Date:	November 16, 2016
Ministry:	ENERGY
Name of Act(s):	*Electricity Act, 1998* (*EA*) *Ontario Energy Board Act, 1998* (*OEBA*) *Ontario Clean Energy Benefit Act, 2010* (*OCEBA*) *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA)
Name of Regulation:	1. *Ontario Rebate for Electricity Consumers Act, 2016, Proposed General Regulation* 2. *Ontario Energy Board Act, 1998, O. Reg. 442/01 (Rural or Remote Electricity Rate Protection)* 3. *Electricity Act, 1998, O. Reg. 429/04 (Adjustments Under Section 25.33 of the Electricity Act, 1998)* 4. *Ontario Clean Energy Benefit Act, 2010, O. Reg. 495/10 (General)* 5. *Ontario Energy Board Act, 1998, O. Reg. 161/99 (Definitions and Exemptions)* 6. *Ontario Energy Board Act, 1998, O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity)*

Section 1: Proposal and Context

1. Proposed General Regulation, ORECA

- On September 15, 2016, the Minister of Energy introduced legislation, Bill 13, the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA) that would put in place an 8% rebate for residential, small business customers and farms. Bill 13 received Royal Assent on November 2, 2016 and is scheduled to come into force on January 1, 2017.

- The Ministry of Energy is seeking to create a new General Regulation under the ORECA.

- The General Regulation would provide a necessary framework for implementing the 8% rebate, including provisions that would address:
    - Base invoice amounts for invoices;
    - Flow through of financial assistance;
    - Financial assistance delivered by unit sub-meter providers (USMPs);
    - Payments directly to consumers;

- Duty to provide information;
- Records and requirements to provide information for reimbursement purposes;
- Reimbursement to USMPs and electricity vendors;
- Requirement to establish a variance account; and
- Providing the 8% rebate in specified remote communities that are serviced by Independent Power Authorities.

2. O. Reg. 442/01, OEBA

- Amendments to O. Reg. 442/01 are needed in light of significant upward pressure on bills for customers in Hydro One's R2 rate class. Under O. Reg. 442/01, R2 customers of Hydro One currently receive a monthly subsidy of $31.50 per month. Nevertheless, Hydro One R2 customers currently have one of the highest average total electricity bills in the Province, inclusive of the RRRP subsidy.

- The original intent of O. Reg. 442/01 was to keep the average bill of a 'typical' rural residential customer similar to average bills across the province; however, since the total amount of subsidy available to Hydro One R2 customers has been capped, over time the average total bill paid by R2 customers has increased relative to other customers' average total bills.

- It is proposed that the amount of rate protection currently capped at $127 million be increased by $116.4 million to a total of $243.7 million.

3. O. Reg. 429/04, EA

- The Ministry of Energy is proposing to amend O. Reg. 429/04 (Adjustments Under Section 25.33 of the Act) made under the *Electricity Act, 1998* in order to expand eligibility under the Industrial Conservation Initiative (ICI) to include all electricity consumers and market participants with an average monthly peak demand greater than one megawatt (MW).

- Currently, ICI is available only to electricity consumers and market participants with an average monthly peak demand of greater than 5 MW and electricity consumers and market participants in certain energy intensive industrial sectors with an average monthly peak demand of greater than 3 MW and less than or equal to 5 MW.

- The new proposed amendments would provide eligible electricity consumers/market participants with an average monthly peak demand of greater than 1 MW and less than or equal to 5 MW the opportunity to optin to be eligible for participation in the ICI program. In addition, sector restrictions would be removed and smaller institutional and commercial businesses would be eligible to participate.

- About 300 businesses are already utilizing ICI to achieve electricity savings, and with these changes, over 1,000 new businesses are estimated to be eligible.

4. O. Reg. 495/10 under OCEBA

- From January 1, 2011 to December 31, 2015, the Ontario Clean Energy Benefit (OCEB) provided families, small businesses and farms with a credit of ten per cent of the total cost of electricity on eligible consumers' bills, including tax. Since September 2012, this credit was generally limited to the first 3,000 kilowatt hours of electricity consumed each month.

- The OCEB's existing statutory framework does not specify an end date for consumers to receive unpaid OCEB amounts to which they were entitled, or specify an end date for government reimbursement of OCEB amounts provided by electricity vendors and USMPs. Even though the program has ended, consumers could still be entitled to retroactive credit of OCEB amounts for up to the full five years the program was in effect.

- O. Reg. 495/10 (General) under the *Ontario Clean Energy Benefit Act, 2010* (OCEBA) currently includes a July 1, 2016 cut-off date for providing a self-declaration form to the applicable electricity vendor or USMP specifying the number of units in the multi-unit complex or claiming the medical equipment exemption from the 3,000 kilowatt hour cap.

