Briefing Note
Additional Funding for the Affordability Fund

Issue

In March 2017, ENERGY requested Treasury Board and Management Board of Cabinet (TB/MBC) approval for $200 million in funding to establish the Affordability Fund. $100 million in funding was approved by TB/MBC. This note outlines next steps for seeking additional funding for the Affordability Fund.

Key Information

Funding Approval for the Affordability Fund

- The 2017-18 Ontario Budget, released April 27, 2017, announced the establishment of an Affordability Fund.
- In its March 2017 submission to TB/MBC, ENERGY requested approval to establish the Affordability Fund with a funding amount of $200 million.
  - As part of its submission, ENERGY outlined that a firm upfront commitment would enable electricity distributors to immediately assist their customers who are in need, including those in arrears or facing disconnection.
  - ENERGY, with input from the IESO, estimated that the $200 million funding request would support 15,000 to 65,000 households, depending on the energy efficiency measures and overall uptake.
- On March 6, 2017, TB/MBC approved an amount of $100 million for the establishment of the Affordability Fund.
  - It was noted by TBS that $100 million would be adequate to demonstrate an upfront commitment to electricity distributors, and would provide the Trust time to finalize program details and a performance reporting framework.
  - The TB minute also indicated that ENERGY could request additional funding through the 2018-19 Program Review, Renewal and Transformation (PRRT) process, if needed at that time, based on results achieved and a value for money assessment.
- As part of its 2018-19 PRRT submission in October 2017, ENERGY did not request additional funding for the Affordability Fund. At the time of preparing the PRRT submission, the Affordability Fund had not yet started accepting funding applications, and no results were available.

- ENERGY stated that it will provide regular updates to TB/MBC through quarterly report backs including spending to date, results to date and a value for money assessment, starting Q4 2017-18.
- ENERGY also stated that it will continue to assess the need for additional funding, based on results achieved and continued identified needs.

Program Delivery Update

- On October 24, 2017, the Affordability Fund was launched through a formal announcement and press release. The press release included information regarding a toll-free number and website through which customers are able to submit an Application for Support (See Background section for application process details).
- *Applications to date:*
  - As of November 14, 2017, the Trust had received 1,800 direct applications of support from customers.
  - The Trust, working with Hydro One, is currently negotiating program implementation agreements with electricity distributors, which outline program delivery guidelines and budgets.
    - The Trust expects to enter into implementation agreements with interested electricity distributions starting mid to late December 2017.
    - The Trust has indicated that it expects Hydro One to deliver the program in service areas of those electricity distributors not interested in delivering the program.

Next Steps for Requesting Additional Funding

- **January/February 2018 (TBC)**: ENERGY is currently seeking information from Trust on its planned timing for the first quarterly report. Quarterly reports are expected to include:
  - Amounts disbursed in previous quarter (aggregate and by three distributor categories – large, medium and small)
  - Key activities and achievements from quarter, including number of participant households, average participant incentives, and uptake of energy efficiency measures by distributor
  - Challenges or modifications to the application, funding or eligibility processes/rules

- Key activities planned for upcoming quarter

- **March 2018:** Review of the Fund's first quarterly report would be the first opportunity for ENERGY to evaluate fund performance and inform a funding request within FY 2017/18 to TB/MBC for additional funding. The funding request would be contingent on an identified need and could be submitted as part of ENERGY's Q4 2017-18 report back to TB/MBC on the Affordability Fund.
  - ENERGY would then need to work with the Trust to amend the TPA to flow the additional funding to the Fund.
  - TB dates for the 2018 calendar year have not yet been announced.
- **April 2018 and onwards**: If need for an additional funding could not be established in time for a March 2018 TB/MBC funding request, ENERGY would continue to evaluate quarterly reports from the Trust, and could apply for funding in FY 2018/19.

Considerations

- As part of its TB/MC submission, ENERGY would report on the extent to which the original $100 million allocation has been spent and identify a clear customer need for additional funding.
  - TB staff will likely seek a detailed rationale for why an additional $100 million is being sought at this time. In their review of ENERGY's original $200 million funding request, TB staff noted the Transfer Payment Accountability Directive (TPAD) and the expectation that government funds provide value for money.
- As per the Affordability Fund Transfer Payment Agreement (TPA), ENERGY will receive quarterly report backs from the Trust, based on the government's fiscal period. As a non-voting member of the Board of Trustees, ENERGY will also have access to monthly program delivery reports.
  - To meet TB/MBC documentation deadlines, ENERGY will likely be able to include results as of the end of January 2018 for its March 2018 TB/MBC submission.
- ENERGY will likely not be in a position to report any significant program results in time for a March 2018 TB/MBC submission, given that the Trust does not expect to enter into implementation agreements with interested electricity distributions until mid to late December 2017.
  - Eligible customers are expected to start receiving benefits through the Affordability Fund in early 2018.

