Delivering Fairness and Choice
LTEP 2017

Chapter 1. Ensuring Affordable and Accessible Energy

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Making Energy Affordable

Over $50 billion has been invested in the electricity system over the past decade and a half. These investments have significantly improved the reliability of our electricity system. Last year, over 90 per cent of the power generated in Ontario came from greenhouse gas emission-free sources of energy. We now have a robust electricity supply that is expected to be abundant enough to meet Ontario electricity demand into the middle of the next decade. All of this leaves us well positioned to plan for and meet any of the challenges that may occur over the next 20 years.

These much-needed investments came at a cost, increasing electricity prices in Ontario. The Province is helping to relieve the cost pressures resulting from these system improvements with programs such as Ontario's Fair Hydro Plan, bringing electricity to off-grid communities, and expanding access to natural gas.

Actions to Reduce Energy Costs

Ontario has already taken action to reduce electricity costs for families, farms and businesses, while continuing to ensure they have a clean, reliable supply of electricity. Some of the actions taken so far include:

- Reducing Feed-In Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion.
- Renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by $3.7 billion.
- Deferring the construction of two new nuclear reactors at Darlington, avoiding an estimated $15 billion in new construction costs.
- Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020, instead of 2016, thus helping to achieve $1.7 billion in savings relative to the 2013 Long-Term Energy Plan forecast and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers as much as $600 million.

- Introducing strong competition between developers of large renewable projects through the Large Renewable Procurement (LRP) process to drive down price and secure clean, reliable generation for the province. As a result of lower prices and revised procurement schedules, LRP I costs were approximately $1.5 billion lower than t forecast in the previous Long-Term Energy Plan in 2013.

- Suspending the second round of the Large Renewable Procurement (LRP II) process and the Energy-from-Waste Standard Offer Program which is expected to save up to $3.8 billion in costs relative to the LTEP 2013 forecast.

- Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements - resulting in savings of up to $129 million.

We must now focus on the system's customers, to make sure they benefit from the work that has been done and to help them prepare for the future. Technological innovation is creating different types of customers, and we need to have an energy system that is affordable, meets people's diverse needs and supports the economic development of Ontario.

Ontario's Fair Hydro Plan

On May 31, 2017, the government's Fair Hydro Plan became law, reducing electricity bills for residential consumers and as many as half a million small businesses and farms in the province.

Ontario's Fair Hydro Plan:

- lowers electricity bills by an average of 25 per cent for residential consumers, with increases held to the rate of inflation for four years. Lower-income Ontarians and those living in eligible rural communities will receive even greater reductions of as much as 40 to 50 per cent.

- provides additional support to eligible low-income households through an expansion of the Ontario Electricity Support Program (OESP), and aligns program delivery with other social assistance;

- provides enhanced Distribution Rate Protection (DRP) for customers served by local distribution companies (LDCs) with some of the highest rates. The DRP is a broadening of the support provided through Rural or Remote Rate Protection (RRRP).

- shifts the funding of the OESP and the majority of RRRP from electricity bills to provincial revenues. This will reduce the regulatory charges paid by all Ontario ratepayers.

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- provides on-reserve First Nation residential customers of licensed distributors with a 100 per cent credit of the delivery line or service charge on their monthly electricity bills;

- adds smaller manufacturers with peak demands between 500 kW and 1 MW to the Industrial Conservation Initiative (ICI). This gives participating companies a strong incentive to reduce their bills by about a third by lowering their consumption during peak hours.

- includes an 8% reduction on amount before tax on the bill of Regulated Price Plan (RPP) customers, a reduction equal to the provincial portion of the Harmonized Sales Tax (HST).

- establishes an Affordability Fund to help people who don't qualify for low-income conservation programs with making energy efficiency improvements to their homes.

Refinancing the Global Adjustment to Ensure Intergenerational Fairness

Ontario's Fair Hydro Plan helps consumers by refinancing a portion of Global Adjustment (GA). The GA pays the costs of contracted generation in Ontario, as well as the cost of conservation and demand management programs.

The majority of the province's electricity generators have 20-year contracts, but many wind, solar and natural gas facilities are expected to provide additional benefit by operating past the life of their contracts. To relieve the burden on today's ratepayers and share costs more fairly with future generations, a portion of the GA is being refinanced to spread the cost of electricity investments over a longer period of time. This refinancing reflects the expected longer lifecycle of the facilities that have been built. The change will provide significant and immediate rate relief and will ensure intergenerational fairness. Present-day consumers should not carry the entire burden of investments that will benefit future generations.

While a portion of the costs covered by the GA will be refinanced in the early years to reduce pressure on today's electricity ratepayers, the cost of refinancing will be recovered in later years from ratepayers.

OESP

The monthly credits of the OESP were increased by 50 per cent and eligibility criteria were expanded, with the goal of increasing participation and providing additional support to more low-income Ontarians. This credit is an immediate on-bill reduction for those Ontarians who are eligible for this program.

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Ontario is working to improve coordination acros provincial programs that also provide support to low-income Ontarians. Aligning the OESP with other social assistance will help get more vulnerable consumers into the program so they can receive the support they need on electricity bills.

Distribution Rate Protection

Rural or remote customers who face higher distribution costs compared to urban areas receive a rate subsidy through RRRP. RRRP is provided to approximately 350,000 Hydro One residential customers, as well as areas served by Algoma Power, Hydro One Remote Communities, and the distributors that serve some distributors along James Bay. RRRP used to be funded by all Ontario electricity rate payers. The majority of RRRP costs will now be funded through provincial revenues.

