Treasury Board / Management Board of Cabinet Request Assessment Note

Ontario

Ministry:	Energy	
Meeting Date:	September 12, 2016	
Agenda Class:	Major	
Last reviewed by: N/A		**Tracking to:** Cabinet - September 12, 2016

SUBMISSION TITLE: Electricity Price Mitigation

NO MATERIALS RECEIVED –BASED ON DRAFT POLICY SUBMISSION

I. Decision Before the Board

The Ministry of Energy is requesting approval of a suite of initiatives providing relief to various electricity consumer classes.

II. Recommendations:

Board Judgment

- Approve a suite of initiatives to provide relief to various electricity consumer classes (pending Cabinet policy approval):
  - Providing a pre-tax 8% rebate to Regulated Price Plan consumers;
  - Expanding the Industrial Conservation Initiative;
  - Updating the Rural or Remote Rate Protection program; and,
  - Using an estimated annual average of $270M in cap and trade proceeds to ensure industrial and commercial electricity consumers are not negatively impacted by cap and trade by providing a modest reduction in rates. Balance of proceeds, $60M, intended for electricity relief through the Climate Change Action Plan, could provide some fiscal offsets.
- Approve $300M in Supplementary Estimates for electricity price mitigation in the 2016-2017 fiscal year.
- Direct the Ministry to report back to TB/MBC through the annual planning process with updated future year impacts, and obtain any required TB/MBC approvals to implement the initiatives
- Recommend proceeding to Cabinet with the proposed legislation amendments to existing regulations to implement the initiatives.

Commented [CT(1]: Recommend stating "pre-tax" for clarity and because fiscal impact is contingent on this understanding.

III. Financial Summary

$ Millions	**2016-17**	**2017-18**	**2018-19**
Initiative cost requested	300.0	1100.0	1100.0
Initiative cost recommended	300.0	1100.0	1100.0
Recommended program base	300.0	1100.0	1100.0
Offset Recommended – Applies if cap and trade proceeds diverted to in-plan initiatives	0.0	(60.0)	(60.0)

Commented [CD(2]: These are rounded up to the next $100 million. Actual estimates are: $1119 million and $1086 million.

Commented [CT(3]: Recommend rounding all 17/18 and 18/19 figures up to the next $100 million.

Total Fiscal Impact	300.0	1040.0	1040.0

IV. Key Comments and Considerations

Context

Electricity costs have increased as the province has made investments in clean energy generation and modernized its electricity infrastructure. Electricity bills are expected to continue to increase as more renewable energy projects come online. Since 2010, average bills for residential consumers (i.e., using 750 kWh/month) have increased by over 50%. Rates paid by commercial and industrial electricity consumers have increased by 56% and 6% respectively over the same period. Appendix C provides supporting background information.

As part of the 2016 Budget, the government committed to offset the impact of cap and trade in Ontario for commercial and industrial electricity consumers., while also providing a modest benefit of up to $2 per month, on average, to residential consumers. The Climate Change Action Plan (CCAP) included up to $1.32B over 4 years to help keep electricity rates affordable for residential and industrial consumers.

The Ontario Clean Energy Benefit (OCEB) expired December 31, 2015, as part of the originally planned, five-year legislated program put in place as a broad-based, transitional measure to a cleaner electricity system. OCEB was also put in place following the implementation of the Harmonised Sales Tax (HST). Unlike the previous provincial Retail Sales Tax (RST), the HST (and GST) included electricity in the taxable base. With the end of OCEB, the government ended the electricity Debt Retirement Charge (DRC) on residential users earlier than planned, as of January 1, 2016, and also put in place the low-income targeted Ontario Electricity Support Program (OESP).

In order to achieve the CCAP commitment and additional price mitigation, the Ministry of Energy has developed price mitigation initiatives that use tax-based levers, cap and trade proceeds and cost shifting within the electricity system.

Proposal

The Ministry is proposing the following to mitigate electricity prices for consumers (Appendix D provides more information on each item below):

- Provide an 8% rebate on the pre-tax cost of electricity to consumers eligible for the Regulated Price Plan (i.e., residential, small business and farms), equivalent to the provincial portion of HST.
- Expand Industrial Conservation Initiative (ICI) eligibility by lowering the threshold to 1 MW and removing sector restrictions. This will provide support to additional commercial, institutional and small industrial consumers.
- Update the Rural or Remote Rate Protection (RRRP) program, to provide relief to rural customers.
- Recycle cap and trade proceeds to commercial and industrial electricity consumers to provide a modest reduction in rates.

