2017-18 Fiscal Management Plan [PHASE I]

Part 1: Overall Fiscal Position

The Ministry has evolved from a policy ministry into delivering the government's top energy priority - providing Ontarians with an affordable supply of energy and more choices in their energy use - through the implementation of the Long-Term Energy Plan, and the administration of programs introduced through Ontario's Fair Hydro Plan.

1A - Ministry Overall Fiscal Position

The Ontario Fair Hydro Plan (OFHP) programs are rate mitigation initiatives that form the largest component of the Ministry's allocation. The Ontario Rebate for Electricity Consumers (OREC), Ontario Electricity Support Program (OESP), First Nation Delivery Credit (FNDC), Distribution Rate Protection (DRP), Rural or Remote Rate Protection Program (RRRP), and the Northern Ontario Energy Credit (NOEC) currently account for $1,461.8 million, or 71% of the Ministry's 2017-18 allocation. These programs represent the largest fiscal risk exposure to the Ministry as they are tied to legislation that entitles recipients to funding. The actual program cost fluctuates based on external factors (e.g. weather, electricity prices, consumption, and general economic and demographic conditions of consumers).

The consolidation of fiscally neutral agencies - the Ontario Energy Board and the Independent Electricity System Operator - accounts for $264.1 million or 13% of the Ministry's 2017-18 allocation. Realizing operating savings on these entities would have no impact on the government's fiscal plan since their expenses are fully recovered from the rate base.

The remainder of the Ministry's 2017-18 allocation, $321.8 million or 16%, includes $280 million in Strategic Asset Management to support the continued broadening of Hydro One, and $2.15 million for the Electric Vehicle Overnight Charging Rebate Program which is fully recovered from the Greenhouse Gas Reduction Account (GGRA). Only 2.0%, or $41.6 million, of the Ministry's allocation is for the Ministry's own spending to deliver on its policy mandate and commitments.

The Ministry is projecting total year-end savings of approximately $258.7 million, mainly due to updated savings from Fair Hydro Plan programs and Strategic Asset Management. Based on projected savings, the Ministry is tracking to spend 87.4% of its approved allocation in 2017-18.

2017-18 ENERGY Interim Expense Outlook ($ millions)		
Printed Estimates		2,049.9
Net In-year Approvals		-0.2
Savings identified in Q2	*148.2*	
New Savings identified in Q3	*110.5*	
Total Savings		**258.7**
Q3 Interim Expense Outlook		**1,791.0**
Q3 Interim Expense Outlook (%)		**87.4%**

1B - Savings in Ontario's Fair Hydro Plan Programs

Program ($ millions)	Allocation	Q2 Forecast	Q3 Forecast	Changes from Q2 to Q3	Savings
OREC	939.0	883.0	883.0	0.0	56.0
OESP	137.8	37.8	25.2	12.6	112.6
DRP/RRRP*	344.0	351.8	324.0	27.8	20.0
FNDC	15.0	15.0	15.0	0.0	0.0
TOTAL	**1,435.8**	**1,287.6**	**1,247.2**	**40.4**	**188.6**

*Both programs are funded through the Rural or Remote Rate Protection Program TP line.

Savings - Ontario Rebate for Electricity Consumers (OREC): $56 million

OREC provides a benefit of 8% of electricity cost equal to the provincial portion of HST on eligible customer's bills.

In the first half of 2017-18, OREC program actual costs have been lower than original forecasts. Variance between the original forecast and actuals could be the result of several factors:

- Lag in billing cycles of the LDC; and
- Consumption patterns based on weather, rates, time of use etc.

OREC forecasts have been modified in Q2 to align cost estimates more closely to recent actual costs, resulting in anticipated savings of $56 million.

Savings - Ontario Electricity Support Program (OESP): $112.6 million

The OESP provides ongoing rate reduction directly on the electricity bills of low-income households who have applied and meet the eligibility requirements.

Prior to the introduction of the Ontario Fair Hydro Plan, the OESP was funded through the electricity rate base delivered by the Ontario Energy Board. To facilitate monthly program settlements, funding was collected from the rate base into a variance account. Program expenses were then expensed against the variance account.

As of Q3, the OESP variance account still carries a balance. OESP will continue to be funded through the variance account until the account depletes in Q3. Energy estimates that approximately $25.2 million of program allocation will be required to finance OESP for the remainder of 2017-18, resulting in savings of $112.6 million.

