



TREASURY BOARD / MANAGEMENT BOARD OF CABINET REQUEST ASSESSMENT NOTE

Ministry:	Energy
Meeting Date:	June 13, 2017
Agenda Class:	Major Item
Last reviewed by: TB/MBC – May 9, 2017	Tracking to: Fast Track Cabinet – June 14, 2017

SUBMISSION TITLE: Report back on Ontario Fair Hydro Plan – Regulations Part 1

I. DECISION BEFORE THE BOARD

Receive the first of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding Cabinet for approval

II. RECOMMENDATIONS:

- Receive the first of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to for approval including: - Global Adjustment Refinancing; - Electricity Social Programs; and, - Electricity Bill Presentment.	<i>Receive</i>
Note key aspects and program parameters of the proposed regulations	<i>Note</i>
Recommend the proposed regulations proceed to Cabinet for approval	<i>Recommend</i>
- Direct the Ministry to report back to TB/MBC on: - Any additional regulations with financial implications supporting implementation of the Ontario Fair Hydro Plan prior to proceeding to Cabinet for approval; and, - An update on previously minuted report back requirements.	<i>Direct</i>

III. FINANCIAL SUMMARY

\$ Millions	2017-18	2018-19	2019-20
Initiative cost requested	0.0	0.0	0.0
Initiative cost recommended	0.0	0.0	0.0
Recommended program base: Global Adjustment Refinancing*	0.0	0.0	0.0
Electricity social programs – RRRP/DRP^	344.0	472.0	484.0
Electricity social programs – FNDC^	15.0	20.0	20.0
Offset Recommended	0.0	0.0	0.0
Total Potential Fiscal Impact	0.0	0.0	0.0

*As part of Global Adjustment Refinancing, an Operating Asset for \$1.1B for OPG Share Purchase was included as part of 2017 Budget.

^Multi-year appropriation approved as part of the 2017 Budget.

IV. KEY COMMENTS AND CONSIDERATIONS

In March 2017, the Ministry received Treasury Board/Management Board of Cabinet (TB/MBC) approval for electricity price mitigation measures that support a 25% electricity bill reduction on average (including the 8% Ontario Rebate For Electricity Consumers announced in 2016). The Ontario Fair Hydro Plan (OFHP) was announced on March 2, 2017. The plan includes refinancing a portion of the Global Adjustment (GA) and helping vulnerable electricity consumers (“social programs”) amongst other initiatives for residential consumers (see Appendix C). The Ministry was directed to report back to TB/MBC on a number of items including the proposed legislation required to enact the initiatives under OFHP (see Appendix D).

On May 9th 2017, the Ministry reported back to TB/MBC with an implementation update on the OFHP and the enabling legislation. TB/MBC recommended the proposed legislation proceed to Cabinet for approval and Ontario’s *Fair Hydro Act, 2017* (“the Act”) received Royal Assent on June 1, 2017. The Ministry was directed to report back to TB/MBC on a number of items including the proposed regulations required to support the implementation of the OFHP (see Appendix E).

Proposed Regulations

The proposed regulations are the next step in implementation of the OFHP and would establish and amend the necessary regulations under the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, *Ontario Rebate for Electricity Consumers Act, 2016*, and the *Fair Hydro Plan Act, 2017*.

Implementation of Global Adjustment (GA) Refinancing

On March 2, 2017, as part of OFHP, the government announced that a portion of the GAs would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario’s electricity system (i.e., build and maintain a reliable electricity system).

The Ministry is proposing new regulations and amendments to existing regulations that would (for example):

- Define the typical consumer upon which the calculations to achieve the reduction will be based;
- Support the required calculations related to refinancing the GA which will implement rate reductions for the typical residential consumer; and,
- Authorize the Independent Electricity System Operator to borrow to fund the regulatory asset.

The Ontario Energy Board will calculate the electricity rates that consumers will pay as of July 1, 2017.

The Act sets out additional detail to support the transaction including:

- IESO to record the under-collection of GA in a variance account, and deems this under-collected amount to be a Regulatory Asset;
- Ontario Energy Board (OEB) would determine rates to allow IESO to recover under-collection recorded in its variance account in the event the under-collection is not sold; and,
- IESO is authorized to sell all or a portion to the OPG Special Purpose Vehicle (SPV)/Trust.

Related to the investment of the asset:

- The sale of the regulatory asset from IESO to the OPG Special Purpose Vehicle (SPV)/Trust creates an “Investment Asset”.
- The legislation establishes property rights related to the Investment Asset such as the right to collect principal and interest and financing costs in the form of the clean energy adjustment from eligible consumers.
- The Investment Asset may in turn be sold to other investors or group of investors.

Delivery of Electricity Social Programs

Currently there are number of electricity support programs. There is an opportunity to provide support to a more targeted subset of customers who are disproportionately affected by increased electricity costs and to shift these costs to the tax base (including high distribution cost, low income and first nations on-reserve customers).

The Ministry is proposing new regulations and amendments to existing regulations to support the implementation, establish frameworks and clarify program details for the new and enhanced social programs which will be effective July 1, 2017.

Local Delivery Companies (LDCs) will be reimbursed for credits provided via social programs to customers by IESO, which is subsequently reimbursed by the Ministry's voted appropriation.

