Date:	December 11, 2017
Ministry:	ENERGY and FINANCE
Name of Act:	1. *Ontario Energy Board Act, 1998* 2. *Ministry of Revenue Act, RSO 1990*
Name of Regulation:	1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998* 2. Amending *O. Reg. 293/12 (Services to Other Ministries and Public Bodies)* made under the *Ministry of Revenue Act, 1990*

Section 1: Proposal and Context

The Ontario Electricity Support Program (OESP) is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers by providing a credit directly on bills. The program, established under section 79.2 of the *Ontario Energy Board Act, 1998* (OEBA), is currently delivered by the Ontario Energy Board (OEB) and has been in place since January 1, 2016.

On March 1, 2017, Treasury Board approved the Cabinet Submission on Rate Mitigation which proposed to help vulnerable electricity consumers by expanding every benefit level of the OESP by 50%, increasing program eligibility, moving the program from a ratepayer funded program to a government funded program, and pursuing additional measures to substantially increase uptake.

To implement certain key elements of the above-noted direction by May 1, 2017, the OEB issued a Decision and Order dated March 23, 2017 to: (i) increase funding to existing OESP-eligible consumers by 50%; (ii) provide for a number of new classes of rate-assisted consumers; (iii) increase enrolment into the OESP by aligning eligibility criteria with other social assistance programs; (iv) shift funding for the program to the tax base by eliminating the OESP charge for electricity customers.

As part of *Ontario Fair Hydro Plan Act, 2017*, cost recovery for the OESP is being shifted away from the rate-base to the tax base. Amendments to the OEBA were approved in June 2017 to support the transition to the tax base, transfer certain authorities from the OEB related to program spending, and give authority to the Ministry of Community and Social Services (MCSS) to support OESP uptake for social assistance clients. The legislation was not proclaimed at the time, as there was a significant variance account that was built up through the OESP regulatory charge, which allowed the OEB to continue program administration.

As of October 31, 2017 the variance account balance was $48.3 M and depletion to zero is anticipated for January/February 2018. In order to facilitate the transition of the OESP to a tax based program, the Ministry of Energy (ENERGY) is proposing to bring into force ss. 79.2 of the OEBA, via a Proclamation Order-in-Council. This would shift the source of OESP funding to provincial revenues.

1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998*

In order to ensure appropriate authorities for administering the program are transferred to ENERGY as needed once ss.79.2 is proclaimed; corresponding amendments are also being proposed that would revoke the current O.Reg. 314/15 and replace it with a new O.Reg. 314/15.

2. Amending *O. Reg. 293/12 (Services to Other Ministries and Public Bodies)* made under the *Ministry of Revenue Act, 1990*

For OESP applications relying on income tax verification, the Ministry of Finance (MOF) acts as the main interface with the Canada Revenue Agency (CRA). In order for MOF to continue to assist with income verification of OESP applicants, corresponding amendments are also being proposed to s. 2.2 of O. Reg. 293/12 made under the Ministry of Revenue Act.

Section 2: Approach and Intended Outcome

The proposed approach includes proclaiming ss. 79.2 of the OEBA into force and bringing forward a joint submission with MOF to implement regulatory amendments to O.Reg. 314/15 and s. 2.2 of O. Reg. 293/12.

Funding for the OESP will continue to be drawn from the variance account until it is depleted, which is anticipated in January/February, 2018. The transfer of administration authorities to ENERGY is anticipated to occur on March 1, 2018 (TBD), which will provide the Ministry with sufficient time to make all necessary arrangements for a seamless transition of program administration.

1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998*

Regulatory amendments would revoke the current O.Reg. 314/15 and replace it with a new O.Reg. 314/15. The regulatory amendment would, for example:

- transfer the authority to administer the OESP to the Minister of Energy and, more specifically, allow the administration of certain administrative requirements to be delegated by the Minister to the central service provider (CSP) to the extent specified by the Minister or as reflected in a contract between the Minister (on behalf of HMQ) and the CSP;
- prescribe the technical and administrative requirements related to the

administration of OESP;

- allow the OESP to continue to be funded through the IESO-administered variance account, until the amounts recorded in the account are no longer sufficient, when taken on their own, to fund the Program;
- determine classes of rate-assisted consumers;
- outline rules for the calculation of rate-assisted consumers;
- determine payments, including determining the method or methods of calculating the amount of rate assistance to be provided to recipients;
- outline certain information reporting requirements.

In general, the intention of the proposed amendments to O. Reg. 314/15 would be to adjust existing language and include new authorities to support the transition of the OESP to a tax based rate-assistance program. Amendments will also transfer program administration authorities from the OEB to ENERGY.

2. Amending *O. Reg. 293/12 (Services to Other Ministries and Public Bodies)* made under the *Ministry of Revenue Act, 1990*

Amendments to s.2.2 of O. Reg. 293/12 will provide MOF with authority to execute income verification for OESP applicants on behalf of ENERGY. Once the program has transitioned to ENERGY, these amendments will ensure that MOF can continue to confirm applicant eligibility and determine the amount of rate assistance that each applicant is eligible for.

