MEETING NOTE

NAME OF ORGANIZATION: Secretary of the Cabinet

DATE/TIME OF MEETING:

LOCATION OF MEETING: SOC Boardroom, Room 6420, Whitney Block

ATTENDEES:

Ministry of Energy
Serge Imbrogno, Deputy Minister

Cabinet Office
Steve Orsini, Secretary of the Cabinet

AGENDA:

1. Ontario's Fair Hydro Plan (OFHP) – Implementation

2. Connection of Remote First Nation Communities

3. Ontario Power Generation's Deep Geologic Repository

NOTES ON AGENDA ITEMS:

1. **Ontario's Fair Hydro Plan (OFHP) – Implementation**

Suggested Response:

- **The Ministry of Energy is working to implement Ontario's Fair Hydro Plan. This includes refinancing the Global Adjustment (GA), with support from energy agencies.**

- **To implement GA refinancing, multiple working committees have been established, including representatives from ENERGY, MOF, TBS/OPCD, IESO, OEB, OPG and external advisors (see Appendix).**

- ***Ontario's Fair Hydro Act* was introduced in the House on May 11, 2017.**

- **The legislation for GA refinancing requires the OEB to make further price adjustments no later than fifteen business days after the legislation receives Royal Assent for Regulated Price Plan (RPP) consumers to**

achieve the full 25% for a typical residential consumer, and for other eligible consumers to also receive a comparable bill reduction.

  - **The full reduction from the OFHP is expected to be addressed through a July 1st RPP price adjustment.**

- **Other eligible consumers will receive a comparable bill reduction via a "GA modifier" that will be calculated by the OEB.**

- **ENERGY worked with Hydro One to establish an independent Trust in March 2017 to administer the Affordability Fund. An Advisory Committee has been established to advise on appointment of a Board of Trustees by May 31, 2017.**

  - **Eligible customers for the Affordability Fund will be identified by electricity distributors. It is estimated that distributors will be able to begin applying to the Trust for funds in Summer 2017.**

- **Under the Fair Hydro Plan, the government introduced regulatory amendments to O. Regulation 314/15 of the *Ontario Energy Board Act, 1998* which, effective May 1, 2017 increased the Ontario Electricity Support Program (OESP) monthly credit amounts by 50% and broadened program eligibility.**

- **On March 23, 2016, the OEB issued a Decision and Order to LDCs to rescind the OESP regulatory charge of 0.11¢/kWh as of May 1, 2017 as a first step to implement the government's plan to remove the OESP from rate-base. The program will be funded from an OESP variance account until it is depleted, which is expected to take place some time in the Fall.**

- **ENERGY is also working closely with the Ministry of Community and Social Services (MCSS) and the OEB to qualify all social assistance clients to receive OESP. The working group has also developed a multi-phased implementation strategy to increase communications of the OESP and increase program uptake.**

<u>Background:</u>

Ontario's Fair Hydro Plan

- On March, 2, 2017, the government announced Ontario's Fair Hydro Plan, which includes:

  - A benefit from the funding of support programs through provincial revenues for all electricity consumers.

- Increase OESP credit amounts by 50% and expand eligibility of household size and income
- Electricity consumers eligible for the Regulated Price Plan (RPP) would be eligible for GA refinancing.
- Small manufacturers and greenhouses would become eligible to participate in the Industrial Conservation Initiative. See below for more information.
- Sector efficiency would be improved and Ontario's electricity market would be modernized, working in collaboration with the Independent Electricity System Operator (IESO) and the OEB.

Shifting Support Programs to Provincial Revenues

- Ontario's Fair Hydro Plan also proposes to shift the cost of the OESP and RRRP program from being paid through electricity bills to being paid for through provincial revenues. This would cost the government up to $2.5 billion over the next three years.