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

RRRP helps to offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province. The DRP will provide further relief to consumers served by higher distribution cost LDCs. The proposed new regulations and regulatory amendments will (for example):

- Identifies who is eligible for RRRP funding (Hydro One R2 customers);
- Establishes the DRP to complement RRRP whereby eligible residential customers would have their monthly base distribution charges held to a maximum amount (it is estimated that ~800,000 customers will benefit); and,
- Identifies the LDC's whose customers are eligible for enhanced protection.

On-Reserve First Nations Delivery Credit (FNDC)

The program will be available to on-reserve customers serviced by licensed distributors and will eliminate the delivery charge for all on-reserve residential customers who are First Nation members, and eliminate the monthly service charge for customers that charge a bundled rate.

The proposed new regulations and regulatory amendments will (for example):

- Set out the program parameters including eligibility for the program (it is estimated that ~21,000 customers will benefit);
- Limit eligibility to all residential rate class First Nations customers living on reserve served by the 11 affected LDCs; and,
- Provide a transitional period for LDCs to deliver the rate assistance.

Electricity Bill Presentment

The Ministry is proposing new regulations and amendments to existing regulations to support transparency and communications of the changes made under the OFHP on consumer invoices.

See Appendix F for additional details on the proposed regulations.

Analysis/Risks

Financial

- The multi-year fiscal profile identified by the Ministry as part of this submission (below) are consistent with the voted appropriation approved for the Ministry through the 2017 Budget. Cost forecasts for these programs were made through a combination of Ministry analysis that utilized consumption data and local distribution company rates to estimate program costs, and

information provided to the Ministry by the OEB.

\$M	2017-18	2018-19	2019-20	2020-21
Rural or Remote Rate Protection (RRRP)	344	472	484	497
On-Reserve First Nations Delivery Credit (FNDC)	15	20	20	20
Total	359	492	504	517

- The Ministry notes it is currently assessing the potential impact of the Hydro One rate application and will report back to TB/MBC with the potential out-year impacts of this rate application.
- The allocations of the social programs are based on a number of variable inputs such as program uptake, electricity market conditions and forecasting models that are subject to change and represent an on-going fiscal risk. Sensitivity analysis will allow the government to develop a risk based outlook to understand potential fluctuations in the cost of these initiatives.
- There are no sunset dates for the programs and it is important to understand the full cost of the initiatives (including electricity price projections) for the longer term, beyond the year 2021-22.
- Lastly, further information is required on the detailed consumer impacts with assumptions and methodologies specified and documented to support better decision making and achieving the intended program goals.

Accounting

- The fiscal impact associated with the OFHP will be determined by how the series of complex transactions are accounted for on the Province's Consolidated Financial Statements which are prepared in accordance with public sector accounting standards established by CPA Canada. A number of details yet to be finalized through the regulations and various commercial agreements will impact the final accounting analysis.
- While accounting for the social programs and the Affordability Fund as transfers is fairly straightforward, the accounting for the GA mechanism is relatively more complex. To mitigate accounting risk associated with the latter, both the IESO's and OPG's external auditors have provided independent accounting opinions on the appropriate accounting for elements of the OFHP structure related to each entity, contingent on finalization of regulations and commercial agreements.. Based on the audited financial results for these organizations, supported by the anticipated accounting opinions, the Office of the Provincial Controller will prepare the Province's consolidated financial statements based on public sector accounting standards.
- At this time, the Auditor General has not identified any concerns related to the accounting for the social programs or the Affordability Fund; however, she has voiced concerns regarding the planned accounting treatment for the OFHP as related specifically to the GA component which is expected to impact the Province's financial results for the first time in 2017/18. The Auditor General has also publicly communicated her opposition to a change in the IESO's accounting policy to reflect rate regulated balances on its books. The Province supports the IESO's accounting treatment as more fairly presenting the economic substance of the entity's market-related activities.
- The Auditor is currently reviewing the Province's accounting analysis related to the Affordability Fund which reflects a \$100M transfer payment to be reflected in the Province's 2016/17 Public Accounts.
- If the Auditor General does not concur with the Province's accounting treatment, including the change in accounting treatment by the IESO, she may qualify her audit opinion on the Provinces' financial statements in the Public Accounts.

Legal

- The ministry has stated the legal risk remains the same as identified at the May 10, 2017 Cabinet meeting regarding the *Fair Hydro Plan Act, 2017*, including and related to:

GA Refinancing

- In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets present only a low risk of being an unconstitutional tax, as each cohort

of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.

- Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the asset, but rather is doing so in order to lower the price in the short term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.
- The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period.

FNDC Eligibility

- Under the First Nations Delivery Program “non-status” Indigenous communities without reserves (e.g. certain members of the Algonquins of Ontario (AOO), Moccreebec etc.) and Métis will not be eligible for the program as they do hold reserve lands. There is a risk that these communities could challenge the program on the grounds that it discriminates against them contrary to section 15 of the Charter (equality rights). This risk is mitigated by the ameliorative purpose of the program and because targeting First Nations communities for a reserve-based program corresponds to the distinct circumstances of reserve-based communities. A genuinely ameliorative program that targets some people but does not include others is shielded from a section 15 challenge if it serves or advances the ameliorative goal.

