Ontario

MINISTRY OF
ENERGY

# Ontario Electricity Support Program Transition

November 2017

# OESP AND FAIR HYDRO PLAN

- With the introduction of the Fair Hydro Plan (FHP), there have been several changes to the Ontario Electricity Support Program (OESP):

1. Expanded eligibility and support (complete)
   - OESP credits were increased by 50% and new eligibility categories were introduced to ensure more households in need are eligible for the program.
2. Alignment with Social Assistance (underway)
   - The Ministry is working with the Ministry of Community and Social Services (MCSS) to improve alignment between the OESP and Social Assistance programs to get more vulnerable consumers to enroll in the program
   - These changes will ensure that applicants deemed financially eligible for Ontario Works and the Ontario Disability Support Program will automatically be eligible for OESP, if they receive electricity bills.
   - MCSS has also established a Dedicated Contact Centre to conduct outreach to existing SA clients and to help process their OESP applications.
3. Transition to the tax base (underway)
   - Prior to FHP, the OESP had been funded through electricity bills. Cost recovery for OESP is shifting away from the rate base to the tax base.  OEBA amendments were passed by the legislature but require an Order-in-Council to come into force.

# LEGISLATIVE AND REGULATORY FRAMEWORK

- In June 2017, amendments to the OEBA were approved to support the transfer of costs to the tax base, transfer of certain authorities from the OEB-related to program spending, and give authority to MCSS to support OESP uptake.
  - The legislation was not proclaimed at the time, as there was a significant variance account that was built up for OESP – and the OEB could continue administering the program ($48.3 M as of October 31, 2017). The variance account is expected to be depleted in January/February 2018.
  - The OEB also approved an Order that removed the OESP charge from electricity bills
- Based on discussions between OEB and the Ministry during FHP implementation, it was concluded that the OESP as a tax-based program would eventually be administered by the government.
- The OIC and regulatory package is scheduled for LRC on December 11.
- The legislative and regulatory work the Ministry is currently undertaking for OESP are intended to achieve two outcomes:
  1) Outline the process for transitioning program financing to the tax base in such a way that the variance account is depleted; and
  2) Transferring program administration authorities from the OEB to the Ministry, while addressing any areas where the OEB will continue to provide support (e.g. through the Distribution System Code).
- The formal transition of administration authorities to ENERGY is anticipated to occur near the variance depletion date. A cross-functional Ministry team is working with the OEB to identify a specific date when this transition will occur.

# PROGRAM TRANSITION - CONSIDERATIONS

- The smooth transition of OESP administration requires a comprehensive understanding of how program delivery works.
- The Ministry and OEB have scheduled weekly knowledge transfer sessions through October to December to learn about core elements of the OESP and key considerations for administering the program.
- The OEB is also sharing all documentation related to the administration of OESP, including all contracts, agreements, and other relationship management tools. The Ministry is thoroughly reviewing all materials to identify issues and seek further clarification.
- The Ministry has requested through the PRRT process FTEs and funding that can help support the delivery of the OESP program. These FTEs would not be available until next fiscal year, however, the OEB has offered HR support for transition, if needed.
  - On March 1, 2017 TB/MBC approved the following fiscal spending for the next four years:

| OESP cost projections ($) | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|
| | 140 | 230 | 264 | 288 |

# TRANSFER OF CONTRACTS AND AGREEMENTS

- The OESP is largely delivered through contracts and agreements. Taking over program administration will primarily involve the transfer of these contracts / agreements to the Ministry. Contracts include:

**ICF**

- ICF is the central service provider for OESP, and responsible for managing applications, the OESP call centre, and data exchange with LDCs and USMPs to begin delivering credits for approved applications.
- The ICF contract was executed on June 24, 2015 for three years with a three-year renewal option.
- The operating cost of the contract consists of fixed and variable components - there is a fixed cost up to a certain number of OESP applications handled by ICF, with variable costs for additional applications handled. If work is needed beyond the scope of the contract, the OEB issues "Statements of Work" outlining the specific activity and the associated costs, which is negotiated with ICF.