GA Refinancing

- On April 20, 2017, the Ontario Energy Board (OEB) announced new Regulated Price Plan (RPP) rates effective May 1 that include a portion of the bill reduction proposed under the OFHP.
- These new RPP rates include 50% of the estimated reduction in GA. This reduction in RPP rates, along with the removal of the OESP charge and the existing 8% rebate, means that May bills will be 17% lower than they would otherwise have been for an average consumer (15% lower for the typical Toronto Hydro consumer).
- The legislation for GA refinancing requires the OEB to make further rate adjustments no later than fifteen business days after the legislation receives Royal Assent for RPP consumers to achieve the full 25% for a typical consumer and for other eligible consumers to receive a comparable bill reduction.
- The full reduction from the OFHP is expected to be addressed through a July 1st RPP rate adjustment.
- Regulations will be required to supplement the framework of the legislation to ensure that the OEB can make the required rate adjustments and to enable the financing contemplated by OPG SPV/Trust.
- The regulations are anticipated to be brought forward in mid and late June.

First Nations Delivery Credit

- The Ministry is currently in the midst of developing a First Nations Delivery Credit regulation, which would be effective on July 1st.

- ENERGY hosted working groups meetings with LDCs and the Chiefs of Ontario (COO) on implementation considerations and risks.

- Discussions are currently on-going with COO on program eligibility.

    - Decisions are still outstanding on whether the program will be offered to all on-reserve customers or only First Nations customers.

    - This decision could impact program fiscal projections and implementation timelines.

Ontario Electricity Support Program

- The Ministry is currently developing amendments to O. Reg. 314/15, which would be effective on July 1st, and allow MCSS staff to sign up Ontario Work and Ontario Disability Support Program clients onto the OESP, using eligibility criteria used for these MCSS programs to determine the amount of OESP credit they receive.
    - MCSS is working with the OEB and ENERGY staff to develop their strategy. If approved, implementation will take several months, with the raising awareness component beginning in 2-4 months, and MCSS processing applications starting in 4-6 months.

- The section of the OEBA that relates to the OESP funding shifting to the tax base will come into force via a proclamation Order in Council, on a date to be determined, allowing for the existing program structure to stay in place. The OIC date will be based on when the variance account (which has funded the program since May 1, 2017), is depleted.

Industrial Conservation Initiative (ICI) Expansion to Manufacturers and Greenhouses Between 500 kW to 1 MW

- ICI encourages Ontario's largest consumers to reduce consumption during peak periods to reduce their electricity costs by an average of up to one-third. This provides savings to participating consumers and reduces peak demand, deferring the need to build new generation.

- We have now completed the regulatory amendment to expand the Industrial Conservation Initiative (ICI) to include smaller manufacturers and greenhouses with average peak demand greater than 500 kW.

- The regulation was filed with the registrar on April 13, 2017 (TBC) and newly eligible consumers can opt in to ICI in June 2017.

Affordability Fund

- Ontario’s Fair Hydro Plan includes the establishment a new Affordability Fund, which will provide energy efficiency measures to Ontarians who are not eligible for the Save on Energy Home Assistance Program (HAP), and who are otherwise unable to make energy efficiency improvements without financial assistance.

- HAP, delivered by electricity distributors in collaboration with the IESO, requires participants to meet a mandated definition of low-income consumers (derived from Statistics Canada).

  - Not all customers who are in need are eligible for HAP.

- The Fund, established through the tax base, will be administered by an independent Trust and accessible to electricity distributors.

- Electricity distributors and other stakeholders have indicated to the government that there is an immediate need to help customers in bill arrears and facing service disconnection.

  - LDCs reported to the OEB that approximately 60,000 customers were disconnected in 2015.

  - LDCs also reported over 560,000 residential electricity accounts in arrears in 2015; of these about 19,900 (~3.6%) accounts were eligible to participate in the Low-Income Energy Assistance Program (LEAP), which provides low-income support program.

- Eligible customers for the Affordability Fund will be identified by electricity distributors.

  - The program is expected to be entitlement based, i.e. targeting customers who are in bill arrears, facing disconnection, and/or not able to undertake energy efficiency improvements without financial assistance, and are not eligible for the low income Home Assistance Program. Priority is expected to be given to homes primarily heated by electricity.

- The estimated reach of the Fund is expected to be 15,000 to 65,000 households, depending on energy efficiency measures and uptake.

  - It is expected that the program will assist eligible customers by providing energy efficiency measures ranging on average from $3,000 to $5,000 per customer at no or minimal costs.