The Ministry has also reported back with an update to key risks including mitigation strategies (see Appendix G). In addition, the Ministry has also sought independent advice regarding financing, accounting and legal requirements from E&Y (OPG), KPMG (IESO), TD Securities (OFA) and Blakes (ENERGY), and launched third party technical analysis to assist with implementation of GA refinancing. In addition, to the risks cited in Appendix G in the implementation of the OFHP, a number of supporting arrangements are being sought by the IESO and OPG, including the following:

Indemnities for OPG (Ontario Power Generation) and IESO

- OPG and IESO have requested indemnities from the Province for their respective Directors, Officers and employees in relation to their roles in the implementation of the OFHP. Ministry of Energy staff are putting together a section 28 approvals submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO.
 - IESO and OPG have stated that these indemnities are required for their participation in the implementation of the OFHP Act.
 - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
 - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- As currently proposed, the Minister of Finance will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.

Provincial Support Agreement or Provincial Guarantee Agreement

- As part of the OFHP and in order to provide support to those with claims against the Financing Entity (i.e., planned to be the OPG Trust) and with the ultimate objective of providing the highest possible credit ratings (and corresponding impact on interest costs to the ratepayers), the Province has been

asked to provide both a Service Guarantee and a Performance Guarantee to support obligations of the IESO and the debt instruments issued by the Financing Entity.

Additional Report Backs

To continue to implement the OFHP, the ministry will be returning to TB/MBC on June 27, 2017 with part 2 of the report back on the creation and amendment of regulations (related to Global Adjustment and the Ontario Electricity Support Program) prior to proceeding to Cabinet including an update on previously minuted report back requirements.

In addition, the Ministry will provide the status of the additional supporting arrangement, including the section 28 approval for indemnities, the Provincial guarantees and the credit facility to the IESO.

Name of analyst:	Chris Skubel/ Afshin Malekzadeh with input from OPCD, OFA and CoE	Phone number:	416-327-2151
Date:	June 13, 2017	Log number:	
Branch / Division:	GGPR / PEMD / Treasury Board Secretariat		

APPENDIX A: PROPOSED MINUTE

Receive the first of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

- i) Note that the proposed new regulations and amendments to existing regulations include the following program parameters:

Electricity Social Programs:

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

- a) Provides for a fixed monthly credit (\$60.50), replacing the existing prescribed annual amount and making the escalating factor unnecessary; and,
- b) Sets out a process that the Ontario Energy Board (OEB) will utilize to determine the maximum monthly distribution charge that all prescribed high-cost distributors will charge their customers; and,
 - a. Sets out the proposed distributors as Atikokan Hydro Inc.; InnPower Corporation; Chapleau Public Utilities Corporation; Sioux Lookout Hydro Inc.; Northern Ontario Wires Inc.; Lakeland Power Distribution Ltd. (Parry Sound Rate Zone); Algoma Power Inc. (residential); and, Hydro One Networks Inc. (Low & medium density classified customers).

On-Reserve First Nations Delivery Credit (FNDC)

- a) Defines eligibility as being restricted to those residential rate class First Nations customers who are members of a band as defined under the federal Indian Act;
- b) Eliminates the delivery charge, or monthly service charge for those customers served by Local Distribution Companies (LDCs) that do not have a delivery charge, for on-reserve residential First Nations customers; and,
- c) Defines eligibility currently affects 11 LDCs serving on-reserve consumers: Algoma Power Inc., Attawapiskat Power Corporation, Bluewater Power Distribution Corporation, Cat Lake Power Utility Ltd., Cornwall Electric Distribution, Hydro One Networks Inc. Hydro One Remote Communities Inc., PUC Distribution Inc., and Thunder Bay Hydro Electricity Distribution; Fort Albany Power Corporation; and Kashechewan Power Corporation.

Implementation of Global Adjustment (GA) Refinancing:

- a) Supports the required calculations to be made by the OEB;
- b) Provides the methodology that the OEB will use in applying reductions to eligible and non-regulated consumers who are eligible for GA refinancing;
- c) Sets out the near-term reductions (i.e., the reductions that will be applied by the OEB from July 1, 2017 to April 30, 2018), as well as the reductions from May 1,

2018 to April 30, 2019. Further adjustments to be made for future periods beginning May 1, 2019 would be set out in further amendments the regulation; and,

- d) Provides the Independent Electricity System Operator (IESO) with the necessary authority related to its activities, including the funding, borrowing and financial arrangements.
- ii) Recommend the below proposed new regulations and amendments to existing regulations proceed to Cabinet for approval:
 - a) New Regulation to be made under Part II of the *Ontario Fair Hydro Plan Act, 2017*, which is Schedule 1 of the *Fair Hydro Act, 2017*;
 - b) Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the *Electricity Act, 1998*;
 - c) New Invoicing Regulation to be made under the *Ontario Fair Hydro Plan Act, 2017*;
 - d) New Regulation (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA);
 - e) New Regulation (Distribution Rate Protection) to be made under the OEBA;
 - f) Amendments to O. Reg. 442/01 (Rural or Remote Electricity Rate Protection) to be made under the OEBA;
 - g) Amendments to the O. Reg 363/16 (General) to be made under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA); and,
 - h) Amendments to O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) to be made under the OEBA.
- iii) Direct the Ministry to report back to TB/MBC with:
 - a) The details of additional proposed regulations with financial implications prior to proceeding to Cabinet for approval; and,
 - b) An update on previously minuted report back requirements.

