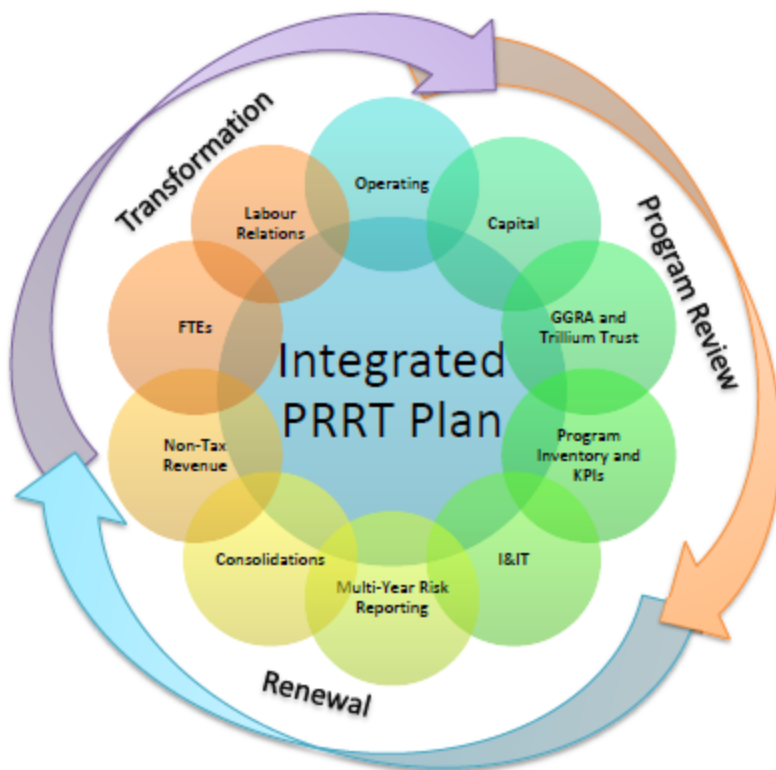

Ministry of Energy 2018-19 Program Review, Renewal & Transformation

MO Pre-Brief
October 2017

Purpose

- Provide an overview of the 2018-19 PRRT requirements;
- Review ministry preliminary allocation;
- Highlight ministry PRRT submission components and decisions required; and
- Review timeline and next steps.

Planning Requirements



- Ministries are required to:
 - Review and report on programs, including the underlying cost drivers, risks and the intended outcomes; and
 - Build robust proposals for requested changes that are built on an assessment of the program base.
- This will enable the government to develop a prudent fiscal plan, where growth projections for priority sectors are credible and can withstand the scrutiny of independent analysis.
- This plan will also inform the Pre-election Report on Ontario's Finances.
- **Due Date: October 26, 2017**

Overview of 2018-19 PRRT Requirements

Manage within preliminary allocations

- Any new initiatives will be considered outside of PRRT – through the upcoming Fall Economic Statement, Ontario Budget or risk-managed.

Embed the standards of evidence-based decision-making

- Reviewing and revising program inventories and key performance indicators (KPIs) and updating performance measures.

Greenhouse Gas Reduction Account (GGRA) and Climate Change Action Plan

- Ministries can seek funding for eligible initiatives from the GGRA through a formal PRRT funding request.

Overview of 2018-19 PRRT Requirements

Multi-Year Risk Reporting

- Identify PRRT risks and monitored risks on a multi-year basis.
- Follow the OPS Risk Management Process and the Risk Assessment Placemat, which outlines the standard risk assessment approach.

Gender-Based Analysis

- Provide information about the current application of gender-based analysis (GBA) to their policy and program work, including available data and internal capacity to conduct this analysis.

Transformational Opportunities (optional)

- Ministries are strongly encouraged to assess their program base from a sustainability perspective and explore transformational opportunities that can deliver value across government.

Length of planning horizon

- Three-year planning horizon for operating (2018-19 to 2020-21) and 10-year infrastructure plan (2018-19 to 2027-28).

