
Proposed Initiatives to Transform Ontario's Electricity Sector – Update

Working Draft

Proposed Options – Potential Savings for Typical Residential Electricity Consumers

\$/750kWh	2016	2017	2018	2019	2020	2021	2022	Timing of Benefit
1. Global Adjustment (GA) Financing (Moderate)	-	17.49	15.01	12.49	14.91	6.32	4.03	Immediate
2.. RRRP Enhancement	-	TBD	TBD	TBD	TBD	TBD	TBD	Immediate
3. Electricity Support Programs Funded through the Tax-Base								
a. Ontario Electricity Support Program (OESP)*	-	0.83	0.83	0.83	0.83	0.83	0.83	Immediate
b. Low-Income Conservation	-	-	-	-	-	-	-	N/A
c. First Nations Rate	-	-	-	-	-	-	-	N/A

Other Options to Consider:

\$/750kWh	2016	2017	2018	2019	2020	2021	2022	Timing of Benefit
1. Enhanced Tax-based RPP Rebate (5%)	-	7.04	7.17	7.31	7.77	7.61	7.83	Immediate
2. Contract Renegotiations								
a. Contract Extensions – Wind and Solar	-	TBD	TBD	TBD	TBD	TBD	TBD	TBD
b. Clean Energy Supply Contract	-	TBD	TBD	TBD	TBD	TBD	TBD	Immediate
3. Conservation Amortization	-	1.62	1.88	1.16	1.20	0.82	0.69	Immediate

*Note: Savings based on currently approved OESP rate set by OEB.

Note: The above initiatives will provide similar benefits for non-RPP Class B electricity consumers. Class B includes small-medium enterprises (SMEs).

Proposed Options – Potential Savings for Average Industrial Electricity Consumers

\$/MWh	2016	2017	2018	2019	2020	2021	2022	Timing of Benefit
1. Global Adjustment (GA) Financing (Moderate)	-	17.49	15.01	12.49	14.91	6.32	4.03	Immediate
2.. RRRP Enhancement	-	-	-	-	-	-	-	N/A
3. Electricity Support Programs								
a. Ontario Electricity Support Program (OESP)*	-	1.10	1.10	1.10	1.10	1.10	1.10	Immediate
b. Low-Income Conservation	-	-	-	-	-	-	-	N/A
c. First Nations Rate	-	-	-	-	-	-	-	N/A

Other Options to Consider:

\$/750kWh	2016	2017	2018	2019	2020	2021	2022	Timing of Benefit
1. Enhanced Tax-based RPP Rebate (5%)	-	-	-	-	-	-	-	N/A
2. Contract Renegotiations								
a. Contract Extensions – Wind and Solar	-	TBD	TBD	TBD	TBD	TBD	TBD	TBD
b. Clean Energy Supply Contract	-	TBD	TBD	TBD	TBD	TBD	TBD	Immediate
3. Conservation Amortization	-	1.12	1.30	0.80	0.83	0.57	0.47	Immediate

*Note: Savings based on current OESP charge as set by OEB.

Fiscal Impacts

\$M	2016-17	2017-18	2018-19	2019-20	2020-21
1. Global Adjustment (GA) Financing (Moderate)	TBC	TBC	TBC	TBC	TBC
2.. RRRP Enhancement	TBD	TBD	TBD	TBD	TBD
3. Electricity Support Programs					
a. Ontario Electricity Support Program (OESP)*	-	162	225	279	323
b. Low-Income Conservation	-	60	60	60	60
c. First Nations Rate	-	18	18	18	18

Other Options to Consider:

\$M	2016-17	2017-18	2018-19	2019-20	2020-21
1. Enhanced Tax-based RPP Rebate (5%)	169	699	679	732	724
2. Alternative to GA Financing – Contract Renegotiations					
a. Contract Extensions – Wind and Solar	-	-	-	-	-
b. Clean Energy Supply Contract	-	-	-	-	-
3. Conservation Amortization	-	-	-	-	-

*Note: Includes costs of program expansion and various assumptions as detailed on relevant slides .