The purpose of Section 3 is to identify stakeholders that will be affected by the regulatory proposal, and briefly describe the anticipated impact (whether a cost or a benefit). These factors will be considered in the determination of whether a full RIA is required.

Section 3: Affected Stakeholders	Yes	No
Individuals (specific groups or consumers)	☑	❑
1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998* **Consumers** There are an estimated 571,000 customers that are eligible for OESP. As of October 31, 2017, there are 204,027 customers receiving rate assistance. Given that the Ministry is not planning to implement any changes to how the program is administered, ENERGY does not anticipate that customers will express any new concerns related to how the program is delivered. As part of the FHP, the OEB issued a Decision and Order to its rate-regulated distributors to rescind the 0.11¢/kWh on electricity consumed or estimated to have been consumed on and after May 1, 2017 to reduce		

regulatory charges for all customers. The formal shift of the OESP from the rate base to the tax base will ensure that once the Variance Account has been depleted, funding for the program will be drawn from Provincial general revenues. **Government** MCSS will continue to perform its current role in aligning OESP with social assistance criteria and enrolling SA clients into OESP. **Agencies** Regulatory amendments will ensure the OEB maintains authorities to administer the program until the Variance Account has been depleted and the program transfers to the tax base. Upon this transition, authorities will be transferred to the Government. The IESO will maintain responsibility for flowing funds to reimburse/compensate LDCs for the costs of delivering the OESP from the money appropriated for such purposes from the legislature. This will require the IESO to monitor program specific information and flow the amounts necessary to compensate LDCs for the costs incurred in carrying out the programs. **2. Amending *O. Reg. 293/12 (Services to Other Ministries and Public Bodies)* made under the *Ministry of Revenue Act, 1990*** Regulatory amendments are intended to provide MOF with authority to execute income verification for OESP applicants on behalf of ENERGY. There are no proposed changes to MOF's role in the delivery of the OESP. Therefore, amendments will have no impact on any consumer or group.		
Businesses	☐	☑
N/A to businesses.		
Non-profit Groups	☐	☑
No fiscal impacts on not-for-profit organizations as a result of these amendments.		
Communities	☐	☑
No fiscal impacts on communities as a result of these amendments.		
Governments	☑	☐
1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998*		

The Government of Ontario will be responsible for funding the program. On March 1, 2017 TB/MBC approved the following fiscal spending for the next four years:

2017-18	2018-19	2019-20	2020-21
$140 M	$261 M	$325 M	$375 M

The cost of the OESP is heavily dependent on program uptake because the credits are fixed amounts. To ensure the program receives an appropriate amount of funding to support its ongoing implementation, ENERGY submitted revised program forecasts through the 2018-19 PRRT Submission:

Ontario Electricity Support Program ($M)	**2018-19**	**2019-20**	**2020-21**
Preliminary Allocation	259.4	325.0	375.0
Revised Forecast *(based on 60% uptake)*	230.0	264.0	288.0
+ Surplus / - Deficit	**29.4**	**61.0**	**87.0**

The revised forecast assumes that the program will only reach 60% by 2020-21 and will grow at a slower rate compared to what was originally estimated. Forecast revisions for 2017-18 will be addressed through PRRT quarterly reports.

2. Amending *O. Reg. 293/12 (Services to Other Ministries and Public Bodies)* made under the *Ministry of Revenue Act*

There will be no fiscal impacts as a result of amending this regulation.

The purpose of Section 4 is to identify and describe the types of impacts anticipated as a result of the regulatory proposal. These factors will be considered in the determination of whether a full RIA is required.

Section 4: Type of Impact	Yes	No
Health and Safety	❑	☑
N/A		
Environment	❑	☑
N/A		
Social Impacts	❑	☑
N/A		
Trade	❑	☑
N/A		
Economy	❑	☑

N/A		
Other	❑	☑
N/A		

The purpose of Section 5 is to estimate the direct costs for external stakeholders to comply with the regulatory proposal. If direct compliance costs are expected to exceed $2 million per year, a full regulatory impact analysis will be required. Other factors (as described in Sections 3 and 4 above) will also be reviewed in the determination of whether a full RIA is required.

Section 5: Costs	Yes	No
Are direct compliance costs likely to exceed $2 million per year?	❑	☑
The Ministry is proposing to transition all authorities for administering the OESP from the OEB to Government. The Ministry is not proposing to make any changes to how the program is administered, including changes to eligibility, credit scales or how distributors will disperse rate assistance. There are therefore no major external costs for external stakeholders to comply with this proposal. Utilities may be required to make changes to their websites and other content to notify their customers that authority for the program has transitioned to the Government. However, these costs are not expected to exceed $2 million per year.		
Is a full RIA required?	❑	☑

Contacts

	Name	*Phone Number*
Approved by (Director)	Sunita Chander	(416) 325-6594
Ministry Contact	Brett Smith	(416) 327-7178
Cabinet Office Policy	TBD	TBD

Commented [BA1]: Cabinet contact is needed.