- Proposed amendments to O. Reg. 495/10 would establish February 1, 2017 as the cut-off date for eligible customers to notify their electricity vendor or USMP of unpaid OCEB. Local Distribution Companies (LDCs) and USMPs would be given until August 1, 2017 to notify the Independent Electricity System Operator (IESO) in writing of OCEB amounts provided but not yet reimbursed.

- The proposed amendments would eliminate further Ministry liability for OCEB amounts after the prescribed final date for electricity vendors and USMPs to obtain reimbursement where the IESO was not given written notice of those amounts before that date. The proposed changes are not expected to affect the majority of OCEB eligible customers, as audits conducted by the Ministry of Finance to date suggest that there are minimal errors in the application of the program.

- Estimates of the potential size of the liability related to retroactive payments are highly uncertain due to data limitations, and the lack of a quantifiable way to determine how many qualifying customers did not receive the OCEB, or how many will ultimately come forward and make a claim.
    - The Ministry of Energy does not have a lot of data available to estimate the potential impact of this future liability, however, based on a very rough estimate, the amount could be about $10 million.

5. O. Reg. 161/99, OEBA

- The amendment to O. Reg. 161/99 is a consequential amendment needed to support the implementation of the ORECA.
- Technical amendments will also be made to correct errors in Schedule 1 of this regulation that references the communities served by Independent Power Authorities (IPAs) and to align those references with the references in the proposed General Regulation under the ORECA.

6. O. Reg. 275/04, OEBA

- The amendment to O. Reg. 275/04 is a consequential amendment needed to support the implementation of the ORECA.

Section 2: Approach and Intended Outcomes

1. Proposed General Regulation, ORECA

- In order to process reimbursements, LDCs and USMPs will be required to submit information as prescribed within the regulation to the Ministry's online Portal and to the IESO. Costs associated with compliance for the LDCs and the IESO are minimal as the reimbursement process remains unchanged from the processes undertaken for reimbursement of the OCEB.

- LDCs, USMPs, energy retailers and other prescribed electricity vendors will need to update customer information systems to ensure that eligible customers begin receiving the 8% rebate.

- Customers with eligible accounts are eligible for the rebate as of January 1, 2017. However, in recognition that some electricity vendors and USMPs may not be able to meet the technical changes required to deliver the rebate by January 1, 2017 the regulation provides some relief.

Bill issuers are given until July 1, 2017 to comply with the new systems requirements under the ORECA. Consumers would continue to be eligible as of January 1, 2017 and would receive any back-owed rebate in a lump sum once the vendor was able to deliver the rebate.

2. O. Reg. 442/01 OEBA

- Amendments to O. Reg 442/01 (RRRP) will primarily impact the Ontario Energy Board (OEB), the IESO and Hydro One. The intended approach will require collaboration amongst all impacted entities.

- Should the proposed increased amount of rate protection be approved, the OEB will be required to set the RRRP rate to reflect the increased amount of available RRRP rate protection. The OEB typically sets the RRRP rate in December.

- Hydro One is principally tasked with implementing the changes to the RRRP regulation and has been consulted on the proposed amendments. Hydro One will need to calculate the new monthly RRRP rate subsidy for eligible customers and make any necessary adjustments to its billing systems.

- All electricity customers will see an increase in the regulatory charge used to fund the RRRP program. The impact of that increase will be dependent on the amount of electricity consumed, as the charge is volumetric-based.

- The current RRRP charge is 0.13 cents/kWh, as set by the OEB. Pending the approval of the proposed $116.4 million increase to the RRRP funding envelope, the OEB will need to re-set the approved RRRP tariff for all rate payers.

3. O. Reg. 429/04 EA

- Under the Industrial Conservation Initiative (ICI), large “Class A” electricity consumers who can meet a specific average monthly peak demand threshold (i.e., either 3 MWs or 5 MWs depending on the industry classification) are charged a Global Adjustment (GA) rate proportional to their share of peak electricity demand that is measured during the five highest-peak hours in the year.
- This method provides an incentive to large electricity consumers to moderate their consumption during peak demand periods. Class B consumers are, by contrast, billed for GA based only on the volume of electricity consumed no matter when it is consumed. For most large

consumers, being billed on a Class A basis is much more cost-effective than being billed on a Class B basis.