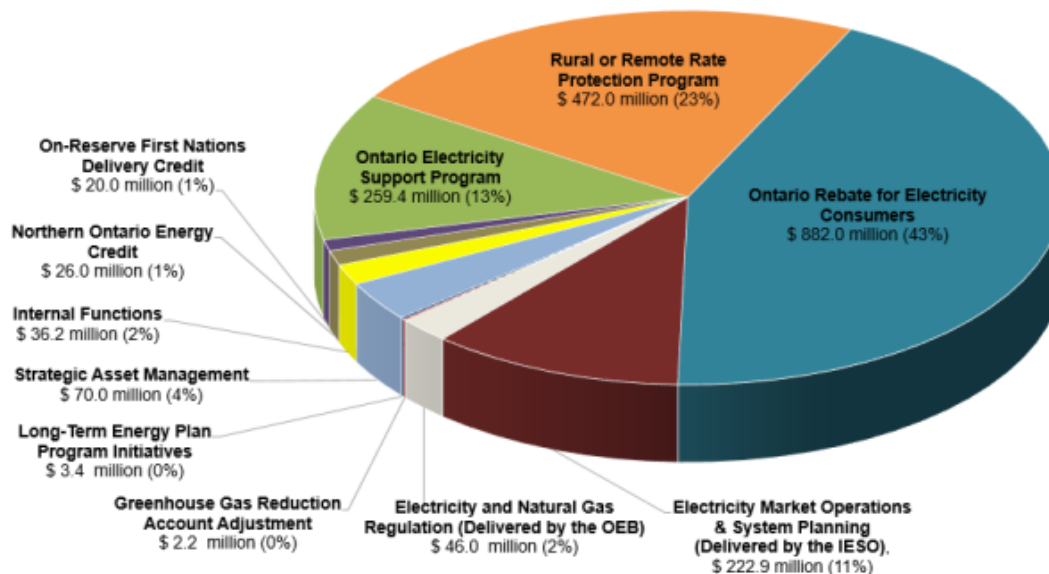
2018-19 PRRT Preliminary Allocation

Please refer to larger print out.

MINISTRY OF ENERGY 2018-19 PRRT Preliminary Allocation BY VOTE				
OPERATING EXPENSE	Current Year	Out Years		
SM Vote 2901 - Ministry Administration	2017-18	2018-19	2019-20	2020-21
Vote 2901 - Ministry Administration (DOE)	15.0752	15.0752	15.0752	15.0752
Total Vote 2901 - Ministry Administration Allocation	15.0752	15.0752	15.0752	15.0752
Statutory Appropriations	0.0640	0.0640	0.0640	0.0640
SM Vote 2902 - Energy Development and Management				
Vote 2902 - Energy Development and Management (DOE)	21.0121	21.0121	21.0121	21.0121
TP - Conservation Initiatives Programs	1.9000	1.9000	1.9000	1.9000
TP - Green Energy Initiatives	1.3474	1.3474	1.3474	1.3474
TP - Indigenous Engagement Agreements	0.2000	0.2000	0.2000	0.2000
Total Vote 2902 - Energy Development and Management	24.4595	24.4595	24.4595	24.4595
Statutory Appropriations	0.0010	0.0010	0.0010	0.0010
SM Vote 2905 - Electricity Price Mitigation				
TP - Northern Ontario Energy Credit	26.0000	26.0000	26.0000	26.0000
TP - Ontario Rebate for Electricity Consumers	939.0000	882.0000	882.0000	895.0000
TP - Rural or Remote Rate Protection Program	344.0000	472.0000	484.0000	497.0000
TP - Ontario Electricity Support Program	140.0000	261.0000	325.0000	375.0000
In-year Adjustment: Social Assistance Enrolment into OESP	(2.1758)	(1.5577)	-	-
TP - On-Reserve First Nations Delivery Credit	15.0000	20.0000	20.0000	20.0000
Total Vote 2905 - Electricity Price Mitigation	1,461.8242	1,659.4423	1,737.0000	1,813.0000
SM Vote 2906 - Strategic Asset Management				
Vote 2906 - Strategic Asset Management (DOE)	100.0000	70.0000	-	-
TP - Cash Contribution to First Nations	45.0000	-	-	-
TP - Conferred Benefit to First Nations	135.0000	-	-	-
Total Vote 2906 - Strategic Asset Management	280.0000	70.0000	-	-
Consolidation Adjustments and Other Adjustments				
Consolidation Adjustment - Independent Electricity System Operator	196.3478	200.0070	202.4266	202.4266
Consolidation Adjustment - Ontario Energy Board	44.5140	44.7040	44.7040	44.7040
GGRA Adjustment - EV Overnight Charging Rebate Program	2.1500	2.1800	1.8500	2.5000
Total Consolidation Adjustments and Other Adjustments	243.0118	246.8910	248.9806	249.6306
Total Operating Expense Allocation	2,024.4357	2,015.9330	2,025.5803	2,102.2303
CAPITAL EXPENSE				
SM Consolidation Adjustments and Other Adjustments	2017-18	2018-19	2019-20	2020-21
ENERGY Base Capital Expense	0.0020	0.0020	0.0020	0.0020
Consolidation Adjustment - Independent Electricity System Operator	22.0139	22.9235	23.3268	23.3268
Consolidation Adjustment - Ontario Energy Board	1.2238	1.3215	1.2861	0.7625
Total Capital Expense Allocation	23.2397	24.2470	24.6149	24.0913
Total Operating Expense Allocation	2,024.4357	2,015.9330	2,025.5803	2,102.2303
Total Capital Expense Allocation	23.2397	24.2470	24.6149	24.0913
Total Expense	2,047.6754	2,040.1800	2,050.1952	2,126.3216
OPERATING ASSET				
SM Operating Asset	2017-18	2018-19	2019-20	2020-21
OPG Shares	1,100.0000	-	-	-
Total Base Ministry Allocation	1,100.0000	-	-	-