Public high-profile communications would coincide with introduction of legislation (September 2016). The 8% rebate would be available starting January 1, 2017, along with the update of the RRRP. ICI expansion won't be added to electricity bills until 2018 due to the time required to implement the expansion and for billing changes. The impact of cap and trade would not be added to electricity bills until 2017.

The following tables provide an overview of the four initiatives, recipients, projected financial impact, grouping them based on whether taxpayers or ratepayers cover the costs:

	Measure	Annual Impact	Targeted Recipients
Taxpayers cover the costs (Potential to impact the Province's Fiscal Plan)			
1.	8% Rebate to Regulated Price Plan	Fiscal $1.20B	Residential, small business, farms, and other small users
2a.	Use cap and trade proceeds to commercial and industrial electricity consumers to provide a modest reduction in rates. (Implementation details under development).	($270M) in cap and trade proceeds No Fiscal Impact	For the 2016 Budget, cap and trade proceeds for electricity rate mitigation were projected at $330M/year. See item 2b. regarding the residual amount of cap and trade proceeds ($330M - $270M = $60M)
2b.	The 8% rebate above allows for a portion of cap and trade proceeds to be redirected to other GHG reduction initiatives already in the fiscal plan.	($60M)	Provides fiscal plan flexibility of $60M only if these proceeds are diverted to offset costs of other existing in-plan initiatives that reduce GHG emissions.
	Total Fiscal Impact	$1.16B	Matches Financial Summary on page 1 for 2017-18

Commented [CD(4]: See updated financial summary above

	Measure	Annual Impact	Targeted Recipients
Ratepayers cover the costs (No impact to the Province's Fiscal Plan)			
3	Expanding ICI eligibility to customers above 1MW in all sectors	Rate base ($47M/$82M)**	Intermediate and large-sized industrial, commercial and institutional consumers above 1MW in all sectors
4.	Updating Rural or Remote Rate Protection	Rate base ($110M)	Residents in rural locations: Hydro One's lowest-density R2 customers.

** Short-term/Long-term rate base impact, where short- term is directly following expanded eligibility and long-term is expected impact once new customers have fully implemented peak reduction measures.

Due to the nature of the ICI mechanism and cost recovery of RRRP, the rate base proposals (#3 and #4) above benefit the targeted recipients, but are shared by all other electricity rate payers in Ontario.

The following table from the Ministry highlights the benefits by electricity consumer class.

	Average Annual Fiscal Impact	Average Annual Greenhouse Gas Reduction Account (GGRA) Proceeds Impact	Regulated Price Plan (Residential) Benefit		Class B (Commercial) Benefit	Class A (Industrial) Benefit	
			Average (750 kWh/ month)	*Rural (1000 kWh/ month)*		*Existing*	*New*
• 8% rebate to Regulated Price Plan eligible consumers • ICI Expansion • RRRP Update • Proceeds Recycling	$1.0 billion annually	$0.27 billion annually (Reduction of $0.06 billion annually or $0.24 billion total from the CCAP commitment)	-$11/ month (-8%)	-$45/ month (-20%)	-$3/MWh (-2%)	-$3/ MWh (-3%)	Up to -$52/MWh (-34%)

- **Notes:** The above benefits do not include the cost of ICI expansion, and the RRRP update (total impact of $1.74/MWh).

- The impact of cap and trade would not be added to electricity bills until 2017 and the impact of ICI would not be added to bills until 2018 due to the time required to implement the expansion and for billing changes. Proceeds recycling is an estimated average over the first compliance period (2017-2020).

See Appendix E for more illustrative bill impacts. See Appendix F for an electricity bill mock-up.

Fiscal Impact

The Ministry estimates proceeding with an 8% Regulated Price Plan (RPP) rebate without a cap would cost an estimated $1 billion per year.

The Ministry also indicates the current proposal would provide recycling of cap and trade proceeds to commercial and industrial consumers on a volumetric basis that would address the commitment made in the 2016 Budget (See below). This would require an estimated $60M less per year in proceeds than previously estimated in the Climate Change Action Plan (i.e., providing fiscal plan flexibility of about $60M per year to commit to other GHG reduction initiatives in the fiscal plan).

