution costs makes up about 60% to 80% of the Delivery line. This cost is currently recovered through

both a variable charge and fixed charge, approved by the OEB. Distribution rates for residential customers are moving to a fully-fixed charge by 2019 for most LDCs. Some LDCs, such as Hydro One and Algoma Power are transitioning over a longer period.

- Line Loss: The costs to recover electricity that is lost when it is delivered over a power line.

- **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.
- **Customer classification for Hydro One –** Customer service classes are determined by the kind of electricity service as well as by density – how many customers there are in the area and the number of customers per kilometre of line. Lower customer density increases the cost to serve. Residential class R1 customers are considered 'medium density' customers and residential class R2 are considered 'low density customers.' Hydro One also served urban residential customers, considered "high density" through its UR class. Hydro One also has urban and non-urban general service classes.
- **Ontario Power Generation (OPG) –** A business corporation owned by the Province that owns and operates generation assets, including nuclear and hydro, and generates almost half of Ontario's electricity.
- **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 for stakeholders to participate in quasi-judicial proceedings and formal stakeholder consultations.
- **Independent Electricity System Operator (IESO) –** An independent corporation established under the *Electricity Act, 1998* that operates the electricity market in Ontario. Balances the supply of and demand for electricity in Ontario and then directs its flow across the province's transmission lines, including interties with other jurisdictions.

Why does Ontario need these changes? Why now?

Addressing rising electricity prices is among the highest priorities for Ontarians. On March 2, 2017, the Ontario government announced OFHP, and since then, there has been increased media attention and public pressure for the government to take the necessary steps to enact the commitments made in the plan. The *Fair Hydro Act, 2017,* identifies a July 1 implementation date for the various price mitigation initiatives contained within. On April 20, 2017, the OEB announced that, starting in May, electricity rates would be 17% lower than would have otherwise been without the 8% rebate (ORECA), the anticipated move of OESP/RRRP costs to government funding, and a portion of the reductions estimated under OFHP based on a comfort letter sent from the

Minister of Energy. Pending approval of the regulations, the OEB, taking into account the full implementation of the OFHP, will recalculate rates to be implemented for July 1, 2017.

What is the expected cost to government?

The estimate for the combined impact of the support programs for the most vulnerable consumers would begin in 2017-18 and is expected to be $499M in 2017-18, growing to $753M in 2018-19 and rising. This investment has been factored into the 2017 Ontario Budget's fiscal plan. These estimates are based on variable inputs such as program uptake, future energy consumption of various consumer groups and future distribution rates, and are therefore subject to change.

TABLE 1: Fiscal Impact ($M) of Social Programs	2017-18 Budget
Rural or Remote Rate Protection	344
Ontario Electricity Support Program	140
On-Reserve First Nations Delivery Credit	15

Note: As approved in the TB/MBC submission of Mach 1, 2017, and confirmed in Vote-Item 2905-1, the financial impacts of the social programs for the period July 1 2017- March 31, 2018. ENERGY will return updated out-year figures following program implementation.

What are the key steps to deliver this proposal?

- Spring- Summer 2017- Energy to work with IESO, OEB, OPG, OFA and LDCs on the implementation of OFHP.
- July 1, 2017- the remaining reductions and initiatives associated with the OFHP would take effect. Programs that are not established on this day for technical implementation issues will have benefits that are retroactively applied to customers once program is operational in individual LDCs.

How will the changes be communicated?

[TBC]

Cabinet Office Analysis

The proposed new regulations under the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and the regulatory amendments under the *Ontario Energy Board Act, 1998* (OEBA) allow for the implementation of the key elements of Ontario's Fair Hydro Plan (OFHP) announced on March 2, 2017, to provide further rate relief to Ontario electricity ratepayers, and are consistent with Cabinet direction [TBC].

1. Partial Refinancing of the Global Adjustment:

Commented [HT1]: Further analysis to be added once details of proposed regs provided.