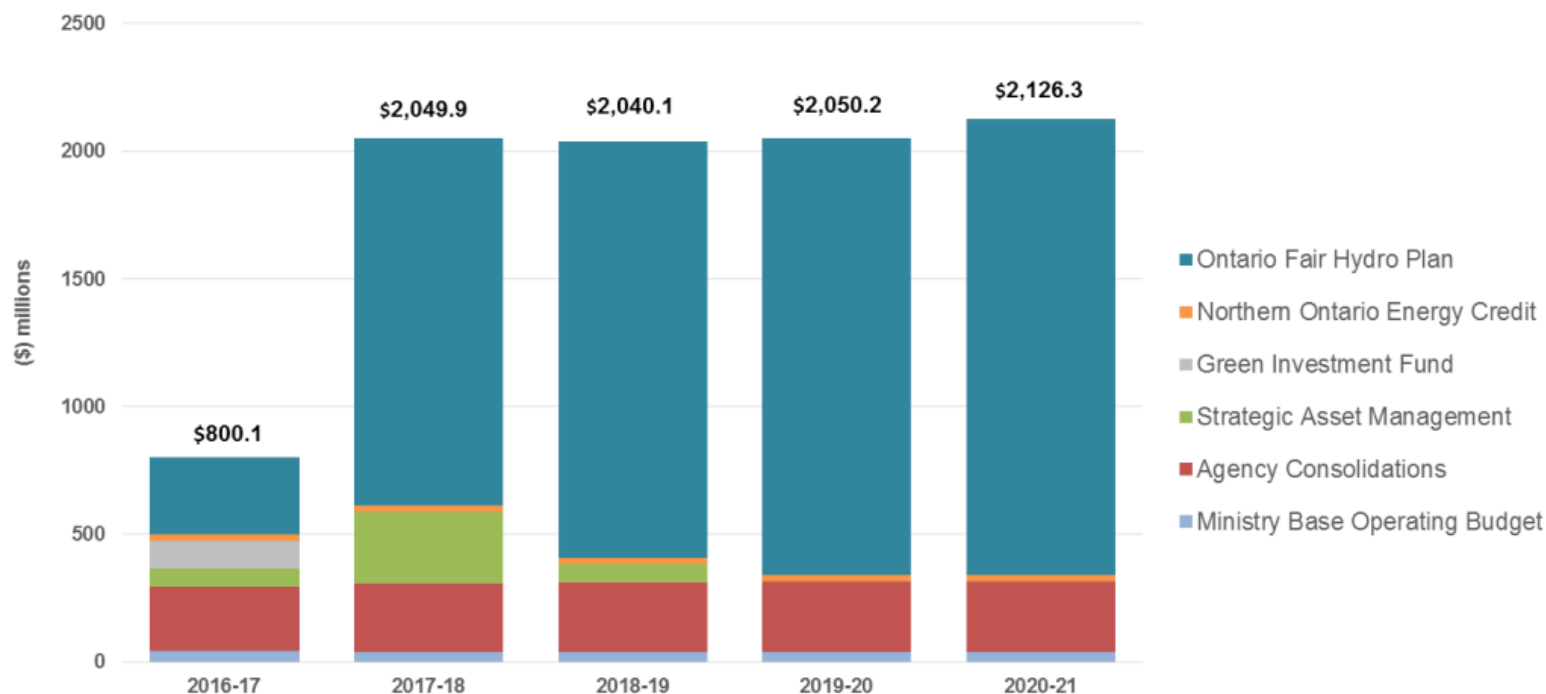
Preliminary Allocation for 2018-19

2018-19 Preliminary Ministry Allocation: \$2,040.14 million



- ▶ Only 1.9%, or \$39.6 million, of the Ministry's allocation is for the Ministry's own spending to deliver on its policy mandate and commitments.
- ▶ The largest component of the Ministry's allocation is its rate mitigation initiatives which account for 81%, or \$1,659.4 million. These programs are demand-driven entitlement programs and spending is non-discretionary
- ▶ The consolidation of fiscally neutral agencies – the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB) – account for 13%, or \$268.9 million, of the Ministry's allocation. These entities would have no impact on the fiscal plan since expenses are fully cost recovered from the rate base.

Preliminary Multi-Year Allocation (2016-17 to 2020-21)



- ▶ The Ministry's allocation increased 156% between 2016-17 and 2017-18 largely due to increases to electricity price mitigation initiatives introduced in March 2017.
- ▶ While the Ministry's workload has grown significantly because of its expanded mandate, its own base operating budget has not increased. The Ministry is still managing with just over 200 FTEs, and additional workload is carried out by temporary risk-managed FTEs.

Narrative of Ministry Plan

- The Ministry will manage within its allocation by offsetting pressures from within, and contribute additional savings to the fiscal plan.
- Savings realized from updated Fair Hydro Plan programs forecasts will offset new program pressures.