APPENDIX B: FINANCIAL TABLES

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE				TABLE B1
				<i>Appropriation s Basis</i>
<i>Fiscal Plan Basis</i>				
\$ Millions	2017-18	2018-19	2019-20	2017-18
Initiative cost	0.000	0.000	0.000	
<i>Expense changes:</i>				
Oper	0.0000	0.000	0.0000	0.0000
Oper	0.0000	0.0000	0.0000	0.0000
Total Fiscal Impact	0.0000	0.0000	0.0000	0.0000

APPENDIX C: OFHP OVERVIEW

Ontario Rebate for Electricity Consumers

The *Ontario Rebate for Electricity Consumers Act, 2016* will reduce electricity costs by 8 per cent on the amount before tax, an average savings of about \$130 annually or \$11 each month, for about five million residential consumers, farms and small businesses.

Eligible rural electricity ratepayers will receive additional relief, decreasing total electricity bills by an average of \$540 a year or \$45 each month.

Commercial, institutional and industrial ratepayers would also benefit from up to 34 per cent lower electricity costs through the expansion of the Industrial Conservation Initiative.

Details:

- The province is reducing costs for eligible rural ratepayers by providing additional funding to the Rural or Remote Rate Protection (RRRP) program.
- The Industrial Conservation Initiative (ICI) provides a strong incentive for large electricity consumers to shift their electricity consumption to off-peak hours to reduce their bills by up to one-third. Ontario intends to expand ICI to help reduce cost pressures on the electricity system and enable more consumers to reduce their electricity bill by up to one third.
- Ontario has removed the Debt Retirement Charge from residential electricity bills and introduced the Ontario Electricity Support Program (OESP) to provide a monthly credit to low-income households who have applied and meet the eligibility requirements to help reduce electricity costs.

Fair Hydro Act

The *Ontario Fair Hydro Act, 2017* reduces electricity bills for all residential consumers and as many as half a million small businesses and farms, starting this summer. Lower-income Ontarians and those living in eligible rural and northern communities will receive even greater reductions, as much as 40 to 50 per cent. As part of this plan, rate increases will be held to the rate of inflation for four years.

These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills. Taken together, these changes are delivering the largest reduction to electricity rates in Ontario's history. To facilitate these immediate savings, the legislation:

Details:

- Enables the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This will be accomplished through refinancing a portion of the Global Adjustment (GA), resulting in significant and immediate rate reductions.
- Modifies and broadens the Ontario Electricity Support Program (OESP) to expand benefits and ensure it is funded by government instead of ratepayers, reducing bills for all.
- Enhances the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to a total of approximately 800,000 customers and shift costs from ratepayers to provincial revenues. The enhancement will benefit customers served by local distribution companies (LDCs) with the highest distribution rates. These savings will begin July 1, 2017.
- Provides on-reserve First Nations households serviced by licensed distributors with a 100 per cent credit of the delivery line on their monthly electricity bills, starting July 1, 2017.

APPENDIX D: PREVIOUS TB/MBC MINUTE (MARCH 1, 2017)

Approve electricity rate mitigation actions that support up to a 25% electricity bill reduction (including the 8% reduction announced in 2016) for an average household in 2017.

In this regard, the Board:

- i. Direct the Ministry of Energy to implement electricity rate mitigation for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP) and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor by:
 - a) Subject to completed legal, accounting and financing risk assessments, refinance the Global Adjustment (GA) in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical residential customer consuming 750kWh per month in 2017 by about 16%. Total projected bill increases will be kept in line with CPI until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt by 2048, with escalation in subsequent years set above Consumer Price Index (CPI) in order to ensure that bill increases due to repayments are capped at around 10% of the total bill.
 - b) Direct the Ministry to report back to TB/MBC by Spring 2017, prior to going to LRC with any legislation, on the approach to refinance Global Adjustment, including, but not limited to:
 - Formal accounting opinions from OPG and IESO auditors.
 - Completed legal, financing and accounting risk assessments. Assessments to include, but not limited to proposed legislation, technical aspects such as Eurig analysis, and risk to borrowing (in discussion with the OFA).
 - Report on the multi-year profile of GA smoothing, identifying specific assumptions.
 - Report on sensitivity analysis completed as assumptions vary, such as under different recovery rates and periods.
 - Overall risk mitigation plan addressing completed legal, accounting and financing risk assessments.
 - c) If a non-fiscal mechanism cannot be established:
 1. Direct the Ministry to report back to Cabinet and TB/MBC with options for achieving a comparable level of electricity rate mitigation in the most cost effective way, in order to minimize the impact on the province's fiscal plan.
 2. Note costs to government of proceeding if cost of refinancing of Global Adjustment is recognized as an expense in the fiscal plan of up to \$2,534,000,000 in 2017-18, \$2,668,000,000 in 2018-19, \$2,942,000,000 in 2019-20, \$3,420,000,000 in 2020-21 and \$3,232,000,000 in 2021-22.
- ii. Broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer funded program to a government funded program beginning in 2017, including:
 - a) Harmonizing distribution cost for customers with the highest distribution rates (Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service

territory) and Northern Ontario Wires Inc) at the lowest distribution rate paid by the average consumer of the LDCs noted by fall 2017.