** Note: Risk to fiscal plan of up to \$240 million annually (foregone net income) if OPG is unable to reach more aggressive operational efficiency targets.

Source: Ministry of Finance, Energy

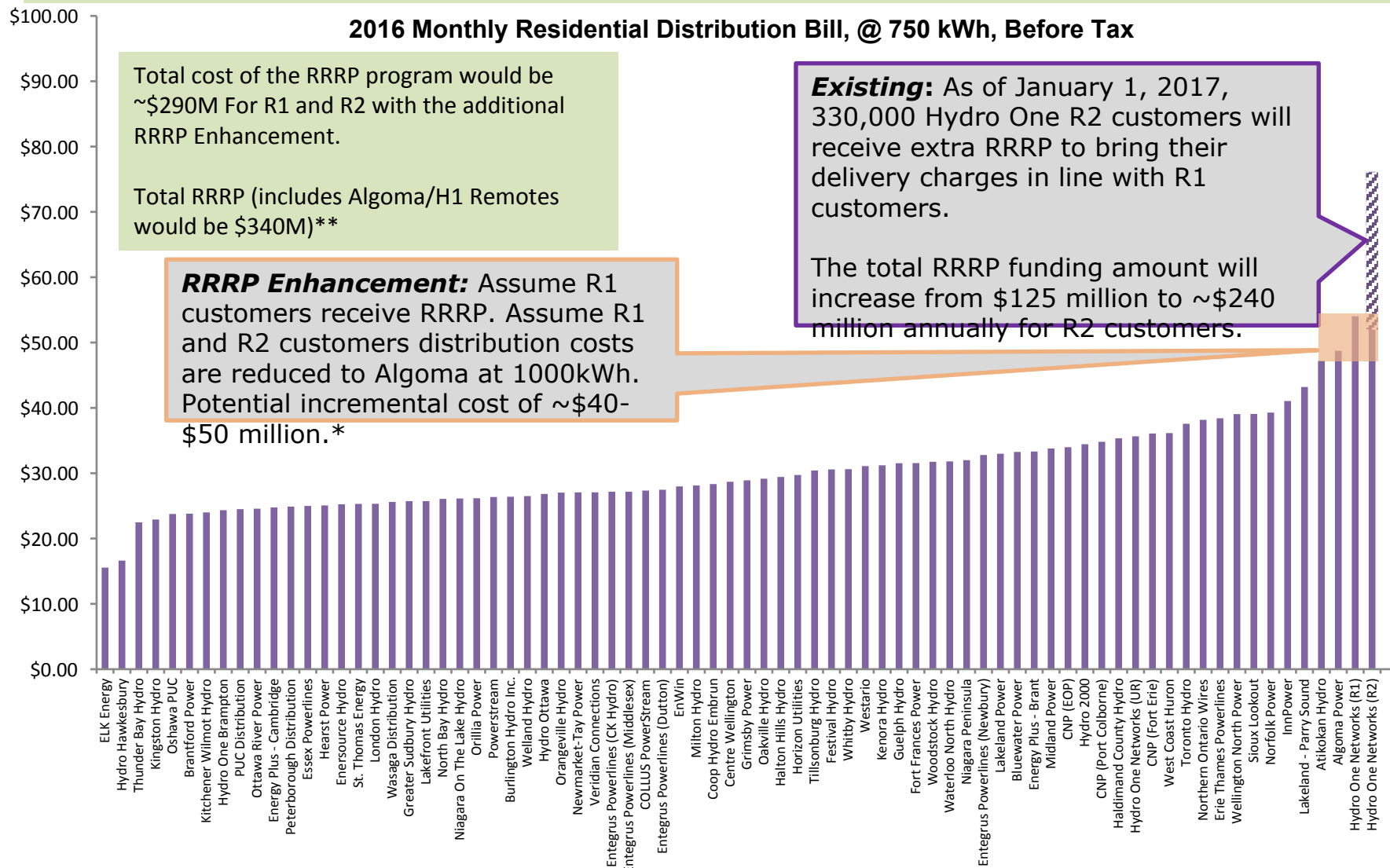
2. Rural or Remote Rate Protection (RRRP) Expansion