Savings - Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

RRRP helps to offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province. The DRP provides further relief to consumers served by higher distribution cost LDCs.

RRRP and DRP forecasts have been modified in Q3 to align cost estimates more closely to recent actual costs, resulting in anticipated savings of $20 million.

1C - Savings in Strategic Asset Management

Program ($ millions)	Allocation	Q2 Forecast	Q3 Forecast	Changes from Q2 to Q3	Savings
Services	100.0	100.0	95.0	5.0	5.0
H1 Share Offering	*100.0*	*70.0*	*60.0*	*10.0*	*40.0*
Métis Nation of Ontario (MNO) Costs	*0.0*	*30.0*	*35.0*	*-5.0*	*-35.0*
Conferred Benefit	135.0	135.0	66.3	68.7	68.7
Cash Contribution	45.0	45.0	45.0	0.0	0.0
TOTAL	**280.0**	**280.0**	**206.3**	**73.7**	**73.7**

Savings - Strategic Asset Management Transfer Payments

The Province completed the final offering of Hydro One common shares in May 2017, generating approximately $2.8 billion in gross proceeds. The overall target of raising $9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One was exceeded.

On December 29, 2017, the Province completed the sale of 14,391,012 common shares of Hydro One Limited, representing approximately 2.4% of the outstanding common shares to 129 participating First Nations for a total purchase price of $259,038,216.

- The purchase is financed through a 25-year term loan from the Province. The interest rate for the loan is at the Province's relevant borrowing rate, plus 15 basis points.
- The shares were sold to First Nations at $18 per share, less than the $22.44 per share end of day price, the day before closing. O. Reg. 591/17 defines the disposition of certain electricity-related assets below market.
- The Province has also provided seed capital to a new investment fund wholly-owned by Ontario First Nations Sovereign Wealth LP.
- The transaction, announced on January 2, 2018, fulfills the Province's commitment in its agreement-in-principle with the Chiefs-in-Assembly on behalf of the First Nations in Ontario.

After completing the transaction, the Province owns 282,412,648 common shares of Hydro One Limited, representing approximately 47.4% of the common shares.

The Ministry has identified $68.7 million of savings in the Conferred Benefit Transfer Payment line, which can be returned to TB/MBC at this time.

Savings - Strategic Asset Management Services

ENERGY has an allocation of ~$100 million for Services. This represents expected costs associated with broadening the ownership of Hydro One. Approximately $60 million was attributed to the final share offering of Hydro One. The amount represents underwriting fees and legal expenses associated with the offering. After accounting for potential expenses of $35 million related to Métis Nation of Ontario (MNO) negotiations, the Ministry has approximately $5 million in savings which could be returned to TB/MBC.

Formal negotiations with MNO commenced in October 2016 and remain ongoing.

- MNO has expressed interest in discussing the broadening of ownership of Hydro One. They have sought similar terms to the arrangement of the agreement-in-principle with the Chiefs of Ontario, which represent the interests of First Nations in Ontario.
- Depending on the terms and timing of the final agreement, the Ministry's Q3 estimate is that it will require $35 million in 2017-18 in support of the MNO negotiation and settlement.
- The Province and MNO are working in partnership to develop a draft term sheet while negotiations remain ongoing.
- The Ministry is reporting back to TB/MBC in February 2017 for approval prior to the finalization of the term sheet.

1D - Other Changes to the Ministry's Interim Expense Outlook

Consolidation Updates (Fiscally Neutral - Offset by Revenue)

Q3 Consolidation forecasts have been updated to reflect PRRT Interim Forecasts:

$4.5 million increase for IESO, due to higher payroll costs.

- The variance in payroll is primarily due to increases in the resources for market renewal initiative ($4.0 million increase), changes in pension and post-employment benefit estimates ($1.8 million increase), and labour cost recovery ($1.9 million decrease).

$0.9 million decrease from OEB, due to operational savings.

These changes would have no impact on the government's fiscal plan since expenses are fully cost recovered from the electricity rate base.

1E - Other Changes Impacting the Fiscal Plan

Return of OCEB Accrual as Revenue (Recovery of Prior Years' Expenditures)

The Ontario Clean Energy Benefit ended on December 31, 2015. Between 2016-17 and 2017-18, the Ministry continued to make payouts to local distribution companies (LDCs) and unit sub-metering providers (USMPs) on trailing invoices. In 2016-17, the Ministry received TB/MBC approval for an expenditure increase of $20.8 million to ensure sufficient funding was in place for future OCEB trailing liabilities.