The ministry is proposing a new regulation under Part II of the OFHPA that would support the required calculations related to the refinancing of GA.

The new regulation is required for the Ontario Energy Board (OEB) to recalculate electricity rates in advance of the July 1 implementation deadline outlined in the OFHPA. If approved, the OEB is targeting June 22 to announce changes to rates for the July 1 effective date.

Critics of the OFHP may see the implementation of this component of the plan as compromising the independence of the OEB. This is mitigated by the fact that the government has always, through legislation and regulation, established the parameters that OEB operates and has no control over the day to day operations of the board.

2. Social Programs

Ontario Electricity Support Program (OESP)

The OESP is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by providing a rebate directly on electricity bills. The *Fair Hydro Act, 2017* amended the *OEBA* allow for the program to transition from the rate base to the government funding, and allow for the potential transition of the program administration to the Crown or other entity.

The ministry is proposing amendments to O. Reg. 314/15 under the OEBA to implement an approach to proclaim s.79.2 of the OEBA into force on a future date to be named by proclamation. This would allow time for the funds accumulated in the IESO's OESP variance account to be more fully expended prior to the repeal and replacement of s.79.2. However, the MCSS data sharing provisions, along with ss. Amendments to s. 79, the new sections 79.3 and 79.4, would came into force at Royal Assent of the *Fair Hydro Act, 2017* on June 1, 2017.

Rural and Remote Rate Protection (RRRP) and Delivery Rate Protection (DRP)

Rural or Remote Rate Protection (RRRP) helps to offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province.

The Fair Hydro Act, 2017 amended the *Ontario Energy Board Act, 1998* to enable the funding of existing RRRP for prescribed customers to be provided for through provincial revenues, rather than from electricity customers. The proposed amendments to O. Reg. 442/01 moves a portion of RRRP costs used to support Hydro One R2 customers from rate payers to government funding. This is the majority of the cost associated with RRRP.

Currently, under O. Reg. 442/01, the amount of RRRP available to Hydro One's R2 customers is capped at a fixed annual amount of $241.8 million – which amounts to a monthly subsidy of $60.50 for R2 customers. Proposed amendments to O. Reg. 442/01 will replace the existing prescribed annual amount with a fixed monthly credit of $60.50, and will remove the escalating factor, as provisions under the new section 79.3 under the OEBA provides benefits in addition to RRRP, making the escalating factor unnecessary.

The ministry is proposing a new regulation under the OEBA to creation a government funded distribution rate protection (DRP) program. The regulation establishes a mechanism for the OEB to calculate maximum monthly distribution charge for prescribed consumers by calculating the fully-fixed base distribution rates, using approved 2017 rates for the prescribed residential rate classes of a prescribed group of distributors, having regards to costs.

The proposed regulation also outlines the applicable LDCs (outlined in the proposal section above), the classes of consumers or consumers designated as distribution rate protected consumers (i.e. residential), the maximum amount of the monthly base distribution charge, limitation periods (2-year limitation period for consumers for past entitlements and a 6-month limitation period for LDCs for reimbursement), and the type of information required by OEB and the ministry to implement and administer the program, including financial transactions.

The OEB would continue its usual rate setting activities for prescribed LDCs, as authorized under the *OEBA* and prescribed LDCs would continue to collect the revenue they are entitled. However, eligible customers (~800,000) of prescribed LDCs would pay no more than the maximum charge determined by the OEB. The shortfall between the set maximum charge collected from customers and the approved OEB charge would be made up of out provincial funds.

If the required regulations are approved, the program would become active as of the July 1, 2017 effective date.

<u>On-Reserve First Nations Delivery Credit (FNDC)</u>

First Nation and Political-Territorial Organization leaders have advocated for the need for electricity rate relief for on-reserve customers and the review of delivery charges associated with transmission and distribution within the context of historical grievances related to lands affected by energy developments.