- The Rural or Remote Rate Protection (RRRP) program supports the most costly-to-serve distribution customers in Ontario. It is not income tested and most of the support goes to Hydro One's R2 (low density) rate class and remote communities.
 - Costs to these Hydro One customers are higher than average because of their relatively low density. The OEB mandates that they pay the full cost of service and in recent rate filings has asked Hydro One to ensure this through cost allocation studies.
 - To mitigate these costs, the RRRP was recently enhanced to help lower the bills of Hydro One's R2 customers to around those of its R1 (medium density) customers.
- Although other LDCs do not have medium- and high-density rates, there is a wide range of distribution costs between LDCs. The RRRP could be expanded to mitigate delivery costs for not only Hydro One customers but other high-cost LDCs or rate classes.
 - Example: Expanding support to lower Hydro One R2 and R1 rates at 1000kWh/month down to the next lowest LDC rate, Algoma Power. (Note: Algoma Power also receives RRRP).

Considerations

- RRRP focuses on ameliorating differences in distribution costs, not the entire Delivery line of the residential bill which also includes transmission and line loss costs.
- RRRP provides a standard benefit amount to customers within eligible rate classes. Low volume consumers with relatively low Delivery bills would receive the same amount of benefit as high volume consumers with relatively high bills (see next slides for benefit amounts). When combined with the fact that each LDC's rates will change by a different amount each year due to its own unique circumstances, it is difficult to predict which customers in the Province will pay less than which others each year.
- Eligibility for RRRP is currently determined by LDC density levels. Hydro One R1 has similar density levels to some other LDCs (Ex: InnPower). Thus if the intention is to limit expansion to just Hydro One R1, a new eligibility criteria would have to be developed (legal and regulatory risks would need to be explored).
- RRRP currently costs the average ratepayer \$1.58/month in regulatory costs. This is expected to rise in line with the average annual distribution rate increase (estimated at 2.6%). Expanding RRRP to reduce costs to the Algoma level is estimated to increase to ~\$1.90/month and increase in line with a potential adjustment mechanism.
- There is potential in moving RRRP to the taxbase as it is a program aimed at addressing demographic differences. Some LDCs and ratepayers have expressed concern that RRRP unfairly requires them to subsidize other high cost ratepayers.