**Intake Agencies**

- 130 intake agencies (e.g. local United Way chapters) have fee-for-service contracts to support OESP manual income verification (MIV) and Assisted-Automatic Income Verification (A - AIV) applications. The OEB pays each intake agency $50 for each MIV; and $20 for each A-AIV. These are two-year contracts and are currently being renewed (several were executed before program launch on January 1, 2016). At the moment, the OEB is in the process of onboarding 8 new intake agencies.

**Ontario Native Welfare Administrators Association (ONWAA)**

- ONWAA supports OESP enrolment in First Nation communities across Ontario. Instead of fee-for-service, this contract provided resource funding to ONWAA in order to hire and train personnel. Support for the program has been scaled down, with a loss in FTE count.

# TRANSFER OF CONTRACTS AND AGREEMENTS

- OEB also has agreements in place to support administration of the program, and to help meet Fair Hydro Plan goals of increasing OESP uptake as much as possible. The agreements include:

**Ministry of Finance (MOF)**

- OESP requires income verification. For applications relying on income tax verification, MOF acts as the main interface with the Canada Revenue Agency (CRA).
- Under this agreement, ICF transmits application information to MOF, which then works with the CRA to confirm income tax information (through a separate agreement). MOF then notifies ICF if income eligibility requirements are met.

**IESO**

- While no formal agreement exists, there is authority in the legal framework for the OEB to recover program costs from the IESO. These costs are recovered through a variance account.
- Originally, the OEB invoiced IESO under an OEB decision and order. After the OESP charge ended, the OEB agreed to become a market participant and submit claims through the IESO portal similar to LDCs and USMPs. ICF also recovers its costs this way, as will MOF when the program fully transitions to the government.

**MCSS**

- MCSS and OEB entered into an agreement on data sharing in support of MCSS efforts to align OESP with social assistance. This relationship was enabled by amendments to the OEBA.

# KEY ISSUES

1) COMPLIANCE WITH OPS POLICIES
2) ROLE OF IESO
3) ROLE OF THE OEB
4) IMMEDIATE STAKEHOLDER OUTREACH
5) E-SIGNATURES
6) REVIEW OF SYSTEMS PROTOCOLS AND STANDARDS
7) COMMUNICATIONS AND MARKETING

# COMPLIANCE WITH OPS POLICIES

**Overview**

- Responsibility for all contracts and agreements must transfer over from the OEB to the Ministry. There are 134 contracts and 2 formal agreements with ICF and ONWAA.
- All contracts include an assignment clause, allowing the OEB to assign the contract to another party with the consent of the counterparty. To date, only ICF is aware of program transition in order to support knowledge transfer.
- Any financial responsibilities associated with the contracts can be covered by the Ministry's funding allocation for the OESP. However, a thorough review of all contracts is required to determine if there are other risks, liabilities, or provisions that fall outside of OPS policies and directives, and would therefore require amendments.

**Actions**

- Legal Services have been engaged to support the review of contracts, identify potential issues, and propose solutions. The OEB may be required to help facilitate early discussions to renegotiate contracts, if required.
- Corporate Services has also been engaged to provide advice on how OPS policies / directives may apply, and help evaluate the most appropriate means to manage the financial components (e.g. identify the right mechanism for delivering funds). The Ministry is also having concurrent discussions with the IESO to determine its preferences for accounting.

# ROLE OF IESO AFTER TRANSITION

**Overview**

- Under ORECA, the IESO compensates utilities and USMPs for the 8% rebate provided to customers, and invoices the Ministry for those costs. This relationship is outlined in legislation / regulation, and managed by an MOU. The Ministry is currently renegotiating the MOU to include other programs under the Fair Hydro Plan.

- A separate legal framework governs the IESO's role in delivering the OESP:

    - The IESO collected the OESP regulatory charge ($0.0011 / kWh) to finance the program. These funds are being held in a variance account that tracks income and expenditures.

    - LDCs, USMPs, the OEB / ICF, and MOF submit claims to the IESO for program administration costs (note: to date, MOF has not submitted claims and covers its costs through ministry resources).

- To ensure smooth transition, this arrangement for compensating OESP administrators should be maintained. Early discussions with the IESO indicate support for an approach similar to ORECA, where IESO invoices the Ministry on a monthly basis for costs.

