Ontario

Ontario's Fair Hydro Plan

Caucus Presentation

May 2017

Ontario's Fair Hydro Plan

- 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. Most small businesses and farms would also benefit.
- These measures include the 8% rebate introduced in January and builds on previously announced initiatives to deliver broad-based rate relief on electricity bills.
- Any rate increases for typical residential consumers over the next four years would be held to the rate of inflation.

- The Fair Hydro Plan has the following major components:
  1. **Refinancing the Global Adjustment** (GA)
  2. **Helping vulnerable electricity consumers**
  3. **Enhancing competitiveness for small manufacturers and industrials**
  4. **Improving sector efficiency and modernizing Ontario's electricity market**

1. Refinancing the Global Adjustment

- The OFHP proposes to refinance the Global Adjustment (GA), which would provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
  - In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on electricity ratepayers. In later years, when system costs are expected to be reduced due to the continued operation of existing assets, the cost of refinancing would be recovered from ratepayers.
- Electricity consumers that are eligible for the RPP would benefit from GA refinancing.
  - In order to be eligible for the RPP, annual consumption must be below 250,000 kilowatt hours (kWh) per year or peak demand must be below 50 kilowatts (kW). This includes small businesses such as dry cleaners, convenience stores, small restaurants and retail stores.
- Actual ratepayer savings would vary depending on distribution company and consumption patterns. For example, a typical Toronto Hydro consumer, using 750 kWh per month, would see an immediate savings of 25% when combined with other rate mitigation measures.

2. Helping Vulnerable Electricity Consumers

- Under the OFHP, costs associated with the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) program will be shifted from the ratebase to the taxbase. In addition, the following programs will be established or enhanced:

Broadening Rural Remote Rate Protection (RRRP):

- RRRP is a legacy program of Ontario Hydro and has existed in its current form since 2001. Presently, it benefits approximately 350,000 customers by mitigating some of the high costs of electricity distribution in rural or remote areas of the province.
- OFHP would expand the RRRP to provide delivery charge relief for customers served by the LDCs with the highest delivery charges in the province (top ~1/8th of distribution rate classes). About 800,000 residential consumers would benefit from the enhanced program, up from 350,000.

Expanding the Ontario Electricity Support Program (OESP):

- The OESP is an income-tested, application-based program that lowers electricity costs for the most vulnerable consumers, such as low-income households and seniors living on a fixed income, through on-bill rebates.
- OFHP would enhance OESP by streamlining the OESP process to drive participation toward 100%, increasing the existing OESP credit scales by an additional 50%, and expanding the categories of OESP credits.

First Nations Delivery Credit (FNDC):

- Acting on recommendations from the OEB, the government proposes to eliminate the delivery charge for all on-reserve First Nations residential customers and eliminate the monthly service charge for customers of licensed distributors which charge a bundled rate.

LDC Affordability Fund:

- OFHP would establish a new Affordability Fund, which will support Ontarians who do not qualify for low-income conservation programs, but have difficulty paying their electricity bills and are unable to undertake energy efficiency improvements without financial assistance.

