Energy Rebate Bill Introduction
Q&As
September 15, 2016

KEY MESSAGES:

- **Our government is dedicated to reducing electricity costs wherever possible while building a clean, modern and reliable energy system that will serve Ontario for generations to come.**

- **Ontario's businesses are thriving and last year our economic growth was double the national average. Our strong economy enables us to make proposed changes that would reduce energy costs while continuing to support Ontario's businesses**.

- **Ontario will introduce legislation today that would, if passed, reduce electricity costs for about five million residential consumers.**

- **In addition to the proposed bill, proposed regulatory amendments would expand the Industrial Conservation Initiative (ICI) to include all sectors and have a lower threshold for participation, empowering more industrial and commercial consumers to take control of their energy use and deliver more savings.**

- **Rural consumers would receive an additional benefit from decreasing rural delivery charges. Eligible customers would receive a combined total benefit of an average of $540 a year or $45 each month.**

Commented [MB1]: Despite the name of the program, it is not just industrial consumers that can participate.

Top Q&A

Q. **Why is the government introducing these price mitigation measures? Is the government finally acknowledging that electricity prices are too high?**

A. Over the last decade, our government has built a safe, clean, reliable energy system.

And today we are taking steps to reduce electricity bills across the province.

Our government has heard from Ontarians and is committed to helping them with their everyday living costs.

We are taking action. We are reducing electricity bills for families, businesses both small and large, and reducing costs even more for northern, rural and remote communities.

We currently offer many programs to assist customers with their electricity costs, including the Ontario Electricity Support Program, and we are proposing a bill that, if passed, would offer more relief to consumers.
Our next step is a billion dollars in taxes that we are giving back to Ontario families. The people of Ontario deserve to be the first to benefit from the hard work we have put into balancing our budget and meeting our fiscal targets.

Q. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget?

Commented [DS2]: I assume you are referring to the rebate and not the name of the Bill here and in the Answer?

A. The Ontario Rebate for Electricity Consumers would help make everyday life easier for Ontario families, small businesses and farms with electricity costs by providing a rebate that is equal to the eight per cent provincial portion of HST. This eight per cent rebate would appear directly on the consumer's electricity bill.

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Q. Even with these price mitigation efforts, Ontarians will still likely struggle to pay their electricity costs. What are you going to do to stop further increases in the future?

A. Over the last decade, our government has built a safe, clean, reliable energy system.

And today we are taking steps to reduce electricity bills across the province.

The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging generation and transmission infrastructure and transitioning off coal-fired generation.

Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

Our government has put in place programs to assist Ontarians with their everyday living costs.
Measures to reduce electricity bills include:

- Conservation First Framework: Ontario is investing $2.6 billion between 2015 and 2020 to help homeowners and businesses reduce energy use to save money
    - saveONenergy for Home Conservation Program: Provides rebates to help offset the cost of purchasing and installing new heating and

Commented [KG3]: Program offered under the Conservation First Framework cooling equipment in the home and electricity-saving measures like LED lighting, ENERGY STAR certified ceiling fans, baseboard programmable thermostats, clotheslines, and advanced powerbars

- Removing the Debt Retirement Charge from residential electricity bills, as of January 1, 2016: This measure is saving a typical residential electricity user who consumes about 750 kWh per month about $65 each year.
- Ontario Electricity Support Program (OESP): The new OESP helps make electricity more affordable for low-income families. The OESP provides an ongoing rate reduction directly on the bills of low-income consumers who have applied and meet the eligibility requirements. Consumers will receive an on-bill credit of between $30 and $50 a month -- customers with unique electricity requirements could be eligible for a higher level of assistance.

Q. If the government is looking to reduce electricity system costs, why not simply cancel expensive renewable energy projects

A. Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas (GHG) emissions and provides cleaner air for this and future generations of Ontarians.

Ontario's 2013 Long-Term Energy Plan includes targets for renewable energy:

- 10,700 megawatts (MW) for wind, solar, and bioenergy to be online by 2021
- 9,300 MW for hydroelectricity to be online by 2025.