- b) Note costs estimated at up to \$459,000,000 in 2017-18, \$472,000,000 in 2018-19, \$484,000,000 in 2019-20, and \$497,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.
 - c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.
 - d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to broaden RRRP.
 - e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
 - Current program outcomes identified and results achieved to date.
 - Establishing program performance management framework including targets for the broadened program now government funded
 - Report on and assessment of impacts of consolidation of LDCs
 - Assessment of distribution rates and implications for the program
- iii. Expanding every benefit level of the Ontario Electricity Support Program by 50%, moving the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up.
- a) Note costs estimated at up to \$186,000,000 in 2017-18, \$261,000,000 in 2018-19, \$325,000,000 in 2019-20, and \$375,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.
 - b) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.
 - c) Direct the Ministry to work Treasury Board Secretariat (Behavioural Insights Unit, Centre of Excellence for Evidence-Based Decision Making) to accelerate/ maximize program uptake.
 - d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to expand OESP.
 - e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
 - Identify eligibility criteria, and refinements being made.
 - Current program outcomes identified and results achieved to date.
 - Establishing program performance management framework including targets for the expanded program now government funded.
- iv. Establishing a new government funded Affordability Fund to provide energy efficiency measures to electricity customers who do not qualify for existing low income conservation programs and who have difficulty paying their electricity bills.

- a) Approve to commit up to \$200,000,000 on a multi-year basis to support the Affordability Fund.
 - b) Direct the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.
- v. Establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve.
 - a) Note costs estimated at up to \$20,000,000 in 2017-18, \$20,000,000 in 2018-19, \$20,000,000 in 2019-20, and \$20,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.
 - b) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from \$13M to \$20M.
 - c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.
- vi. Expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500kW to enhance competitiveness for Class B manufacturers beginning July 2017.
 - a) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, results achieved to date versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.
- vii. Direct the Ministry:
 - a) To work with Treasury Board Secretariat and the Ministry of Finance on the development of a comprehensive risk-based costing, including forecast models and sensitivity tests on assumptions and financial estimates, for the electricity mitigation initiatives.
 - b) To report back to TB/MBC through regular updates including quarterly reports and the 2018-19 Program Review, Renewal and Transformation (PRRT) on the status of implementation, and revised out-year expenditure requirements if applicable.
 - c) To continue to work with the Ontario Energy Board, the Independent Electricity System Operator and Ontario Power Generation, through the Long-Term Energy Plan 2017, to further reduce electricity rates across the system.
 - d) To work with the Ministry of Finance, Treasury Board Secretariat, Cabinet Office and Office of the Premier on an integrated communications strategy.

APPENDIX E: PREVIOUS TB/MBC MINUTE (MAY 9, 2017)

Receive a report back providing an update on current implementation status, including proposed legislation, of the Ontario Fair Hydro Plan, previously at TB/MBC March 1, 2017 and announced on March 2, 2017.

In this regard, the Board:

- i) Note that the proposed Fair Hydro Act, 2017, includes:

Electricity Social Programs:

- d) Establishment of a First Nation Delivery Credit for On-Reserve Consumers, funded from voted appropriations.
- e) Establishment of new distribution rate protection program to eligible residential customers served by LDCs with the highest distribution costs, funded from voted appropriations.
- f) Shift from costs recovered from ratepayers to funding out of voted appropriations for Ontario Electricity Support Programs.
- g) Delayed proclamation for OESP once proposed amendments are passed until the IESO variance account for the program is close to wound down.

Global Adjustment Refinancing:

- e) Establishes the fair allocation adjustment that gives the relief to certain specified consumers during the period July 1, 2017 to June 30, 2021 to ensure intergenerational fairness.
 - f) Requirement for future consumers to pay the clean energy adjustment that backs financings.
 - g) Sets out that the Financial Services Manager (OPG) prepares the Financing Plan establishing when a funding obligation should be incurred so that the OPG entity can raise money to acquire the Investment Interest.
 - h) Establishes the LGIC's power to authorize the Ministers of Finance and Energy to guarantee and indemnify any debts, obligations, securities or undertakings associated with the investment interest.
 - i) Sets out how the regulatory asset will be determined and how it can be converted into the investment asset, and the investment asset rights.
 - j) Sets out that security interests can be granted in investment interests in the investment asset.
- ii) Recommend the proposed Fair Hydro Act, 2017 to proceed to Cabinet for approval.
 - iii) Note a new credit facility is being sought by the IESO from the Ontario Financing Authority to ensure that it has the flexibility to finance clean energy costs if for some reason the OPG Trust, at any time, does not purchase any portion of the deferred Global Adjustment amounts payments. An Order in Council to allow the Ontario Financial Authority to provide an expanded credit facility will be requested.
 - iv) Direct the Ministry of Energy to work with Treasury Board Secretariat and the Ministry of Finance/Ontario Financing Authority and report back to TB/MBC on the details of proposed regulations prior to going to LRC, and to provide the Board with an update towards completed legal, accounting and financing risk assessments.