3. Enhancing Competitiveness for Small Manufacturers and Industrials

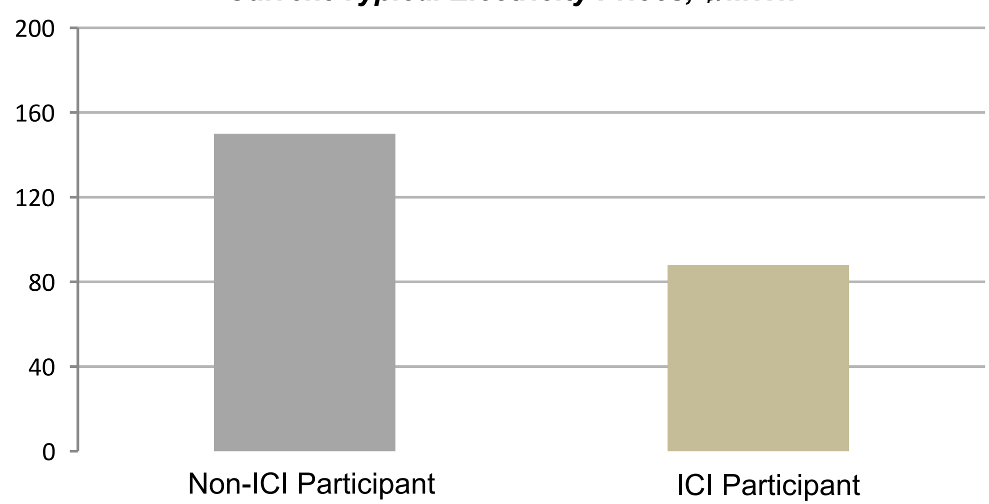
- Effective January 1, 2017, the Industrial Conservation Initiative (ICI) was expanded to allow electricity consumers with average monthly peak demand greater than 1 MW to lower their electricity bills by up to one-third by reducing consumption during peak hours. This initiative benefits companies financially and saves system costs by deferring the need for new peaking generation.

- Under the OFHP, ICI eligibility has now been further extended to include electricity consumers in the manufacturing and greenhouse sectors with average monthly peak demand between 500 kW and 1 MW.

- The government intends to engage in targeted outreach through the Independent Electricity System Operator (IESO), Local Distribution Companies (LDCs) and sector organizations (i.e., Ontario Chamber of Commerce, Canadian Manufacturers and Exporters, the Ontario Greenhouse Alliance) to educate on the availability and potential benefits of ICI.

- On a per unit basis, ICI participants pay the lowest price for electricity in the province (on average).

Current Typical Electricity Prices, $/MWh



4. Improving Sector Efficiency and Modernizing Ontario’s Electricity Market

- Under the OFHP, the government would continue to look for opportunities to improve sector efficiency, reduce system costs and modernize Ontario’s electricity market.
- This would include working with the OEB to encourage shared partnerships on services between utilities, review its regulatory requirements to reduce red tape and eliminate costs, and look at innovative opportunities to further drive transmitter and LDC efficiencies and productivity improvements.
  - These initiatives will be further explored in the Long-Term Energy Plan (LTEP).
- The government would also move forward with IESO Market Renewal initiatives, including projects such as undertaking “technology-neutral” procurements through a capacity market, transitioning to a single-schedule system (from the current two-schedule system), implementing a day ahead market and better aligning with with other jurisdictions.
  - Changes related to IESO’s Market Renewal initiatives, reflected in HOEP and uplifts, are estimated to save up to $300 million per year, starting in 2021.

ONTARIO ENERGY BOARD

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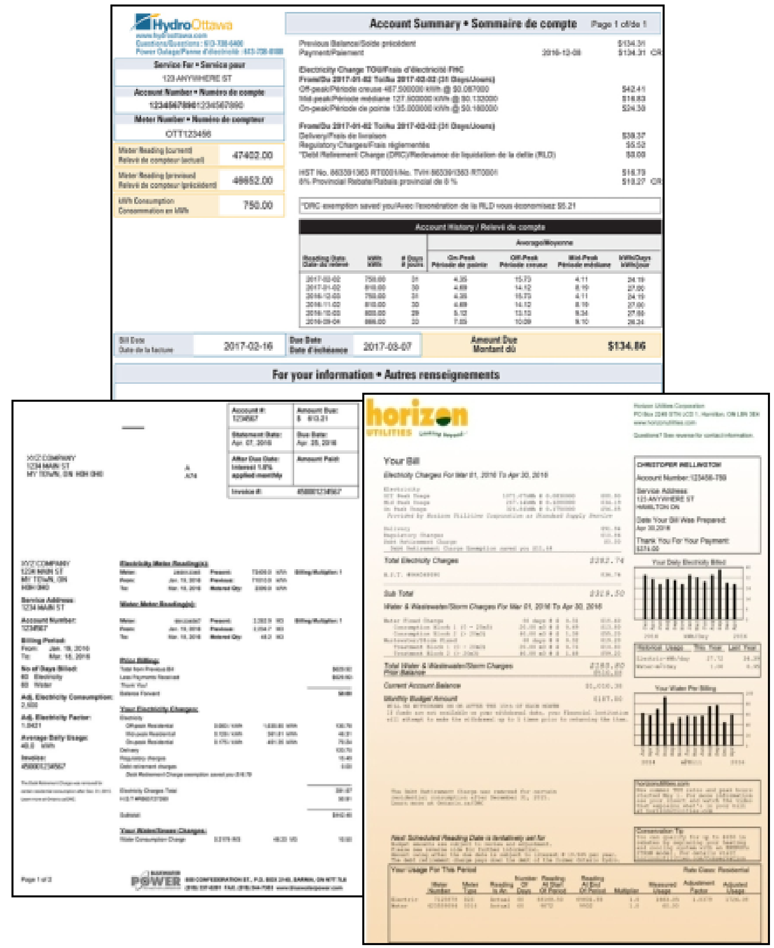
Powering Tomorrow.