Local Distribution Companies had until August 1, 2017 to process adjustment claims. The regulation allowed for electricity vendors to provide written notice to the IESO if they processed claims that were submitted after the August 1, 2017 cut-off. Energy received confirmations from Local Distribution Companies with regards to remaining claim amounts.

At this time, the Ministry is able to return the over-accrual of $16.3 million back to Treasury Board as recovery of prior years' expenditures.

☒	The Ministry acknowledges that it worked with the Ministry of the Environment and Climate Change to confirm their projection for the GGRA projects.
N/A	The Ministry acknowledges that it worked with the Ministry of Finance to confirm their projection for the Trillium Trust projects.
☒	The Ministry acknowledges that it worked with Corporate Services Division of the Treasury Board Secretariat (TBS) to confirm their projection for the Bulk Media Buy.
N/A	The Ministry acknowledges that it worked with Corporate Services Division of TBS to confirm their projection for the I & IT Efficiencies Initiative.

Part 2: Report Back on Areas Identified in Customized Ministry Memos

2A - Report Back on Ontario's Fair Hydro Plan Transfer Payments

Spending for the social programs under the Fair Hydro Plan are non-discretionary as the programs have legislation and regulations that require reimbursements to be made to distributors and unit sub-meter providers for the periods where they have provided on-bill credits to their customers.

During Q3, the Ministry identified $188.6 million in savings from these programs which is available for minuting. For more information, please refer to Part 1 - Potential Savings in Ontario's Fair Hydro Plan Programs.

Program/ Initiative	Vote-Item, TP, etc.	2017-18 Allocation ($M)	Spending to Date ($M)	Q3 Forecasted spending for 2017-18 ($M)	Q4 Forecasted spending for 2017-18 ($M)	Potential (Savings)/ Pressures ($M)	Available for Minuting (Date)
Ontario Rebate for Electricity Consumers	2905-01	939.0	524.4	58.8	299.8	(56.0)	Now
Rural or Remote Rate Protection Program	2905-01	344.0	148.7	40.1	135.2	(20.0)	Now
Ontario Electricity Support Program	2905-01	137.8*	0.0	0.0	25.2	(112.6)	Now
On-Reserve First Nations Delivery Credit	2905-01	15.0	5.5	2.0	7.5	0.0	N/A

*$2.2 million was transferred from OESP to MCSS through the Increasing social Assistance joint submission

2B - Report Back on Strategic Asset Management and Transformation Transfer Payments (Cash Contribution and Conferred Benefit)

The allocation for the Strategic Asset Management and Transformation Transfer Payments is to facilitate transactions related to the agreement in principle with First Nations to broaden Hydro One Ownership. The allocation for the Conferred Benefit amount ($135 million) is under executive control; any underspending may not be used as an offset for an intra-ministerial Treasury Board Order. As such, the Ministry identifying $68.7 million in savings that can be minuted out during Q3.

For more information, please refer to Part 1 - Potential Savings in Strategic Asset Management.

Program/ Initiative	Vote-Item, TP, etc.	2017-18 Allocation ($M)	Spending to Date ($M)	Q3 Forecasted spending for 2017-18 ($M)	Q4 Forecasted spending for 2017-18 ($M)	Potential (Savings)/ Pressures ($M)	Available for Minuting (Date)
Conferred Benefit Amount	2906-01	135.0	0.0	0.0	66.3	(68.7)	Now
Cash Contribution for First Nations	2906-01	45.0	29.0	0.0	16.0	0.0	N/A

Part 3: High Likelihood Risks (Pressures and Savings)

3A - Savings and Pressures with Updates in Q3

Energy & Water Reporting and Benchmarking (EWRB)

Implementation risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	1.67	1.72	1.31	-

*As reported in prior years

In 2016, Ontario's five-year Climate Change Action Plan committed to requiring Energy and Water Reporting and Benchmarking (EWRB) for large buildings. EWRB is the review of a building's energy and water use and comparison of the usage with similar buildings. Resources are required to ensure the proper adoption of EWRB, which includes responsibilities such as securing a client relationship management system and establishing a call centre. The Ministry did not receive resources for this project from GGRA funding.

The majority of these costs are expected to be realized in Q4 and should continue into the upcoming fiscal years. A small percentage of the total estimated costs were already recognized in Q3.

The impact of this pressure will be shown in Vote/Item 2902-01, Energy Development and Management, and the Ministry will use internal savings to offset these costs.