We set those targets to fulfill our commitment to replace coal-fired generation with cleaner sources of energy, which not only benefits our environment but also the health of Ontarians.

The diversity of the current supply mix also insulates Ontario against sudden changes in cost or availability of any one source, and is one of the greatest strengths of Ontario's electricity system.

Each of the supply mix elements, including hydroelectric, nuclear, natural gas, non-hydro renewables, conservation and clean imports, plays a unique role in delivering a reliable and cost-effective source of energy to Ontarians.

Q. Was there any consultation with the public or with businesses when developing these price mitigation measures?

A. Our government has heard from Ontarians and is committed to helping people with their everyday living costs.

We are taking action. We are reducing electricity bills for families, businesses both small and large, and reducing costs even more for northern, rural and remote communities.

We currently offer many programs to assist customers with their electricity costs, including the Ontario Electricity Support Program, and we are proposing a bill that, if passed, would offer more relief to consumers.

This year, the Ministry of Energy is also beginning to develop its next Long-Term Energy Plan (LTEP).

Developing the LTEP is a highly collaborative process. The Ministry works closely with its agencies and stakeholders during LTEP consultations and development.

LTEP consultations are expected to take place in fall 2016 and we encourage all Ontarians to take part.

The consultations will be supported by an electricity technical report released by the IESO on Sept 1 2016 and a fuels sector technical report being prepared by an independent third party. These documents will both be released prior to consultations.

The Ministry of Energy will promote the participation of the public and stakeholders in the consultation process by posting information on the Environmental Registry, having in-person sessions and making use of online and other consultation tools.

Q. Why are you expanding the Industrial Conservation Initiative (ICI)? How will the expansion of ICI help businesses with their electricity costs?

A. The ICI allows large electricity consumers to reduce their electricity costs by reducing their demand during peak hours. Reducing consumption during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.

The ICI is currently available to electricity consumers over five megawatts (MW) and consumers from three to five MW in certain energy intensive sectors.

To give more businesses the incentive to participate in the ICI, we will be taking proposed measures to lower the threshold to one MW and to remove sector restrictions so that more consumers can benefit.

Newly eligible consumers will be able to opt-in to the ICI program at their discretion.

Q. How much can Industrial Conservation Initiative (ICI) participants expect to save on their electricity costs? When will they start to see a financial benefit?

A. ICI participants save up to one-third on their electricity bills.

Companies that opt-in to ICI would see the impact in 2018 due to the time required to implement the expansion and the need to set a one-year baseline.

Q. How many companies will be eligible for the Industrial Conservation Initiative (ICI) once the expansion happens?

A. Currently there are about 300 consumers in the ICI program. More than 1,000 additional businesses will be eligible under the expanded program.

Newly eligible consumers would have to decide whether they wish to opt-in to ICI program.

We wouldn't want to speculate on the number of companies that will choose to participate in the program.

Q. What about companies that can't shift their operations to off-peak hours? Will they be penalized financially by having to pay higher rates?

A. We recognize that electricity costs are a major factor for businesses participating in Ontario's economy. That's why Ontario has programs in place to help industrial consumers address the cost of their electricity.

In addition to the Industrial Conservation Initiative, there are many existing programs and incentives available to support industrial consumers.

For example:

- Participants in the Northern Industrial Electricity Rate Program (NIERP) receive a rebate of two cents per kilowatt hour. On average, industrial electricity prices can be reduced by up to 25 per cent through the program. In 2015, the Ontario government announced the commitment to an ongoing NIERP beyond March 2016.

- The IESO's Industrial Accelerator Program provides financial incentives to eligible transmission-connected companies to fast track capital investment in major energy conservation projects.

- The IESO holds annual demand response auctions, which provide availability and utilization payments to successful participants that commit to reducing their electricity consumption when called upon to do so.

- The saveONenergy for Business conservation programs for commercial and industrial consumers offers financial incentives to distribution-connected small businesses, commercial, institutional and industrial consumers, to install energy-efficient equipment and improve the energy efficiency of their buildings.

As we move forward we will continue to look at all options to strike the balance between reliability and affordability, while continuing our work on modernizing our electricity system.