- Under this arrangement, the variance account would be depleted, and the IESO would begin invoicing the Ministry for any remaining amount in that payment period, thus switching the program to the tax base.

**Action**

- Legal Services and Corporate Services are helping to consider the Ministry's relationship with the IESO for OESP payments. In particular:

    - Mapping out the sequence for proclaiming OEBA provisions, enacting regulatory changes, and transitioning program administration in a way that keeps the IESO whole without incurring significant costs. This work is currently underway.

    - Whether to pay ICF directly under the contract once it transfers to the Ministry, or to continue the current arrangement.

    - Whether a new MOU is needed, or if OESP can be integrated into the larger MOU covering FHP.

# ROLE OF THE OEB AFTER TRANSITION

**Overview**

- The OEB uses other mechanisms to support the administration of the OESP. This includes:
  - The Distribution System Code (DSC)
  - The Unit Sub Metering Code (USMC)
  - Electricity Reporting and Record Keeping Requirements (RRR)
  - For a full list of documents, see Appendix B
- These codes and rules require hearings and public consultation processes in order to be amended. Thus, the Ministry does not have direct authority to cause the OEB to amend these codes and rules for purposes of supporting any future changes to the administration of the OESP. The OEB has expressed concern about its independence if the Ministry attempts to introduce mechanisms that seek for the OEB to make these changes in compliance with Ministry policy.
- The OEB also facilitates a Financial Assistance Working Group (FAWG). The Working Group has played a role in scope, design, and implementation of the OESP. At the moment, FAWG`s focus has shifted from the OESP to matters not pertaining to the Ministry.

**Actions**

- The Ministry is working to identify all OESP-related provisions in OEB documents and codes, so that any provisions in those codes and documents can be transferred and incorporated in the amended regulation. This will allow for alignment with OEB codes and documents, and ensure seamless transition of the program. It will also ensure that if any changes are made to the program after transition, the Ministry can exercise its authority to make any future OESP-related regulatory amendments, if need be.
- The Ministry will continue to be involved in FAWG meetings at the OEB when and if OESP is on the agenda. As the program transitions to the Ministry, an OESP advisory group could be established – independent of the OEB, with the Ministry as lead.

# IMMEDIATE STAKEHOLDER OUTREACH

**Overview**

- Among the contracted agencies supporting OESP delivery, only the ICF has been notified that the program will transition to government.  This was done to help start knowledge transfer and to identify and potential concerns with the OESP service provider.
- The intake agencies and ONWAA must be made aware of this change in order to begin discussions around transitioning contracts to the Ministry. While it is not expected to affect their role in supporting program delivery, the Ministry may require amendments to agreements to ensure compliance with OPS policies and risk mitigations.
- Stakeholder outreach should also include updating contact information and identifying any concerns with administrative and reporting procedures that may need to be addressed before or after transition.

**Action**

- A joint letter between the OEB and the Ministry will be sent to all parties and will invite them to participate in a Webinar hosted by the OEB to outline the key changes and answer questions.  Subsequent Webinars will be arranged as needed, particularly if there are issues or contract amendments required for the 130 intake agencies.

# E-SIGNATURES

**Overview**

- There is a proposed solution to transition from wet signatures (ink signatures on paper copies) to electronic signatures (e-signatures) in order to streamline the process for OESP applications.
- Electronic consent is expected to vastly improve the consent process by removing the need for applicants to find printer services, reducing the potential for errors, and shorten application processing delays.
- Once an electronic consent form is completed by all adult household members, a PDF copy of the consent form will be generated. This file will be treated similar to a scanned wet consent form and will follow the same workflow, starting with validation by an application processing agent. Any errors that require new consent can also be done electronically making the entire process efficient and paperless.
- The electronic consent form is set to launch in Q1 2018 (calendar year).
- The Ministry will continue to collaborate with ICF to get additional information on efficiency gains for e-signatures.

**Action**

- At this point in time no Ministry action is required, but the Ministry will continue to work with MOF to update agreements, including the one between the MOF and CRA.