The Ministry's estimate of $300M needed for 2016-17 (to cover the first three months of 2017 when the 8% rebate applies) will be addressed through Supplementary Estimates. The Ministry will use the annual planning process to update future year impacts.

Cap and Trade Proceeds

The 2016 Budget committed to offset the impact of cap and trade for commercial and industrial consumers, while also providing a benefit of up to $2 per month for residential consumers (on average). While residential and other consumers would benefit from the 8% pre-tax rebate, this does not apply to non-Regulated Price Plan eligible consumers (i.e., larger industrial and commercial). As such, the Ministry is proposing to direct a portion of cap and trade auction proceeds to industrial and commercial consumers not eligible for the RPP to provide a modest rate reduction consistent with the 2016 Budget.

Commented [SH5]: To avoid confusion propose dropping this reference.

This proposal fulfills the commitment established in the 2016 Budget and the Climate Change Action Plan to eliminate carbon price impacts for electricity ratepayers.

To be characterized as a regulatory charge under the cap and trade program, auction proceeds need to be spent on programs that are reasonably likely to reduce or support the reduction of greenhouse gas (GHG) emissions. The Ministry has indicated that its proposal would use proceeds to offset the costs of committed investments that reduce GHG emissions (e.g., non-emitting generation and conservation programs) and incent fuel-switching away from fossil fuels.

Considerations – Implementation

The Ministry has presented a high level overview of major implementation pieces:

- New legislation would be required to enable the 8% rebate proposal. Legislation would closely mirror the Ontario Clean Energy Benefit Act, 2010. If passed, the legislation would require a general regulation. Amendments would also be required to various regulations to expand ICI and RRRP.
- On-bill rebate delivery will require adjustments to LDC billing systems, which could impact delivery costs and timelines. The Ministry indicates it will consult with LDCs (possibly through the Ontario Energy Board) to accurately assess these impacts once the program has been announced. In the past, LDCs have asked for at least six months' notice when implementing billing system changes. Timing concerns may be alleviated by allowing LDCs to provide retroactive payments rebates if their systems cannot be updated in time for January 1, 2017. This was done with the OCEB.
- Detailed messaging on bills could be implemented. The rebate would not be directly linked to HST. With electricity invoices containing multiple line items and LDC bill presentment varying widely, direction on rebate presentment will need to be flexible to allow LDCs to incorporate easily while ensuring government-preferred branding and messaging is conveyed.
- The Ministry will need to continue to consult with the Independent Electricity System Operator (IESO), Ontario Energy Board (OEB) and LDCs regarding implementation of proceeds recycling.

Legal Considerations

8% Rebate (shift costs from rate-base to tax base by providing a rebate equal to the provincial portion of HST):

- Providing the contemplated rebate under the proposed Bill does not, in and of itself, give rise to legal issues. As policy direction is given on the specifics of supporting regulations, any associated legal risks can be identified.

ICI Expansion (shift costs within rate-base by expanding eligibility for the ICI program to consumers of >1 MW):

- Shifting costs to some consumers to lower rates for others without more carries the risk that the charge would be characterized as an unconstitutional tax. To establish that the charge is legitimate, it must be established that the purpose and effect of the charge is to facilitate the maintenance of a financially viable electricity system by way of load management or some other feature under which those who are subsidized provide an overall system benefit enjoyed by those who subsidize them.

RRRP Update (shift costs within the rate-base by increasing the RRRP benefit paid to rural and remote customers):

- Increasing the amount of revenue devoted to the RRRP or expanding the scope of consumers eligible for the program does not raise new legal risk. There is a good argument that the RRRP is a regulatory charge, as it socializes some of the costs of distributing electricity to rural consumers. Overall the risk that the RRRP would be characterized as a tax is assessed as moderate (meaning equally good arguments on both sides).

Cap and Trade Proceeds Recycling (reduce impact on rate base and tax base by directing cap and trade auction proceeds to industrial consumers):

- To be characterized as regulatory charges under the cap and trade program, auction revenues should be spent on programs that reduce GHGs.

