<u>LDC Teleconference Script</u>
Monday, September 12th, 2016 - 12:00 p.m. – 1:00 p.m.
DMO Boardroom

Ministry of Energy Participants:

Serge Imbrogno, Deputy Minister
Andrew Teliszewsky, Chief of Staff
Matt Whittington, Director of Policy, Minister's Office
Dan Moulton, Director of Communications, Minister's Office
Michael Reid, Assistant Deputy Minister, SNAP
Steen Hume, Assistant Deputy Minister, ESP
Carolyn Calwell, Director, Legal Services
John Whytock, Director of Communications

See appendix A for list of invited CEOs.

Opening Remarks - Deputy Minister

- Today, as part of the Speech from the Throne, the government is announcing a number of price mitigation measures that will help in managing the electricity rates for your customers.

- There are four components:

  Rebate equivalent to the Ontario portion of the HST
  - In particular I would like to highlight plans to introduce new legislation that, if passed, will provide all customers who are eligible for the Regulated Price Plan with an eight percent rebate, equivalent to the Ontario portion of the HST, starting on January 1, 2017.

  Updates to the RRRP
  - In addition to this rebate the government will also be updating the Rural or Remote Rate Protection program to increase the amount of available funding for eligible rural customers.

  Expansion of the ICI
  - In addition to initiatives aimed at low-volume and rural customers, the government is also intending to expand the Industrial Conservation initiative (ICI) to lower the threshold from 5 MW to 1 MW, as well as removing the sectoral restrictions.

  Cap and Trade Proceeds Recycling
  - The government is recycling proceeds from the Greenhouse Gas Reduction Account (GGRA) to offset the costs to industrial and

commercial consumers of ongoing emissions reduction initiatives. This meets the 2016 Budget commitment that business electricity costs would not be negatively affected by cap and trade.

- The purpose of today's call is to provide you with additional detail and next steps with respect to implementation.

- Steen Hume, Assistant Deputy Minister, Energy Supply Policy, will provide you with an update with respect to the rebate, changes to the ICI program and Cap and Trade proceeds recycling.

- Then Michael Reid, Assistant Deputy Minister, Strategic Network and Agency will provide additional details with respect to the changes to the RRRP program and discuss next steps with respect to implementation.

- There will be time for questions at the end of the call. If we don't get to everyone's questions today, there will be opportunity for further discussions in the coming weeks as we set up a working group to move forward with implementation.

- I look forward to ongoing engagement with you as we roll out these initiatives over the next few months.

Minister's Office Speaking Points

- As an organization that has daily interactions with Ontario's electricity customers, I know that you are aware of the increasing cost pressures faced by your customers.

- The government has heard concerns about electricity prices from all corners of the Province, particularly for households, and understands that Ontarians are looking for some relief from rising electricity costs.

- I know that you will recognize the benefits of these initiatives for your customers.
    - For the average urban residential household, we anticipate this will provide savings of about $11 per month.
    - The proposed funding increase to RRRP and the eight percent rebate will result in electricity relief of approximately $45 per month for eligible RRRP customers.

- You will be receiving a letter from the Minister later this week. The Minister is appreciative of the effort that will go into implementation and is counting on you to work with the Ministry on the timely implementation of these initiatives to ensure that customers receive relief on their electricity bills as of January 1, 2017.

ADM Steen Speaking Points

8% Rebate

The rebate of the provincial portion of the HST will be applied pre-tax on electricity bills as a separate line item.

- All consumers eligible for the Regulated Price Plan will receive this rebate, including customers on retail contracts. There will be no cap on the rebate amount.
- As mentioned by the Deputy Minister, the rebate will take effect on January 1, 2017.
- Given the short implementation period, the proposed legislation will include a grace period of 6 months for LDCs to update their billing systems if necessary.
- Similar to the Ontario Clean Energy Benefit, retroactive payments back to January 1, 2017 will be made once billing systems are updated.
- The government intends to introduce the legislation later this week.