# REVIEW OF SYSTEMS PROTOCOLS AND STANDARDS

**Overview**

- ICF maintains software system interfaces with the MOF, LDCs, and USMPs in order to administer OESP.
  - ICF transmits application information to MOF, which in turn, works with the CRA to confirm income tax information. MOF then notifies ICF if income eligibility requirements are met.
  - ICF also transmits customer account and OESP credit class information to LDCs and USMPs so these customer can begin receiving credits. A technical guide is used to ensure system compatibility – this guide was updated and sent to LDCs / USMPs to support the May 1, 2017 OESP enhancements.
- Going forward, the Ministry will be working with ICF in terms of understanding how the interfaces between the MOF, LDCs and USMPs work; and the flexibility, as well as limitations, of changing the hard-coded system.
- With regards to MCSS, ICF is currently in early stages of creating interoperability between the OESP software platform and SAMS, the system that manages social assistance enrolment. Aligning these systems will enable electronic auto-enrolment of future social assistance clients into the OESP.

**Action**

- No action is needed at this time. The Ministry is participating in discussions between MCSS and ICF to build its understanding of technical issues and will engage directly with ICF to learn more about operational requirements.

# COMMUNICATIONS

## OBJECTIVE

- Support a successful transition from OEB to Ministry (in particular a low profile for the administrative change of oversight).
- Review marketing approaches to date to develop options for increasing enrollment in OESP.

## PROPOSED STRATEGY

- OEB advertising will be in market until approximately March 31, 2018 (using lessons learned from previous campaigns).
- Following that, Ministry will work with CO to ensure any marketing meets relevant policies in the run up to and during the writ period.
- Work on refreshed marketing for the program (for launch in Summer 2018) and potential accessibility improvements to the application.
- Ministry will develop an issues management plan to assist in messaging and public engagement during the transition period.

## TACTICS

- OEB marketing in Q1 2018 will include radio hits in English and French, subway ads, bus shelters, and community papers.

# COMMUNICATIONS (CONT'D)

**TACTICS (CONT'D)**

- ICF is primarily responsible for program communications.  It runs a contact centre that manages inquiries from the public and OESP recipients and processes applications.  ICF also manages the communications protocols to exchange information with LDCs / USMPs and MOF.
  - OEB currently supports some communications for issues management purposes (e.g. MPP inquiries).
- The Communications Branch is reviewing immediate requirements for transitioning ICF's web content and online service for OESP in a way that meets Ontario legislation and OPS corporate standards and directives.
  - Communications staff are reviewing the website and previous assessments of accessibility and security.
  - Communications staff are engaging with Ontario Digital Service (CAB), The I&IT Accessibility Centre of Excellence and the Cyber Security unit (ITS) to evaluate the website and service.
- While communications responsibilities would stay with ICF, the Ministry would take over responsibility for all advertising and marketing activities in order to increase program uptake.  The Ministry will work with CO to ensure any campaign is coordinated with overall government marketing plans.
- The Ministry will review all data available regarding OESP uptake, and the impact of marketing / outreach initiatives, and use an evidence-based approach to increase uptake as much as possible.  This may include:
  - Making changes to current marketing activities to increase awareness of OESP and further enhance enrolment;
  - Improving consumer outreach activities to provide better support for recipients and applicants; and
  - Engaging TBS Behavioural Insights to help design, test, and deploy outreach activities which will result in greater program uptake.

# Other Considerations

1) BENEFITS ADMINISTRATION INTEGRATION ACT
2) FUTURE POLICY CONSIDERATIONS

# BENEFITS ADMINISTRATION INTEGRATION ACT

**Overview**

- The government has proposed new legislation, the *Benefits Administration Integration Act*, *2016* (BAIA) that would enable integrated program administration with broadened information sharing and modernized privacy frameworks. (A Proclamation Order in Council, through LRC, to set the effective date for BAIA and filing of regulations to operationalize the legislation are still required.) The primary goal is to consolidate information on Ontarians that are currently receiving support from Ontario benefits programs.
- The legislation creates several regulation-making powers that would list the benefits programs that would be covered by BAIA, identify the benefits administrator, and outline what elements of those programs would become the responsibility of the benefits administrator.
- BAIA would authorize the collection, use, and disclosure of personal information for the purpose of administering some or all functions of benefit programs. The specific information shared and parties authorized would need to be prescribed by regulation once opportunities for integrated benefits administration are identified and confirmed.
- MOF will draft regulations in line with other ministry preferences for how benefits programs would be administered. For example, it is capable of completely taking over all program administration responsibilities, or only a very small portion thereof in order to consolidate information on benefits program users in Ontario. ENERGY has already been engaged by MOF and is in discussions about how BAIA would apply to OESP.
- If there is a desire for MOF to take on a primary role for OESP administration, it will need to be addressed under the OEBA and associated regulations.
- If the Ministry simply shares information about OESP participation, it will need to work with MOF to identify any FIPPA concerns and determine how best to address any notification or consent requirements.