Other Considerations

- This request does not align with the 2016 Budget fiscal plan and there are no proposed offsets for the 8% rebate.
- The 8% rebate would provide a typical residential consumer about an $11 per month benefit on average, exceeding the 2016 Budget's $2 per month on average cap and trade commitment. Also, the 2016 Budget committed to offsetting the impact of cap an trade on industrial and commercial consumers, a modest rate reduction is being proposed using cap and trade proceeds, which could be invested elsewhere on GHG reduction initiatives.
- Reduction in electricity prices that do not consider consumption amounts (e.g., without the cap in the previous OCEB program) does not promote electricity conservation and may be seen as unaligned with climate change objectives.
- Other price mitigation measures introduced following the implementation of the HST, as well as the end of OCEB, would continue.
  - Both the energy portion of the Ontario Energy and Property Tax Credit (OEPTC) and NOEC were introduced/ enhanced following the introduction of the HST and have a significant annual fiscal cost (totalling about $500 million annually).
  - The DRC on residential consumers was ended early, as of January 1, 2016 (about a $340 million impact in 2016-17).
  - OESP is a low-income targeted program funded by electricity consumers through the electricity rate base.

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Date:	September 9, 2016	**Log number:**	
Branch / Division:	GGPR/ PEMD/ Treasury Board Secretariat Tax Policy Division/ Ministry of Finance Ontario Financing Authority/ Ministry of Finance		

APPENDIX A: PROPOSED MINUTE

Approve electricity price mitigation for residential, commercial and industrial consumers.

In this regard:

i) Approve a suite of initiatives to provide relief to various electricity consumer classes:

   a) Provide a rebate of 8% on the pre-tax cost of electricity 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, starting January 1, 2017.

   b) Increase the total amount of rate protection available to R2 low density electricity consumers under the Rural or Remote Rate Protection Program (RRRP) by increasing the subsidy by $110 million from its current level of $127 million which has been capped since 2004.

   c) Implement a mechanism to periodically adjust the total annual amount of rate protection available to R2 low density electricity consumers under the RRRP, effective on or after January 1, 2018.

   d) Expand eligibility for participation in the Industrial Conservation Initiative (ICI) to smaller industrial, institutional and commercial customers by lowering the eligibility threshold to 1 MW and removing restrictions on eligible sectors.

   e) Provide a modest rate reduction to commercial and industrial electricity consumers using cap and trade auction proceeds to offset the cost.

ii) Recommend to Cabinet the proposed Ontario Rebate for Electricity Consumers Act, 2016 and that the Ministry proceed to Legislation and Regulations Committee before the end of 2016 with supporting regulations under the proposed Ontario Rebate for Electricity Consumers Act, 2016.

iii) Approve the implementation details associated with the suite of initiatives:

   a) Approve:

      1. The creation of a new item entitled "Rebate for Electricity Consumers" in the Electricity Price Mitigation Program (Vote/Item 2905-3).

      2. The creation of a new Transfer Payment entitled "Rebate for Electricity Consumers" in Rebate for Electricity Consumers (Vote/Item 2905-3).

      3. An expenditure increase in the amount of $300,000,000 in 2016-17 in the Transfer Payment entitled "Rebate for Electricity Consumers[1]" in Rebate for Electricity Consumers (Vote/Item 2905-3). Direct the Ministry to return any under-spending to the Treasury Board Contingency Fund.

[1] Pending approval of the proposed Ontario Rebate for Electricity Consumers Act, 2016

b) Note:

1. Funding for 2016-17 will be implemented through Supplementary Estimates in the Fall of 2016.

2. Future year impacts of $1,100,000,000 in 2017-18 and $1,100,000,000in 2018-19, $1,200,000,000 in 2019-20and ongoing.

3. The Ministry will return to Treasury Board/Management Board of Cabinet in the 2017-18 Program Review, Renewal and Transformation process to request additional resource requirements to support program implementation.

c) Direct the Ministry to report back to Treasury Board/Management Board of Cabinet in the 2017-18 Program Review, Renewal, and Transformation process on updated future year impacts.

iv) Note the reallocation of Cap and Trade auction proceeds:

a) The Ministry of Energy to work with the Ministry of the Environment and Climate Change to invest an estimated amount of up to $1,080,000,000, from 2017-18 to 2020-21, of Cap and Trade auction proceeds for non- Regulated Price Plan eligible commercial and industrial electricity consumers over the first compliance period (2017-2020) through a volumetric rebate mechanism with a linkage to GHG emission reductions..

b) The remaining up to $240,000,000, from 2017-18 to 2020-21, which was previously allocated in the Climate Change Action Plan to eliminate carbon price impacts/ grid emission reductions to ratepayers, to be used for other existing initiatives within the fiscal plan that reduce greenhouse gas emissions.