In this regard, direct the Ministry to:

- a) Include a report related to GA Refinancing on findings from sensitivity analysis completed as assumptions vary, such as under different recovery rates, different interest rates, different

- demand, etc., and combinations of key factors, and then to quantify the likelihood of high/medium/low impact scenarios, with assumptions and methodologies clearly specified and documented.
- b) Include electricity social programs with details of forecasting models and costing estimates, including assumptions, sensitivities analysis that would allow identification of risks to the fiscal plan for Broadening RRRP, OESP. The Ministry is to include similar information for the Ontario Rebate for Electricity Consumers.
 - c) To report back with final program details for 2017-18 for GA Refinancing and Electricity Social Programs, including fiscal plan implications and consumer impacts with detailed assumptions and methodologies specified and documented.
 - d) To report back with updates to risk mitigation strategies that address key financial and operational risks.
- v) Note the following outstanding report back requirements from March 1, 2017 minute:
- a) Broadening RRRP – Direct the Ministry to report back to TB/MBC in 2017-18 on the effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
 - Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
 - Establishing program performance management framework including targets for the broadened program now government funded
 - Report on and assessment of impacts of consolidation of LDCs
 - Assessment of distribution rates and implications for the program
 - b) OESP – Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
 - Identify eligibility criteria, and refinements being made.
 - Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
 - Establishing program performance management framework including targets for the expanded program now government funded.
 - c) Affordability Fund – Direct the Ministry to report back through quarterly reporting process with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.
 - d) On-Reserve First Nations Delivery Charge – Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from \$13M to \$20M.
 - e) Industrial Conservation Initiative – Direct the Ministry to report back through quarterly reporting process with results achieved versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.
- vi) Approve the Ministry to fund a media buy plan with a maximum value of \$3,500,000 with PHD Canada, the Advertising Review Board's mandatory-use media planning and buying Agency of Record. In this regard,
- a) Note the Ministry of Energy has already spent approximately \$1,000,000 with PHD Media in 2016-17 and is forecasting expense of approximately \$2,500,000 in 2017-18.

- b) Note the Ministry of Energy will return to request a transfer of funds of up to \$2,500,000 in 2017-18 to the Ministry of Energy from the Bulk Media Buy program in Treasury Board Secretariat to recover costs for the public education campaign.

APPENDIX F: DETAILS OF PROPOSED REGULATIONS

Partial Refinancing of the GA

The Ministry is proposing new regulations that would support the implementation of refinancing the GA including:

- defining the typical consumer upon which the OFHPA calculations to achieve the 25% reduction will be based;
- the methodology required for OEB to apply rate reductions under the OFHPA for regulated rate consumers;
- the methodology required for OEB to determine adjustments to be made in respect of specified consumers as defined in the OFHPA who are not regulated rate consumers;
- the methodology for setting electricity rates and adjustments to GA costs for the year beginning April 30, 2018 to limit increases to inflation; and
- the flow-through of rates and adjustments in circumstances involving unit sub-metering.

The new regulation is required for the Ontario Energy Board to recalculate electricity rates in advance of the July 1 implementation deadline outlined in the *Ontario Fair Hydro Act, 2017*.

The ministry is also proposing amendments to an existing regulation to authorize Independent Electricity System Operators to borrow for the purposes of funding the regulatory asset, including borrowing from the Ontario Financing Authority.

Social Programs

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

RRRP helps to offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province.

The *Fair Hydro Act, 2017* amended the *Ontario Energy Board Act, 1998* to enable the funding of existing RRRP for prescribed customers to be provided for through provincial revenues, rather than from electricity customers. The proposed amendments moves a portion of RRRP costs used to support Hydro One R2 customers from electricity rates to be government funded. This is the majority of the cost associated with RRRP.

Currently, the amount of RRRP available to Hydro One's R2 customers is capped at a fixed annual amount of \$241.6 million – which amounts to a monthly subsidy of \$60.50 for R2 customers. Proposed amendments will replace the existing prescribed annual amount with a fixed monthly credit of \$60.50, and will remove the escalating factor, making the escalating factor unnecessary.

The ministry is proposing a new regulation to create a government funded DRP program. The regulation establishes a mechanism for the Ontario Energy Board (OEB) to calculate a maximum monthly distribution charge for prescribed consumers by calculating the fully-fixed base distribution rates, using approved 2017 rates for the prescribed residential rate classes of a prescribed group of distributors, having regards to the costs of service for the LDCs.

The following LDCs and residential rate classes would be prescribed as eligible for DRP: Hydro One Networks Inc. (low and medium density classified customers), Algoma Power Inc. (R1, residential), Atikokan Hydro Inc., InnPower Corporation, Chapleau Public Utilities Corporation, Sioux Lookout, Lakeland Power Distribution Inc.-Parry Sound Rate Zone, Northern Ontario Wires Inc.

The OEB would continue its usual rate setting activities for prescribed LDCs and prescribed LDCs would continue to collect the revenue to which they are entitled. However, eligible customers (~800,000) of prescribed LDCs would pay no more than the maximum charge determined by the OEB. The shortfall between the set maximum charge collected from customers and the approved OEB charge would be made up by provincial funds. The regulations would enable payment flows to prescribed LDCs to allow recovery from the province of DRP payments made to customers. Planned payment flows will follow the same reimbursement process under the ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.

