Price Mitigation Initiatives
September 2016
Key Messages/Questions and Answers
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KEY MESSAGES

- **Ontario is taking action to reduce electricity bills for families, farms, and businesses.**

- **We're doing this because we know that families need help with the cost of everyday living. Despite consistent economic growth since the global recession, many families aren't feeling Ontario's resurgence in their everyday lives.**

- **We also recognize that rebuilding and cleaning up Ontario's electricity system has come at a cost. Over the last decade we've rebuilt our transmission and distribution grid, we've invested in clean generation, and we've closed the last dirty coal-fired power plant. But we need to take the next step in ensuring that clean, reliable system is affordable.**

- **We're able to take action now because years of careful management is leading to a balanced budget in 2017-18; and we believe that Ontarians should be the first to benefit from the province's fiscal discipline.**

- **Recognizing this, we are introducing new measures that would take effect January 1, 2017, including:**

    - **Rebating provincial portion of the HST to reduce bills by 8% ($130 annually)**

    - **Cutting delivery charges for the most rural customers by 20% ($540 annually)**

    - **Empowering industrial businesses to reduce bills by one third through the Industrial Conservation Initiative**

- **Taken together, this plan represents one of the single largest actions to reduce costs for electricity consumers in the province's history. It will provide needed assistance to consumers of all sizes, and it targets support to those that need it most.**

- **This plan builds on our government's commitment to provide affordable access to energy, including providing support for low-income families, expanding natural gas to more communities, and grid-connecting remote First Nations communities.**

QUESTIONS AND ANSWERS

Top Line

Q. Is this because Ontario's electricity rates are skyrocketing?

Our government has heard from Ontarian's and is committed to helping them with the cost of everyday living. We`ve heard from Ontarians about their concerns, and so we`re acting to help where we can. Through this three point plan, our government will reduce the cost on electricity bills across the board.

In a recent report, the independent Financial Accountability Officer refuted many of the claims made about energy policy, and confirmed that the average family in Ontario spends less money on electricity than in every other province, except British Columbia. It also confirmed that total home heating and cooling costs are in the middle of the pack when compared to the other provinces.

Ontario's electricity prices are in line with comparative jurisdictions; and Ontario's prices are nearly half of what they are in American cities like Chicago, Boston, New York, and Los Angeles.

What's really remarkable about comparing Ontario to other provinces/states is that we've already done the heavy lifting in rebuilding our system and getting off dirty/cheap coal. While other provinces/states still need to undertake that work, Ontario will benefit from our leadership.

Q. What is the cost of this program?

After many years of careful fiscal management are leading to a balanced budget in 2017-18, and we believe that Ontarians should be the first to benefit.

The rebate of HST will represent about $1 billion in taxes returned to families and small businesses on their bills.

Q. Why will this take until January? What will people do until then?

The start of the next tax year begins January 1st. This is an aggressive timeline, and we are taking action to reduce the cost of electricity bills for families, businesses both small and large and reducing northern, rural and remote bills even more.

Our government currently has programs in place to assist low-income families, or families in a crisis, including the Ontario Electricity Support Program (OESP) and the Low-Income Energy Assistance Program (LEAP). I encourage customers to contact their local utility to find out what programs are available to them.

Program Names:

- Ontario Energy and Property Tax Credit
- the saveONenergy Home Assistance Program
- the Northern Ontario Energy Credit
- Ontario Electricity Support Program
- Low Income Energy Assistance program (LEAP) - provides emergency financial support to families and individuals up to $600

Q. Isn't this just another version of the Ontario Clean Energy Benefit (OCEB) – except it's 8% instead of 10%? Why didn't you just keep the OCEB?

Ontario has made a decision to effectively-eliminate provincial taxes from electricity bills. The fastest, most efficient way to achieve this is through an immediate on-bill rebate of the provincial part of the HST.

Completely removing the tax from bills altogether would have involved years of talks with the federal government – and we are determined to take immediate action to help families and small businesses.

It's also important to remember that on January 1, 2016 the Debt Retirement Charge was eliminated from residential bills and the Ontario Electricity Support Program was launched to provide low-income families with up to $75 each month.Taken together, families are receiving far more than through OCEB.

Q. Can you predict where prices will go now?

Ontario`s government does not set electricity rates. Rates are set by the independent Ontario Energy Board.

As well, no utility, distribution company, government can predict the future; but our long term energy plan recognizes that electricity costs will rise in every part of Canada. Though, recently the FAO noted that prices in Ontario have increased at a slower pace than other provinces – including Quebec.