Electricity Bill Authority & OFHP Messaging

Electricity Bill Requirements – Authority Overview

- In Ontario, most electricity customers receive bills for their consumption of electricity from their LDC.
- The government has the authority to stipulate requirements in relation to the form and content of electricity bills.
- The main regulations that prescribe these requirements include:
  - **O. Reg. 275/04**, which requires bills to display specific line items, as well as a glossary of terms, consumption information and government messaging.
  - **O. Reg. 364/16**, which requires LDCs to include the 8% provincial rebate for consumers on bills, bill inserts and envelopes.
  - **O. Reg. 429/04**, which requires the GA to be disclosed on electricity bills for specified customers.
- Outside of these requirements, LDCs enjoy the flexibility to present their bills in a manner which they believe best responds to the preferences of their customer base.
- As a result, LDCs have taken different approaches to the grouping, position and graphical representation of the required elements, causing bill appearance to vary widely across Ontario's ~70 LDCs.



Bill Example – Bill Front

Toronto Hydro-Electric System Limited
YOUR ELECTRICITY BILL
TORONTO HYDRO

Account Number
[redacted]
To be used for payments

Premise number
[redacted]

Meter Number
[redacted]
SCARBOROUGH ON [redacted]

Statement Date	Feb 13 2017
Amount Due	$92.32
Due Date	Mar 05 2017
Amount Paid	

416.542.8000 www.torontohydro.com

Interest will be charged on any amount not received by the due date at the rate of 1.5% compounded monthly (19.56 % per annum) from the due date until receipt of such amount and all accrued interest.

Statement Date, Policy on Due Date
OEB Codes

Phone & Website Contact O. Reg. 275/04

Service Location: [redacted], SCARBOROUGH

Page 1 / 1

Heading
O. Reg. 275/04

Your Electricity Charges

Sub-headings
O. Reg. 275/04

Electricity
****Electricity supplied by Toronto Hydro through Standard Supply Service.
Billing Inquiries: (416) 542-8000

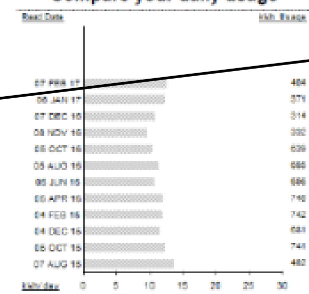
Price & Consumption Breakdown must follow "Electricity" Sub-heading
O. Reg. 275/04
Policy on Applicable TOU Price and Period
OEB Codes

Time of use - Winter	
57.113 kWh On-peak (Highest Price) @ $0.18 / kWh	10.28
38.826 kWh Mid-peak (Mid Price) @ $0.132 / kWh	5.13
308.061 kWh Off-peak (Lowest Price) @ $0.087 / kWh	26.80
Delivery	42.59
Regulatory	3.12
Debt Retirement Charge[1]	0.00
Your Total Electricity Charges	87.92
H.S.T. (H.S.T. Registration 896718327RT0001)	11.43
8% Provincial Rebate	7.03 CR
Your Previous Charges	
Amount of last bill	89.59
Payment Received Jan 16 2017 - Thank You	89.59 CR
Balance Forward	0.00
Total Amount Due by Mar 05 2017	**$92.32**