- The measures funded through the Fund would be similar to, or build on those available through the existing low-income conservation program called the Home Assistance Program.

- On March 23, 2017, the Affordability Fund Trust was established with Computershare Trust Company of Canada (Computershare) as its Original (interim) Trustee.

- On March 24, 2017, ENERGY entered into a Transfer Payment Agreement (TPA) with Computershare to flow $100 million to the Affordability Fund Trust.

  - Computershare is a trusted partner in some of the largest public and private organizations in Canada and globally and will act as the Original Trustee for the Affordability Fund Trust.

- By May 31, 2017, Computershare will be replaced with a Board of Trustees who will be responsible for distributing funds to electricity distributors across the province at their discretion based on an application process and targeted eligibility criteria. It is expected that the Board of Trustees will include representation from three electricity distributors as well as two social service agencies.

- An Advisory Committee has been established through the Trust Deed which will provide recommendations to Computershare on appointments to the Board of Trustees. Advisory Committee members include:
  - Brian Bentz (CEO, Alectra),
  - Bryce Conrad (CEO, Hydro Ottawa),
  - Robert Mace (CEO, Thunder Bay Hydro),
  - Ferio Pugliese (Vice President Customer Care and Corporate Affairs, Hydro One) and
  - Terry Young (Vice President Conservation and Corporate Relations, IESO).
- Two meetings of the Advisory Committee have taken place, on April 7 and April 18, 2017, respectively.

  - At the second meeting, Advisory Committee members arrived at a consensus on recommendations for the Board of Trustees. Hydro One has reached out to potential Trustees to seek their confirmation and, as of May 8, 2017, had received confirmation from five individuals and was awaiting confirmation from one individual.

2. Connection of Remote First Nations

Suggested Response:

- **The involvement of key financial advisors in the negotiation of a cost-sharing framework for the connection of remote First Nation communities is a positive development.**
- **The Ministry of Energy has been discussing cost-sharing with the federal government for several years and we are working with the Independent Electricity System Operator to support the negotiating effort with valuable technical and policy information.**
- **With these teams in place, I am hopeful that progress will be made in advance of the next meeting with the Clerk of the Privy Council in late June.**
- **I have also asked that our negotiation leads develop a timeline for negotiation so that we can plan future announcements.**
- **Our strategic objectives continue to be that the connection project move forward without delay and that the federal contribution reflect the federal share of current cost responsibilities, accounts for project risks, and does not otherwise offset funding for other Ontario infrastructure commitments.**

Background:

- ENERGY has been engaging with federal counterparts over the past two years to come to a common understanding of the respective parties' costs and potential benefits to grid connection as compared to maintaining the status quo diesel generation in remote First Nation communities.

- As a result of the SoC/Clerk collaboration on Indigenous issues, significant progress was made in late 2016 / early 2017 on the following deliverables:

    - A draft MOU was developed, which outlined the general terms of how costs could be shared under a scenario where the federal government made a significant upfront capital contribution.

    - Along with the existing Independent Electricity System Operator (IESO) business case for the project, the federal government developed and shared a business case that indicated over $1B in savings (on a net present value basis) would be realized by the federal government due to grid-connection over 40 years.

    - Additional documents on the critical path of funding decisions to meet the timelines of Wataynikaneyap Power and a range of options for identifying federal funds were drafted.

- These deliverables were completed to the extent possible until there is more clarity on a federal funding amount and mechanism.

- The 2017 federal budget did not identify specific funding for the remote connection project. However, the federal government indicates that they are interested in exploring alternative options for funding the project.
- The Ministry of Energy has been supporting more detailed discussion on a federal funding mechanism and has emphasized the need for a timely decision.
- Recently, key advisors have been identified to lead discussions – Tim Duncanson for the Federal Government and Alan Hibben for the Province – and an initial bilateral meeting was held on April 13, 2017 followed by a subsequent technical meeting on April 28, 2017 that included Watay Power.
- The two negotiation leads are developing a timeline for the engagement based on their view of the issues and available resources to support negotiation. Further information on timing is expected in the near term.
- The next Clerk/Secretary of Cabinet meeting on collaboration on Indigenous issues is planned for June 28, 2017.