Savings from Fair Hydro Plan Programs, M (\$)	2018-19	2019-20	2020-21
Savings from updated Forecasts for Fair Hydro Plan Programs	26.6	33.5	55.9
Program Administration Support for Fair Hydro Plan Programs	(4.4)	(4.4)	(4.4)
LTEP Commitment - International Energy Demonstration Fund	(1.5)	(3.0)	(4.0)
LTEP Commitment - Smart Grid Fund	(20.0)	(18.0)	(15.0)
Net Savings	0.6	8.0	32.4

- The Ministry's 2018-19 preliminary allocation includes \$70 million for the broadening of Hydro One ownership. The sale of Hydro One is now complete and this allocation is no longer required.
- Of the \$70 million out-year allocation, \$30 million is to offset potential costs with Métis Nation of Ontario in relation to broadening the ownership of Hydro One, leaving \$40 million to be returned to the fiscal plan.

Savings from Strategic Asset Management, M (\$)	2018-19	2019-20	2020-21
Strategic Asset Management - Services	70.0	-	-
Métis Nation of Ontario Settlement	(30.0)	-	-
Net Savings	40.0	-	-

Fair Hydro Plan Initiatives Forecast

- The Ministry's current allocation for its Fair Hydro Plan initiatives is \$1,635 million and includes five Transfer Payment programs.
- Prior to its roll-out, initial program forecasts were determined through historical data and assumptions on a number of variables including program uptake, weather, consumption, electricity rates, etc.
- Since implementation, the Ministry has collected and analyzed updated program data to produce revised forecasts that result in program savings, to be partially used to offset other program pressures.

