ESTIMATES 2016

TOP ISSUES

Residential Electricity Prices/Global Adjustment/Rate Mitigation

KEY MESSAGES/FACTS:

Residential Rates

- The government continues to ensure a clean, reliable and affordable electricity system for all Ontarians.
- Since 2003, significant investments have been made in Ontario's electricity system.
- At the same time, the government is working hard to minimize the impact of these investments and help Ontarians manage their electricity costs.
- The government's policy of Conservation First when considering any major investments in generation or transmission is also helping to curb costs for ratepayers.
- The government is pursuing lower-cost options to meet energy needs when and where Ontario needs it.

Residential Rate Mitigation Measures

- On September 12, 2016 Speech from the Throne, the government introduced legislation that, if passed, would rebate an amount equal to the provincial portion of the Harmonized Sales Tax on residential, farm and small business bills as of January 1, 2017. This rebate would amount to annual savings of about $130 for the average household.
- The proposed *Ontario Rebate for Electricity Consumers Act*, 2016 would provide an eight per cent (8%) rebate for consumers eligible for the Regulated Price Plan.
- If passed, this legislation would take effect on January 1, 2017.
- The proposed legislation is one part of a package of reforms that would provide benefits to all Ontario electricity consumers.
- For rural customers, who have been especially affected by increasing electricity distribution costs, we are updating the Rural or Remote Rate Protection. The proposed funding increase to RRRP and the eight percent rebate will result in electricity relief of approximately $45 per month for eligible rural customers – a significant rate relief for approximately 330,000 rural electricity consumers – including those low-density rural customers who would also be low-income.
- As of January 1, 2016, the government removed the Debt Retirement Charge from residential electricity bills. This will save a typical residential electricity ratepayer who consumes 750 kWh per month about $65 per year.

- Ontario has a number of other programs in place that help consumers manage rising electricity prices, including:
  - The Ontario Electricity Support Program
  - The Ontario Energy and Property Tax Credit
  - The Northern Ontario Energy Credit
  - Community Homelessness Prevention Initiative
  - Rural or Remote Rate Protection
  - saveONenergy Conservation Programs (including Home Assistance Program for low income customers)

<u>Ontario Electricity Support Program</u>

- To mitigate the impact of rising electricity prices on low-income electricity consumers, the Ministry of Energy asked the Ontario Energy Board (OEB) to develop and implement the Ontario Electricity Support Program (OESP) for January 1, 2016.

- The OESP has been in place since the Ontario Clean Energy Benefit (OCEB) ended on December 31, 2015 to ensure that Ontario's most vulnerable electricity consumers remain protected.

- The OESP provides an ongoing rate reduction directly on the bills of eligible low-income electricity consumers.

- Credit amounts range between $30 and $50 per month (see next slide for the sliding scale credit amounts)

- Those consumers who .face unique challenges with respect to electricity affordability and outreach, such as First Nation, Métis and Inuit consumers, consumers who use electric heating, and households using certain electricity-intensive medical devices (oxygen concentrator, mechanical ventilator and in-home dialysis), will receive higher credit amounts.

- These credit amounts range between $45 and $75 per month.

- The OESP was developed and implemented by the OEB with support from the Ministry of Energy, and collaboration with the Independent Electricity System Operator, utilities and social service delivery agencies.

<u>Low-Income Energy Assistance Program</u>

- The Low-Income Energy Assistance Program (LEAP), introduced by the OEB in January 2011, is a comprehensive province-wide strategy designed to help qualifying low-income consumers manage in critical financial need. The program includes:

  - Emergency financial assistance: A one-time grant towards your electricity or natural gas bill if you are temporarily unable to make ends meet in an emergency situation.
  - Special rules – Utilities have to follow special rules when dealing with customers with limited finances; for example, waiving security deposits, allowing longer payment times and more.

Disconnections

- The OEB and electricity distributors are committed to avoiding disconnections. The OEB has strengthened the customer service codes which govern utility actions regarding customers in default of payment.

- Additionally, the government has recently introduced measures that would, if passed, provide the OEB with the power to make rules or licence conditions respecting the periods of time during which gas or electricity utilities could not disconnect electricity or gas service to low-volume consumers.

- Providing the OEB with increased flexibility to establish clearer rules for disconnection would provide clarity to electricity and gas distributors and better enable the OEB to protect customers.