2. Rural or Remote Rate Protection (RRRP) Expansion

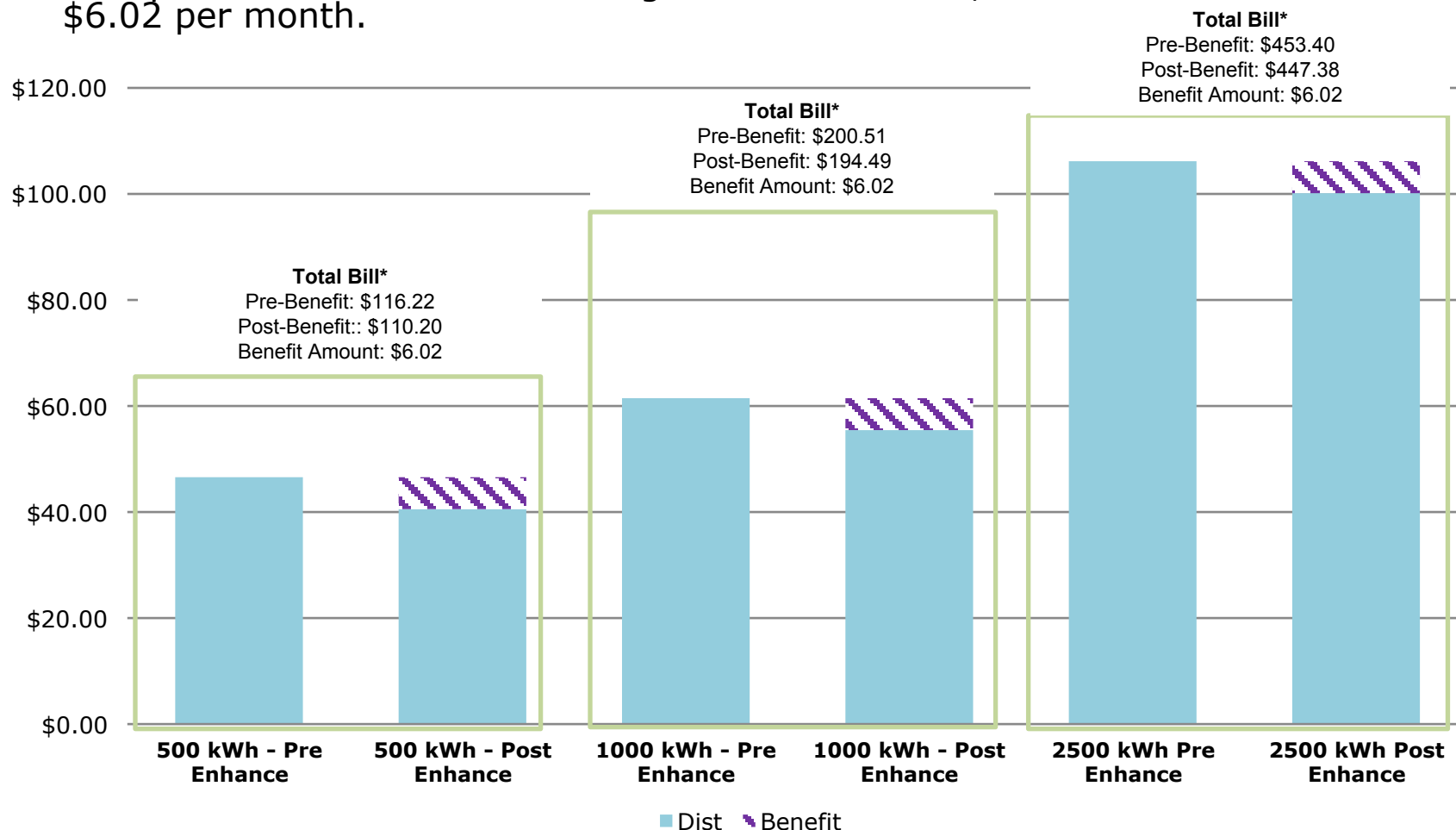


**Note: this includes the ~\$50M currently supporting Algoma Power and Hydro One Remotes.

*\$41M at 2016 rates; \$50M at 2017 rates

2. Impact of Further RRRP Enhancement Hydro One Mid-Density (R1) Ratepayer Impacts

- Below is an example of a Hydro One R1 customer at different consumption levels. To equalize distribution cost to Algoma at 1000 kWh, R1 customers receive \$6.02 per month.