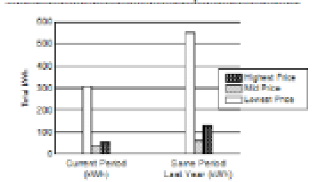
8% Rebate
O.Reg. 364/16

Policies on Late Charges, Balance Forward, Deposits, Total Amount Due, etc
OEB Codes

Compare your daily usage



Time of use Comparison



Historical Use Comparison
O.Reg. 275/04
- *Not required in graphic form*
- *No specific requirements re: the length of historical comparison period*

Our Conditions of Service document is changing.
Learn more at torontohydro.com/conditionsofservice

Actual Meter Read O. Reg. 275/04

DRC Messaging
O. Reg. 275/04

8% Rebate Messaging O.Reg. 364/16

Your electricity usage

Meter Number	Meter Reading Period	Number of Days	Read Type	Current Reading	Previous Reading	Billing Mult.	kWh Used	Loss Factor Adjustment	Adjusted kWh Used
[redacted]	JAN 06 2017 TO FEB 07 2017	32	Act.	96142	95738	1	404	1.0376	419.189

[1] The Debt Retirement Charge was removed for certain residential consumption after Dec. 31, 2015.
Learn more at Ontario.ca/DRC.
Debt Retirement Charge exemption saved you $2.83

The Ontario government is providing a rebate on your electricity costs equal to the provincial portion of HST.

Ontario

MINISTRY OF ENERGY

Bill Example – Bill Back

Policies on Forms of Payment
OEB Codes

Explanation of Electricity Terms in Prescribed Language
O. Reg. 275/04

Website links for where to get more Information in Prescribed Language
O. Reg. 275/04

TOU Prices and Periods
OEB Codes

CONTACT US

BUSINESS HOURS
Monday to Friday
8:00 A.M. to 4:30 P.M.

TELEPHONE
416.542.8000

WEBSITE
torontohydro.com

BILLING & PAYMENT OPTIONS

GO PAPERLESS WITH EBILLS
Conveniently manage your bill online–anytime, anywhere **torontohydro.com/ebills**

MAIL
Send cheque (including invoice stub) to:
Toronto Hydro PO BOX 4490 STN A
Toronto, Ontario M5W 4H3

ATM OR TELLER
Pay your bill in person

TELEPHONE OR ONLINE BANKING
Make a payment right through your bank!

GO GREEN, SAVE TREES
If you do not need a return envelope with your bill, please email us at **contactus@torontohydro.com**

PRE-AUTHORIZED PAYMENTS
Pay your bills automatically and on time, through your bank **torontohydro.com/pap**

SAFETY FIRST

POWER OUTAGE?
24-HOUR HOTLINE
416.542.8000

CALL BEFORE YOU DIG
IT'S THE LAW
1.800.400.2255

REPORT A STREETLIGHT OUT
24-HOUR HOTLINE
416.542.3195

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Access your account online–24 hours a day, 7 days a week

Moving made easier
Update your move information online in just minutes–quick & easy

Manage your accounts wherever you are
Log in from anywhere you have internet access, 24/7

Are you a landlord?
Track electricity consumption for units across the city

View account details with just one click
Current balances, due dates and payment methods

See your bills at-a-glance
Up to two years of payment history is available

Sign up for an online account at torontohydro.com/mytorontohydro

You can access our Privacy Policy at **torontohydro.com/privacypolicy** or you can call us at **416.542.8000** to request a copy of this policy. We are committed to protecting your privacy and would like to take this opportunity to inform you about the personal information we collect, how it is used, how we protect your confidentiality and your rights with respect to this information.