If the required regulations are approved, the program would be in effect July 1, 2017.

On-Reserve First Nations Delivery Credit (FNDC)

The *Fair Hydro Act, 2017* amended the *Ontario Energy Board Act, 1998* to enable the creation of a government funded delivery credit program for on-reserve customers. The proposed regulations provide the details of the program.

The program will be available to on-reserve customers serviced by licensed distributors (LDCs: Algoma, Attawapiskat, Bluewater, Cat Lake, Cornwall, Fort Albany, Kashechewan, Hydro One, Hydro One Remote Communities, PUC (Sault Ste. Marie), Thunder Bay.), would eliminate the delivery charge for all on-reserve residential customers who are First Nation members, and eliminate the monthly service charge for customers that charge a bundled rate.

The ministry has been working with the Chiefs of Ontario (COO) on the implementation details and are moving forward with consensus recommendations from the implementation working group.

Eligible recipients would be automatically enrolled in the program through existing LDC processes for recognizing First Nation consumers with tax exempt status. The OEB estimates that, on average, customers would receive a monthly benefit of \$85. The program will cost approximately \$15M annually and be implemented by the prescribed July 1, 2017 effective date. The program would not limit any eligibility for existing rate relief programs that mitigate total bill such as the Low Income Energy Program (LEAP) or OESP. It is estimated that as many as ~7000 eligible recipients may not be currently registered with their LDCs as tax exempt, which would mean that they would not receive the benefits under the program as they are entitled to. To mitigate this risk, Energy is working with COO and LDCs on a communications approach to make sure eligible customers self-identify for tax exempt status.

The regulations will also enable payment flows to prescribed LDCs to allow recovery from the province of FNDC payments made to customers. Planned payment flows will follow the same reimbursement process under *Ontario Rebate For Electricity Consumers Act, 2016*, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.

If the required regulations are approved, the program would be in effect July 1, 2017.

Ontario Electricity Support Program

Additional regulatory amendments will be forthcoming in late June 2017.

Electricity Bill Presentment

The ministry is proposing to create new regulations under the *Ontario Fair Hydro Plan Act, 2017* that would:

- require electricity vendors and unit sub-meter providers (USMPs) to include messaging related to OFHP and the resultant bill impacts on invoices.
- require electricity vendors and USMPs to accompany paper invoices with a descriptive bill insert to be issued once every quarter within a specific 12-month period, beginning with the first invoice issued on or after July 1, 2017.
- require electricity vendors identified in regulation as servicing customers on-reserve to include a "First Nations Delivery Credit" as a visible line item on invoices and demonstrate the associated savings, as applicable.

The ministry is also proposing amendments message. LDCs would no longer have to include informational messaging about the DRC on or with invoices, but the requirement to include a DRC line item on electricity invoices would remain (even for charges of \$00.00). The proposed amendments would also exempt Hydro One from the application of this regulation, allowing them to move forward with their planned bill redesign in Fall 2017. The requirement for Hydro One to provide an on-bill message related to RRRP (which has become out-of-date with these program updates) is also repealed with proposed amendments. For clarity, Hydro One would not be exempt from including the messaging related to OFHP.

In anticipation of these new OFHP invoicing requirements, the ministry has made an amendment to revoke the "8% provincial rebate" messaging requirements from invoices and envelopes to free-up space on the bill and avoid confusion amongst consumers. However, the requirement to include an "8% Provincial Rebate" line item remains.

APPENDIX G: UPDATE ON RISKS AND MITIGATION STRATEGIES

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
1) <i>Global Adjustment (GA) Refinancing</i>			
Maintaining OPG's Financial Viability / Capital Structure	L	H	- OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Energy). - Equity injections are necessary to support OPG as the owner and manager of GA refinancing. The equity injections allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. - In order to obtain financing, OPG would develop a special purpose vehicle (SPV). - OPG has a great deal of experience managing the risks associated with borrowing through its experience developing capital-intensive generation projects as well as their management of Nuclear Funds. - OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. Update: - In April 2017, the Ministry of Energy received approval for the creation of an operating asset "OPG Share Purchase" and an increase in operating asset allocation for \$1.1 billion. - This approval was dependent on the passing of the legislation (i.e., the <i>OFHPA</i> that received Royal assent on June 1, 2017). - Work is ongoing to finalize a draft term sheet that would serve as the basis for the Master Subscription Agreement between OPG/ENERGY and OFA. In addition, OFA and ENE to develop Service Level Agreement for monthly cash management services.
OPG Securing Capital Markets Funding	L	H	- OPG will need to obtain a portion of the required funding from the capital markets. - The Ministry, IESO, OPG and other ministries have worked closely with third-