Wataynikaneyap Power Project

- Wataynikaneyap Power (Watay) has planned to submit a Leave to Construct (LTC) application to the Ontario Energy Board in Fall 2017 for its project to connect 16 communities.
- Normally, an application for LTC would need to detail the financial arrangements related to capital funding so that the Board could consider impacts to ratepayers.
- The Minister of Energy recently attended Watay's Board meeting on April 7 in Thunder Bay along with officials from Indigenous and Northern Affairs Canada.
- At this meeting the Minister was provided an update on project development. Concerns around the need for a timely decision on the funding model were reiterated by Watay.

3. Ontario Power Generation's Deep Geologic Repository

- Ontario Power Generation (OPG) is currently seeking approval from the federal government to build a Deep Geologic Repository (DGR) at the Bruce nuclear site near Kincardine for the long-term management of low and intermediate-level nuclear waste (LILW).

- An environmental assessment for the project is currently being reviewed by the federal government. A decision by the federal Minister of Environment and Climate Change is expected by the end of 2017.

Suggested Response:

- **Ontario recognizes that regulatory authority for nuclear safety rests with the federal government. To date, the federal regulatory review of OPG's DGR has been in-depth and lengthy (i.e., taking place over eleven years).**

- **Ontario supports the federal government's review and decision-making process on OPG's DGR, and in particular its commitment to put science first and to provide ample opportunity for input from the public and Indigenous communities.**

- **We commend OPG for providing comprehensive and timely responses to follow-up requests from the federal government.**

- **The federal minister's decision on the environmental assessment for OPG's DGR is only the beginning of the process leading up to final approval for the project to proceed.**

- **The Province, as OPG's sole shareholder, will evaluate the DGR and set the final conditions that must be met before construction can begin. For example:**

    - **Scientifically and technically sound;**
    - **Community and Indigenous support; and**
    - **Meets energy policy objectives.**

- **The Ministry of Energy proposes that OPG complete all necessary federal, community and corporate approvals prior to seeking a final decision from the government (i.e., Cabinet) to proceed with construction.**

Background:

- In May 2014, OPG submitted its safety case for the DGR to a federally-appointed Joint Review Panel (JRP).

- In May 2015, the JRP submitted its environmental assessment (EA) report to the federal Minister of Environment.

    - The JRP EA report concludes that the project is not likely to cause significant adverse environmental effects, taking into account the implementation of mitigating measures committed by OPG and recommended by the Panel.

- On February 18, 2016, the federal Minister of Environment asked OPG to conduct and submit additional studies on the proposed DGR before a decision of the JRP's recommendation is made.

    - *A study that details the environmental effects of alternative locations for the LILW DGR, with specific reference to actual locations that would meet OPG's criteria for technical and economic feasibility. OPG is to also detail the thresholds for what is considered to be technically and economically feasible as well as incremental costs incurred for additional off-site transportation.*

    - *Analysis of the cumulative environmental effects of the LILW DGR project in light of the results from the Phase 1 preliminary Assessments undertaken by the Nuclear Waste Management Organization, which has identified three potential sites within the traditional territory of the Saugeen Ojibway Nation.*

    - *Providing an updated list of mitigation commitments for each identified adverse effect under CEAA 2012.*

- On December 28, 2016, OPG submitted their additional studies to the Canadian Environmental Assessment Agency (CEAA).

- OPG has identified significant additional costs if its proposed DGR site were not approved and a 20-30 year delay for establishing a new site. The estimated costs to identify a new site and build a new facility including transportation of all wastes are $1.8 billion to $3.2 billion. During this delay, increased operational and expansion costs for the Western Waste Management Facility, which currently stores LILW, are expected to be around $200 million to $300 million for interim storage.

- On April 5, 2017, following the public commenting period and initial technical review, the CEAA requested that additional information was required from OPG to meet the requirements outlined in the Minister's initial request.

    - The CEAA requested additional information concerning the consideration of alternate location for the Project, the analysis of the cumulative effects assessment and OPG's commitments with respect to mitigation.

- CEAA expects to submit a final decision package to Minister McKenna in Fall 2017.

Appendix – Governance and Delivery Structure for Implementation of Ontario’s Fair Hydro Plan