LEARN MORE ABOUT HOW YOUR ELECTRICITY DOLLARS ARE SPENT AT TORONTOHYDRO.COM/LEARNMORE

Explanation of Electricity Terms on Your Bill. For a detailed explanation of electricity terms, please visit: torontohydro.com/billing or ontarioenergyboard.ca

Electricity–This is the cost of the electricity supplied to you during this billing period and is the part of the bill that is subject to competition.

Delivery–These are the costs of delivering electricity from generating stations across the Province to Toronto Hydro then to your home or business. This includes the costs to build and maintain the transmission and distribution lines, towers and poles and operate provincial and local electricity systems.

A portion of these charges are fixed and do not change from month to month. The rest are variable and increase or decrease depending on the amount of electricity that you use.

The delivery charge also includes costs relating to electricity lost through distributing electricity to your home or business.* Toronto Hydro collects this money and pays this amount directly to our suppliers.

*When electricity is delivered over a power line, it is normal for a small amount of power to be consumed or lost as heat. Equipment, such as wires and transformers, consumes power before it gets to your home or business.

Regulatory Charges–Regulatory charges are the costs of administering the wholesale electricity system and maintaining the reliability of the provincial grid and include the costs associated with funding Ministry of Energy conservation and renewable energy programs.

Debt Retirement Charge–The debt retirement charge pays down the debt of the former Ontario Hydro.

Global Adjustment–Electricity generators in Ontario receive a combination of payments from the operation of the wholesale market, payments set by regulation, and payments under contract. Your portion of the net adjustments arising from these and other authorized payments is included on your bill as the Global Adjustment.

REBATES, TIPS & TOOLS TO HELP YOU SAVE

We make it easy to save energy at home

FIND OUT about programs and incentives to help you save energy and better manage your costs.
torontohydro.com/conservation

LEARN why conservation matters to you, our city and our planet.

GET REWARDED with incentives to help you improve your energy efficiency and save.

OUR COMMITMENT TO ACCESSIBILITY

Toronto Hydro is committed to providing quality service that is accessible to everyone. It is our goal to ensure that all customers, employees and members of the public receive the same type and quality of service from Toronto Hydro, regardless of any barriers that may exist. To learn more, visit **torontohydro.com/accessibility**

SHIFT AND SAVE WITH TIME-OF-USE RATES

Evenings and weekends are always the lowest priced periods.
Learn more at **torontohydro.com/TOU**

Off-peak
Mid-peak
On-peak

OFF-PEAK YEAR-ROUND
Weekends and Statutory Holidays

PAY YOUR BILL AUTOMATICALLY

torontohydro.com/pap

- Pre-authorized payment is secure and reliable
- Never miss a payment – just set it and forget it!
- Save time, postage, late fees

8% Rebate – Bill Insert & Envelope

8%
PROVINCIAL REBATE

On January 1, 2017, your electricity costs went down 8%.

Ontario's government is reducing electricity costs by rebating an amount equal to the provincial portion of the HST on your monthly hydro bill. That's an 8% rebate for Ontario families, and on average will mean $130 more in your pocket each year.

This is part of Ontario's plan to help people with the costs of everyday living by reducing electricity costs. Across Ontario, about five million residential consumers, farms, and small businesses will benefit from this rebate.

PUC Services Inc. will implement these savings onto your bill by July 1, 2017. Applicable savings will be retroactive to January 1, 2017.

Ontario

8% Rebate on Bill Insert
O.Reg. 364/16
- LDCs required to include bill inserts displaying the Ontario government trillium logo, "8% Provincial Rebate" and specified messaging.

8% Rebate on Bill Envelope
O.Reg. 364/16
- LDCs required to prominently display "8% Provincial Rebate" on electricity bill envelope.
- Envelope also required to include the statement, "Ontario is helping reduce electricity costs for families, businesses and farms".