But, our government has heard from Ontarian's and is committed to helping people with the cost of everyday living. So, we're taking action; we are reducing the cost of electricity bills for families, businesses both small and large and reducing even more for northern, rural and remote communities. We currently offer many programs, for example the Ontario Electricity Support Program and now can add another benefit for Ontarian's.

This next step is a billion dollars in taxes that we are giving back to Ontario families. The people of Ontario deserve to be the first to benefit from the hard work we have put into balancing our budget and meeting our fiscal targets.

Q. Why is the government introducing these price mitigation measures? Is the government finally acknowledging that electricity prices are too high?

The new Minister of Energy was appointed to his position to take action on prices, and since being appointed in June, that's exactly what he's done.

Work on this project has been undertaken over the course of the last three or four months, and the results of that were included in today's throne speech.

Our government has heard from Ontarian's and is committed to helping them with the cost of everyday living. Through this three point plan, our government will reduce the cost on electricity bills across the board.

Families, farms, and small businesses will be rebated Ontario's percentage of HST on their bills which is a savings of 8% - a significant saving

Manufacturers will receive approximately 34% in savings as a result of the Industrial Conservation Initiative - which is a benefit in return for their continued commitment to meeting conservation targets.

Northern, rural and remote communities will be rebated 20% - a necessary relief for families to help offset the cost of supplying power (delivery charge) to these areas.

Q. Even with these price mitigation efforts, Ontarians will still likely struggle to pay their electricity costs. What are you going to do to stop further increases in the future?

We are committed to ensuring that the safe, clean, and reliable system we have built over the last ten years is as affordable as can be to Ontarians.

Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

It's also important to remember that Ontario has already removed the Debt Retirement Charge and introduced the Ontario Energy Support Program – which provides targeted relief to low-income families.

Going forward, no utility, distribution company, or government can predict the future with certainty. We are acting now to put ensure access to our clean and reliable electricity system is as affordable as can be for all Ontarians.

Q. If the government is looking to reduce electricity system costs, why not simply cancel expensive renewable energy projects?

Ontarians elected our government to invest in clean energy and fight climate change, and that’s exactly what we’ve done.

A diverse electricity supply of emissions free power improves our system by reducing our dependence on any one source. It is one of the greatest strengths of Ontario’s electricity system.

Under Ontario’s new competitive procurement process for renewable energy, we are driving down costs for Ontario consumers - removing about $3.3 billion in costs from our system when compared to the 2013 long term energy plan.

With the recently announced Large Renewable Procurement contracts, the price for wind power is now on a level playing field with other forms of generation in Ontario; and the price contracted for solar power represents the lowest cost solar projects that have been contracted in Canada to date.

Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas (GHG) emissions and provides cleaner air for this and future generations of Ontarians.

Each of our supply mix elements, including hydroelectric, nuclear, natural gas, non-hydro renewables, conservation and clean imports, plays a unique role in delivering a reliable and cost-effective source of energy to Ontarians.

Q. Was there any consultation with the public or businesses when developing these price mitigation measures?

This initiative is a reflection of the hard work we have put into balancing our budget and meeting our fiscal targets. We believe that the people of Ontario deserve to be the first to benefit from our sound financial position.

Our government has heard from Ontarians and is committed to helping them with their everyday living costs, and that’s why we’ve brought forward these measures.

This year, the Ministry of Energy is also beginning to develop its next Long-Term Energy Plan (LTEP). Developing the LTEP is a highly collaborative process. The Ministry works closely with its agencies and stakeholders during LTEP consultations and development.

LTEP consultations are expected to take place in over the next several months and we encourage all Ontarians to take part in the discussion of Ontario’s energy future.

Q. When will these mitigation measures take effect?

We are introducing legislation to support the proposed 8% rebate on September 15, 2016 (TBC). If passed, residential consumers, small businesses and farms will start receiving the rebate on January 1, 2017.

This start date will be aligned with the start of the next fiscal period of January 1st, and represents an aggressive timeline.

Our government has many programs currently in place to assist Ontarian's with their everyday energy costs, including the Ontario Electricity Support Program which we introduced earlier this year. We encourage customers to contact their local utility to find out what programs are available to them.

Q. Will Local Distribution Companies (LDCs) be ready to implement the bill changes? What happens if they are delayed? Will consumers be compensated retroactively?

Early reaction from LDCs suggests that they will be able to meet our implementation targets. However, we will work with the Ontario Energy Board and Local Distribution Companies (LDCs) to ensure the necessary adjustments are made to LDC billing systems.

LDCs already have experience with the implementation of billing changes like those associated with the OCEB and the Ontario Electricity Support Program (OESP).

8% rebate for residential consumers, small businesses and farms:

Q. How will customers receive this rebate? Is it permanent? Are there any requirements to be eligible? Who will be receiving this rebate?