In this regard:

1) Direct the Ministry of the Environment and Climate Change to work with Treasury Board Secretariat and Ministry of Finance to identify other existing initiatives within the fiscal plan that reduce greenhouse gas emissions that can be funded with the remaining up to $240,000,000, from 2017-18 to 2020-21, which was allocated in the Climate Change Action Plan to eliminate carbon price impacts/ grid emission reductions to ratepayers.

v) To support implementation of electricity price mitigation, the Ministry is proceeding with the following amendments to existing regulations:

a) Amendments to Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made under the Electricity Act, 1998 to lower the Industrial Conservation Initiative (ICI) threshold to 1 megawatt and remove sector restrictions. Consumers and market participants between 1 MW and 5 MW will have the option to opt in to the program.

b) Amendments to Ontario Regulation 442/01 (Rural or Remote Electricity Rate Protection) made under the Ontario Energy Board Act, 1998, to increase support

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through the Rural or Remote Rate Protection Plan to R2 low density electricity customers and provide for a periodic adjustment mechanism.

vi) Direct the Ministry to work with the Premier's Office and Cabinet Office on the development and implementation of an integrated communications strategy.

APPENDIX B: FINANCIAL TABLES

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE					**TABLE B1**
			Fiscal Plan Basis		***Appropriations Basis***
$ Millions		**2016-17**	**2017-18**	**2018-19**	**2016-17**
Initiative cost recommended		0.0000	0.0000	0.0000	
Expense changes:					
Operating item (Supplementary Estimates inclusion for 2016-17 amount)	Oper	300.0000	1100	1100	0.0000
Operating Offset	Oper	0.0000	0.0000	0.0000	0.0000
Revenue changes:					
Revenue Increase/ Offset	- Applies if cap and trade proceeds diverted to in-plan initiatives	0.0000	(60.0000)	(60.0000)	
Revenue decrease		0.0000	0.0000	0.0000	
Total Fiscal Impact (draw from c-funds)		**300.0000**	**1040.0000**	**1040.0000**	**0.0000**

APPENDIX C: ELECTRICITY SECTOR BACKGROUND

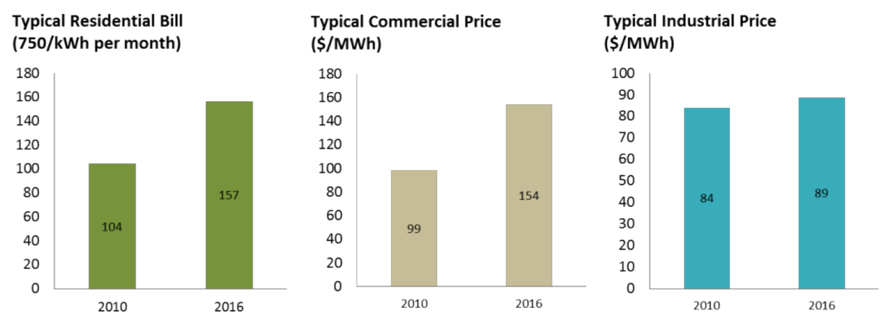
The Ministry has provided the following information to provide electricity sector context this item.

For billing purposes, there are three classes of electricity consumers:

	Regulated Price Plan	Class B	Class A
Consumer Types	• Residential • Small Business • Farms	• Commercial • Institutional • Small industrial	• Large commercial • Large industrial
Load Size	Below 0.05 MW	Between 0.05 MW and 3 MW	Above 3 MW*
Total Consumption	58 TWh	57 TWh	26 TWh
Share of Consumption	41.1%	40.4%	18.4%

* **Note:** Consumers with peak demand between 3-5 MW in the manufacturing, mining, refrigerated warehousing, greenhouses and data-processing industries are currently eligible for Class A. All other 3-5MW consumers are Class B.

Since 2010, average bills for residential consumers (i.e., using 750 kWh/month) have increased by over 50%. Rates paid by commercial and industrial electricity consumers have increased by 56% and 6% respectively over the same period.



Note: 2016 represents May 2016 for residential and YTD June 2016 for commercial and industrial.