8%
PROVINCIAL
REBATE

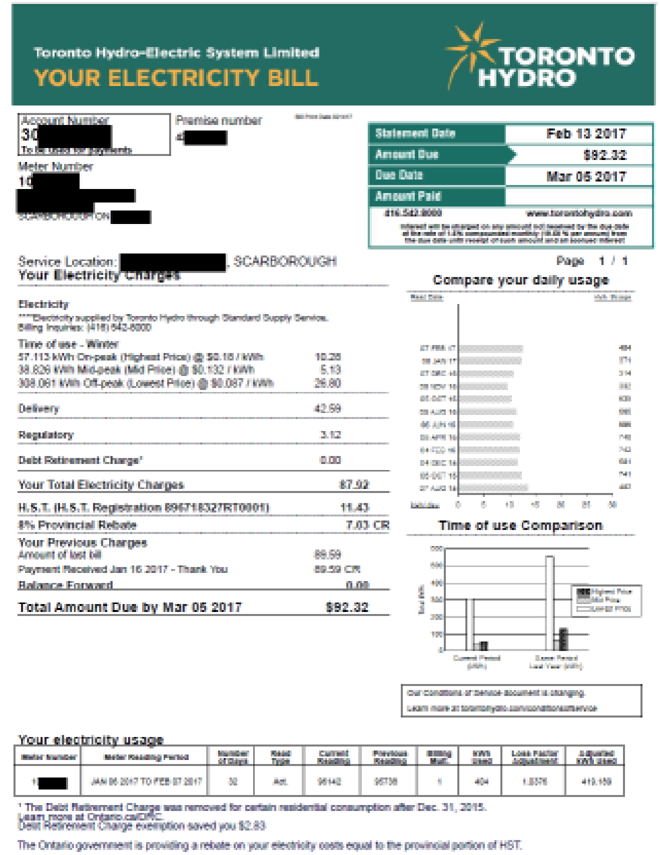
OFHP Implementation

- Implementing new programs are IT projects for LDCs – they require time and resources in order to meet deadlines.
- The government is asking LDCs to undertake aggressive rollouts of these programs so that recipients can benefit in summer 2017. LDCs have provided feedback that extensive bill presentment changes could impact these timelines.
- The table below summarizes the work LDCs must do to provide the OFHP programs.

OFHP Initiative	Implementation Date	# of LDCs Affected	Required Actions
GA Refinancing	May 1, 2017	All LDCs	• OEB sets the TOU rates which the LDCs use.
Increased Ontario Electricity Support Program (OESP) Credits	May 1, 2017	All LDCs	• LDCs will need to update credit amounts in their systems and ensure they report into the OEB/IESO as needed. • OEB to work with Central Service Providers and LDCs to ensure their systems are updated and reflect the new credit amounts.
Rural or Remote Rate Protection (RRRP)	July 1, 2017	8 LDCs	• LDCs will need to identify eligible residential consumers and ensure they report into the OEB/IESO as required.
First Nations Delivery Credit (FNDC)	July 1, 2017	11 LDCs	• LDCs will need to identify on-reserve residential consumers and ensure they report into the OEB/IESO as required.
Tax Basing Social Programs	May 1, 2017 (OESP); July 1, 2017 (RRRP)	All LDCs	• LDCs will need to remove/reduce these tariffs, which will require more effort as these rates are typically updated annually.

OFHP Near-Term Messaging

- To ensure LDCs can provide OFHP programs on-time, the government is proposing minimal near-term messaging requirements.
- LDCs will be required to provide:
  1. General invoice messaging to explain the existence of OFHP, with adjustments to the 8% rebate messaging where required. This would appear on bills as of July 1, 2017
  2. A bill insert explaining OFHP programs in greater detail, with a targeted provision date of June 2017



Ontario's Fair Hydro Plan is lowering electricity bills by 25% on average for all residential customers and as many as half a million small businesses and farms.

Possible pre-July 1, 2017 OFHP messaging
- Any messaging introduced would be subject to Legislative Council approval
- In addition, new messaging is likely to require legislative amendments to create space on the bill.