The OFHPA amended the *Ontario Energy Board Act, 1998* to enable the creation of a government funded delivery credit program for on-reserve customers. The proposed regulations provide the details of the program. Available to customers serviced by licensed distributors, the program would eliminate the delivery charge for all on-reserve First Nation residential customers, and eliminate the monthly service charge for customers that charge a bundled rate. The ministry has been working with the Chiefs of Ontario (COO) on the implementation details of the program and are moving forward with consensus recommendations from the implementation working group.

Eligible recipients would be automatically enrolled in the program through existing LDC processes for recognizing First Nation consumers with tax exempt status. The OEB estimates that, on average, customers would receive a monthly benefit of $85. The program will cost approximately $15M annually and be implemented by the prescribed

July 1, 2017 effective date. The program would not limit any eligibility for existing rate relief programs that mitigate total bill such as the Low Income Energy Program (LEAP) or OESP.

The proposed regulations define “on-reserve” consistent with the definitions of reserve land contained in the federal *Indian Act*. This approach is defensible and relatively straightforward, but may be criticised as not taking into account lands that are considered as roughly analogous to reserve land, but that do not meet the strict definitions of the *Indian Act.* For example, many communities have lands within the federal Additions to Reserve (ATR) Process that would be excluded from this program until the lands are officially recognized as reserve; a process that, in some cases, can take over a decade to complete. While this may not be a concern for certain lands that a community has purchased and put into the ATR process to expand its land base, lands provided through land claim settlements involving lands returned or provided to a community as compensation are also required to go through the ATR process. In some of these circumstances the basis for the land claim itself was a recognition that certain lands should never have not been reserve land. This risk is mitigated by the fact that many of these parcels of land will have few if any residences on them, so the impact is expected to be minor.

“Non-status” Indigenous communities without reserves (e.g. certain members of the Algonquins of Ontario (AOO), Mocreebec etc.) and Métis will not be eligible for the program as they do hold reserve lands. There is a risk that these communities could challenge the program on the grounds that it discriminates against them contrary to section 15 of the Charter. This risk is mitigated by the ameliorative purpose of the program and because targeting First Nations communities for a reserve-based program corresponds to the distinct circumstances of reserve-based communities, relative to other Indigenous communities. A genuinely ameliorative program that targets some people but excludes others is shielded from a section 15 challenge if it serves or advances the ameliorative goal.

Application of the program to more dispersed communities such as the Métis is challenging and problematic from a number of perspectives, not least of which the possible undermining of the ameliorative objective addressed by targeting on-reserve First Nation people. However, consideration should be given in the future if the program could be expanded to include recognized Indigenous communities that have discrete land bases, even if those lands are only analogous to *Indian Act* reserve lands.

3. Bill Presentment

The ministry is proposing to create new regulations under the OFHPA to enable LDCs to include OFHP messaging on invoices, including a bill insert issued once every quarter. The new regulations would also require electricity vendors identified in regulation as servicing customers on-reserve to include a "First Nations Delivery Credit" as a visible line item on invoices and demonstrate the associated savings, as applicable.

The ministry is also proposing amendments to O. Reg. 275/04 that would remove invoicing requirements related to the DRC exemption message, per s. 8.2. LDCs would no longer have to include informational messaging about the DRC on or with invoices, but requirement to include a DRC line item on electricity invoices would remain (even for charges of $00.00). The proposed amendments would also exempt Hydro One from the application of this regulation, allowing them to move forward with their planned bill redesign in Fall 2017.

In anticipation of these new OFHP invoicing requirements, the ministry has amended O. Reg. 364/16 (Minister's order) to revoke the "8% provincial rebate" messaging requirements to free-up space on the bill and avoid confusion amongst consumers. However, the requirement to include an "8% Provincial Rebate" line item remains.

RISKS AND CONSIDERATIONS:

The OFHP has a variety of considerable risks that have been well document in the initiative's policy and legislative submissions.