		2018-19	2019-20	2020-21
Ontario Rebate for Electricity Consumers	Preliminary Allocation	882.0	882.0	895.0
	Updated Forecasts (<i>revised as of October 2017</i>)	860.0	861.0	871.0
Ontario Electricity Support Program	Preliminary Allocation	261.0	325.0	375.0
	Updated Forecasts (<i>based on 60% uptake</i>)	230.0	264.0	288.0
First Nation Delivery Credit	Preliminary Allocation	20.0	20.0	20.0
	Updated Forecasts (<i>based on H1 rate application full approval</i>)	19.6	20.9	21.9
Distribution Rate Protection	Preliminary Allocation	222.0	228.0	234.0
	Updated Forecasts (<i>based on H1 rate application full approval</i>)	260.1	291.7	309.0
Rural and Remote Rate Protection	Preliminary Allocation	250.0	256.0	263.0
	Updated Forecasts (<i>based on H1 customer Projections</i>)	238.7	239.9	241.2
Total	Total Preliminary Allocation	1,635.0	1,711.0	1,787.0
	Total Updated Forecasts	1,608.4	1,677.5	1,737.1
+ Surplus / - Deficit from Fair Hydro Plan TP programs		26.6	33.5	55.9

Other Decisions

Equity Injections to support Global Adjustment Refinancing

- In order to keep its capital structure in line, OPG requires a 44% equity injections on an ongoing basis from the Ministry of Energy to support Global Adjustment refinancing. Initial forecast for 2018-19 is \$1.1 billion.

Funding and Resources for Climate Change Action Plan Initiatives

- The Ministry is requesting GGRA funding to support Remote Microgrids for Diesel Reduction (\$9.8 million for 2018-19, 19.8 million for 2019-20, \$19.8 million for 2020-21).
- The Ministry is also requesting \$0.45 million in salaries and wages for 3 FTEs to support EV and Microgrid program administration, offset from GGRA.

Report Back on Affordability Fund

- The Ministry will provide updates on program design and implementation.

Report Back on Electric Vehicle Overnight Charging Rebate Program

- The Ministry's preliminary allocation includes out-year funding for Electric Vehicle Overnight Charging Rebate Program, to be funded by GGRA. The Ministry will provide updates on program design.

Temporary FTE transfer to MAG

- The Ministry of Energy will extend the temporary transfer of 1 FTE to the Ministry of the Attorney General in 2018-19 for additional legal services support dedicated to Energy.

Internal Realignment

- Internal realignment of \$0.96 million from Services to Salary & Wages to ensure that the Ministry has sufficient payroll allocation.