ICI

- For businesses, we will be lowering the threshold for participating in the Industrial Conservation Initiative from 3 megawatts (MW) to 1 MW.
- In addition, we will be removing the sectoral eligibility restrictions.
- Under the expanded ICI, all consumers greater than 1 MW and less than 5 MW would be required to opt-in to the program.
- This would give more businesses the incentive to significantly reduce their electricity costs by reducing their consumption during peak hours.
- To date, the ICI program has led to an estimated reduction of 1,000 MW of peak demand.
- This would incent additional peak demand reduction across the province, deferring the need for peaking generation over the long-term.
- The government intends to make the necessary regulatory amendments to implement this change later this fall. The first base period for the expanded program would begin May 1, 2017, and consumers that opt-in will begin being billed as Class A consumers on July 1, 2018.

Proceeds Recycling

- And as outlined in the 2016 Budget and the Climate Change Action Plan, the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

- More details will be available in the Fall.

ADM Reid Speaking Points

RRRP

- As you know, customers who live in rural areas of the province with low customer density face much higher delivery costs for their electricity than customers who live in urban areas or more densely populated areas. In fact, these rural low-density customers pay the highest electricity rates in the province. In addition, these customers generally do not have access to natural gas, so must use more electricity in the winter to heat their homes.

- Due to the higher cost of serving rural or remote customers, the Government has had rate protection for rural or remote residential consumers, called RRRP, in place since the early 2000s.

- In recent years, this rate protection has provided about 330,000 low-density customers, served by Hydro One in its R2 rate class, with a $31.50 monthly subsidy to help offset the high cost of distributing electricity to these low-density areas.

- However, the total amount of funding available to offset these customers' higher costs has been capped since the early 2000s at just over $125 million. As a result, the subsidy amount has not kept pace with these rural customers' rising electricity bills.

- To remedy this situation, the Government is proposing to raise the monthly subsidy available to these rural low-density R2 customers served by Hydro One

- The combined new rebate for the provincial portion of the HST, the additional rate relief for an R2 customer consuming 1,000 kWh per month will reduce the monthly bill by approximately $45. This is in addition to the $31.50 these customers currently receive.

- With this increase, the monthly bills of R2 customers will be more closely aligned with what other rural and non-urban customers in the province pay for their electricity bills.

- Currently, an average residential customer consuming 750 kWh per month contributes approximately $1 per month to fund the RRRP subsidy. As you know, this is recovered on customers' bills through the regulatory charge. The increased rate relief the government is proposing will increase the average residential customer's contribution by approximately $0.60 per month, for a total contribution of $1.60 per month. The additional $0.60 is offset many times over by the rebate of the provincial portion of HST.

<u>Implementation</u>

- <u>I know that the proposed </u>rebate equivalent to the Ontario portion of the HST will require you to make some adjustments to your Customer Information and Billing Systems.

- Knowing that you have been faced with implementing similar rebate programs in the past, such the OCEB and OESP, we are anticipating that you will be able to make the necessary changes to your systems in time for consumers to see the benefits as of January 1, 2016.

- We will be setting up a working group with representation from LDCs in the coming weeks to work through any implementation considerations.

Questions and Answers

Q: Why are only Hydro One customers seeing an increase in RRRP subsidy? What about other rural or remote customers?

A: Other customers that receive RRRP subsidy, such as Hydro One Remotes and Algoma Power, have not been subject to a cap in funding. Hydro One R2 customers' RRRP funding has been capped since the earlt 2000s and has not kept pace with inflation or rising costs. This proposed increase for these customers will address this inequity.

Q. How will LDC costs be recovered?

A. The same approach will be taken as with OCEB and OESP. LDCs will make the adjustments needed to their billing systems to introduce the rebate.

There are existing mechanisms available to LDCs to recover any costs associated with implementing the rebate.

Q. How much time will LDCs have to implement the changes?

A. The government would like to see the increased RRRP subsidy for R2 customers become available as of January 1, 2017.

Q. What are the government's plans with respect to bill presentment?

A. We will consult with LDCs on the options to clearly and cost-effectively communicate information on the rebate to consumers on their invoices. This will addressed through a follow-on Regulation to be brought forward before the start of the program.