**Action**

- It is recommended that OESP transition to the Ministry of Energy. The Ministry will continue to support MOF on BAIA regulation development and implementation.

# FUTURE POLICY CONSIDERATIONS

**Coverage for those who do not directly receive bills**

- Tenants that do not pay directly for the cost of electricity (e.g. individuals whose utilities are included in their rent) are currently ineligible for OESP. This is true for all elements of the Fair Hydro Plan – the credits are all on-bill and property owners are not compelled to carry over the benefit to tenants.

- The Ministry could identify solutions to deem these individuals eligible for OESP and / or other Fair Hydro Plan credits. This work began in spring 2017 when the Ministry engaged the Ministry of Housing (MOH) to consider potential solutions, including changes to the *Residential Tenancies Act, 2006*.

- MOH could be re-engaged, as well as MOF, to consider a range of potential solutions to provide direct benefits to those who are not directly billed.

**Medical Devices**

- The OEB created a discretionary list of medical devices that classify as “electrically intensive”, which would enable applicants using these devices to access the enhanced OESP credit. There are three at-home medical devices that will qualify an applicant for the higher level of assistance (Kidney Dialysis Machine; Mechanical Ventilators (invasive and non-invasive); and Oxygen Concentrator)

- The challenge with this approach is that it requires case-by-case analysis of medical devices to determine if they meet a particular standard for power requirements. MOHLTC has been engaged periodically to help evaluate which devices could fall into this general category, but there are scenarios where electrically intensive devices are not medical in nature yet are prescribed to address a medical ailment (e.g. air conditioning for those with chronic asthma).

- Under the *Ontario Clean Energy Benefit Act, 2010*, all that is required for eligibility is a statement that medical equipment prescribed by a health practitioner for use by a specified person. A similar approach could be integrated into the OESP along with the appropriate procedures and oversight to ensure that this change is not abused.

# FUTURE POLICY CONSIDERATIONS

**Audit and Program Review**

New provisions in the OEBA (s. 79.2.17) allow the Ministry to work with other government ministries and agencies to audit the OESP.

- The OEB began developing an audit framework to determine if there are issues with program delivery and ensure it is being used as intended. This may be challenging for particular aspects of the program (e.g. validating enhanced credit eligibility), and the Ministry would need support to develop and consider options.
- The Ministry would work with MOF given its role in supporting financial auditing for other on-bill credits (e.g. OCEB, OREC), and with the Ontario Internal Audit Division (OIAD), which has previously supported the Ministry on Smart Grid Fund projects.
- The Ministry may also seek support from these organizations to design a framework for program review. The intent is to use this framework to evaluate outcomes against the intent / objectives of the program.

**Ongoing Administration Considerations**

- The OEB has identified discrete cases of program abuse where customers have found ways to exploit the application process. However, it is not aware of any chronic issues to date.
- The Ministry would work with ICF and other stakeholders to try and identify the potential for abuse and develop recommendations to address them.

# OESP TRANSITION TIMELINE / PROCESS

## 2017

**OCTOBER**
Knowledge Transfer

- The Ministry and OEB have engaged in weekly knowledge transfer sessions (Oct-Dec), to learn about core elements of the administration of the OESP.

**DECEMBER**
LRC

- Proclaim section 79.2 of the OEBA, and- regulatory amendments to O.Reg. 314/15, supporting the transition of the OESP from the rate base to a tax-funded program

**DECEMBER**
Webinar

- The OEB will host a Webinar for all OESP intake agencies in mid-Dec, to outline the key changes as well as answer questions.