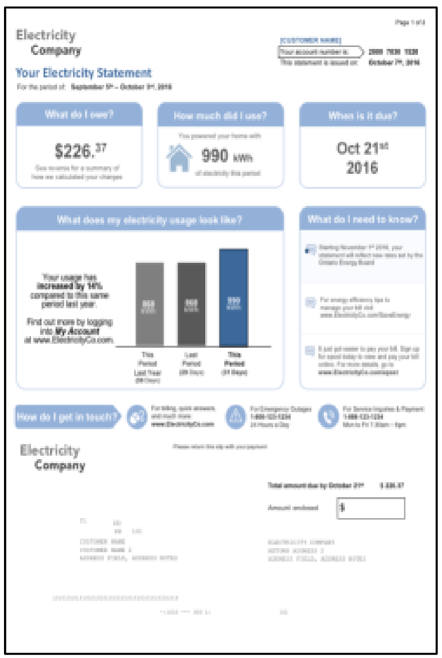
Bill Messaging Challenges

- The Ministry and LDCs have often received feedback that the current electricity bill is confusing and does not provide desired information.
- In recognition of this growing customer service issue, Hydro One is investigating ways to improve the appearance and comprehension of its bill, which has remained unchanged for over a decade (see below).
- As part of this undertaking, they have enlisted the services of a behavioural research firm, “BEworks”, and engaged an online panel of 4,000 customers. They have also held in-person research sessions and consulted with the OEB and the IESO on the redesign of their bill.
- The following represents key feedback customers have provided regarding Hydro One’s current bill:
  - A lack of transparency
  - Use of over-complicated language
  - Poor understanding of charges
  - Overcrowded text
  - A lack of visual aids
  - Formal tone and manner
  - Confusion from usage information
  - Too numerical

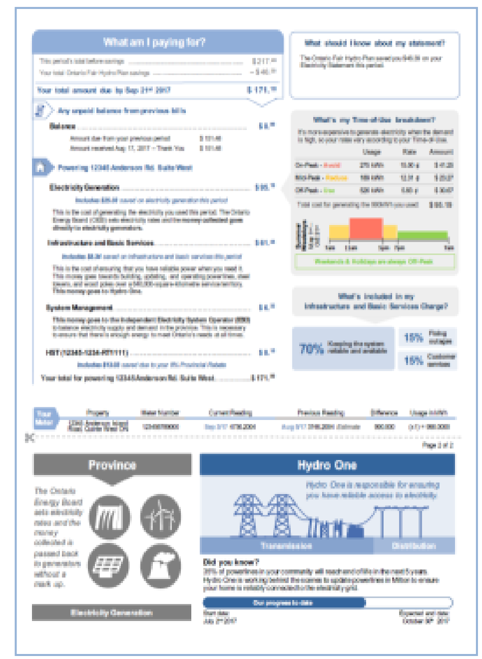
Hydro One: Current Bill

Bill Improvement Activity – Hydro One

- Utilizing this feedback, Hydro One is prototyping alternative bill presentments within the constraints of current regulations, their technical system and operating budget.
- The redesigned bill has been observed to improve customer satisfaction and comprehension. It also promotes a higher ease of understanding, greater satisfaction with the amount of information on the bill and improved attitudes towards the LDC and electricity sector (see below left).
- Hydro One is also developing an “ideal” revised bill which is not restricted by regulatory requirements (e.g., O. Reg. 275/04). This prototype replaces the second page of the bill with a version that uses more plain language.



Hydro One: Redesigned Bill



Hydro One: Ideal Revised Bill

Next Steps & Work Plan

- The Ministry believes there is opportunity for a consultation on the design of the bill, with a goal to refresh the regulatory framework to improve the value of the bill to the consumer across all LDCs.
  - Changes of this nature will require more in-depth consultation with LDCs, as well as broader regulatory amendments to simplify the requirements, necessitating a longer period to implement.
  - This refresh would also include opportunities to communicate OFHP savings in a more personalized and comprehensive manner.
- The Ministry proposes to convene with LDCs in July, once they've had sufficient time to make the backend changes necessary to implement the OFHP initiatives, to discuss the changes they would like to see to bill presentment. We would also seek their feedback on how to improve the associated regulations.
- Consultation will also involve consumer advocates and other interested parties.
- Based on this feedback, the Ministry would aim to introduce regulatory amendments to simplify bill presentment in the Fall 2017.