- ICI is intended to incent a greater number of Ontario businesses to lower their electricity costs by shifting energy demand away from peak demand periods. Reducing peak demand will increase the reliability of the power grid, reduce greenhouse gas (GHG) emissions and help defer the need to procure new resources.
- The proposed amendment would expand ICI to include more than one thousand newly eligible customers with monthly peak demand greater than 1 MW, down from the current threshold of 3 MWs. In addition, sector restrictions would be removed and smaller institutional and commercial businesses would be eligible to participate.

4. O. Reg. 495/10 under OCEBA

- Regulatory amendments under the *OCEBA* are being proposed in this submission by the Ministry of Energy to eliminate further Ministry liability for OCEB reimbursement claims after the prescribed final date for electricity vendors and USMPs to claim reimbursement.
- Amendments to O. Reg. 495/10 (General) to provide a cut-off date for the payment of financial assistance to eligible consumers. A new section (3.3) would be added to this regulation to prescribe a cut-off date of February 1, 2017. This will also include an August 1, 2017 cut-off date for LDCs and USMPs to give written notice to the IESO of amounts for which reimbursement is being sought.

5. O. Reg. 161/99 OEBA

- A consequential amendment to section 4.0.1(1.1) will help ensure that the proposed new 8% rebate is passed on to individual units in multi-unit complexes.
- Additionally, technical amendments would be made to correct errors in Schedule 1 that references the communities served by IPAs and to align those references with the references in the proposed General Regulation under the ORECA.

6. O. Reg. 275/04 OEBA

- The consequential amendment to section 9 allows for ORECA, and any regulation made under the ORECA, to alter the presentation of invoices.
- This is necessary to allow for the invoice to present the 8% Ontario Rebate as a separate line item on the bill.

The purpose of Section 3 is to identify stakeholders that will be affected by the regulatory proposal, and briefly describe the anticipated impact (whether a cost or a benefit). These factors will be considered in the determination of whether a full RIA is required.

Section 3: Affected Stakeholders	Yes	No
Individuals (specific groups or consumers) ***1. Proposed General Regulation, ORECA*** • The proposed regulation is part of a program that will provide an 8% rebate on consumers' electricity bills. This will help save Ontarians an average of $130/annually. ***2. O. Reg. 442/01OEBA*** • Eligible rural and remote consumers will now receive additional rate protection through the RRRP program. This includes an influx of $116.4 to the existing program costs. • Additionally, the regulation would add an escalating factor to the new base rate protection amount. Starting in 2018, and every year after, the total amount of rate protection available to Hydro One's R2 customers would be increased by a percentage, as calculated by the OEB, based on the average increase of distribution rates. • To fund the additional rate protection, all rate-payers will need to pay an additional charge that is ~$0.60/month for a typical residential customer, with an average consumption of 750 kWhs per month. This would be in addition to the ~$1/month average cost to fund existing rate protection. ***3. O. Reg. 429/04 EA*** • The proposed amendments would reduce electricity bills by up to one-third for new Industrial Conservation Initiative (ICI) participants who are able to reduce their electricity demand during peak demand periods. • The proposed amendments would increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system. **Note:** The extent of the impact on other non-ICI participants will depend on the uptake in the newly expanded ICI.	√	❑

4. O. Reg. 495/10 under OCEBA • This has the potential to negatively impact consumers who did not receive their full OCEB benefit. However, it is impossible to estimate how many people are impacted and there is not expected to be many people disadvantaged by this stipulation. **5. O. Reg. 161/99 *OEBA*** • N/A ***6. O. Reg. 275/04 OEBA*** • N/A		
<u>**Businesses**</u> ***1. Proposed General Regulation ORECA*** • The proposed General Regulation under the ORECA would put in place the necessary mechanisms to ensure that eligible small business and farms receive an 8% rebate on their electricity bill. ***2. O. Reg. 442/01 OEBA*** • The IESO may incur additional administrative costs with respect to changes to the RRRP regulation as it will be required to maintain a variance account to track RRRP payments. As the total amount of rate protection is increasing, the IESO's carrying costs may be increased ***3. O. Reg. 429/04 EA*** • The proposed amendments would reduce electricity bills by up to one-third for new ICI participants who are able to reduce their electricity demand during peak demand periods. • The proposed amendments would increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system. **Note:** The extent of the impact on other non-ICI participants will depend on the uptake in the newly expanded ICI. ***4. O. Reg. 495/10 under OCEBA***	√	❑