## 2018

**JANUARY**
Variance Account

**FEBRUARY**
Variance Account

**MARCH**

**APRIL**
Q1 FISCAL YEAR

**Implementation of e-signatures – Q1 2018 (calendar year)**

- Projected date for depletion of Variance Account January/February. Confirmation of depletion needed from IESO.
- Transfer of OESP administration responsibilities from the OEB to the Ministry.
- Train/hire 5 FTEs to support the OESP after transition. (Subject to PRRT approval.)

# APPENDIX A: OESP – Updates and Trends

# Ontario Electricity Support Program – Updates and Trends

## OESP Applications Update (Oct 31, 2017)

**OESP Applications Submitted: 371,242**

**Applications Accepted**
Total Applications Accepted: 241,799
Total Households Receiving OESP: 204,027*
First Nations : 15,454
Metis : 4,640
Inuit: 96

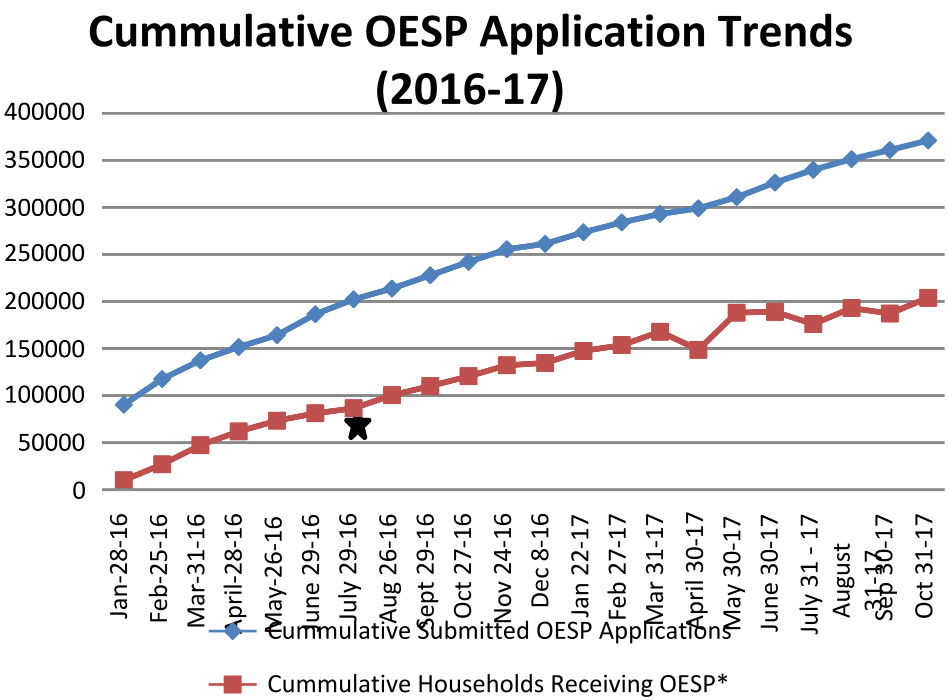
*Decline from previous month due to reporting delays

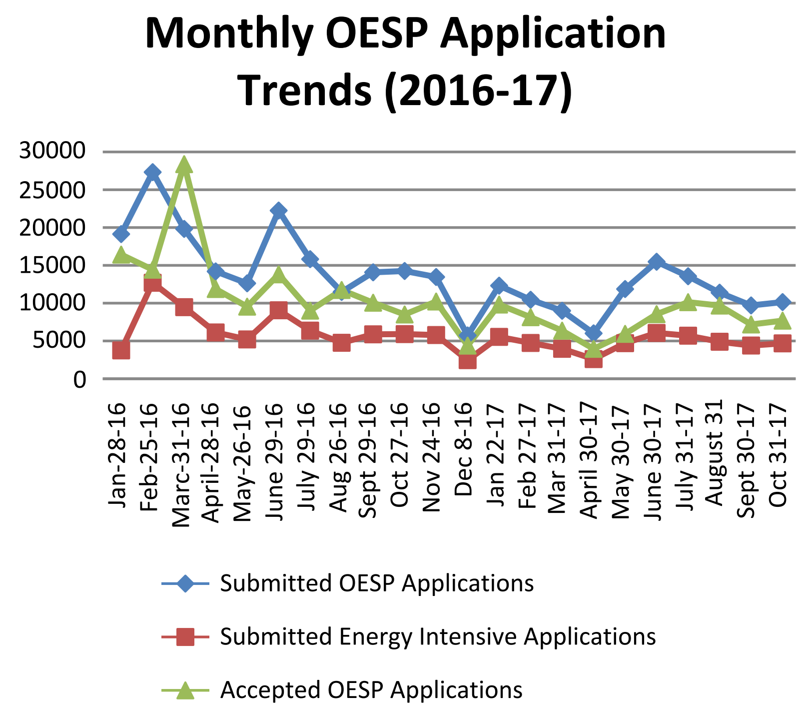
**Discrepancy between submitted applications and households receiving the benefit:**