Fiscal- variable inputs and assumptions.

Perception

Commented [HT2]: To be inserted early next week

LINKAGES

Long-Term Energy Plan (LTEP) – Ontario is preparing to release a new LTEP in summer 2017. These plans identify needs for investments over the shorter term, while broadly mapping out the direction of the sector over a 20 year timeframe. The LTEP will balance the principles of affordability, reliability, clean energy, community and Indigenous engagement, as well as conservation and demand management.

Electricity Rate Mitigation Initiatives – The *Ontario Rebate for Electricity for Electricity Consumers Act, 2016*, (ORECA) put in place an 8% rebate for residential, small business customers and farms beginning January 1, 2017.

The Ontario Clean Energy Benefit (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 program ended on December 31, 2015.

Debt Retirement Charge – On January 1, 2016, the government ended the electricity DRC on residential users earlier than planned. For all other consumers the DRC will be removed by April 2018.

Industrial Conservation Initiative (ICI) – Implemented in January 2011 to help large industrial consumers reduce electricity costs by reducing consumption in peak periods. As part of OFHP, ICI eligibility was recently expanded to allow for the participation of the manufacturing and greenhouse sectors with an average month peak demand greater than 500 kilowatts (kW) and less than or equal to 1 megawatt (MW). ICI benefits all consumers by decreasing the need for costly peaking generation over the long term.

Affordability Fund – Approved as part of OFHP, and under development, the Affordability Fund is intended to provide energy efficiency measures to Ontarians who are not eligible for low income conservation programs, and who are otherwise unable to make energy efficiency improvements without financial assistance.

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. This commitment to residential consumers was exceeded by the January 2017 8% rebate.

The commitment to mitigate the cap and trade impact on electricity costs for commercial and industrial consumers (i.e., Class A and B) has not been fully addressed, though the two recent expansions to the ICI provides for significant potential savings. Funding electricity support programs through government funds rather than the rate base will also provide saving to Class A and B consumers.

The CCAP committed to a new Climate Change agency that would act as one window for the delivery of climate change-related programs. The Green Ontario Fund (GreenON) - is tasked to develop programs and services designed to:

- Reduce greenhouse gas emissions from housing from buildings and the production of goods; and,
- Increase uptake and overcome market barriers of low-carbon technologies and processes.

The CCAP committed that the government consult on and develop options to mitigate the impact of carbon pricing and resulting increased utility costs on residential tenants. The mitigation is proposed because tenants do not usually have the opportunity to make changes to their building envelope (e.g. windows, insulation) or major appliances that would allow them to address utility costs themselves. On April 24, 2017, the government introduced the *Rental Fairness Act, 2017* which, if passed, would remove above-guideline rent increases for utilities, to protect tenants from carbon costs and encourage landlords to make their buildings more energy efficient.

DELIVERY

The proposed regulations are required under the major components of the *Fair Hydro Act, 2017* in order to fully implement the initiative and clarify program details.

1. Partial Refinancing of the Global Adjustment:

The ratepayer benefit of the OFHP will be in place as of July 1, 2017. The establishment of the regulatory asset and purchase by OPG is expected to take three to six months to implement following the June 1, 2017 Royal Assent of the *Fair Hydro Act, 2017*.

The act includes transition provisions in circumstances where for technical or operational reasons invoices cannot be adapted in time for the issuance of the first invoices under the program. In these cases, adaptation of invoices must be implemented by August 1, 2017, followed by a subsequent lump sum credit to the consumer once the invoice is adapted.

Using the methodology outlined in the OFHPA and the Part II regulations, the OEB will calculate the electricity rates that consumers will pay as of July 1, 2017.

2. Social Programs:

OESP

The amendments made through the *Fair Hydro Act, 2017* allow for a transition period where the program continues to draw on the existing IESO variance account. IESO is required to notify the Ministry of Energy when it expects the variance account to be depleted (likely sometime in the fall).