The Province has now expanded RRRP to provide Distribution Rate Protection to about 800,000 residential customers served by local distribution companies with the highest distribution rates, including many of those who continue to receive RRRP. The cost of the DRP will be funded by provincial revenues. Eligible residential customers of the the affected LDCs are:

- Hydro One Networks Inc (R1 medium density rate class and R2 low density rate class;
- Northern Ontario Wires Inc.;
- Lakeland Power (Parry Sound service territory);
- Chapleau Public Utilities Corporation;
- Sioux Lookout Hydro;
- InnPower;
- Atikokan Hydro; and
- Algoma Power.

On-reserve Credit

The First Nations Delivery Credit (FNDC) will benefit approximately 21,500 residential customers living on reserve. The costs will be funded by provincial revenues.

The FNDC will provide much needed relief from the high costs of electricity in First Nations communities and encourage socio-economic well-being. This is an important step towards reconciliation and the strengthening of Ontario's relationship with First Nations.

Industrial Conservation Initiative

The Industrial Conservation Initative (ICI) allows large electricity consumers to lower their electricity costs by reducing their demand during peak hours. Reducing demand during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.

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To give more businesses the incentive to participate in the ICI, we have lowered the threshold and removed sector restrictions so that more consumers can benefit. All consumers over 1 MW of monthly average peak demand will now be eligible for the program; prior to this change, all consumers over 5 MW and consumers in selected sectors between 3 and 5 MW were eligible. In addition, consumers with a monthly average peak demand between 500 kW and 1 MW in the manufacturing and greenhouse sectors will be eligible for the program.

Affordability Fund

The Affordability Fund will help Ontarians who are not eligible for low-income conservation programs and need financial assistance to make energy efficiency improvements to their homes. Measures that could be funded include energy-saving LED light bulbs, power bars, insulation and energy efficient window air-conditioners and refrigerators.

The Affordability Fund will be administered by an independent trust that will distribute funds to electricity distributors on an application basis. Distributors are in the best position to provide consumers in need of assistance with energy efficiency improvements, and it is expected that they will be able to begin applying to the Affordability Fund later this summer *[[NTD: will have to update as summer progresses].*

Help from Existing Programs

The measures included in Ontario's Fair Hydro Plan are in addition to existing programs that also help Ontario families and individuals pay their electricity bills. These programs include:

- the Northern Ontario Energy Credit for low- to middle-income families and individuals living in northern Ontario;
- the Ontario Energy and Property Tax Credit for low- to moderate-income individuals;
- low-income Energy Assistance Programs for emergency situations; and
- the Save on Energy Home Assistance Program that provides home energy efficiency assessments and upgrades to lower-income consumers.

In addition to ICI, there are a number of other measures in place to mitigate industrial, commercial and institutional electricity prices. These include:

- the Northern Industrial Electricity Rate Program helps northern industries with the higher energy costs they face due to climate and their distance to markets;
- the Industrial Accelerator Program assists eligible companies connected to transmission networks to fast track the capital investment needed for major energy conservation projects; and

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- the Save on Energy for Business program provides financial incentives for distribution-connected businesses for energy audits, retrofits and process and system improvements to help them reduce their electricity use and manage costs.

Natural Gas Expansion

Ontario wants to expand access to natural gas to support greater customer choice and help the economic development of local communities. In order to do this, the government launched a new $100 million Natural Gas Grant Program in April 2017. Both the expansion of natural gas pipelines and the construction of new infrastructure for liquefied or compressed natural gas are eligible. The program is administered by the Ministry of Infrastructure.

A new regulatory framework issued by the OEB in November 2016 gives utilities more flexibility by allowing them to charge customers who benefit from any expansion increased rates and surcharges. This makes natural gas expansion more economically feasible for unserved communities. The framework also encourages rate competition between multiple utilities who are interested in providing service to these communities.

Natural gas utilities and municipalities are expected to file applications for natural gas expansions with the OEB, although it may not make economic sense to expand natural gas to all areas and all regions of the province.

Gasoline Price Review

Northern communities are concerned about the high cost of the gasoline they use. As a result, the Minister of Energy directed the OEB in November 2016 to review Ontario's retail market for gasoline and diesel fuel.

The Gasoline Price Review will focus on three main topics:

- the extent and causes over time of regional variations in the retail price of gasoline and diesel fuel;
- how pricing and markets in Ontario compare with other jurisdictions; and
- the information available to consumers about pricing and price variations.

The OEB expects to report back to the Ministry with its findings later this year. The government intends to review the OEB's report in detail and consider the information in future decision-making.

Increased Consumer Protection

With the *Energy Consumers Protection Act, 2010,* Ontario has already restricted the door-to-door sale of energy contracts to protect consumers from fraudulent claims and high-pressure

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sales tactics. We will now turn our attention to protecting those consumers who live in condominiums and other multi-unit residential buildings.

Often, these consumers are not actually customers of a local distribution company but buy their electricity from private companies who meter their units and send them a bill for their usage. Consumers inherit the pricing arrangements; costs are set by the owner or developer of the building.

Both the Ministry and the Ontario Energy Board (OEB) have heard from consumers that they would like to know more about how these decisions are made and what they are being asked to pay for. That is why the government will ask the OEB to enhance their oversight role over these companies, including increasing consumer protection measures.

Enhancing consumer protections and taking a more stringent approach to regulation means that the OEB would gain considerable more insight into how these organizations determine their costs, set their rates; and enter into agreements with developers. The OEB will be empowered to take action and reign in these unfair business practices should:

- costs be deemed not to be reasonable or fair;
- Contracts pass on costs to consumers beyond the value they receive; or
- Service providers unduly punish consumers for trying to switch to a different provider.

Consumers will benefit from the same protections that LDC customers have: transparency of price, protection from winter disconnections, and greater appeal to the OEB to defend against unfair practices. The OEB expects to have these new protections in place in early 2018.

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