- The number of applications submitted does not represent a 1:1 ratio to accepted customers.
- Some customers must resubmit incomplete applications or a new application for renewal.
- Some customers unintentionally submit duplicate applications.
- As of Oct 31, 2017, there were 28,149 declined applications.

<u>**OESP Variance Account Balance:**</u> **$48.3 M (as of October 31, 2017)**

- The OESP Variance Account is administered by the Independent Electricity System Operator (IESO) and will enable the funding of the program until the program formally shifts to the tax-base.




★ Dips represent delays in LDC / USMP reporting, not drops in actual participation.

# APPENDIX B: OESP CREDIT SCALES

# OESP Credit Scales

**Proposed OESP Credit Scales**

| Household Income (After Tax) | Household Size (Number of people living in household | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7+ |
| < $28,000 | $45 | $45 | $51 | $57 | $63 | $75 | $75 |
| $28,001 - $39,000 | $40 | $40 | $45 | $51 | $57 | $63 | $75 |
| $39,001 - $48,000 | $35 | $35 | $35 | $40 | $45 | $51 | $57 |
| $48,001 - $52,000 | $35 | $35 | $35 | $35 | $35 | $40 | $45 |
| Over $52,001 | $35 | $35 | $35 | $35 | $35 | $35 | $35 |

| Household Income (After Tax) | Household Size (Number of people living in household) Energy Intensive | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7+ |
| < $28,000 | $68 | $68 | $75 | $83 | $90 | $113 | $113 |
| $28,001 - $39,000 | $60 | $60 | $68 | $75 | $83 | $90 | $113 |
| $39,001 - $48,000 | $52 | $52 | $52 | $60 | $68 | $75 | $83 |
| $48,001 - $52,000 | $52 | $52 | $52 | $52 | $52 | $60 | $68 |
| Over $52, 001 | $52 | $52 | $52 | $52 | $52 | $52 | $52 |

Red Cells: New eligibility categories under the OFHP that came into effect on May 1, 2017.

Orange cells: New eligibility categories to ensure that OESP is available to those deemed financially eligible for social assistance but were previously ineligible for OESP.

Purple cells: New eligibility categories to ensure that, if financial eligibility categories for social assistance change in the future, clients will remain eligible for OESP.

# APPENDIX B: OEB DOCUMENTS RELATED TO OESP

# OEB'S REGULATORY INSTRUMENTS FOR OESP

- Distribution System Code (DSC)
- Unit Sub-Metering Code (USMC)
- Order: EB-2017-0135 OESP Charge (2017-03-23)
- Electricity Reporting and Record Keeping Requirements
- OEB Letter of OESP Program Changes – Dubreuil (2017-05-15)
- OEB Letter of OESP Program Changes – Cornwall (2017-05-15)
- Letter: OESP Program Changes (2017-04-25)
- Order: OESP Program Changes (2017-04-25)
- OESP Guideline for Distributors and Unit Sub-Meter Providers
- OEB Letter of Guidance: Renewal of OESP Eligibility (2017-09-25)
- FAQ: OESP Renewal Process (2017-09-25)
- OESP & LEAP Program Manual (October 2015)
- Letter to IESO: OESP Administrative costs (2015-11-19)
- Letter of Direction to Hydro One Remote Communities Inc. (2015-12-22)
- Utility Interface Inventory Spec V1.10 (2017-05-03)