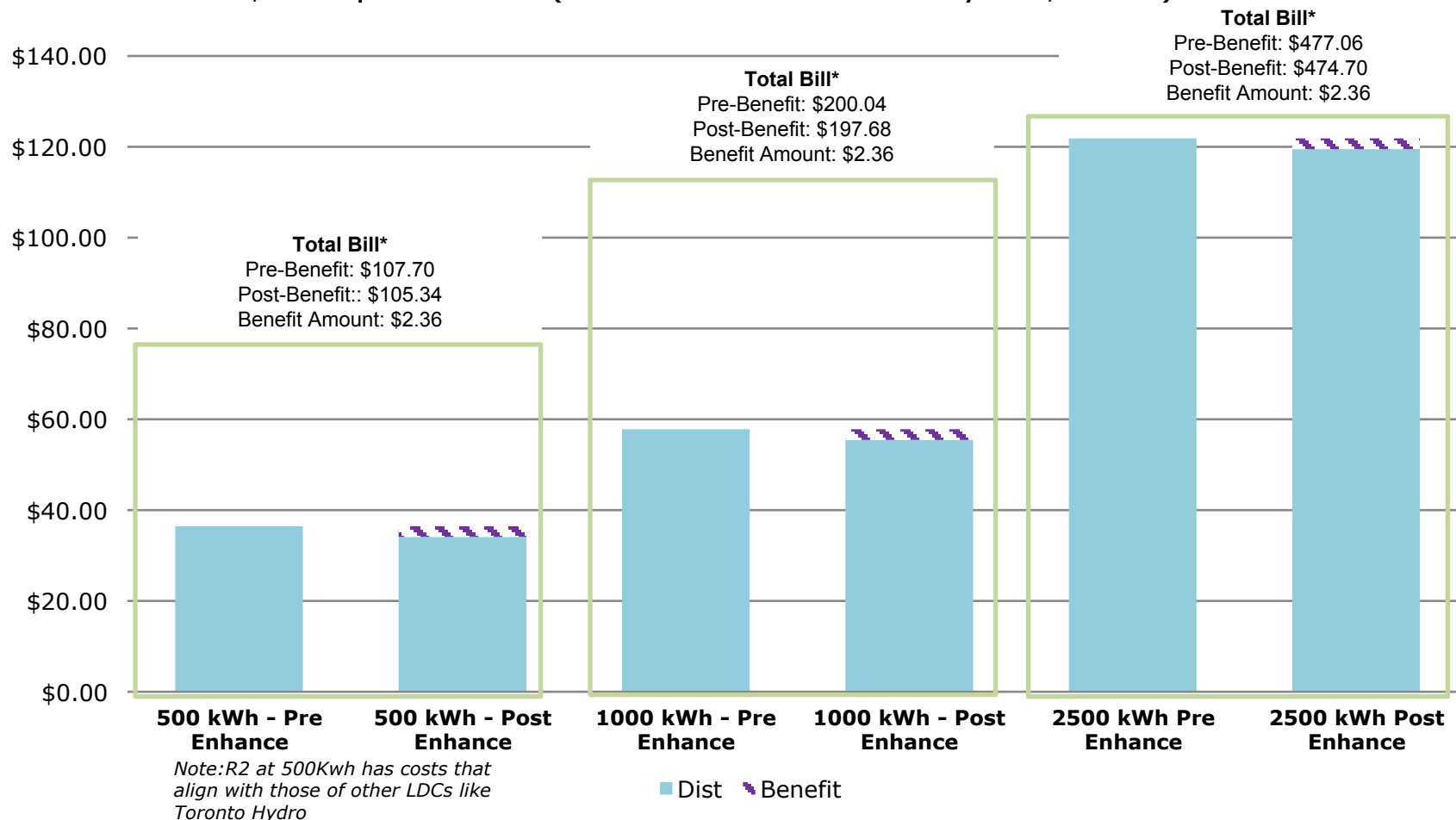


Note: R1, R2 and Algoma rates are 2016 with 2017 RRRP enhancement added.

* Includes Electricity, Delivery, and Regulatory Charges. Excludes HST and 8% rebate.

2. Impact of Further RRRP Enhancement Hydro One Low-Density (R2) Ratepayer Impacts

- Below is an example of a Hydro One R2 customer at different consumption levels. To equalize distribution cost to Algoma at 1000 kWh, R2 customers receive an additional \$2.36 per month (for a total RRRP subsidy of \$62.86).



Note: R1, R2 and Algoma rates are 2016 with 2017 RRRP enhancement added.