Q. If new Industrial Conservation Initiative (ICI) participants will be getting a break on their bills, where will the money come from? How will costs get shifted?

A. An ICI participant's share of peak demand is used to calculate some electricity charges. The remainder of these charges not allocated to ICI participants would be shared across remaining consumers.

Over the long-term, system benefits from ICI include reducing the need for new peaking generation.

Impacts will depend on a number of factors, including how many eligible companies decide to opt-in and their ability to reduce their electricity demand during peak hours.

Q. How will customers receive this rebate? Is it permanent? Are there any requirements to be eligible? Who will be receiving this rebate? How much can an average customer expect to save off of their electricity bill?

A. The proposed rebate will be available to all consumers eligible for the Regulated Price Plan — including about five million residential consumers, small businesses and farms.

Our government has heard from Ontarians and is committed to helping them with their everyday living costs.

Through our proposed three-point plan, our government would reduce the cost on electricity bills across the board:

- Families and small businesses would be rebated an amount equal to Ontario's percentage of HST on their bills.

Commented [MB4]: Defer to SNAP.

Commented [DS5]: It will actually be available to some other consumers as well – including consumers having contracts with electricity retailers and consumers of off-grid independent power authorities.

Commented [DS6]: We cannot say "will". The bill has to be passed by the legislature, and the reg. amendments have to be approved by the LGIC.

Commented [DS7]: It is not a savings of 8% on the bill. For e.g., the rebate is not applied to the HST or to certain other charges such as interest, so the actual savings could be closer to 7%.

- ICI participants, such as manufacturers, would save up to one-third on their electricity bills as a result of the Industrial Conservation Initiative, which would be a benefit from reducing consumption during peak hours

- Rural customers would be rebated an average of $45/month — a necessary relief for families to help offset the cost of supplying power (i.e., the delivery charge) to these areas.

Consumers wouldn't have to do anything to receive the rebate; it would be automatically added to their bills.

Q. Will any other programs be affected by this rebate? For example, will recipients of the Ontario Electricity Support Program also receive the rebate?

A. The proposed rebate will be available to all consumers eligible for the Regulated Price Plan regardless of income, status or location.

The rebate will work with other existing programs, such as the Ontario Electricity Support Program.

Q. Are consumers really receiving an eight per cent rebate when taking into account the costs associated with the other price mitigation measures you're announcing today (i.e. the Rural or Remote Electricity Rate Protection program and the Industrial Conservation Initiative)?

A. The proposed rebate would be eight per cent, effectively offsetting the provincial portion of the HST.

Commented [DS8]: This sounds like it reduces the costs before tax is applied – so that the HST applies to a lower cost base. That isn't the case.

Q. Isn't this just another version of the Ontario Clean Energy Benefit (OCEB) — except it's eight per cent instead of 10 per cent? Why didn't you just keep the OCEB?

A. The OCEB was a five year temporary program that ended, as planned, on December 31, 2015.

The OCEB was introduced to help families, farms and small businesses, manage their costs during our transition from coal-fired electricity generation towards a clean, modern and more reliable electricity system.

The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

We understand the price of electricity can still be a particular challenge for those that pay a higher share of their income towards their bill — such as low-income families, seniors on a fixed income, and homeowners that heat with electricity.

Recognizing this, we are introducing proposed new measures that would take effect January 1, 2017.

Commented [DS9]: Could also say "… we are proposing new measures …" This is the wording used at the bottom of p. 9.

These initiatives would give Ontario's residential consumers, small businesses and farms more ways to manage their electricity costs while we continue to make the critical investments needed to maintain our energy system.

Q. How will the Greenhouse Gas Recycling Account work to help reduce costs for commercial and industrial consumers?

A. As outlined in the 2016 Budget and the Climate Change Action Plan, the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

Q. Why is the government using Greenhouse Gas Recycling Account (GGRA) funds to help reduce the electricity costs of commercial and industrial companies? Aren't GGRA funds supposed to go to programs/initiatives that reduce greenhouse gas emissions?