Existing Rate Mitigation efforts are on-going:

- Ontario currently provides rate mitigation to various electricity consumer classes through a combination of tax-based and rate-based programs.
  - For example, Northern Ontario residential electricity consumers receive tax credits in recognition of higher electricity costs in the north and rural consumers receive a subsidy funded through the rate-base due to the higher cost of delivering power to rural areas.
  - As of 2016, the government removed the Debt Retirement Charge (DRC) from residential electricity bills. While this saves a typical residential electricity ratepayer about $60 per year, it is less than the benefit previously provided through the Ontario Clean Energy Benefit (OCEB).
  - The Ontario Electricity Support Program (OESP) provides ongoing assistance directly on the bills of eligible low-income electricity consumers.

- The Industrial Conservation Initiative (ICI) encourages Ontario's largest consumers to reduce consumption during peak periods while reducing system costs.
- The Rural or Remote Rate Protection (RRRP) program is provided to rural and remote residential and farm customers because the cost of distributing power to rural and remote areas is much higher than for urban areas.

• Because electricity costs must be fully recovered from electricity consumers, rate mitigation funded through the rate-base often represents a shifting of costs from one consumer group to another (i.e., industrial to residential and commercial consumers).
  - Some rate-based initiatives, such as ICI, are associated with incenting changes in behaviour that provide electricity system benefits (i.e., shifting electricity consumption from on-peak to off-peak periods).

The table below shows the estimated cost shifts in the province's electricity system that result from three existing government programs (i.e., ICI, RRRP and OESP):

Cost Shift Impact	2011	2012	2013	2014	2015	2016
Residential Bill ($/month for 750 kWh)	3.55	4.07	3.85	4.46	5.68	6.55
Commercial – Class B ($/MWh)	4.74	5.43	5.14	5.94	7.57	8.73
Industrial – Class A ($/MWh)	-20.97	-25.26	-22.38	-24.68	-32.56	-31.55

Note: Negative values indicate a benefit; positive values denote an incremental charge.

Since 2013, a number of actions have and are being taken to reduce overall electricity system costs. Despite these actions to reduce system costs, electricity rates continue to increase for consumers:

• Renegotiating the Green Energy Investment Agreement, reducing contract costs by $3.7 billion;
• Deferring the construction of two new nuclear reactors at Ontario Power Generation's Darlington facility, avoiding an estimated $15 billion in new construction costs;
• Approving Ontario Power Generation's plans to enable the ongoing operation of Pickering up to 2024, which is expected to save ratepayers as much as $600 million.
• Reducing Feed-In-Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast; and
• Removing an expected $3.3 billion in Large Renewable Procurement (LRP) costs relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast, based on the results of the first phase of the LRP.

APPENDIX D: FURTHER INFORMATION SUPPORTING PROPOSED INITIATIVES

The following information has been provided by the Ministry.

1. Provide an 8% rebate to consumers eligible for the Regulated Price Plan* (i.e., residential, small business and farms), equivalent to the provincial portion of HST

The Ministry is proposing to introduce legislation/regulation to provide a rebate of 8% to consumers eligible for the Regulated Price Plan. The below table indicates which consumers would or would not receive the benefit. This would be equivalent to the provincial portion of the HST.

- Those ineligible to receive the 8% rebate will benefit from one or more of the other initiatives under this proposal (e.g., ICI expansion and proceeds recycling).
- An HST exemption would require federal approval. Engaging in discussions with the federal government would take time and would likely result in not meeting the targeted implementation date.

Eligible for the 8% rebate (< 50 kW or < 250,000 kWh/year)	**Not eligible for the 8% rebate** (> 50 kW or > 250,000 kWh/year)
• Residential Regulated Price Plan consumers • Residential retail consumers • Multi-unit residential buildings and other facilities used as residential rental units • Long-term care homes and school residences • Farms eligible for Regulated Price Plan (Including Class B farms that opted out of the Regulated Price Plan) • Small businesses – Coffee / snack retailer – Convenience store – Apparel store – Hair salon – Small insurance office	• Class A consumers – Manufacturer – Large grocery store – Mines – Auto assembly plants • Class B consumers – Commercial offices (low rise) – Hotel – General warehousing

2. Expand ICI eligibility by lowering the threshold to 1 MW, to provide support to additional commercial, institutional and small industrial consumers

Currently, electricity consumers over 5 MW and consumers from 3-5 MW in certain energy intensive sectors are eligible for ICI (i.e., approximately 300 Class A consumers). Consumers participating in ICI include the following sectors: pulp and paper, auto, manufacturing, steel, chemicals and mines.