Long-Term Energy Plan (LTEP) 2017

Emerging/new policy risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	0.10	0.10	-	-	-	-	-	0.42	0.42	0.18	-

*As reported in prior years

The Ministry is mandated to update its Long-Term Energy Plan this fiscal. A number of costs will be incurred for this update, including public consultation and engagement sessions, and the release of the physical document. Major costs were incurred prior to its release, with minor implementation costs following.

The Ministry identified LTEP pressures in 2015-16 and 2016-17. These included travel costs for consultation and engagement sessions, as well as communications costs for writing, graphic design, printing, event planning and advertising. These pressures were offset in 2015-16 and 2016-17 using internal Ministry savings.

2017 LTEP costs are related to policy implementation and impact Vote/Item 2902-01, Energy Development and Management. Similar to prior years, this pressure will be offset using internal Ministry savings.

Fair Hydro Plan Third-Party Legal Services

Implementation risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.50**	**2.50**	**2.65**	**-**

***As reported in prior years**

The Ministry is working to implement the Fair Hydro Plan to lower the cost of electricity for Ontario consumers. This electricity price mitigation strategy is comprised of several initiatives that aim to lower the price components of consumers' electricity bills, or remove components from electricity bills altogether. The legal work required to support these initiative includes development of the legislative framework, drafting appropriate sale/purchase agreements, and arranging financing between Special Purpose Vehicle/Trust and private sector lenders. Blakes LLP was contracted to provide specialized expertise in support of the required legal services for the Fair Hydro Plan.

On May 31, 2017, the Auditor General requested that the Ministry of Energy provide emails from the period of December 2016 to May 31, 2017, that relate to Fair Hydro Plan communications and materials between Ministry staff and various other stakeholders. McCarthy Tétrault LLP was contracted to complete an efficient, large-scale search/review of the sensitive and high-profile documents, in order to fulfil the request of the Auditor General.

The Fair Hydro Plan was announced and introduced in 2017-18 and thus, the related legal expenses are a new risk in the current fiscal year. Significant legal costs have been incurred to date, and the Ministry is revising the estimate of this pressure upwards to $2.65 million. Approximately $150,000 of the $2.65 million is attributable to the document search costs. These legal services costs are expected to be realized in their entirety throughout the current fiscal year.

The Fair Hydro Plan legal costs impact Vote/Item 2902-01, Energy Development and Management, and will be offset internally within the Ministry's allocation.

Early Decant of Energy Staff from MacDonald Block — **Other risk**

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	1.25	1.25	0.00	-

*As reported in prior years

This item was originally identified as a risk in Q1 and Q2, but is no longer a risk as the costs have been deferred.

The Ministry may require an early decant of staff from MacDonald Block to support the Queen's Park Reconstruction Project. The Ministry is projecting accommodation costs to be approximately $1.25 million, based on historical accommodation moves.

The anticipated costs would impact Vote/Item 2901-01, Ministry Administration. The Ministry had planned to manage any expenses related to the decant of Energy staff from within, and to find internal savings in Vote/Item 2902-01, Energy Development and Management, to offset this pressure.

Potential Savings in Ontario's Fair Hydro Plan Programs

The savings related to the programs in the Fair Hydro Plan are demand driven and will impact Vote/Item 2905-01, Energy Price Mitigation.

Potential Savings - Ontario Electricity Support Program (OESP) — **Demand driven/forecast risk**

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	(100.0)	(112.6)	-

*As reported in prior years

The OESP provides ongoing rate reduction directly on the electricity bills of low-income households who have applied and meet the eligibility requirements.

Prior to the introduction of Ontario's Fair Hydro Plan, the OESP was funded through the electricity rate base. To facilitate monthly program settlements, funding collected from electricity bills were pooled in a variance account held with the IESO before payment. Program expenses were then expensed against the variance account.

As of Q3, the OESP variance account still carries a balance. OESP will continue to be funded through the variance account until the account depletes in Q4. Since the program has transitioned to tax-base funding, ENERGY is providing an update that $25.2 million of program allocation will be required to finance OESP for the remainder of 2017-18, resulting in savings of $112.6 million.

Potential Savings - Rural or Remote Electricity Rate Protection (RRRP) / Distribution Rate Protection Program (DRP) — **Demand driven/forecast risk**

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	7.8	(20.0)	-

*As reported in prior years

RRRP mitigates high costs of electricity distribution in rural or remote areas of the Province. A major portion of the program costs are paid to low-density residential customers served by Hydro One.

