Ontario

Ontario Electricity Support Program

Ministry of Energy
Health and Social Services (HSS) Committee
January 27, 2015

Original signed by

Minister

Original signed by

Deputy Minister

Summary of Proposal

- The Ministry of Energy is seeking approval to move forward with the development and implementation of an assistance program providing low-income electricity consumers with ongoing support
- The Ontario Electricity Support Program (OESP) would:
  - Be funded through electricity rates, with no fiscal impact
  - Be delivered as a reduction on qualifying customers' bills and be visible on the bill, and
  - Be accessible in terms of program delivery and intake options
- The OESP would replace the Ontario Clean Energy Benefit (OCEB) when it ends on December 31, 2015
  - The OESP is intended to be a focused tool for delivering targeted assistance through electricity bills
  - The OESP would be ratepayer funded, eliminating impacts to the fiscal plan
- This initiative also supports the government's commitment to reducing poverty in Ontario
  - Energy costs are a significant component of housing costs for many households and the program would provide additional support that could help Ontarians continue to live in their homes

"The government is committed to reducing electricity cost pressures on individuals and families, recognizing that Ontario's most vulnerable spend a proportionately higher percentage of disposable income on energy and electricity." – *2014 Budget*

"Containing costs and mitigating rate increases will continue to be a priority as the 2013 LTEP is implemented. Since the 2010 LTEP, the Ontario government has taken strong action that has started to mitigate rate increases and decrease the pressure on Ontario electricity consumers." – Ontario's 2013 Long-Term Energy Plan

"Rate mitigation measures undertaken by the government, in collaboration with energy agencies…, result in savings that last over the life of the plan." – Ontario's 2013 Long-Term Energy Plan

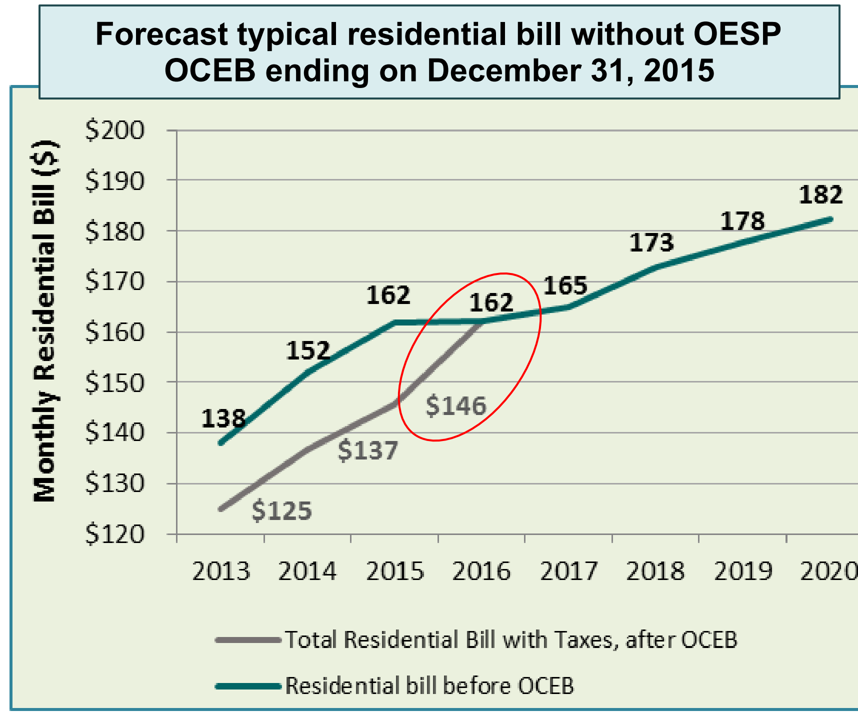
"Research tells us that a Housing First approach… is more cost-effective over the long term than emergency responses. The idea behind Housing First is that when people have a stable home along with the right services and supports, they are better able to manage other challenges in their lives. It is an important first step to moving out of poverty." – Ontario's 2014 Poverty Reduction Strategy

Context

- On March 5, 2014 the Ministry of Energy received Cabinet approval to require the OEB to report back on options for a rate-payer funded assistance program to provide low-income electricity consumers with ongoing support
- In April 2014, the Minister wrote to the OEB requiring a report back with program design options in December 2014
  - At the same time, the government announced it was moving forward with a plan to assist low-income electricity consumers when the OCEB ends on December 31, 2015, by developing a program to provide them with on-bill relief
- The OEB provided its recommendations to the Minister in late December, which form the basis of the current Cabinet Submission
- A number of other initiatives are also under way to help mitigate electricity rate increases for various electricity consumers (see Appendix 1 for detailed impacts), including:
  - The early removal of the Debt Retirement Charge from residential consumers' bills to help smooth residential electricity price impacts after the OCEB ends;
  - Ontario's Five-Point Small Business Energy Savings Plan offers enhanced conservation programs for small businesses under the saveONenergy for Business program. Commercial, Institutional and Agricultural customers are eligible for incentives under the saveONenergy for Business program and residential customers can receive assistance in managing their energy bills through the saveONenergy for Home program; and
  - A number of financial incentives and conservation initiatives for large consumers, such as the Industrial Conservation Initiative, Industrial Electricity Incentive, the Industrial Accelerator Program, and the Northern Industrial Electricity Rate Program

Need for Action: Rising Electricity Rates

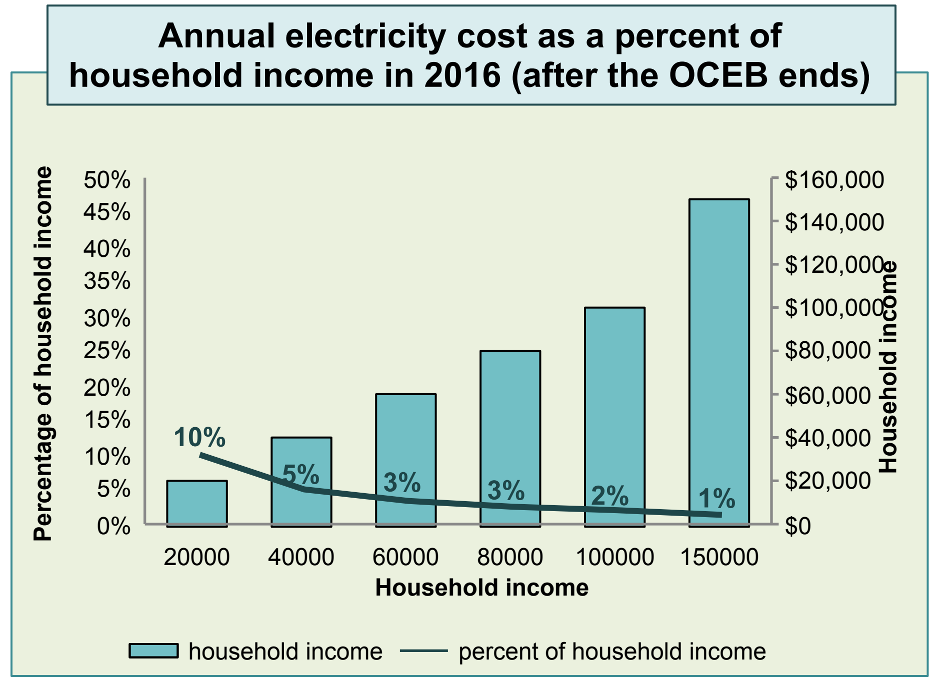
- **Electricity rates are rising:** Electricity consumers are experiencing continued rapid electricity rate increases. This is a particular problem for low income households
  - The Long-Term Energy Plan (LTEP) forecasts significant total bill increases in the coming years, an average of 5.1% per year in the short-term from 2015-2019, and 2.2% per year in the long-term from 2015-2032