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation enables refinancing of the GA. • In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior debt, with the remaining 49% being provided by OPG as subordinated debt. • The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG's capital structure remains in line. Update: • The legislation was developed with input from third-party financiers (i.e., dealers) to ensure that the <i>OFHPA</i> enables the refinancing of the Global Adjustment (GA). • OPG is continuing to work through the mechanics of securing financing (e.g., engaging rate agencies, etc). • In addition, in order to provide assurances to those with claims against the "Financing Entity" (e.g., holders of debt) and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of IESO are carried out including obligations related to collecting and remitting clean energy adjustments. Working is ongoing.
Managing Interest Cost Risks	M	H	• OPG's Special Purpose Vehicle (SPV) / Trust is borrowing in its own corporate capacity from the capital markets. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). Update: • The legislation was developed with input of third-party financiers (i.e., dealers) to

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			ensure that the OFHPA enables the refinancing of the GA - The provincial guarantee as set out in legislation should provide comfort to dealers, thereby increasing the likelihood of achieving more favourable interest rates. - Work is ongoing to finalize the scope of the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
Provincial Guarantee is Triggered	L	H	- The legislation sets out that the province could provide assurances in the form of a “provincial guarantee” to OPG and investors regarding the permanence of the GA Refinancing framework. The intent is to ensure that the full value is recovered. - The legislation also enables the Province to: - Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations; and Update: - Work is ongoing to finalize the scope of the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July. - There could be potential interactions between the provincial guarantees and the indemnities sought by OPG and the IESO, discussed below. A due diligence is currently ongoing by MOF Legal, OFA and Energy staff. A final draft indemnities package is pending.*
IESO Failure to Establish a Regulatory Asset / Maintaining IESO Financial Viability	L	H	- Under the legislation, the Ontario Energy Board (OEB) is providing the necessary oversight required to enable IESO the ability to establish a Regulatory Asset. - To recover its revenue shortfall, IESO will establish as a Regulatory Asset that it would sell to OPG’s SPV / Trust. - The OEB will issue an accounting order to authorize IESO to create a variance

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. - IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset. Update: - IESO has received an accounting opinion from KPMG that concurs with IESO's view that it has the ability to establish the regulatory asset. - In addition, OFA is planning to increase IESO's credit facility to support its role in implementing the OFHPA. OFA is proposing an OIC that would authorize the OFA to borrow an additional \$2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.
Indemnities provided to OPG are triggered/called*	L*	H*	- Ministry of Energy staff are putting together a s.28 (under the Financial Administration Act) approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan.* - The indemnities are expected to provide coverage for both organizations and their respective Board members, officers and employees involved in implementing the plan.* - As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.* Update*:

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			Work is ongoing to finalize the s.28 (under the Financial Administration Act) approval for indemnities. Note: There could be potential interactions between the provincial guarantees and the indemnities sought by OPG and the IESO, discussed below. A due diligence is currently ongoing by MOF Legal, OFA and Energy staff. A final draft indemnities package is pending.*
GA Refinancing Approach is Viewed as an Indirect-tax	L	H	- The legislation to enable GA refinancing the costs associated with electricity generation facilities will be allocated across present and future electricity consumers will be set out in the Fair Allocation Amount. - In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets presents only a “low” risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. - Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the “short” term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. - The legislation attempts to mitigate the risks identified above by requiring that the costs moved into the future align with the benefits that future rate payers will receive. To create the flexibility to achieve this requirement, the amounts of the costs and benefits will not be enshrined in the legislation. <u>Update:</u>

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			- The legislation was designed to limit this risk. - The Fair Allocation Amount will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of GA Refinancing.
2) Social Programs			
Social Program Implementation Delays	L	M	- Work with LDCs; provide transitional provisions. - Work with Chiefs of Ontario (COO) to develop a plan to identify eligible on-reserve customers. - The bill includes transitional provisions that would ensure customers remain eligible for the rate protection and First Nations Delivery Credit from the prescribed date. <u>Update:</u> - The Ministry convened multiple working groups on the social programs, attended by all impacted LDCs. No LDC has raised issue with providing the programs by July 1st. - The Ministry continues to work with COO and affected LDCs to reach out to unidentified First Nations Delivery Credit eligible customers. This includes development of a communications postcard in the near term, to be followed by more targeted outreach.
Social Program Cost Estimating	M	M	- Distribution Rate Protection costs are driven by a number of variable factors including: the OEB's rate setting process; the lowest cost distributor in the prescribed cohort of "high cost distributors" and consumption patterns. - Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to ensure access to data for regular forecasting. - A mechanism would be created in regulation to ensure that all parties are aligned in the yearly forecasting and

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			costing of the program. Update: - Hydro One's cost-of-service application for 2018-2022 distribution rates is currently before the OEB. This application will affect the out year cost projections for Distribution Rate Protection. The Ministry is monitoring this application and will report back as the OEB review continues. - Social program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update cost projections based on up-to-date figures.
Non-Status Indigenous communities without reserves or Metis could raise a Charter challenge on the First Nations On-Reserve Delivery Credit Program	L	L	- This risk is mitigated by the ameliorative purpose of the program and because targeting First Nations communities for a reserve-based program corresponds to the distinct circumstances of reserve-based communities, relative to other Indigenous communities. A genuinely ameliorative program that targets some people but excludes others is shielded from a section 15 challenge if it serves or advances the ameliorative goal as per section 15(2) of the Charter. Update: - This mitigation remains in place. The Ministry has received support letters from the Chiefs of Ontario approving the approach to restrict FNDC to on-reserve.

*OFA inputs