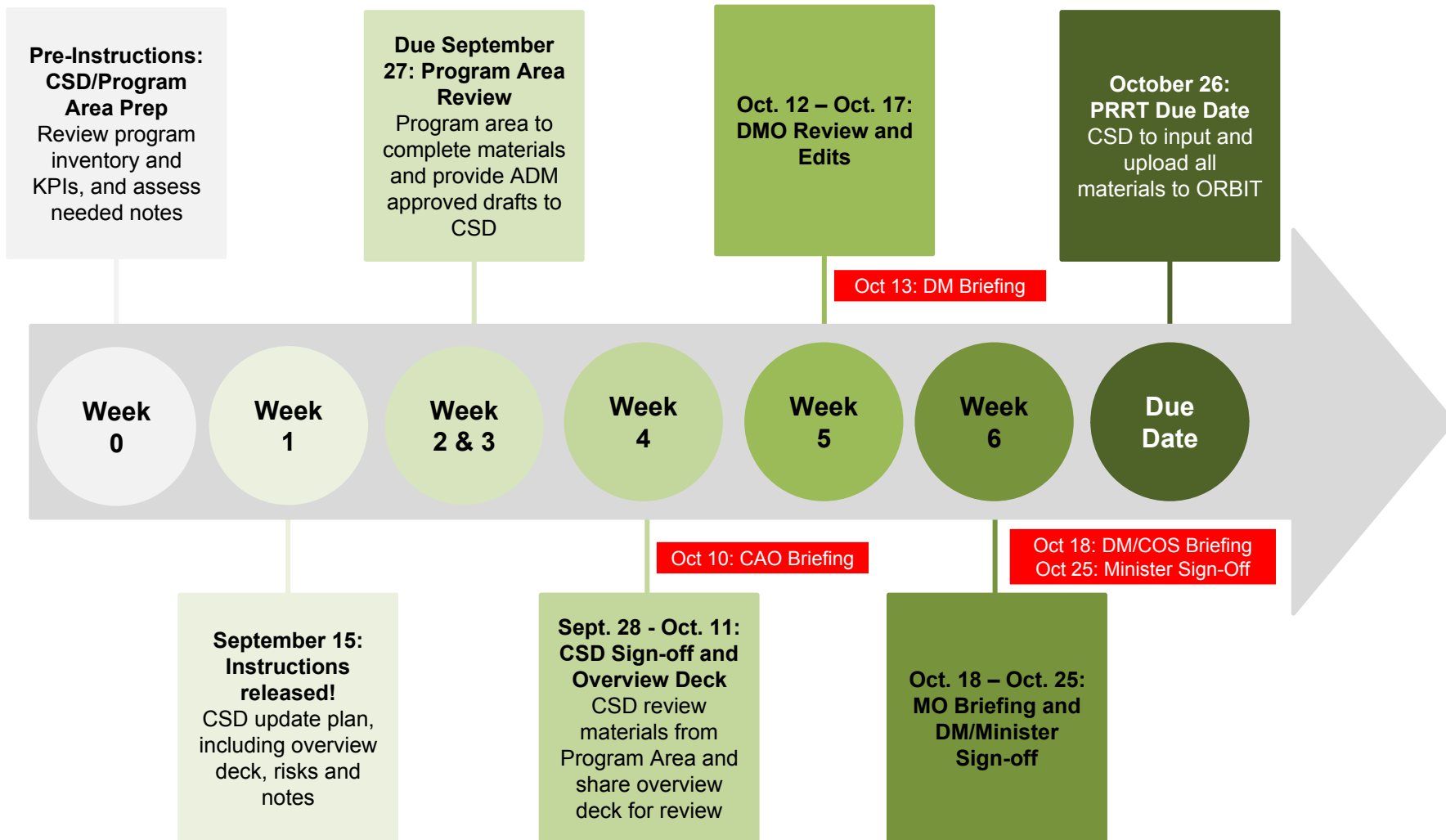
Ministry Key Performance Indicators and Outcomes

KPI	Continue to increase energy efficiency and conservation in Ontario	Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan	Maintaining low electricity sector emissions in support of the province's climate change targets	Increase the development of innovative energy technologies by Ontario companies (TBD)	Increase Indigenous participation in the energy sector (TBD)
Program Inventory	Long-Term Energy Plan Outcome: Regularly updating product standards for energy efficiency contributes to Ontario's long-term conservation outlook 	Rate Mitigation Outcome: (placeholder) 	Ontario Rebate for Electricity Consumers Outcome: (placeholder) 	Ontario Clean Energy Benefit Program ended in 2015-16	Strategic Asset Management Program ended in 2017-18
				Northern Ontario Energy Credit Administered by MOF	
	Innovative Energy Technologies Outcome: (placeholder) 	CCAP, GGRA Initiatives Outcome: (placeholder) 	Electricity and Natural Gas Sector Regulation (OEB) Outcome: (placeholder)	Electricity System Market Operations & System Planning (IESO) Outcome: (placeholder) 	Internal Functions • Policy Development and Implementation • Minister's Office, Deputy Minister's Office • Legal • Communications • Corporate Services