A. As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

Using cap and trade auction proceeds to lower the cost of electricity would make it more competitive with traditionally cheaper fossil fuels.

By using the proceeds to lower the cost of electricity, there is potential to incent fuel-switching away from fossil fuels toward much cleaner grid-connected electricity and support the CCAP's goals of electrification.

Q. The Minister of Energy recently requested asked the Ontario Energy Board (OEB) to look into rate relief for First Nations. Will the OEB's report take the Rural or Remote Rate Protection (RRRP) update into account?

A. Our government recognizes that the price of electricity can be a particular challenge for those that pay a higher share of their income towards the bill — particularly residents in rural and remote communities and on-reserve First Nation customers.

We have heard concerns about high electricity costs from First Nation leaders across Ontario and understand on-reserve First Nation customers often face unique challenges that lead to higher electricity consumption and higher costs that impact electricity affordability.

Given these unique challenges, the Minister of Energy committed to look at options for addressing First Nation electricity cost. That's why under Section 35 of the Ontario Energy Board Act, 1998, the Minister of Energy requested that the OEB investigate appropriate rate assistance options for on-reserve First Nation electricity consumers.

The OEB is an independent regulator with a mandate to protect Ontario consumers with respect to electricity prices and ensure the financial viability of electricity distributors.

We wouldn't want to speculate on what the OEB will be recommending in its report.

The OEB has been asked to report back to the Minister on rate options, cost and funding mechanisms and program development issues by January 1, 2017.

Q. Why are rural customers receiving an additional benefit?

A. Approximately 330,000 rural consumers will benefit from an expanded Rural or Remote Rate Protection (RRRP) program. These customers experience some of the highest electricity costs in the Province due to the challenges of delivering electricity to low density areas.

RRRP has not been expanded in over a decade, reducing its ability to mitigate cost challenges for the customers. This expansion will bring low density delivery rates closer to those paid by other customers in the province.

Q. Why are urban customers subsidizing rural customers? Isn't this just a tax on some to provide relief for others? How does this rate relief benefit the electricity system?

A. The Rural or Remote Rate Protection (RRRP) program has been in place since 2001 and replaces a similar program that was in place prior to 1998.

Our energy system is being transformed and we are making needed investments to modernize the system. We chose to replace coal-fired generation with cleaner sources of energy, which will not only benefit our environment but also the health of Ontarians.

We are taking steps to ensure a clean, reliable and affordable energy system for all Ontarians.

We know that these changes have come at a cost to Ontario's residential and business consumers. Recognizing this, we are proposing new measures that would take effect January 1, 2017.

Q. Do other provinces provide harmonized sales tax (HST) rebates related to energy?

A. Currently, there are no federally-administered point-of-sale rebates for electricity in any of the other provinces participating in the HST.

Nova Scotia is the only province with a provincially administered home energy rebate program that is equal to the provincial portion of the HST and applies to all sources of residential use energy, including electricity.

Newfoundland and Labrador had a "Residential Energy Rebate" that was discontinued on July 1, 2015. The rebate, which came into effect October 11, 2011, was a provincially administered energy rebate equal to the provincial portion of the HST on energy used for residential purposes, including electricity.

Q. Will the federal government be rebating its portion of the HST?

A. The federal government has not shared any plans to mitigate electricity costs for Canadians.

The Province continues to work with the federal government when there is an opportunity to partner or consult as it relates to regulatory and emerging issues.

Ontario remains committed to making everyday life easier for people across the province by lowering costs and enhancing convenience and choice.

[Drafting note: MoF suggested including the following Q&A in case it comes up:]

Q. What happens to input tax credits claimed by businesses?

A. Most businesses engaged in commercial activities can claim input tax credits to recover the HST they pay to operate their business.

Following the introduction of the eight per cent rebate, businesses that receive the rebate would continue to be able to claim the HST input tax credits as usual. Generally, this means the businesses would claim an input tax credit for the full 13% HST they pay on their electricity costs, and not reduce what they claim by the amount of the provincial rebate.

With this rebate, businesses across Ontario would have even more opportunity to be competitive and manage their energy costs.