- **OCEB is ending:** The scheduled end of the Ontario Clean Energy Benefit (OCEB) on December 31, 2015 will highlight the issue
  - The OCEB is a broad-based program helping over 4 million residential consumers and over 400,000 farms and small businesses with their electricity costs – it does not distinguish consumers with respect to income levels, while the proposed OESP is a targeted benefit for low-income consumers

Need for Action: Providing Low Income Support

- **Low-income consumers spend disproportionately more on electricity:** The electricity bill for a typical household consuming 800 kilowatt hours of electricity per month represents
  - On average 10 per cent of the total income of a family with an annual income of $20,000
  - While amounting to only two per cent or less on average of the total income of a family with an annual income of $100,000 or more in 2016
- **Need as evidenced through the Low-Income Energy Assistance Program (LEAP):** The Ontario Energy Board's (OEB's) ongoing program review of LEAP's emergency financial assistance indicates that repeat applicants appear to be using LEAP amounts to address a chronic need rather than emergency situations as intended by the program
  - To further illustrate this trend, the OEB reports that in the 2012 program year, EFA recipients had, on average, arrears of about $570 with their electricity distributor



Ontario Energy Board's Report: Key Elements

Overview of the OEB's program design options:

- The OEB's report presents various options for program design, ranging from a uniform fixed credit and percentage based bill discounts to highly individualized credits (see Appendix 8 for details)

Design Option
• **Stepped sliding scale** (**recommended**)*** – Predetermined credits provided based on income brackets and household size
• **Individualized credit** – If forecasted electricity costs exceed 6% of income, then a credit is provided for the difference
• **Percentage bill reduction (10% or 30%)** – Provides an on-bill discount similar to the delivery of the OCEB
• **Uniform fixed credit** – Credit provided based on uniform predetermined dollar amount (e.g. $50)

- Certain options may better target and meet the needs of low-income consumers (e.g. individualized approach) but would be more expensive and cumbersome to administer
  - Other options have a very simple design (e.g. fixed credits and percentage-based discounts) but will not target households based on need
  - It is important to note that the richer the benefits delivered through the OESP, the higher the burden of cost that is assumed by electricity consumers generally – as the program is rate-payer funded
- The OEB's report recommends the stepped sliding scale option
  - The Ministry supports this recommendation, given that it reflects a targeted approach that is relatively simple to implement at a reasonable cost to ratepayers

OEB Stakeholder Engagement and Response

- OEB staff consulted broadly in developing the options in its report, including the following groups and meetings

- Key stakeholder consultations included:
  - OEB's Financial Assistance Working Group, including: LEAP Social Agency Partners; Natural Gas and Electric Distributors; Vulnerable Energy Consumer Coalition; Low Income Energy Network
  - Low-Income Advocacy Groups, including: LIEN's network members; Ontario Works and Ontario Disability Support Program representatives; Housing Help Association of Ontario
  - Consumer Ratepayer Representatives – Consumers Council of Canada; Energy Probe
  - OESP Inter-Ministerial Working Group
  - Electricity Distributors & Electricity Distributors Association (EDA)
  - 7 First Nations Organizations – Six Nations; Nishnawbe Aski Nation; Shawanaga First Nation; Ontario Native Women's Association; Kenora Chiefs Advisory Council; Union of Ontario Indians; Association of Iroquois and Allied Indians
  - Métis Nation of Ontario
- General Stakeholder Forum held Nov. 6, 2014
- Environics Research Group survey

OEB Stakeholder Engagement and Response

- As part of its stakeholder outreach, the OEB had Environics Research Group survey 700 Ontario ratepayers in August 2014
- Responses indicated a broad level of support for a low income program as outlined below

1. ***Do you support or oppose a program, funded by all Ontario energy customers like yourself, to help low-income customers pay their bills?***
   - 67% strongly/ somewhat support
   - 29% oppose or strongly oppose
2. ***Why do you support such a program?***
   - 69% important to help vulnerable/ poor
   - 63% everyone needs electricity in winter
   - 45% it won't cost very much for each individual ratepayer

Recommended Option: Stepped Sliding Scale

Stepped Sliding Scale: Predetermined credits are provided based on income brackets and household size. Customers in lowest income bracket receive largest credit and customers in the highest bracket receive the smallest credit

Option considerations:

- Strikes the best balance between benefits to low income consumers and costs to all other electricity ratepayers
- Relatively simple option for distributors to implement (compared to individualized credit) but more complex to administer than a percentage-based or uniform fixed credit approach
- This option puts forward a benefit level which differs from the 10% credit example referenced in the Minister's report-back letter and which would provide greater assistance than is currently offered through the OCEB
  - There is support for providing this higher level of assistance given that it would be targeted to correspond with need
- Maintains conservation incentive
- This option represents a compromise of stakeholder preferences that balances the benefits of a targeted approach against the costs of administering the program
  - Low income stakeholder groups are looking for a very targeted (individualized) benefit that focuses on consumers with greatest need
  - LDCs and ratepayer advocates want to minimize implementation/administrative costs

Ontario

Recommended Option: Need for Balance

- In the development of the OESP, there is a need to strike the appropriate balance between low income support and the cost to other ratepayers
- To ensure broad support and program sustainability, any ratebase-funded support program must ensure that it puts a modest burden on the residential and industrial consumers who will be funding the program
  - Anything higher than a modest burden on all other ratepayers could erode support for the OESP given that rate increases outlined in the 2013 LTEP and the ending of the OCEB
- ENERGY believes that the OEB's recommended approach of a stepped sliding scale with predetermined credits based on income level and household size is a sensible way to balance these multiple priorities – it is an approach that can effectively target low-income consumers based on need while limiting the complexity of program design / administration and the associated costs to ratepayers
- Some of the key benefits of this approach include:
  - It provides OESP recipients with a targeted benefit that will more than offset the ending of the OCEB for a manageable bill increase for all other ratepayers
  - The need to mitigate pressures on ratepayers can be achieved by managing program costs and effectively targeting low-income consumers and the recommended program design with a higher degree of administrative simplicity will help manage program costs
  - It provides greater benefits to the low-income consumers that are most in need of assistance

Recommended Option: Stepped Sliding Scale (cont'd)

Illustrative example of benefit levels and thresholds:

- Below is an illustrative example of the stepped sliding scale concept – program design details would be finalized- once approval is provided to proceed with the program. Each cell in the table below contains an illustrative credit per month, by income and family type
  - In this example, the projected cost of the program would be $105 - $209 million per year, with 286,000 - 571,000 households benefitting (50% - 100% participation);
  - For eligible low-income consumers, the credit amount would range between $20 and $50 per month, with an average credit amount of just under $30 per month
  - The expected bill impact for all other residential consumers would be approximately $0.61 - $1.24 per month (50% - 100% participation)

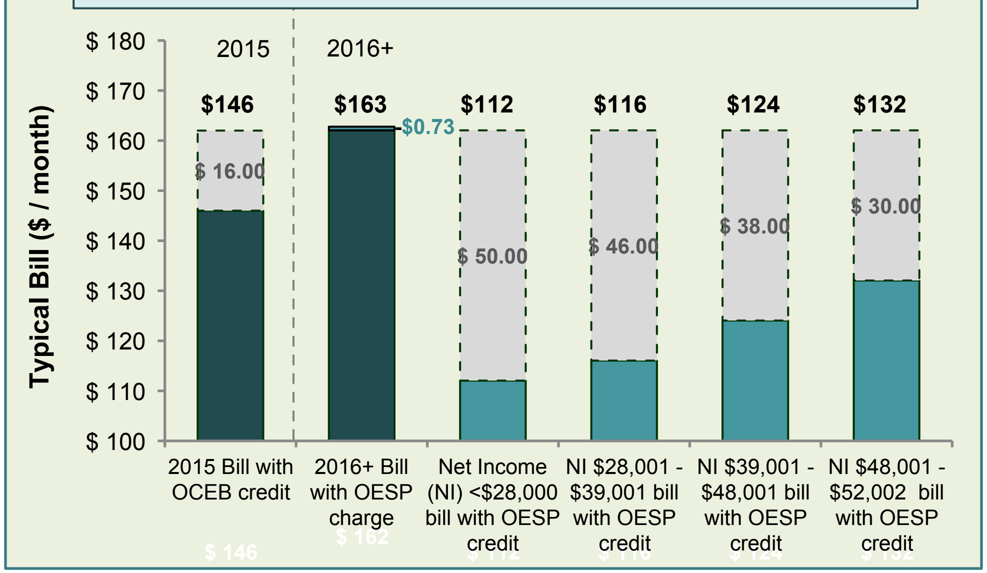
Stepped sliding scale – benefit level		Household size						
		1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7+ persons
Income bracket	< $28,000	$20	$30	$34	$38	$42	$46	$50
	$28,001 - $39,000	-	-	$30	$34	$38	$42	$46
	$39,001 - $48,000	-	-	-	-	$30	$34	$38
	$48,001 - $52,000	-	-	-	-	-	-	$30

Recommended Option: Stepped Sliding Scale (cont'd)

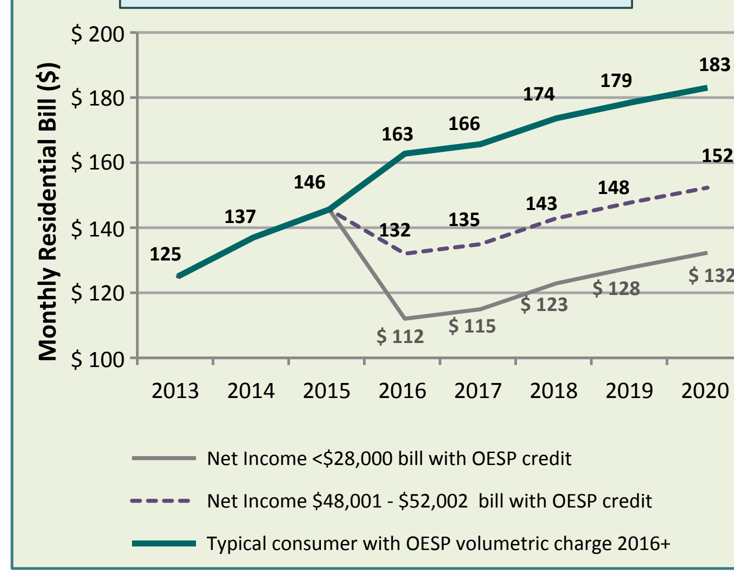
Illustrative consumer impacts with a volumetric charge applied to all consumer classes:

- Low-income residential energy consumers would receive a benefit while other energy consumers would pay more, for example:
  - A benefit given to a large family household, based on a stepped sliding scale, provides a monthly credit between $30 and $50
  - Assuming 60% participation in the program, would require a contribution of $0.73 per month by all residential consumers not participating in the program

Projected monthly residential rate impacts for a large family household, by income band



Projected monthly residential electricity bills



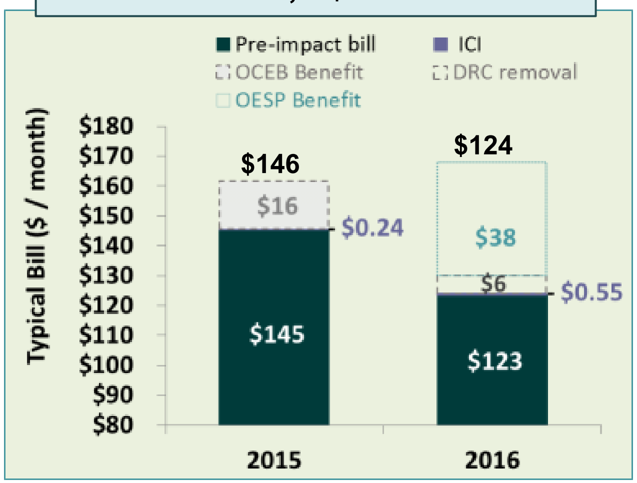
Note: Assumes electricity consumption of 800 kWh/month projected in 2016; and, a benefit ranging between $30 and $50 for low-income consumers; 60% uptake from eligible consumers; and the cost of the program is spread across all electricity consumers as a volumetric charge of $0.00092 per kWh, excluding program participants. An OCEB credit for a typical residential consumer in 2015 provided for comparative purposes. Sliding scale option presented does not include special consideration for consumers with special electricity needs.