KEY NUMBERS:

Residential Rates in Ontario

- The forecast for residential bills indicates an annual average increase of 3.2% per year from 2016 to 2020 inclusive. From 2016 to 2032 inclusive, the forecast for residential bills indicates an annual average increase of 1.7%, which is in line with neighbouring jurisdictions.[1]

- The price paid by a typical residential consumer in Ontario as based on Regulated Price Plan (RPP) rates from May 1, 2016 are in-line with neighbouring jurisdictions such as Michigan.[2]

- The National Energy Board (NEB) forecasts retail price increases similar to Ontario in BC, Alberta, Manitoba and Quebec.[3]

- As per time-of-use (TOU) rates set by the Ontario Energy Board (OEB) for residential and small business consumers on the Regulated Price Plan (RPP) effective May 1, 2016, the typical residential monthly bill is about $157 after tax.[4]

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[1] 2013 LTEP, Figure 7, p. 18.

[2] EIA *Electric Power Monthly*, Table 5.6.B

[3] National Energy Board's 2016 *Canada's Energy Future* (released January 2016) https://www.neb-one.gc.ca/nrg/ntgrtd/ftr/2013/index-eng.html

[4] Ministry of Energy analysis of Toronto Hydro rate order.

- RPP prices are reviewed twice per year by OEB and are adjusted as required on May 1 and November 1. Current TOU rates effective May 1, 2016 are as follows:
  - Off-peak: 8.7 ¢/kWh (weekdays 7pm-7am, all day weekends/holidays)
  - Mid-peak: 13.2 ¢/kWh (weekdays 7-11am and 5-7pm)
  - On-Peak: 18.0 ¢/kWh (weekdays 11am-5pm)

Jurisdiction	800 kWh/month	1000 kWh/month (From HQ Report)	Unit Price (¢/kWh)	Variance from Canadian Average
Ontario	117	146	14.6	20%
British Columbia	82	103	10.3	-15%
Alberta	93	116	11.6	-5%
Saskatchewan	115	144	14.4	18%
Manitoba	65	81	8.1	-33%
Quebec	58	72	7.2	-41%
New Brunswick	98	123	12.3	1%
Newfoundland	93	116	11.6	-5%
Nova Scotia	128	160	16.0	31%
PEI	125	156	15.6	28%
Canadian Avg. (based on HQ survey)	**98**	**122**	**12.2**	**n/a**
New York	231	289	28.9	137%
Michigan	142	178	17.8	46%
Massachusetts	240	300	30.0	147%
Illinois	134	168	16.8	38%

Note: Prices are based on the 2015 Hydro Quebec report for prices effective April 1, 2015 at an exchange rate of 1 CAD = 0.7929 USD, exclude taxes, and reflect 1,000 kWh/month for select cities and/or local distribution companies. Where Hydro Quebec reports prices for two cities in a province (e.g., Toronto and Ottawa), an average of the two is used – note that LTEP uses an estimated Toronto Hydro bill; in provinces where only one city is reported (e.g., Vancouver in BC), that one price is used to represent the province for indicative comparison purposes. Hydro Quebec did not provide an estimate for Pennsylvania. 800 kWh/month figures reflect a simple 80% calculation of the 1000 kWh/month figures provided in the Hydro Quebec report, and do not account for fixed charges. Figures for Ontario are not consistent with those published in the 2013 LTEP.

Residential Rate Mitigation Measures

- As of January 1, 2016, the government removed the Debt Retirement Charge from residential electricity bills. This will save a typical residential electricity ratepayer who consumes 750 kWh per month about $65 per year.

- Based on income level and household size, eligible low-income consumers receive an OESP credit amount directly on their electricity bills. The credit amounts range from $30 to $50 per month.

Global Adjustment

- The global adjustment mechanism (or global adjustment) serves a number of important functions in Ontario's electricity system, including:
    - Provides more stable electricity prices for Ontario's consumers and generators;
    - Maintains a reliable energy supply; and
    - Recovers costs associated with conservation initiatives and demand management programs that benefit all Ontarians.

- Before the global adjustment was introduced, wholesale market prices were not sufficient to attract much needed investment in Ontario's electricity generation sector.

- Wholesale market prices were also insufficient to cover the cost of contract payments to certain electricity generators, leading the government to accumulate debt. This contributed to the electricity sector debt that Ontario consumers continue to pay off through the Debt Retirement Charge (DRC).