The proposed rebate will be available to all consumers eligible for the Regulated Price Plan (RPP) – this includes about five million residential consumers, small businesses and farms.

The HST rebate will remove 8% from all of these customers' bills. That is a significant savings.

Consumers won't have to do anything to receive the rebate, it will be automatically added to their bills.

Q. How much can an average customer expect to save off their electricity bill?

The average customer in an urban area will see the provincial portion of the HST rebated to them. That means their bills will be reduced by 8%, or $130 annually - a significant savings.

Northern, rural, and remote communities will see their bills reduced even more through a lower delivery charge on their bills. These customers will see a reduction of 20% on average, or $540 annually – once again, a significant savings for families in these regions of Ontario.

Q. Will any other programs be affected by this rebate? For example, will recipients of the Ontario Electricity Support Program also receive the rebate?

The proposed rebate would apply to all RPP-eligible consumers regardless of income, status or location.

That means the rebate will work with other existing programs, such as the Ontario Electricity Support Program (OESP).

Q. Are consumers really receiving an 8% rebate when taking into account the costs associated with the other price mitigation measures you're announcing today (i.e. RRRP and ICI)?

With today's announcement the RRRP is nearly doubling. Currently it's a $175 million program. It will be increased by $110 million to provide eligible rural customers a cumulative 20% reduction in their hydro bills.

The Ontario Energy Board sets the policy for who is an urban, R1 and R2 customer and it is driven by density considerations and the high cost of serving remote, rural and northern customers as compared to compact, downtown urban cores.

As this is a ratebase program, the Ontario Energy Board will need to opine on how the costs are allocated so it's difficult to come up with a specific numbers on bill impact. However, the current program cost is about $1 per month.

However, each utility provides similar equalization within their own customer base – think about downtown Toronto, with dozens of high-rise condo towers and within the same LDC (in this case Toronto Hydro), the slightly more expensive to service suburban customers (again, density) all pay the same distribution rate. So the RRRP is a province-wide mechanism that recognizes that cost of service differential and provides rural and remote customers with a modest, but meaningful support.

Q. Doesn't the rebate reward those who use more electricity – how does this encourage conservation?

Our government remains committed to Putting Conservation First.

Conservation is good government policy – it empowers individuals to lower their own bills, while reducing system costs and saving all Ontarians the cost of new generation and transmission infrastructure.

This rate mitigation is a result of what we have heard from Ontarians and our commitment to helping people with their everyday costs.

The mitigation package does not change our conservation goals.

<u>Expansion of the Industrial Conservation Initiative (ICI):</u>

Q. Why are you expanding the Industrial Conservation Initiative? How will the expansion of ICI help businesses with their electricity costs?

The Industrial Conservation Initiative (ICI) allows large electricity consumers to save on their electricity costs by reducing their demand during peak hours. Reducing consumption during peak hours benefits the companies' bills, while also benefiting the electricity system at large by reducing demand on the system during peak times.

Our expansion of the ICI will lower the threshold for participation in the program, expanding access to the program to over a thousand new businesses across the province, while also increasing the benefit to the system at large.

It will be up to individual businesses to decide whether and how to participate in the program. Participating businesses could see savings on their electricity bills of up to one third of their total costs.

Q. How much can ICI participants expect to save in terms of electricity costs? When will they start to see the benefit financially?

ICI participants save approximately one-third on their electricity bills.

Companies that opt in to the program in 2017 will begin to see these significant savings on their bills in 2018.

If pressed:

Companies that opt-in to ICI would see the impact in 2018 due to the time required to implement the expansion and the need to set a one-year baseline.

Q. How many companies will be eligible for the ICI once the expansion happens?

Currently there are about 300 consumers in the ICI program.

Over a thousand more Ontario businesses will be eligible to benefit from the ICI program after these changes, helping them stay competitive and grow.

Q. What about companies that can't shift their operations to off-peak hours? Will they be penalized financially by having to pay higher rates?

As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

These efforts are in addition to the programs Ontario already has in place to help industrial consumers address the cost of their electricity.

Companies in the province will continue to benefit from these programs.

Ontario's electricity rates are already extremely competitive with other jurisdictions. The combination of our hybrid electricity market, using regulated, contract and competitive market pricing, provides long-term price stability for industrial and smaller customers.

If pressed on what programs currently exist:

(see GHG Recycling Account messaging below)

In addition to the ICI, there are many existing programs and incentives available to support industrial consumers.

For example:

- Participants in the Northern Industrial Electricity Rate Program (NIERP) receive a rebate of two cents per kilowatt hour. On average, industrial electricity prices can be reduced by up to 25% through the program. In 2015, the Ontario government announced the commitment to an ongoing NIERP beyond March 2016.