* Includes Electricity, Delivery, and Regulatory Charges. Excludes HST and 8% rebate.

3a. Ontario Electricity Support Program (OESP) Expansion

- The OESP is an income-tested, application based program that lowers the electricity costs of the most vulnerable consumers by providing a rebate directly on their electricity bills.
- The OESP provides basic benefits to most consumers and enhanced benefits to Indigenous customers and customers with electric heat and medical devices.
- OESP funding is collected from a charge levied on all electricity ratepayers. Based on current level of program up-take and funding collection, OESP program benefits could be increased across the board by 50%. This would mean:
 - Single low income consumers would see an increase from \$30 to \$45/ month (\$540/year);
 - Families of four with electric heat could see an increase from \$55 to \$82.50/month (\$990/year); and
 - Indigenous and Métis consumers would also see benefit increases at the same level as those with electric heat and medical devices.
 - The Ministry is also considering options to support a “Delivery” line credit for Indigenous consumers. This would cost ~\$18 million/year (Option 2d on slide 8) and would save Indigenous consumers between \$75 and \$100/month.
- Greater focus and support can be placed on lower income Ontarians by funding OESP through the tax base. This would also reduce costs for all consumers as a result of eliminating the OESP charge.
 - Average residential customer savings: \$0.83/month; and
 - Average industrial customer savings: \$1.10/MWh.

3a. OESP Expansion – Fiscal Impacts

- Table below shows estimate of program costs up to 2022:

Year	OESP Status Quo(\$M)	+50%(\$M)	TOTAL (\$M)
2017	\$108	\$54	\$162
2018	\$150	\$75	\$225
2019	\$186	\$93	\$279
2020	\$215	\$108	\$323
2021	\$243	\$122	\$365
2022	\$272	\$136	\$408

- 2017 program costs are based at current program sign-up rate – 30% of eligible consumers. Cost projections assume the program grows to 100% of eligible consumers by 2022 and remains at that level.
- At the time of program design, it was estimated that 40-50% participation would be high for an application-based program delivered through electricity bills. However OESP can be enhanced by working to ensure the program uptake is as close as possible to 100%:
 - Streamlining the application process to make it easier and quicker to get through;
 - Putting in place a more aggressive communications strategy to make sure people are aware of the program;
 - Increasing funding for key partner agencies to work directly with individuals who are applying; and
 - Exploring automatic OESP qualification for those who receive provincial programs (e.g., ODSP).
- OEB is currently exploring options for simplifying the OESP process, including exploring options with MCSS on auto-enrollment options, discussing options to eliminate wet signature consent forms with the federal government, and working with partners to do open houses to better reach vulnerable consumers.

3a. OESP Expansion – Considerations

- **Framework:** New legislation would be required to establish and define the parameters of a tax-based OESP. This may reveal additional considerations, including possible assessment as a tax credit.
- **Implementation:** Financial flow-through mechanisms would need to be considered in consultation with IESO and LDCs. Likely to be modeled after processes used for the Ontario Rebate for Electricity Consumers (OREC).
- **Alternative Delivery:** If the OESP was funded by the tax-base, it could also be explored whether the OESP could be better delivered as a provincial program via the tax system. This may help ensure that the program's participation rate is as high as possible, and could expand coverage to the ~142,000 low-income households that do not receive an electricity bill.
- **Transition to Social Assistance:** Moving OESP to the taxbase can be a transitional step in folding this program into a reform of social and disability assistance programs and enhancement of MCSS' Social Assistance Management System moving forward.
- **Additional Enhancements:** The enhanced credit could be expanded to include additional eligibility categories of customers. For example, a new "Low Density Consumer" category could be introduced that provides Hydro One R2 and/or R1 customers (highest distribution rates) who are already OESP eligible with the enhanced credit.
- **Variance Account:** The OEB has been collecting program funding in excess of program costs and has accrued a positive balance. This balance must be addressed when moving to the tax base.