Recommended Option: Stepped Sliding Scale (cont'd)

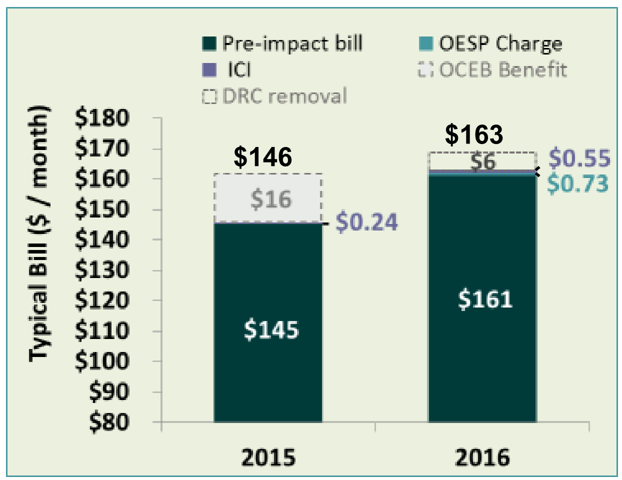
Combined illustrative consumer impacts:

- Examples of the impacts of a number of initiatives which are influencing electricity consumers' bills:
  - The first two graphs show the impacts on residential consumers receiving a benefit and contributing to the program
  - The third graph shows the impacts on industrial consumers contributing to the program
  - The greater the benefits provided through the OESP, the higher the burden of cost that is assumed by electricity consumers funding the program

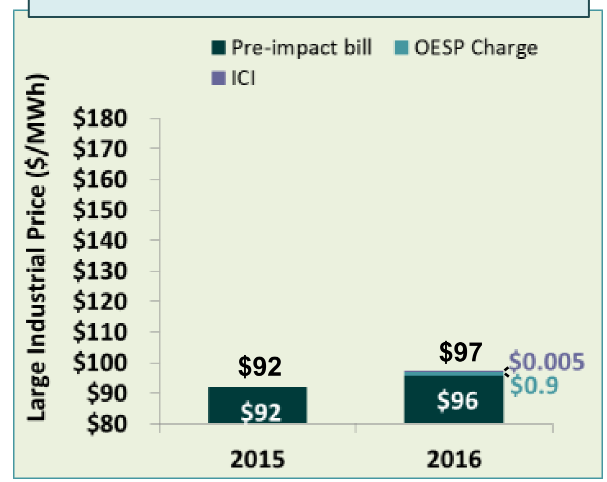
Projected monthly residential rate impacts for 4 person households, <$28k income



Projected monthly residential electricity bills



Projected industrial price impacts for a Class A large industrial consumer



Notes: OCEB = Ontario Clean Energy Benefit, DRC = Early removal of the Debt Retirement Charge from residential bills, ICI = Industrial Conservation Initiative.
For industrial consumers, Industrial Electricity Incentive (IEI) impacts take effect starting in 2019.
Pre-bill impact bill numbers rounded in chart, total bill impacts are a summation of non-rounded bill components.

Recommended Option: Key Differences from the OEB's Report

Divergence from the OEB's recommendations:

- **High risk vulnerable consumers:** The OEB has also proposed an option that would give special consideration to higher risk vulnerable consumers with special electricity needs (e.g. those with electric heating or medical devices requiring electricity, First Nation and Métis consumers)
  - Specialized design elements could be introduced for these consumers, which the OEB estimates would increase the projected cost of the program by $20 million
  - This option would require further refinement, for example, how to identify consumers using electricity as a primary heating source
  - ENERGY is recommending that this be considered as a potential program enhancement to be implemented in a second phase after the initial OESP implementation. ENERGY would report back to Cabinet for approval if a second phase is contemplated in the future
- **Funding approach:** The OEB recommends that funds be collected as a fixed charge from low-volume consumers (residential and small business) and on a volumetric basis from large-volume consumers (businesses, manufacturers and transmission connected customers), and that a greater share of the costs be allocated to low-volume consumers
  - This has the effect of increasing the cost for low-volume consumers
  - ENERGY is recommending a volumetric funding model applied at an equal rate to all customers
    - This approach is used for other electricity programs. For example, the Rural and Remote Rate Protection (RRRP) applies a volumetric charge to all contributing consumer classes

Recommended Option: Program Delivery and Intake

- The OESP would be delivered as an ‘opt-in’ program which means that customers would self-identify as being low-income and apply. Automatic qualification is not possible
  - Application-based, ‘opt-in’ program would never lead to all eligible customers being assisted (i.e. some will not bother to apply)
  - Stigma of self-identifying need for a low-income program could also result in lower participation rates (according to feedback from stakeholders and experience in other jurisdictions)
- Recommended approach:

1 PRIMARY: Centralized service provider (CSP) for primary intake

- To facilitate greatest accessibility to the OESP, in the most efficient way, individuals should be able to apply online through a system managed by a centralized service provider
  - Primary intake source for the majority of applicants
  - Best approach to manage potentially large influx of applications upon launch. Anticipated OESP applicants could be as high as 500,000 especially in the first year
- Individuals would apply to the CSP via a link on their distributor’s or unit sub-meter provider’s website and provide necessary information and consent to have the information verified
- The CSP would verify their income data with the CRA or confirm receipt of social assistance with the Ministry of Community and Social Services
- The CSP would then assess the level of benefit the applicant should receive and notify their distributor or unit sub-meter provider of their eligibility

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2 SECONDARY: Government and Social Service Agencies, including LEAP partners for supplementary intake

- Customers should have the option of applying for the OESP through their utility’s LEAP social agency partner
  - This is ideal for people who do not file taxes, are newcomers to Canada, whose circumstances have recently changed (i.e. job loss, loss of spouse), or require more holistic assistance
  - Takes advantage of existing LEAP utility and social agency partnerships without over burdening the agencies. Collectively, social agencies process less than 10,000 LEAP applications per year and they have raised issues about limited capacity and administrative funding in relation to delivering LEAP
- A link to the application could be made available on distributor’s/ unit sub-meter providers’ websites but the application web-portal will be developed and hosted by a centralized service provider

Key Program Considerations / Risks

- While there are benefits to delivering the program as outlined, there are also limitations that need to be recognized and understood (see Appendix 6 for details)

Program administration and intake

- Delivering the benefit through electricity bills necessitates an application-based system and related administrative/ intake mechanism
- The government has committed to having the OESP in place by January 1, 2016 which leaves a short runway for implementation activities
- Planning to deliver the program through a centralized process, to do this a number of elements must fall into place – an implementation working group would oversee this process
- Giving consideration to contingency plans, which could be deployed in a worst-case-scenario

Targeted replacement for the OCEB

- Proposed program is a very specific tool focused on assisting vulnerable consumers transition from the OCEB – not a poverty reduction tool
- Some OESP limitations as was the case with the OCEB, for example, program design needs to be kept simple to work with LDC billing systems
- Targeting low-income individuals and families who are currently receiving the OCEB which means that some low-income individuals and families would not receive the OESP e.g., renters – stakeholders believe the unique needs of renters should be addressed by government through other tools

Level of support and impact

- The program is being designed with a goal to achieve a balance between tailoring to meet vulnerable consumer's needs and administrative simplicity
- Benefit levels will take into account household income and family size
- However, for simplicity, the OEB has recommended that the benefit be calculated as a fixed amount which means there would be instances where an extra dollar of income results in a substantial loss of benefit
- An increase to the benefit will increase the burden to ratepayers

Consumers at higher risk

- Future refinements to the program may be necessary to meet the needs of higher risk consumers, for example:
  - Consumers using electric heating who incur higher heating costs, particularly those living in the North where weather extremes can necessitate even higher electricity usage
  - Households where electrically run medical devices are used
  - First Nations and Métis Customers – who may face unique challenges resulting in different requirements
- ENERGY recommends program enhancements for higher risk consumers as a second phase only after the basic OESP is in place