- The Industrial Electricity Incentive (IEI) offers reduced electricity rates for companies starting or expanding operations in Ontario. To date, IESO has awarded 22 contracts to electricity-intensive companies across the province through the program.

- The Industrial Accelerator Program (IAP) provides financial incentives to eligible transmission-connected companies to fast track capital investment in major energy conservation projects.

- The IESO holds annual demand response auctions, which provide availability and utilization payments to successful participants that commit to reducing their electricity consumption when called upon to do so.

- The IESO's saveONenergy for Business conservation programs for commercial and industrial consumers offers financial incentives to distribution-connected small businesses, commercial, institutional and industrial consumers, to install energy-efficient equipment and improve the energy efficiency of their buildings.

As we move forward we will continue to look at all options to strike the balance between reliability and affordability, while continuing our work on modernizing our electricity system.

Q. If new ICI participants will be getting a break on their bills, where will the money come from? How will costs get shifted?

An ICI participant's share of peak demand is used to calculate some electricity charges. The remainder of these charges not allocated to ICI participants would be shared across remaining consumers.

Over the long-term, system benefits from ICI include reducing electricity use during peak periods and reducing the need for new peaking generation.

Impacts will depend on a number of factors, including how many eligible companies decide to opt-in and their ability to reduce their electricity demand during peak hours.

If pressed:

The combination of the RRRP and ICI expansions are estimated to cost ratepayers about $1.74/MWh in 2018. To put this into context, this represents about $1.31 per month for the average household. This small cost will be more than offset by the other elements of our rate mitigation package.

Rural or Remote Rate Protection (RRRP) Update:

Q. What is Rural or Remote Rate Protection (RRRP)? How is RPPP being updated? What kind of relief will it provide to ratepayers that currently receive it?

Customers in Northern, rural, and remote communities face higher distribution charges due to the high cost of delivering electricity to these areas.

The RRRP is a program that provides a subsidy to these customers to help with these costs.

As part of our rate mitigation efforts, we are almost doubling the RRRP to help these customers with their bills. This will mean an average savings of $540 per year for these individuals and families.

The level of RRRP has not been changed since 2003, which has resulted in diminishing relief for customers over the years.

That's why are going to increase the support to these consumers by updating the RRRP.

Q. Why are urban customers subsidizing rural consumers? Isn't this just a tax on some to provide relief for others? How does this rate relief benefit the electricity system?

The RRRP has been in place since 2001 and replaces a similar program that was in place prior to 1998.

It provides relief for the high distribution charges faced by Northern, rural, and remote customers as a result of the high cost of delivering electricity to these areas.

The cost of this program to an average urban family has been about $1.00 per month since 2003, and would increase by about $0.60 for the average customer with these changes in January.

This increase is more than offset by the 8% HST rebate that we are including in this rate mitigation package, which will save the average family $130 per year.

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<u>Additional QAs provided by the Ministry of Finance</u>

Q. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget?

The Ontario Rebate for Electricity Consumers would help make everyday life easier for Ontario families, small businesses and farms with electricity costs by providing a rebate that is equal to the eight per cent provincial portion of HST. This eight per cent rebate would appear directly on the consumer's electricity bill.

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Q. Do other provinces provide harmonized sales tax (HST) rebates related to energy?

Currently, there are no federally-administered point-of-sale rebates for electricity in any of the other provinces participating in the HST.

Nova Scotia is the only province with a provincially administered home energy rebate program that is equal to the provincial portion of the HST, and applies to all sources of residential use energy, including electricity.

Newfoundland and Labrador had a “Residential Energy Rebate” that was eliminated, effective July 1, 2015. The rebate, which came into effect October 11, 2011, was a provincially administered energy rebate equal to the provincial portion of the HST on energy used for residential purposes, including electricity.

Q. Would the rebate affect HST paid by consumers?

No. The HST on electricity costs remains at 13 per cent.

Q. What happens to input tax credits claimed by businesses?

Most businesses engaged in commercial activities can claim input tax credits to recover the HST they pay to operate their business.

Following the introduction of the eight per cent rebate, businesses would continue to be able to claim the credits as usual.

With this rebate, businesses across Ontario would have even more opportunity to be competitive and manage their energy costs.

Q. How is Ontario helping to lower electricity costs for residential consumers?

Ontario has a number of programs in place to help low-to-moderate income individuals and families with energy costs, including the Ontario Energy and Property Tax Credit, the Ontario Electricity Support Program, the Ontario Sale Tax Credit.

The Ontario Rebate for Electricity Consumers would be another program that would help Ontario families, small businesses and farms with electricity costs in addition to the above mentioned programs, if consumers were eligible.