- For consumers on the Ontario Energy Board's Regulated Price Plan (RPP), global adjustment is included in their "electricity" charge and is built into the cost of a kilowatt-hour.

- For all other consumers who purchase directly from the wholesale market, or have signed a contract with an electricity retailer, global adjustment is shown as a separate line item on their electricity bill.

BACKGROUND:

Residential Price Projections (RPP) and Inter-jurisdictional Comparison

- Residential bills are expected to rise at a higher rate than inflation over the short term, while moderating over the longer term.

- The short term increase is primarily due to the expiry of the Ontario Clean Energy Benefit (OCEB), which ended on December 31, 2015 and provided a 10% rebate for residential consumers.

- The Ontario residential average annual increase of 1.7% from 2016 to 2032 inclusive is comparable to projected increases in the northeastern US and the US midwest. NEB forecasts similar rate increases in BC, Alberta, Manitoba and Quebec over the long-term.

Residential Rate Mitigation Measures

- As of January 1, 2016, the government removed the Debt Retirement Charge from residential electricity bills. This will save a typical residential electricity ratepayer who consumes 800 kWh per month about $70 per year.

- Below are some details on other programs in Ontario to help vulnerable and low income energy customers:
    - The OEB has implemented a province-wide strategy to help low-income consumers in critical financial need through the **Low-Income Energy Assistance Program**. This strategy includes:
        - An emergency financial assistance program, implemented on January 1, 2011, which assists energy consumers in arrears facing disconnection;
        - Enhanced customer service rules that assist all customers, and enhanced measures to further protect low income Ontarians; and
        - Electricity and natural gas conservation programs targeted specifically towards low-income consumers.

    - **Ontario Energy and Property Tax Credit** – This program helps low- to moderate-income individuals and families with the sales tax they pay on energy and with property taxes. Starting July 2012, the OEPTC is paid monthly as part of the Ontario Trillium Benefit delivered through the income tax system. Qualifying individuals and families could receive a maximum benefit of $1,108 per year, and qualifying seniors could receive a maximum benefit of up to $1,148.[5]

    - **Northern Ontario Energy Credit** – A refundable tax credit for low- to middle-income individuals and families living in northern Ontario. The maximum annual credit for an individual is $146, and for a family (including single parents) is $224.[6]

    - **Rural or Remote Rate Protection** – Rate subsidy provided to rural and remote residential and farm customers because the cost of distributing power to remote areas is much higher than for urban areas. Recipients of RRRP receive a subsidy of approximately $380 annually.

    - **Community Homelessness Prevention Initiative** – This initiative is administered by the Ministry of Municipal Affairs and Housing. The program aims to address local priorities related to housing needs, which includes assistance with paying energy bills. For 2016-17, Ontario is investing $293.7M in funding for the program.[7]

    - The **saveONenergy Home Assistance Program** was developed to help income-eligible homeowners and tenents manage their energy use and costs by offering detailed in-home energy assessments and installing energy-saving measures at no cost. Social and assisted housing providers also qualify for assistance in making their buildings more energy efficient.

Electricity Conservation Programs

- Ontario has a number of programs in place that help consumers save money on their electricity bills and improve their home comfort. These are delivered by electricity utilities.

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[5] http://www.fin.gov.on.ca/en/credit/oeptc/index.html

[6] http://www.fin.gov.on.ca/en/credit/noec/

[7] http://www.mah.gov.on.ca/Page9183.aspx

- Examples of programs for the residential sector include:

    - The saveONenergy Heating and Cooling Initiative provides rebates to help offset the cost of purchasing and installing new heating and cooling equipment in the home, such as a high efficiency furnace with an electronically commutated motor (ECM), or an ENERGY STAR certified central air conditioner.

    - saveONenergy Coupons are available in-store for one month in the spring and fall and can be downloaded year-round to use at participating retailers to help Ontarians save on a wide range of energy-efficient products including LED bulbs, power bars with integrated timers or auto-shutoff and more.

- New pilot programs for the residential sector are also being rolled-out to support innovative electricity conservation projects.

    - For example, in October 2015, Hydro One launched Heat Pump Advantage pilot program to help customers with electric space or water heating to take advantage of new heat pump technologies. Hydro One will pay 50% of costs for an industry-leading air source heat pump and up to $800 towards costs of a heat pump water heater.

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