Discussion Items

- How should the savings from Ontario's Fair Hydro Plan be communicated to ratepayers in the near-term? For example, using bill inserts, on-bill messaging, envelope messaging, or all of the above?
- In the long-term, how should the savings from the OFHP be communicated to ratepayers? For example, personalized messaging could include, "You have saved $X due to the Fair Hydro Plan".
- What items do you feel should be eliminated/modified from an electricity bill (if any)?
- What information should electricity bills include that is not currently provided (if any)?
- What information should be prioritized in bill display?
- How important is bill design uniformity across the province?

Appendix A: Proposed Legislation to Enable Global Adjustment (GA) Refinancing, enhanced RRRP and the First Nation Delivery Credit

Legislation to Enable GA Refinancing, enhanced RRRP and the First Nation Delivery Credit

- The Ministry of Energy, the Independent Electricity System Operator (IESO), Ontario Power Generation (OPG) and key ministries (i.e., MOF, TBS and OFA) continue to work on drafting legislation to enable GA Refinancing.
  - The legislation is intended to provide for the fair allocation of GA-related costs across generations of consumers which would provide for the initial reduction in consumers' rates.
- Legislation is expected to be introduced in May 2017 that would, if approved, set out the roles and responsibilities for the different parties involved in the implementation of GA Refinancing (e.g., Province, IESO, OPG, OEB, etc).
  - **Note:** Regulations and commercial agreements would provide additional detail and will follow the introduction of legislation.
- In addition, the Ministry of Energy has written to the Ontario Energy Board (OEB) to ensure that they are aware of the Government's approach to GA Refinancing in order to allow the Board to take this into consideration in the calculation of the Regulated Price Plan (RPP) prices that will be in place from May 1, 2017.
- As with any legislative initiative, we must take care to respect the role of the Legislative Assembly of Ontario in legislative matters and not attempt to take actions that could be seen to suggest the Legislature's role is irrelevant, tangential or pro forma or which presumes a particular outcome.
- Accordingly, participants who are working with us to implement Ontario's Fair Hydro Plan programs and services, if approved, have been asked to be mindful in their communications and with their customers, not to include unqualified statements that could have the effect of predicting or presuming that legislation related to Ontario's Fair Hydro Plan will pass and become law.
- The legislative package will also include amendments to establish authority for new social programs (enhanced RRRP and First Nations Delivery Credit) as well as the authority to fund these programs from the taxbase.

Appendix B: Recent Regulatory Changes – ICI/OESP

Recent Regulatory Changes – ICI/OESP

ICI

- On January 1, 2017, the Ministry amended *O. Reg. 429/04* to allow all consumers over one megawatt (MW) of monthly average peak demand to be eligible for ICI. Prior to this change all consumers over 5 MW and consumers in selected sectors between 3 and 5 MW were eligible.
- The Ministry made additional amendments to *O. Reg. 429/04* to make consumers with more than 500 kilowatts (kW) and less than 1 MW of monthly average peak demand in the manufacturing and greenhouse sectors eligible for the program. Consumers in this size class with North American Industry Classification System (NAICS) codes 31-33 and 1114 are eligible.
- In addition to expanding ICI, ENERGY has amended *O. Reg. 429/04* to allow electricity consumers to continue their participation in ICI if their demand falls below the monthly peak demand threshold while participating in certain prescribed conservation and demand management (CDM) programs.

OESP

- On March 23, 2017, the OEB issued a Decision and Order to LDCs to rescind the OESP regulatory charge of 0.11¢/kWh as of May 1, 2017 as a first step to implement the government's plan to remove the OESP from the rate-base.
- Proposed legislation will include amendments to shift funding to the tax-base to support OESP costs after the credit balance in the IESO's OESP Variance Account has been depleted.
- In addition, The Ministry also amended O. Regulation 314/15 of the *Ontario Energy Board Act, 1998* to increase the OESP credit amounts by 50% and broaden categories for eligibility. This regulation will take effect on May 1, 2017. The final regulation is expected to be posted on e-Laws during the week of April 18.