Legal Considerations

- The proposed funding mechanism of the OESP necessitates the creation of a new regulatory charge which can only properly be authorized by legislation. Accordingly, legislative amendments and accompanying regulations would be required

  - Specifically, legislative amendments to the *Ontario Energy Board Act, 1998* (OEBA) would be necessary. Further analysis and consultation is ongoing as to whether any other additional statutes such as the *Electricity Act, 1998* would also need to be amended

  - Legislative amendments to the OEBA (and potentially other statutes) would be required to explicitly provide for the following and/or provide regulation making authority to prescribe for matters such as:

    - The amount of rate reduction to be provided, the classes of consumers who are eligible, rate-setting authority, methodology and other criteria; and

    - Rules and requirements which the Ontario Energy Board (OEB), the Independent Electricity Supply Operator (IESO), local distribution companies (LDCs), sub-metering providers (SMPs) and any other persons or entities need in order to develop, fund, implement and administer the program

  - The Rural and Remote Rate Protection (RRRP) scheme is an example of a regulatory charge established by statute and implemented in regulation (OEBA s.79, O. Reg. 442/01)

Legal Considerations (cont'd)

- In order to fund the OESP, a charge would be applied to all ratepayers (with the possible exception of those who are receiving OESP). However, the benefit of the OESP would only be derived by a particular sub-group of ratepayers, namely those meeting program-specific low-income eligibility requirements.

- There is a potential constitutional legal risk associated with charging a fee to the majority of ratepayers in order to fund a benefit that applies to a subgroup of those ratepayers, without providing a demonstrable benefit to the system overall. The Ministry of the Attorney General's Constitutional Law Branch has provided an opinion advising that this risk is "moderately low", on the basis that the Supreme Court has held that redistributive charges in the agricultural marketing board context did not amount to taxation, and there is case law indicating that differential pricing based on income is a legitimate component of rate regulation in a natural monopoly.

- Further legislative and regulatory changes may be required depending on how the OESP is ultimately administered, in particular defining the roles to be played by the Government, the OEB and the IESO. Therefore, legislative amendments that allow for a broad regulation-making authority are recommended in order to, for instance, establish the requisite authority to authorize the IESO to play a central program-administration role, rather than its more common collection and settlement role

  – Legislation/regulations should clearly indicate the degree of authority/discretion the OEB versus the Government has to set low-income affordability rates, establish other requisites of the OESP including the appropriate cost-recovery mechanism(s), and prescribe program eligibility criteria

- In order to provide for the ability of consumers to receive retroactive payments legislative amendments would be required

Program Implementation Plan

2014	2015												2016
Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan

- OEB Report to Minister
- Government decision on OESP and necessary legislation
- Legislation to implement OESP recovery mechanism
- Develop regulatory and program details/consult with key stakeholders/finalize requirements
- Develop specifications/ RFP for centralized service provider (CSP) and contract for service
- CSP builds system parameters for centralized intake
- LDC billing system/process changes and IESO settlement process developed and implemented
- Outreach to consumers
- Eligibility systems commence
- OESP credit on eligible consumers' bills

Communications

Communications Plan:

- Please see attached Communications Snapshot for planned Communications Strategy to date

Strategic Approach:

- Recommending a high-profile approach, positioning the OESP as a new initiative for low-income Ontarians following the conclusion of the Ontario Clean Energy Benefit and also coinciding with the removal of the Debt Retirement Charge for all residential ratepayers at the end of 2015
- The OESP credit would be prominently featured on the electricity bills of all recipients as a separately labelled line item
- All communications will be coordinated in collaboration with Ontario Energy Board (OEB), the Independent Electricity Supply Operator (IESO), LDCs, sub-metering providers (SMPs), and other Ministries where applicable and appropriate

Key Messages:

- The government is working hard to keep electricity affordable for Ontarians. This program will help ensure that electricity costs are more affordable for the most vulnerable Ontarians
- The Ontario Electricity Support Program works together with the Ontario government's decision to remove the Debt Retirement Charge from all residential consumers' bills as the Ontario Clean Energy Benefit reaches its end
- Apply for the Ontario Electricity Support Program

Communications

Boilerplate Message:

The Ontario Electricity Support Program is a new electricity consumer initiative that will provide savings for low-income Ontarians following the conclusion of the Ontario Clean Energy Benefit. The implementation of the Ontario Electricity Support Program would coincide with the removal of the Debt Retirement Charge for all residential consumers at the end of 2015, which would also result in savings. The program supports the government's plan to invest in people, build modern infrastructure and support a dynamic and innovative business climate

Tactical Approach:

This plan will include a variety of tactics to reach our diverse target audience, including, but not limited to:

- Mass Media Campaign: (TV, Radio, Print, Digital - TBC)
- Stakeholder Engagement activities with Social Service Agencies, Poverty Groups and LDCs
- Print Collateral Materials and Agency Handouts
- Web Content (landing page, web banners, potential video and social media engagement)
- Bill Inserts and language on all electricity bills to introduce program and eligibility
- Traditional Media Relations and Earned Media support
- Public Events and Outreach

Proposed Cabinet Minute

Cabinet agreed that:

1. The Ministry of Energy's (ENERGY's) proposed Ontario Electricity Support Program (OESP) be implemented on or before January 1, 2016, including (but not limited to) the following program design elements:
    - A. Ongoing financial support for low-income electricity consumers in the form of on-bill assistance.
    - B. Funding to be provided through a charge collected from electricity ratepayers, with no fiscal impact.
    - C. Charge to be based on a stepped sliding scale with predetermined credits for eligible consumers based on income thresholds and household size.
    - D. Application-based program requiring consumers to "opt-in".
2. ENERGY to draft legislation and associated regulations required to implement the OESP, and work with the Ministry of Finance for potential inclusion in the Spring Budget Legislation.
3. Such legislation and associated regulations may contain:
    - E. The primary criteria, rules and requirements (including but ~~and~~ not limited to methodology, timing, eligibility criteria and establishing classes of consumers for eligibility and funding purposes) which the Ontario Energy Board (OEB), the Independent Electricity System Operator (IESO), local distribution companies (LDCs), unit sub-metering providers (SMPs), and any other persons or entities need to develop, fund, implement, and administer the program.
    - F. Authority to make payments, collect amounts and address other key program-related matters, including retroactivity as necessary.
4. After implementation of the OESP, ENERGY, in consultation with other affected ministries as appropriate, report back to Cabinet with options to address the needs of higher-risk consumers such as First Nations and Métis consumers, consumers who use electric heating, and households where electrically run medical devices are used.
5. ENERGY work with the Ministry of Community and Social Services, the Ministry of Finance, the OEB, the IESO, LDCs, SMPs, and others as needed to finalize and implement the program.
6. ENERGY work with the Ministry of Finance and Treasury Board Secretariat on the accounting treatment of the settlement process for the funds.
7. ENERGY work with the Premier's Office and Cabinet Office on a communications strategy for this initiative.