ICI would be expanded so that all consumers over 1 MW are eligible for the program (the benefit would be seen by consumers starting in 2018), which would:

- Reduce electricity peak demand and electricity system costs by incenting more consumers to lower their electricity demand during peak periods;
- Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods; and
- Increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system.

	Benefit to New ICI Participants	System Benefit	Financial Impact	Residential Bill Impact
	Bill Savings	Peak Demand Reduction (MW)	GA shifted to Class B ($M)	
Short-term	Up to 21%	80	47	Increase of $0.42/month
Long-term	Up to 34%	165	82	Increase of $0.74/month

The different impacts refer to the amount of time it takes for new Class A consumers to respond to the expanded ICI eligibility. The bill impacts assume a 25% uptake, which would increase Class A consumption by roughly 3 TWh, leaving an estimated 54 TWh in Class B that are either between 0.05-1 MW or choose not to opt in to ICI. This would represent an estimated 300 additional consumers in ICI, though they would represent a much smaller share of the consumption than the 300 consumers currently participating. Newly eligible consumers in the program would mostly fall into the small industrial, institutional and commercial category, including: automotive supply chain companies, office towers, large shopping malls, greenhouses and others.

3. Update the Rural or Remote Rate Protection (RRRP) program, to provide relief to rural customers

The Ministry is proposing to provide an additional $110M in rate protection to eligible rural electricity consumers, and consider options to periodically adjust the amount of rate protection available to these consumers going forward.

RRRP is a rate-based funded program that helps offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province.

- Today, RRRP is a $175M program. For an average residential customer, the cost of supporting RRRP is roughly $1 per month. For other customers, the cost can range from $65 for a greenhouse to $8,000 for a medium industrial.
- The majority of the program funding ($125.5M) provided to Hydro One’s lowest-density customers – classified as R2 customers. There are approximately 329,000 R2 customers. The current program provides a rebate of $31.50. The proposed update to the program would increase the benefit to $60/month
- RRRP funding supporting R2 customers has been capped at the current level since 2004. As a result, the impact of its assistance has diluted over time as electricity costs have risen.

- An additional $110 million in program funding would see an increased benefit for eligible rural customers, including the 8% rebate, of $45/month. This would help bring R2 bills in line with Hydro One R1 (medium density) bills at 1000kWh.

- This would increase the R2 portion of the RRRP to $235 million with a monthly impact on an average residential consumer of ~$0.60.
- The RRRP could be indexed at inflation or “trued up” on a regular basis to ensure the benefit remains constant.

4. **Recycle cap and trade proceeds to commercial and industrial electricity consumers to provide a modest reduction in rates**

The 2016 Budget committed to offset the impact of cap and trade for commercial and industrial consumers, while also providing a benefit of up to $2 per month for residential consumers.

- To meet the 2016 Budget commitment, the Climate Change Action Plan (CCAP), committed $1.3 billion from the GGRA over the first compliance period (2017-2020).
- However, providing an 8% rebate to Regulated Price Plan consumers would allow for GGRA proceeds previously committed to residential consumers to be redirected to other GHG reduction initiatives in the fiscal plan.

The rate reduction proposal would provide additional benefit to commercial and industrial consumers, while requiring an estimated $60 million less per year (i.e., a reduction of $240M over the first four year compliance period).

APPENDIX F: ILLUSTRATIVE BILL IMPACTS

The Ministry has provided the following illustrative bill impacts:

	Current Bill (after cost of new programs, before tax)	Current Rate mitigation initiatives*	New Rate Mitigation initiatives	New Bill (after cost of new programs, before tax)
Average Residential (Toronto – 750 kWh/month)	$140 /month	N/A	8% pre-tax rebate: - $11	-$129 /month
Rural Residential (Hydro One R2 – 1000 kWh/month)	$231 /month	RRRP: –$32	8% pre-tax rebate + Updated RRRP: - $45	$186 /month
Low-income Residential ** (Toronto – 750 kWh/month)	$102 /month	OESP: -$38	8% pre-tax rebate: - $8	$94 /month
Small Business (Toronto – 403,200 kWh/month)	$150 /MWh	N/A	8% pre-tax rebate: - $12/MWh	$138 /MWh
Small Farm (Hydro One R1 – 4,000 kWh/month)	$204 /MWh	N/A	8% pre-tax rebate: - $16/MWh	$188 /MWh

*** Note:** Some residential consumers can also receive tax credits based on income, age and geography (Northern Ontario Energy Credit and Ontario Energy and Property Tax Credit). These credits are delivered through the Trillium Tax Credit and can be as high as $1,332 per year for a family.