The Ontario Energy Board sets a maximum monthly base distribution charge for eligible customers. This cap provides an immediate decrease in the base distribution charges paid by the most eligible customers.

DRP program costs are dependent on electricity rates. Hydro One, which services the largest number of DRP eligible customers, submitted a rate application to the OEB. Initially, because of this submission, the Ministry had forecasted costs associated with the program to be higher than the Ministry's original forecasts.

In Q2, the Ministry identified a net pressure of $7.8 million, which consisted of $2.2 million in RRRP savings and a $10 million pressure from DRP. Both RRRP and DRP forecasts have now been modified in Q3 to reflect the declining number of low-density residential customers, resulting in potential savings of $20 million between the two programs.

The savings from RRRP and DRP will come from their respective transfer payment lines in Vote/Item 2905-01, Energy Price Mitigation.

Hydro One Secondary Offering Cost and Métis Nation Engagement

These are policy implementation related savings and will impact Vote/Item 2906-01, Strategic Asset Management.

Potential Savings - Strategic Asset Management Services **Emerging/new policy risk**

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	(30.0)	(40.0)	-

*As reported in prior years

Through 2017-18 PRRT, TB/MBC approved an allocation of $100 million in services to support the asset transformation mandate in the 2017-18.

The Ministry of Energy's asset transformation mandate supports:

- Broadening the ownership of Hydro One through the Province's share sales strategy;
- Discussions with Indigenous communities, as represented by Chiefs of Ontario (COO) and Métis Nation of Ontario (MNO), related to broadening the ownership of Hydro One;
- The sale of Hydro One Brampton to Alectra.

As of Q3, approximately $60 million will be attributed to the final share offering of Hydro One and thus, the Ministry is projecting potential savings of up to $40 million in Hydro One secondary offering services costs. The Ministry will request that these savings be used to offset the pressure from costs that may arise from the Metis Nation of Ontario negotiations.

Potential Pressure - Costs to Support Negotiations with Metis Nation of Ontario Relating to Hydro One Ownership

Emerging/new policy risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	30.0	35.0	-

*As reported in prior years

Energy reported back to TB (September 13th, 2016) and Cabinet (September 28th, 2016) and obtained a revised mandate for discussions with MNO. Discussions are currently underway. Depending on the terms and timing of the final agreement, the Ministry's Q3 estimate is that it will require $35 million in 2017-18 in support of the MNO negotiation and settlement. Energy will report back to TB/MBC in February 2018 for approval prior to finalization of the term sheet.

The Ministry has identified services savings in Strategic Asset Management as an offset if this risk materializes in 2017-18.

Depending on progress of negotiations and timing of closing, the risk may materialize 2018-19. The Ministry has also requested funding in its 2018-19 PRRT submission to offset potential pressures.

3B - New Savings and Pressures in Q3

Potential Savings - Conferred Benefit *Emerging/new policy risk*

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	-	(68.7)	-

*As reported in prior years

On December 29, 2017, the Province completed the sale of 14,391,012 common shares of Hydro One Limited, to 129 participating First Nations for a total purchase price of about $259 million. The shares were sold to First Nations at $18 per share, less than the $22.44 per share end of day price, the day before closing. The transaction, announced on January 2, 2018, fulfills the Province's commitment in its agreement-in-principle with the Chiefs-in-Assembly on behalf of the First Nations in Ontario.

Ministry forecasts savings of $68.7 million to be realized by the end of the fiscal year. This will affect the respective transfer payment line in Vote/Item 2906-01, Strategic Asset Management.

Potential Pressure - Wataynikaneyap (Watay) Power Third-Party Legal Services *Emerging/new policy risk*

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	-	0.30	-

*As reported in prior years

This risk is new to 2017-18 and is expected to fully materialize by the end of this fiscal year.

The federal and provincial government have been engaged in discussions to connect 16 First Nation communities in northern and far northern Ontario to the electricity grid. In order to do so, terms are being discussed which entail Canada assigning an annual contribution to Ontario, with which Ontario would use to provide a loan to Watay Power. Watay Power would use these funds to finance a large portion of the capital costs of the connection project, which includes construction and development expenses.

Fasken Martineau DuMoulin LLP has been retained to provide legal advice on the structure, negotiation and documentation of this complex loan. This project is considered high priority; it's expected that these costs will be realized.

The impact of the projected $0.3 million pressure will be in Vote/Item 2902-01, Energy Development and Management, and will be offset using internal savings.