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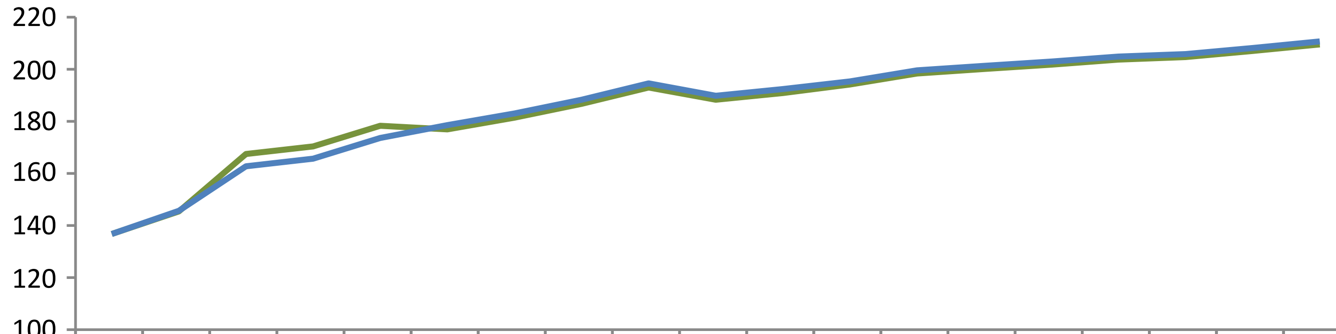
Appendices

1. Forecast Electricity Prices
2. Internal Stakeholder Engagement and Consultation and External Stakeholder Engagement and Response
3. Small Business and Industrial Rate Impacts
4. Fiscal Impacts on Government
5. Program Design Parameters Considered
6. Key Program Considerations and Risks
7. Program Funding Mechanism
8. Other Options Considered

Appendix 1: Forecast Electricity Prices

Forecast Typical Residential Bill

Forecast Residential Bill ($/800kWh-month)



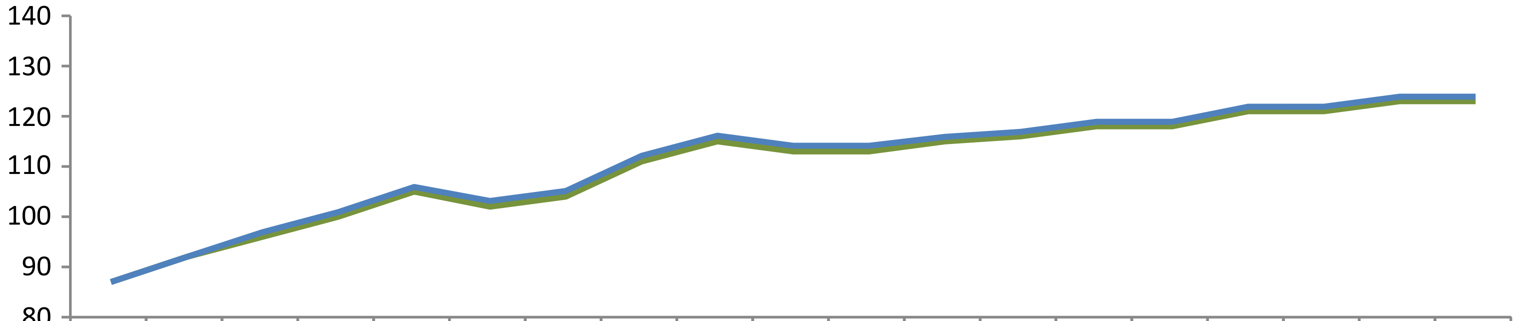
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
2013 LTEP Residential Bill (after tax, after OCEB)	136.7	145.4	167.5	170.4	178.3	176.9	181.4	186.7	193.0	188.3	190.9	194.2	198.4	200.1	201.8	203.7	204.7	207.0	209.5
OESP	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
ICI	0.00	0.24	0.55	0.56	0.58	0.55	0.54	0.50	0.51	0.45	0.45	0.45	0.48	0.46	0.46	0.43	0.41	0.40	0.42
IEI	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Early Removal of Res DRC	0	0	-6	-6	-6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Residential bill with new impacts	136.7	145.6	162.7	165.7	173.6	178.5	183.0	188.3	194.6	189.8	192.4	195.3	199.6	201.3	203.0	204.9	205.8	208.2	210.7

Notes: Reflects updates related to program changes and expansions.
OCEB = Ontario Clean Energy Benefit, LTEP = Long Term Energy Plan. ICI = Industrial Conservation Initiative. IEI = Industrial Electricity Incentive (IEI) impacts.
DRC = Debt Retirement Charge

Appendix 1: Forecast Electricity Prices (cont'd)

Forecast Large Industrial Price

Forecast Large Industrial Price ($/MWh)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
2013 LTEP Class A Price	87	92	96	100	105	102	104	111	115	113	113	115	116	118	118	121	121	123	123
OESP	0	0	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952	0.9150952
ICI	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IEI	0	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	0	0	0	0	0
Class A with new impacts	87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes: Reflects updates related to program changes and expansions. Class A represents consumers with average monthly peak demand > 5 MW.
LTEP = Long Term Energy Plan. ICI = Industrial Conservation Initiative. IEI = Industrial Electricity Incentive (IEI).

Ontario

Appendix 2: Internal Stakeholder Engagement and Consultation

- In moving forward with the proposed program, Energy collaborated with the Ministries of Community and Social Services, Children and Youth Services, Municipal Affairs and Housing, Ministry of Health and Long-Term Care, Aboriginal Affairs, and Finance, relying on their expertise and experience in designing and delivering programs targeted to low-income populations
  - An informal inter-ministry OESP Working Group was established to provide advice to the OEB
  - In addition, a number of individual discussions were facilitated between the OEB and these ministries
  - Working Group members have reviewed the OEB's report and provided comments
- The Ministry of Energy also plans to establish an OESP Intake Working Group to move forward with finalizing program administration/ intake (e.g. issuing an RFP to hire a centralized service provider, developing intake mechanisms, establishing data sharing requirements for income verification purposes)
  - Members could include distributors and unit sub-metering providers, OEB, IESO and the Ministries of Finance and Community and Social Services

