

TB Note

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Attachments: RAN Electricity Price Mitigation v11 2016 09 10-ENERGY.docx (509.95 kB)

Deputy,
Attached is the revised TB note with edits tracked.
Also, an explanation below.
OK to share with MO?
Keley

Q/ Why do we need a Cabinet and Treasury Board minute for the proceeds recycling item?

In the proposed Cabinet and Treasury Board minutes, ENERGY is updating and further clarifying its approach to meet the public commitments made in the 2016 Budget and the Climate Change Action Plan (CCAP) (i.e., to recycle auction proceeds to address the impacts of cap and trade on commercial, industrial and residential electricity consumers).

As outlined in the proposed minutes, ENERGY would work with MOECC to invest cap and trade auction proceeds towards non-Regulated Price Plan electricity consumers (e.g., commercial and industrial consumers) over the first compliance period (2017-2020). In this updated approach, residential electricity consumers are no longer eligible for auction proceeds because they would receive the 8% rebate as well as the RRRP update for eligible rural consumers. Note: This change in eligibility means that less auction proceeds are required to meet the public commitments.

The proposed minutes also provides greater clarity around ENERGY's approach. For example, ENERGY plans to use a "volumetric rebate" mechanism to recycle the auction proceeds that would have a linkage to GHG emission reductions (and the government's CCAP). The minutes also provides further clarity that auction proceeds would be used to promote fuel switching to make electricity more competitive with traditionally cheaper fossil fuels, again supporting the government's CCAP.

In addition, the proposed minutes provide an update on the amount of auction proceeds required to meet the public commitments as a result of the change in which electricity consumers would be eligible for proceeds recycling (i.e., no longer residential consumers).

Finally, it is recognized that ENERGY will continue to work with MOECC and TBS to obtain the necessary approvals required to use action proceeds. These approvals include a Minister of Environment and Climate Change evaluation process, TBS's PRRT process and Cabinet approval.