Potential Pressure - NAFTA MESA Lawsuit *Emerging/new policy risk*

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	-	0.15	-

*As reported in prior years

ENERGY to share 50% of the estimated cost for the U.S. law firm Baker & McKenzie LLP ("Baker & McKenzie") to represent and advise Canada and Ontario on enforcement proceedings against Mesa Power Group, LLC. Total costs are estimated to be up to $1.12 million over several years, shared equally with Canada, and may continue until 2019-2020. Cost will vary depending on the enforcements steps taken.

This pressure is new to 2017-18 and is projected to continue into the following two fiscal years. Of the estimated costs, the Ministry projects that $0.15 million of related expenses will be incurred in 2017-18.

The impact of this pressure will be shown in Vote/Item 2902-01, Energy Development and Management and will be offset by internal savings.

Appendix - Q3 Risks with No Changes

Ontario Rebate for Electricity Consumers (OREC)

Demand driven/forecast risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	-	(56.0)	(56.0)	-

*As reported in prior years

OREC provides an 8% benefit of electricity cost on eligible customer's bills, equal to the provincial portion of HST.

OREC program actual costs have been lower than original forecasts during the first half of 2017-18. Variance between the original forecast and actuals could be the result of several factors:

- Cooler weather over the 2017 summer period when electricity consumption typically is at its peak;
- Bill reductions as a result of the implementation of the OFHP programs; and
- Time of use and other fluctuations in rates.

During the winter months that make up the end of the fiscal year, electricity consumption is generally also at its peak. For this reason, the Q3 OREC forecast has not been modified from the Q2 estimate. Anticipated savings of $56 million are still expected to be realized by the end of the fiscal year.

Ontario's Participation at Energy East Hearings

Emerging/new policy risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
0.29	0.41	0.41	-	-	-	-	-	0.85	0.00	0.00	-

*As reported in prior years

This item was originally identified as a risk in Q1, but is no longer a risk as the Energy East Projects were cancelled on October 5, 2017.

The Ministry represented Ontario at the National Energy Board (NEB) hearing on TransCanada's Energy East projects. The Province was required to attend the hearings in order to defend the government's position on Energy East pipelines. To best represent Ontario's position, the Ministry procured four expert consultants to provide advice throughout the NEB hearings.

TransCanada informed the National Energy Board that it was withdrawing its Energy East application.

Energy East Consulting Costs were reported as a pressure in 2015-16, and were offset using internal Ministry savings.

Resources Support for the Ontario Rebate for Electricity Consumers

Emerging/new policy risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	0.61	0.61	0.61	-

*As reported in prior years

The Ontario Rebate for Electricity Consumers was introduced by the Ministry to provide an 8% rebate to eligible consumers, effective January 1, 2017. The program requires dedicated resources to cover a number of critical responsibilities to ensure successful implementation. These resources will provide financial support, communications and marketing support, as well as support for policy and program development. The Ministry requested four new permanent FTEs during the 2017-18 PRRT process which were not approved.

This risk is new to the 2017-18 fiscal year. Since OREC is a permanent program, this resource requirement will be an on-going risk in the out-years. The total projection of $0.61 million is expected to be realized in its entirety throughout the current fiscal year.

These are policy implementation related costs and will impact Vote/Item 2902-01, Energy Development and Management. This pressure will be offset using internal Ministry savings.

NAFTA Arbitration: Tennant Energy LLC

Emerging/new policy risk

2015-16* ($M)				2016-17* ($M)				2017-18 Forecast ($M)			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-	-	-	-	-	-	-	-	0.35	0.35	0.35	-

*As reported in prior years

Tennant Energy LLC filed a Notice of Arbitration under Chapter 11 of the North American Free Trade Agreement (NAFTA) which commences an Investor-State Arbitration against Canada. Tennant claims that Canada violates Article 1105 of NAFTA through measures and actions taken by the Government of Ontario in relation to the Feed-in tariff program and the

Green Energy Investment Agreement. The Ministry is expected to share the costs of the arbitration with the federal government.

This $0.35 million risk is new to the 2017-18 fiscal year. The costs are expected to materialize in Q4 once an Arbitral Tribunal has been established, and are projected to wrap up by the end of this year.

The pressure is related to the implementation of one of the Ministry's policies, and thus impacts Vote/Item 2902-01, Energy Development and Management. It will also be offset by the Ministry using internal savings.