Ontario

Appendix 2: External Stakeholder Engagement and Response

Stakeholder group	Key comments
Low-income advocates	• Assistance currently available has not kept pace with rising energy prices • Level of assistance needs to be meaningful • Social agencies preferred for intake, stigma associated with government 'welfare' offices
Utilities	• Prefer a uniform rather than an individualized credit • Prefer LEAP agency partnership model for intake • Concerned about administrative burden and privacy concerns • Should be funded through a pooled province-wide fund, rather than a distributor specific charge
LEAP Social Agencies	• Supportive of an ongoing assistance program • Would need additional resources to deliver OESP (even if performing only 'supplemental' intake)
Consumer ratepayer representatives	• Support targeted assistance to low-income customers with the greatest need • Prefer that the program be funded through taxes rather than paid for by ratepayers; however if funded through rates then costs should be recovered through a province-wide charge
Unit sub-meter providers	• Overall, supportive of an ongoing assistance program • Program administration costs should be managed to maximize customer benefits • Concerned about ability to recover costs of delivering the program
First Nations ("FN") and Métis Nation of Ontario ("MNO")	• Distinct FN issues include remoteness of communities; electrically heated homes; propane and wood common; on reserve FN do not file taxes; limited internet access • Local representative needed to perform intake to promote greater participation • Larger maximum credit to reflect higher energy costs • Northern Ontario needs a distinct low-income definition • FN and MNO specific programs should be developed and should be administered by the community • Would prefer the program to be a government subsidy rather than paid for by ratepayers • Believe that conservation and energy education is as important as financial assistance

Ontario

Appendix 3: Small Business and Industrial Rate Impacts

- The table below provides examples of bill impacts for various small business, commercial and industrial electricity users. Model assuming a volumetric funding model, which would apply a:
  - Volumetric charge of $0.00092 per kWh across all rate-payer classes (assuming a 60% participation rate)
    - A volumetric charge of $0.0013 per kWh is currently applied to all consumers to fund Ontario's rural and remote rate assistance program

Consumer example	Estimated monthly bill in 2015*	Illustrative monthly bill impact	Estimated impact of OESP
Small Restaurant Small commercial – 5,000 kWh / month	$750	$4.60	0.6%
Greenhouse Large farm – 50,000 kWh / month	$6,100	$46	0.8%
Large grocery store Medium-large commercial – 300,000 kWh / month	$38,210	$275	0.7%
Chemicals company Medium industrial – 6,000,000 kWh / month	$563,000	$5,500	1.0%
Large Mine Large industrial – 60,000,000 kWh / month	$5,630,000	$54,900	1.0%

* Based on the 2013 LTEP forecast and best available data

Appendix 4: Fiscal Impacts on Government

- The OCEB which currently provides electricity rate mitigation to consumers has an annual impact of $1 billion, or about $5 billion over the life of the program, on the government's fiscal plan
- Once the OCEB ends, the government has committed to offering assistance to low-income consumers funded through the rate-base, an approach that would eliminate any fiscal impact associated with providing electricity price relief
- A rate-base funded program:
  - Could prove to be a more reliable funding source than a tax-based solution and would avoid burdening the province's fiscal plan
  - Keeps the cost of assisting low-income energy consumers within the electricity sector
- Based on the recommended approach and related illustrative example, the projected cost of the program would be $105 - $209 (50% - 100% participation)
  - Some opportunities to achieve system benefits for ratepayers exist, for example: customer service efficiency gains; improved utility/customer relationships; improved customer payment patterns and credit scores; and, modest reductions in bad debt, credit and collection expenses

- Because the program and related administration would be funded through the rate-base there would be no impact on the government's fiscal plan

Appendix 5: Program Design Parameters Considered

Type of assistance:

- Broadly, there are two approaches to the level of assistance – either targeted or general
  - Targeted assistance generally better meets the needs of vulnerable consumers but is more complicated and cumbersome to deliver

Type of assistance	Targeted	General
Options considered	• **Stepped sliding scale** (i.e. credit amount corresponds approximately to level of need) • **Individualized credit** (i.e. LIEN's proposal)	• **Percentage bill reduction** (total bill reduction of either 10% or 30%) • **Uniform fixed credit** (uniform rebate, e.g. $50)
Strengths	• Benefit tailored to needs of customer • Supports Conservation First by encouraging customers to reduce usage so that fixed credit covers greater proportion of energy costs • Preferred by low-income advocates • Ensures program funds are effectively spent	• Uniform rebate for all eligible customers • Simple to administer • Preferred by utilities
Weaknesses	• May be more complex for utilities to administer • Without careful design and management, cost of administering program could outweigh benefit	• Does not support Conservation First policy • Level of assistance may not correspond to need – either benefit is too small to have a meaningful impact or benefit is over-assisting customers who require less assistance • Could lead to higher program costs than necessary

Ontario

Appendix 5: Program Design Parameters Considered (cont'd)

Income verification level:

- There are two Statistics Canada's poverty measures – Low-Income Cut Offs (LICOs) and Low-Income Measures (LIMs)

Low-Income Cut Offs (LICOs)

- Are estimated thresholds below which a family is likely to spend significantly more of its income on food, shelter and clothing than the average family
- Consider both family and community size

Low-Income Measures (LIMs)

- Measure low-income from a distributional perspective - defined as half of the median adjusted economic family income
- "Adjusted" indicates that family size has been factored in since, for example, the shelter costs for two persons living together may be higher than that for one person living alone

- LIM has several advantages over LICO:
  - LIM is considered a more accurate measure by low-income advocates
    - It is newer and updated more regularly
    - It is used for making international comparisons
    - LICO has not been "rebased" (i.e. cost of living inputs have not been updated) since 1992
  - Although LIM does not factor in community size (which LICO does) both factor in household size
  - The Poverty Reduction Strategy measures poverty with LIM-based thresholds
- Using LIMs is the preferred approach for purposes of establishing income testing thresholds for the OESP
  - Supported by stakeholders, including low-income advocates
  - Stronger empirical foundation than LICOs

Appendix 6: Key Program Considerations/ Risks

Program administration and intake

- Delivering the income-tested benefit through electricity bills would necessitate an application-based system
  - The government has committed to having the OESP in place by January 1, 2016 which leaves a short runway for implementation activities
  - To do this a number of elements must fall into place, including a major procurement and agreements with the Canada Revenue Agency – an implementation working group would oversee this process
  - Consideration is being given to contingency plans in the event timing becomes problematic

Timing challenges and contingency plans:

- **Eligibility/income verification delays** – options would be:
  - Allow applications and begin delivering the benefit subject to subsequent verification (risk of making unwarranted payments and may require claw-back provisions)
  - Delay start and make benefit payments retroactive (could require further system modifications to accommodate)
- **System development delays** – options would be:
  - Delay start and make payments retroactive
  - Have partial start and phase in the most vulnerable consumers “over-the-counter” through social agency (e.g. recipients of social assistance), and a delayed start for others with retroactive payments
  - Beginning with a more manual intake process and phasing in a more permanent electronic mechanism

Income verification:

- The income verification model developed would be required to respect privacy concerns and be consistent but flexible enough to account for changing circumstances with respect to household income

Ontario

Appendix 6: Key Program Considerations/ Risks (cont'd)

Targeted replacement for the OCEB

- The proposed program is a very specific tool focused on assisting vulnerable consumers transition from the OCEB which means that some low-income individuals and families will not receive the OESP, such as, renters – stakeholders believe the unique needs of renters should be addressed by government through other tools
- Low-Income Advocates believe these consumers will be better helped through a broader strategy that includes other branches of government (e.g. could involve changes to the *Residential Tenancies Act, 2006*) and that the OESP should focus on a distributor's direct customers
  - One overarching concern raised by low-income advocates is that tenants do not want landlords to know they are low-income