• It is possible that some LDCs and USMPs would need to reimburse an unknown amount of consumers for unpaid OCEB entitlements. However, these service providers would be eligible to be reimbursed for those claims until August 1, 2017. ***5. O. Reg. 161/99 OEBA*** • N/A ***6. O. Reg. 275/04 OEBA*** • N/A		
<u>Non-profit Groups</u> ***1. Proposed General Regulation ORECA*** • The impact on the electricity rates paid by Non-profit groups would depend on whether the group holds an electricity account eligible to receive the 8% rebate. ***2. O. Reg. 442/01 OEBA*** • N/A ***3. O. Reg. 429/04 EA*** • The impact on the electricity rates paid by Non-profit groups will depend on whether the group will be defined as Class A or Class B in the same way as described in the Businesses section above. Most non-profit groups are classified as Class B and are therefore expected to see a modest increase in their electricity rates. Note: It is likely that most non-profits will remain Class B. ***4. O. Reg. 495/10 under OCEBA*** • N/A ***5. O. Reg. 161/99 OEBA*** • N/A	❑	√

6. O. Reg. 275/04 OEBA • N/A		
Communities	❑	√
<u>**Governments**</u> ***1. Proposed General Regulation ORECA*** • The IESO (government agency) will need to create a new portal (similar to OCEB) to process LDC payments and to receive LDC data. IESO aiming to have portal operational before end of year. There will be some administrative costs associated with developing the portal • The Ministry of Energy will need to create new portal for rebate program. The portal will be largely similar to the current OCEB Portal. There will be some administrative costs associated with developing the portal. ***2. O. Reg. 442/01 OEBA*** • **N/A** ***3. O. Reg. 429/04 EA*** • The proposed amendments would reduce electricity bills by up to one-third for new government sector ICI participants who are able to reduce their electricity demand during peak demand periods. • The proposed amendments would increase the electricity bills for non-ICI participants in the government sector to ensure full cost recovery in the electricity system. **Note:** The extent of the impact on non-ICI participants will depend on the uptake in the newly expanded ICI. ***4. O. Reg. 495/10 under OCEBA*** • N/A ***5. O. Reg. 161/99 OEBA*** • N/A	√	❑

6. O. Reg. 275/04 OEBA • N/A		

The purpose of Section 4 is to identify and describe the types of impacts anticipated as a result of the regulatory proposal. These factors will be considered in the determination of whether a full RIA is required.

Section 4: Type of Impact	Yes	No
Health and Safety	❑	√
<u>Environment</u> ***1. Proposed General Regulation ORECA*** • The General Regulation under ORECA provides the regulatory mechanism needed to implement the 8% rebate. • The rebate is expected to cost about $1 billion per year (i.e., $4 billion from 2017-2020) and was approved as part of the September 12, Cabinet submission. ***2. O. Reg. 442/01 OEBA*** • N/A ***3. O. Reg. 429/04 EA*** • The proposed amendment the Industrial Conservation Initiative (ICI) is expected to reduce electricity demand during peak demand periods, reducing the environmental impact from electricity generating facilities. • There are now about 300 participating consumers who collectively reduced Ontario's peak demand by an estimated 1,000 MW in 2015. ***4. O. Reg. 495/10 under OCEBA*** • N/A ***5. O. Reg. 161/99 OEBA*** • N/A ***6. O. Reg. 275/04 OEBA***	√	❑

• N/A		
Social Impacts	❑	√
Trade	❑	√
<u>**Economy**</u> ***1. Proposed General Regulation ORECA*** • The General Regulation puts in the place the mechanism that will allow the financial assistance established under ORECA to flow to consumers. The total estimated cost of the financial assistance is $1 billion for 2017. Cabinet approval for this policy was received on September 12. ***2. O. Reg. 442/01 OEBA*** • The increased subsidy should benefit the economies of rural and remote customers located across Ontario by decreasing their electricity costs. ***3. O. Reg. 429/04 EA*** • The proposed amendment is expected to influence electricity rates as described in the "Individuals" and "Businesses" sections above. • Further, the proposed amendments would provide lower electricity rates to the largest industrial businesses in the province, contributing to a competitive business environment and helping to attract and maintain a greater number of jobs for Ontarians. ***4. O. Reg. 495/10 under OCEBA*** • N/A ***5. O. Reg. 161/99 OEBA*** • N/A ***6. O. Reg. 275/04 OEBA*** • N/A	√	❑
Other	❑	√

The purpose of Section 5 is to estimate the direct costs for external stakeholders to comply with the regulatory proposal. If direct compliance costs are expected to exceed $2 million per year, a full regulatory impact analysis will be required. Other factors (as described in Sections 3 and 4 above) will also be reviewed in the determination of whether a full RIA is required.

Section 5: Costs	Yes	No
Are direct compliance costs likely to exceed $2 million per year?	❑	√
Is a full RIA required?	❑	√

Contacts

	Name	*Phone Number*
Approved by (Director)	Sunita Chander	6-5752
Ministry Contact		
Cabinet Office Policy		