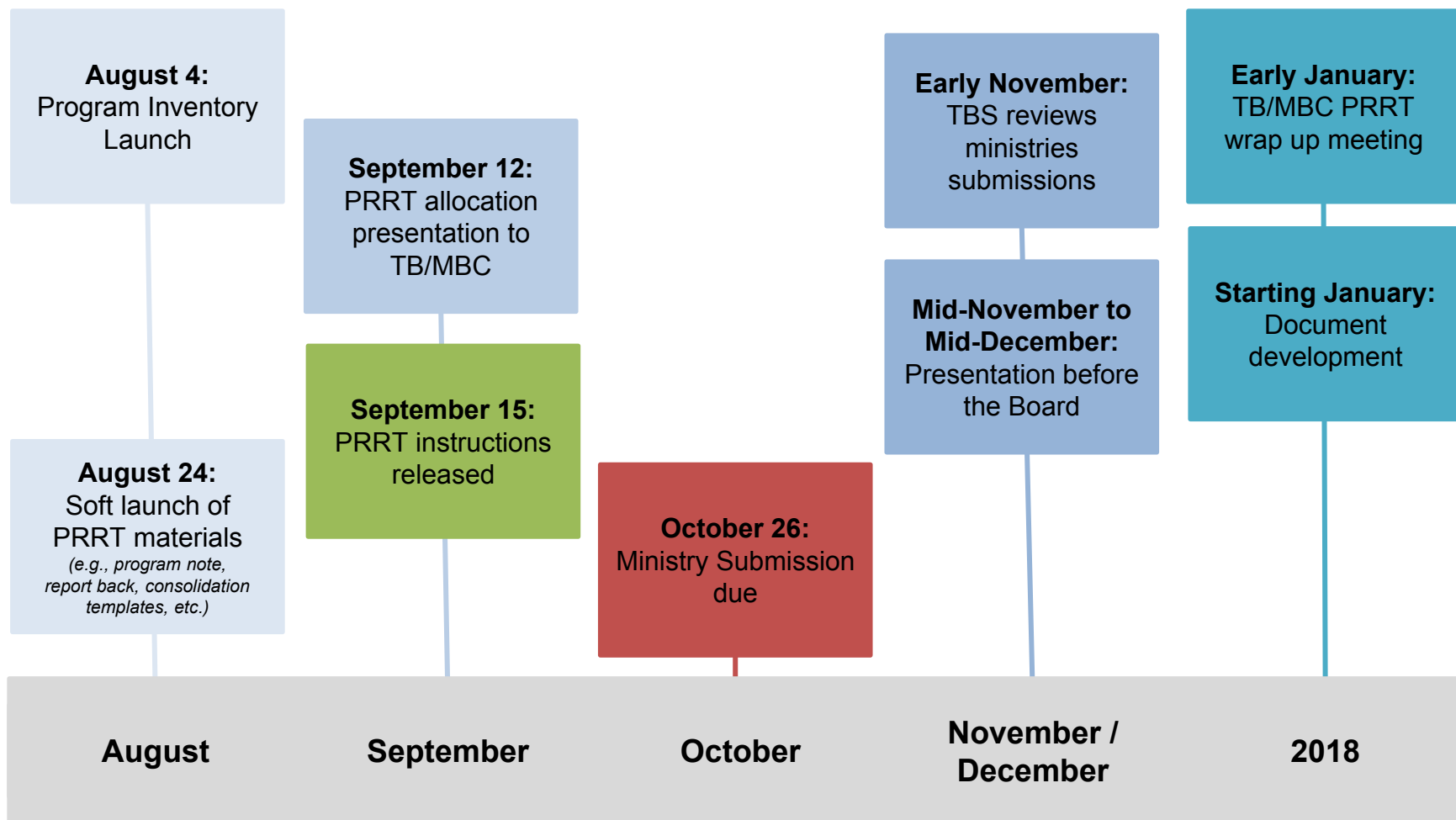
2018-19 Energy PRRT Component: Components

1. Ministry Overview Deck
2. Multi-year Risk Reporting Template
3. Report Back
 - Affordability Fund
 - Electric Vehicle Overnight Charging Rebate Program
4. Agency Consolidation Reporting
 - Independent Electricity System Operator
 - Ontario Energy Board
5. Gender-Based Analysis

Timelines and Next Steps



Appendix 1 – TBS PRRT Timeline



Appendix 2 – TB/MBC Decision-making Considerations

- TB/MBC will review and approve ministry's plans with consideration to:
 - Does the plan address the long-term sustainability of its programs while delivering on intended outcomes?
 - Is the plan within its multi-year allocation?
 - Is the plan supported by strong evidence (i.e. business case) in support of proposed decisions?
 - Are the resulting growth rates reasonable?
 - Does the plan effectively address key pressures to its programs?
 - How is the achievement of intended outcomes being measured?
 - Does the plan seek to capitalize on transformational and horizontal opportunities?
 - Have stakeholder impacts been considered and management plans to address them developed?