Assistance currently available:

- LDCs have conservation programs to assist landlords (retrofit programs) and tenants (e.g. coupons for programmable thermostats for electric baseboard heaters and LEDs)

Future initiatives and considerations:

- Under the Conservation First Framework, LDCs are responsible for designing and delivering conservation programs, including those specifically for low-income and Aboriginal customers
- Consumers who are not direct customers of LDCs would be better assisted by a separate assistance strategy (a view supported by low-income advocates)
  - LDCs offer~~s~~ conservation programs to assist landlords of these consumers and currently provide a financial adder for social and assisted housing providers
  - Need mechanism to ensure landlords pass on benefit of reduced energy consumption/costs to low-income tenants

Appendix 6: Key Program Considerations/ Risks (cont'd)

Level of support and impact

- The program is being designed with a goal to achieve a balance between tailoring to meet vulnerable consumer's needs and administrative simplicity, this necessitates the use of broad strokes
- For example, benefit levels would take into account household income and family size, however, for simplicity, the benefit would be calculated as a fixed amount and would not be phased out as a percentage as income rises – this gives rise to situations where an extra dollar of income results in the loss of more than a dollar of benefit
  - Using the amounts outlined in the illustrative example, a household of five with income of $39,001 would receive an annual benefit of $360. However, if that household's income was $1 less at $39,000, it would receive an annual benefit of $456 – a difference of $96 per year
- Administrative simplicity is expected to help minimize administrative costs and may be necessary to accommodate billing system limitations of LDCs and SMPs. The OEB will be asked to consider design changes to reduce the severity of the threshold effect

Appendix 6: Key Program Considerations/ Risks (cont'd)

Consumers at higher risk

- The Minister's report-back letter requested that the OEB consider low-income consumers with specific needs
- Refinements may be necessary for higher risk vulnerable consumers. A secondary, more generous stepped sliding scale has been proposed by the OEB as an option through which consumers with unique needs and special electricity requirements could be addressed, which could be introduced in the future. This could include special consideration of:
  - Consumers using electric heating who incur higher heating costs, particularly those living in the North where weather extremes can necessitate even higher electricity usage
  - Households where electrically run medical devices are used – some medical devices can use substantial amounts of electricity
  - First Nations and Métis Customers – who may face unique challenges resulting in different requirements
- ENERGY would report back to Cabinet for approval if a second phase is contemplated in the future
- The OEB would be asked to develop program intake options to identify these higher risk consumers and flag their eligibility for the separate stepped sliding scale that offers higher benefit amounts

Ontario

Appendix 7: Program Funding Mechanism

- Program funding would be recovered from all rate-classes by LDC’s and the IESO under the authority of Provincial legislation and regulations (rather than distributor-based funding pools) and pooled funds would be directed where needed across the province – generally supported by stakeholders
  - Overcomes issues of disproportionate burden on distributors’ ratepayers due to widely varying densities of low-income customers among different distributors
  - Recovering costs from all rate-classes is consistent with LEAP
  - It is technically possible to tailor recovery to different rate-classes

How mechanism would work:

- A central body, such as the IESO, would be required to collect and disburse funds to distributors based on disbursements made for the OESP to their client base
  - The IESO would establish a deferral and variance account to track program funds and ‘true up’ the costs recovered with the amount spent delivering the program

Appendix 8: Other Options Considered

- As outlined in the following slides, the OEB's report presents various options for program design, ranging from a uniform fixed credit and percentage based bill discounts to highly individualized credits
  - Certain options may be better designed to target and meet the needs of low-income consumers (e.g. individualized approach) but will be very expensive and cumbersome to administer
  - Other options have a very simple design (e.g. fixed credits and percentage-based discounts) but will not target households based on need
- The stepped sliding scale option recommended by the OEB is also the Ministry of Energy's preferred approach
  - This options represents a balance between administrative cumbersomeness, mitigating the costs of implementation and ongoing administration, and the ability to target consumers
  - Reflects the need to balance costs to ratepayers while meeting the needs of low-income consumers
  - Offers a compromise of stakeholder preferences that delivers value for money from a limited pool of ratepayer-funded resources
  - Represents the second lowest cost of all options considered while still managing to target assistance that offers recipients a meaningful benefit amount

Appendix 8: Other Options Considered (cont'd)

1: Individualized credit (LIEN's proposal)

- **How it could work:**
  - Calculates 'individualized' rebate for each eligible customer
  - Process similar to Equal Billing Plan
  - If forecasted electricity costs exceed 6% of income, then a credit is provided for the difference (up to a maximum of $50)
  - The credit is split equally over 12 monthly bills; fixed credit is provided irrespective of customers' actual bills (i.e. no "true-up")

- **Considerations:**
  - Level of assistance is tailored to needs of each customer
  - Encourages conservation (i.e. incentive to keep bill low so that fixed credit covers a greater proportion of electricity costs)
  - Considerable and ongoing administrative effort by utilities would be required to determine individual rebates
  - This will not guarantee that all eligible customers only pay up to 6% of income for electricity

- **Costs and benefits:**

Typical monthly credit amount	Est. residential monthly bill impact*	Est. annual program cost**
$50	$4.15	$377M

** Impact depends on uptake levels/ method of cost recovery, assumes 100% participation / ** Includes a 10% administrative cost; assumes 100% participation*

Appendix 8: Other Options Considered (cont'd)

2: Percentage bill reduction (10%, 30%)

- **How it could work:**
  - Provides similar relief to OCEB (does not provide any additional relief above what low-income customers are currently receiving)
  - Lowest projected program costs of all options since it provides smallest amount of relief
  - Higher percentage provides greater relief to mitigate rising energy costs

- **Considerations:**
  - Likely easier to implement given similarity to OCEB
  - Program costs may be harder to forecast / control due to dependency on usage and electricity prices
  - Less consistent with Conservation First policy agenda, since there is no incentive to reduce electricity consumption

- **Costs and benefits:**

Typical monthly credit amount	Est. residential monthly bill impact*	Est. annual program cost**
10% bill reduction – $15	$1.31	$119M
30% bill reduction – $45	$3.94	$357M

** Impact depends on uptake levels/ method of cost recovery, assumes 100% participation / ** Includes a 10% administrative cost; assumes 100% participation*

Appendix 8: Other Options Considered (cont'd)

3: Uniform fixed credit

- **How it could work:**
  - A uniform predetermined dollar-amount (e.g. $50) is rebated to all eligible customers

- **Considerations:**
  - Simple for utilities to implement
  - Does not tailor level of assistance to actual need
  - High program cost and low value in relation to program objectives

- **Costs and benefits:**

Typical monthly credit amount	Est. residential monthly bill impact*	Est. annual program cost**
$50	$4.15	$377M

** Impact depends on uptake levels/ method of cost recovery, assumes 100% participation / ** Includes a 10% administrative cost; assumes 100% participation*