- ENERGY could highlight customer interest in the Affordability Fund, in terms of calls received through the toll-free line and Application for Support submitted.

- A TB submission in March/April 2018 or later in the year could allow for ENERGY to report additional Affordability Fund results and develop a stronger value for money assessment.

- It is important to note that the Declaration of Trust (legal document establishing the Trust) includes a final distribution date (defined to be no later than December 31, 2019) for the distributions of Trust funds. Following the final distribution date, the Declaration of Trust states that the Trust, in consultation with the Ontario Energy Board, allocate any residual funding to charitable organizations that provide support services for low-income electricity support programs[1].
    - If the Trust were to be provided with an additional $100 million in funding, the Declaration of Trust will likely need to be amended to allow for a later final distribution date.

Background:

- From 2015 to 2017, electricity distributors and other stakeholders indicated to the government that there was an immediate need to help customers in bill arrears and facing service disconnection.
    - Electricity distributors reported to the Ontario Energy Board (OEB) that ~56,500 customers were disconnected in 2015 and over 58,000 customers were disconnected in 2016.
    - Electricity distributors also reported about 400,000 residential electricity accounts in arrears in 2016.
    - In January 2017, Hydro One submitted to ENERGY a report, “Addressing Affordability” which outlined a number of recommendations on electricity rate mitigation, including a recommendation to establish an Affordability Fund to assist struggling customers who cannot qualify for low-income conservation programs.

Transfer Payment Agreement

- The Fund is being administered by an independent Trust, which is providing oversight of funds and facilitating efficient distribution of funds to electricity distributors.

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[1] These include the Low Income Energy Assistance Program (LEAP) and Ontario Electricity Support Program (OESP).

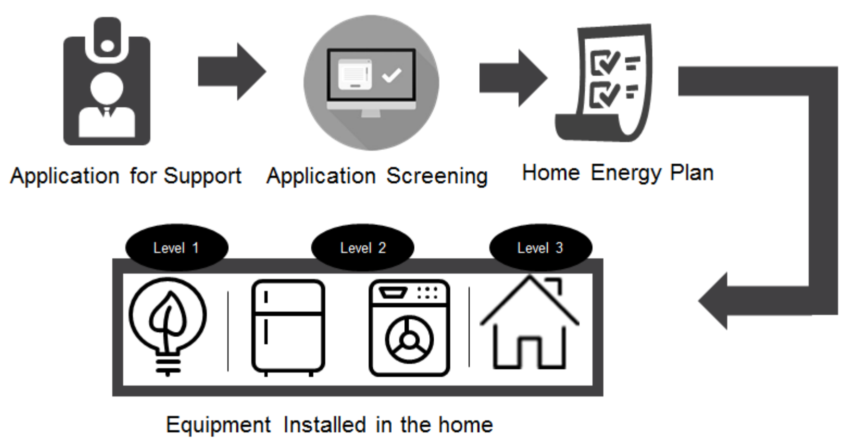
- On March 24, 2017, ENERGY entered into a TPA with Computershare, a professional Trustee company, which acted as the Original Trustee until the Board of Trustees was established.
- In late June 2017, the Board of Trustees was established and includes representatives from social service agencies (United Way Ottawa and the Neighbour-to-Neighbour Centre) and electricity distributors (Thunder Bay Hydro, Hydro One and Alectra). ENERGY is represented on the Board, with non-voting status.
- The TPA includes the option to incorporate potential future funding from the tax base.

Stakeholder Consultations and Program Design

- Over Summer 2017, the Trust sought input from electricity distributors on various program design elements including eligibility criteria and recruitment of participants.
    - Feedback highlighted the importance of program design to be an iterative process and to be flexible to accommodate future changes.
    - Feedback also recommended leveraging community and low-income organizations to market the program.
- Hydro One is providing administrative support to the Trust. The Trust has retained, through Hydro One, the consultancy Accenture to support consultation activities and program design.

Application Process

- The diagram below demonstrates the process by which the Fund will provide households with electricity savings equipment. It is anticipated that electricity distributors will exercise flexibility in the delivery of the program in their respective service territories.



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