** Income of less than $28,000, family of 4.

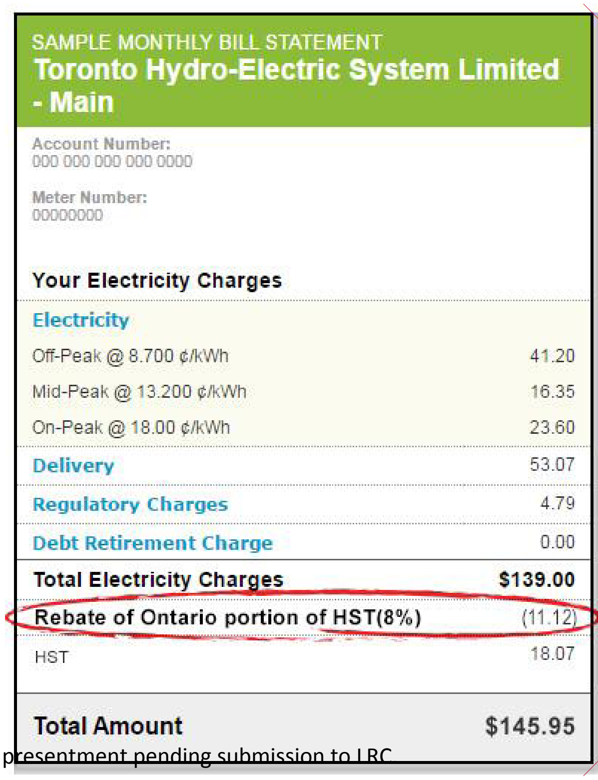
Totals may not add due to rounding.

	Current Rate	Current Rate mitigation initiatives*	Cost of new initiatives (RRRP and ICI)	New Rate Mitigation initiatives	Net Impact,	New Rate,
Large Institutional (Toronto – distribution-connected, 10 MW)	$108 /MWh	ICI: -$49/MWh	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh (2017-2020 average)	-$0.90 /MWh (-1%)	$107 /MWh
Large Industrial (Timmins – transmission-connected, 10 MW)	$69 /MWh	ICI + NIERP: -$69/MWh	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh	-$0.90 /MWh (-1%)	$68 /MWh
Small Industrial – opt-in to ICI (Toronto – 2 MW)	$152 /MWh	N/A	$1.74 /MWh	Proceeds Recycling + ICI: -$53.90/MWh	-$52 /MWh (-34%)	$100 /MWh
Large Commercial – does not opt-in to ICI (Toronto – 2 MW)	$152 /MWh	N/A	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh	-$0.90 /MWh (-1%)	$151 /MWh
Small Institutional (Toronto – 500 kw)	$154 /MWh	N/A	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh	-$0.90 /MWh	$153 /MWh

Notes:

1) There is a limited potential for a large consumer eligible for the Regulated Price Plan to opt-out of the Regulated Price Plan to opt-in to Class A and receive all three benefits (i.e., Regulated Price Plan, ICI, proceeds recycling).
2) The impact of cap and trade would not be added to electricity bills until 2017 and varies per year over the course of the first compliance period. For illustrative purposes, the estimated average benefit of proceeds recycling is shown above.

APPENDIX E: ILLUSTRATIVE BILL MOCK-UP



SAMPLE MONTHLY BILL STATEMENT

Toronto Hydro-Electric System Limited - Main

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges

Electricity	
Off-Peak @ 8.700 ¢/kWh	41.20
Mid-Peak @ 13.200 ¢/kWh	16.35
On-Peak @ 18.00 ¢/kWh	23.60
Delivery	53.07
Regulatory Charges	4.79
Debt Retirement Charge	0.00
Total Electricity Charges	**$139.00**
Rebate of Ontario portion of HST(8%)	(11.12)
HST	18.07
Total Amount	**$145.95**

Note: Final bill presentment pending submission to LRC

Commented [CT(8]: Replace with the “Sample Monthly Bill Statement” image below.