Current proposed amendments will enable the sharing of information between the Ministry of Community and Social Services (MCSS) and the OEB to help streamline OESP enrollment for Ontario Disability Support Program (ODSP) and Ontario Works (OW) recipients.

DRP and RRRP Enhancement

The programs will take advantage of existing LDC and IESO processes. The regulatory amendments also enable payment flows to prescribed LDC to allow recovery of RRRP and DRP payments made to customers. Planned payment flows will follow the same reimbursement process under ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.

It is possible that for technical reasons not all LDCs will be able to implement the changes required under the programs in time for the prescribed effective date. In this case, the regulation will dictate the eligibility of July 1st and give until October 1, 2017 for LDCs to get their systems in place. The LDCs would provide a lump sum credit to customers that would otherwise have been eligible for benefits under the program starting.

On-Reserve First Nations Delivery Credit (FNDC)

The ministry is consulting with affected LDCs, the OEB, the IESO and Chiefs of Ontario (COO) on implementation. FNDC will take advantage of existing LDC, IESO, and community-LDC relationships to implement the program. The regulatory amendments also enable payment flows to prescribed LDC to allow recovery of FNDCpayments made to customers. Planned payment flows will follow the same reimbursement process under ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.

It is possible that for technical reasons not all LDCs will be able to implement the changes required under the program in time for the prescribed July 1, 2017 effective date. OFHPA includes transitional provisions that would ensure customers remain eligible for the delivery credit from the prescribed date. Once available, the rebate would appear on the eligible customer’s electricity bills as a credit for their delivery line.

STAKEHOLDER AND PARTNER CONSIDERATIONS

General public (including residential and small businesses) – Likely support a proposal that is projected to provide 25% in average rate relief (including the 8% announced in 2016) and other targeted relief for vulnerable Ontarians, but likely to question the longer term implications. Some individuals and organizations will perceive the GA smoothing as unduly burdening future generations. Ability of the public to understand current and recent changes will heavily depend on government communications. There may be also some criticism that additional fiscal pressure and risk is being taken to benefit some customers that are not in as much need of rate relief as others (i.e., those that own second homes or cottages).

Large Industrial and Commercial Consumers – Will continue to be concerned with the impact of cap and trade on electricity prices and the commitment in the Climate Change Action Plan to use GGRA funds to “keep electricity rate affordable”. Will likely respond positively to the recent changes to expand ICI eligibility to some manufacturing and greenhouse Class B customers, but may be more neutral on the rest of the initiatives.

The impact of cap and trade has been added to electricity bills as of January 2017. Class B consumers have raised concerns about the cost of electricity and its impact on their business competitiveness. Although Class A electricity consumers have access to ICI, they are also concerned about the impact of cap and trade on their electricity costs. They are expecting that GGRA funds will be used to mitigate their costs. There is an expectation government is going to take specific action to mitigate their increases due to cap and trade, and given the initiatives proposed in this submission, there is no plan to provide further relief through the Greenhouse Gas Reduction Account. Funding electricity support programs through government funding rather than the rate base will provide some saving to both Class A and B consumers.

Tenants – Likely to support any future price mitigation measures that directly benefit them; likely to react negatively if no mitigation measures target them.

Northern communities – Likely to support the targeted RRRP delivery relief.

Indigenous communities – First Nation members who live on reserves are likely to support the proposal because of the targeted delivery relief. Other Indigenous communities (i.e., Métis, non-status, First Nations without reserve land bases) are likely to react negatively at being excluded from the delivery charge relief.

eNGOs – May react negatively towards any price relief that is not directly tied to energy conservation. May criticize the inclusion of natural gas electricity generators as part of the clean energy costs.

Solar PV sector – May react negatively to price relief as it can be seen to undercut the economics of net metering.

LDCs – Have expressed the need for an additional tool to provide assistance to their customers who are having difficulty with their electricity bills.