# 2018 DOCUMENT INITIATIVE – SUMMARY NOTE

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| **INITIATIVE TITLE:** | First Nation Delivery Credit – Expansion to Band-owned Buildings |
| **DOCUMENT THEME:** | |
| **LEAD MINISTRY:** | Ministry of Energy |
| **SUPPORT MINISTRIES:** | Ministry of Indigenous Relations and Reconciliation |

## I. HIGH-LEVEL SUMMARY

First Nations Delivery Credit Background: At the April 2016 First Nations-Ontario Energy Table, First Nation leaders recommended the elimination of electricity delivery charges for First Nations. The Minister of Energy directed the Ontario Energy Board (OEB) to work with First Nations to research options that would address residential energy affordability on reserves, and to report back on its findings. Acting on the OEB's findings and feedback from First Nations, the Province collaborated with the Chiefs of Ontario (COO) to develop the First Nations Delivery Credit (FNDC).

The FNDC, a component of Ontario's Fair Hydro Plan, was implemented on July 1, 2017 and provides a credit equal to 100 per cent of the electricity delivery charge on the bills of on-reserve First Nation residential customers of licenced distributors.

Data reported by IESO reveals that over 20,000 customers are receiving FNDC – this was the target number pre-launch and reflects a successful rollout. Since the launch of the FNDC, feedback from First Nation communities and organizations has been very positive.

The annual cost of the current FNDC is expected to be $20 M annually and is funded through the tax base.

FNDC Expansion: COO has been advocating for the expansion of the FNDC beyond residential to include Band-owned buildings. The Ministry of Energy advised COO that it is open to further discussions but needed to assess the costs of expanding the program. Expansion of the FNDC program will require Cabinet approval for regulatory amendments and Treasury Board approval for additional funding.

Hydro One provided preliminary data on the delivery costs or equivalent/service charge for Band-owned non-residential accounts from 107 of 133 First Nations in Ontario for the April 1, 2016 to March 31, 2017 period.

- The data notes that the delivery charge for Band-owned accounts in these 107 communities was approximately $6.4 million.
- Hydro One has indicated that the data provided is preliminary and that Band-owned data varies in granularity and accuracy and will likely change.
- This data does not include the delivery charge or equivalent/service charge for the 16 First Nations in Ontario that are served by other licensed distributors (for example: Algoma Hydro, Thunder Bay Hydro, etc).
- Using the average delivery charge per community for the107 First Nations in the Hydro One data, we estimate that the **total delivery charge for all Band-owned buildings in communities served by licensed distributors** is roughly **$7.4M** annually.

*Note*: 10 First Nations in Ontario are served by Independent Power Authorities (IPAs) which are not currently eligible for the FNDC, and would not be eligible for the proposed expansion to the FNDC. The IPA communities are eligible for the Ontario Rebate for Electricity Consumers Program which provides financial assistance to electricity consumers in respect of electricity costs. Therefore, data is outstanding for 16 additional First Nations.

Therefore, based on preliminary estimates from Hydro One, the estimate for expanding the FNDC to include Band-owned buildings on-reserve for communities served by licensed distributors is roughly $7.4 M. This estimate is in line with the Ministry of Energy's expectations for potential cost of expanding the FNDC program to include Band-owned buildings on-reserve.

## II. KEY COMMENTS

*Problem definition:*

The 2017 Long Term Energy Plan recognized that First Nation electricity consumers living on-reserve face unique challenges with respect to electricity affordability, for example higher distribution costs. The problem of higher distribution rates are often compounded by energy-inefficient homes and buildings on reserve that lead to higher levels of energy consumption. The FNDC has made a significant impact to First Nation households on reserve, however, the Chiefs Committee on Energy is advocating for the program to be expanded to included Band-owned buildings on reserve because these buildings are often large energy consumers that create a significant financial strain on communities. Examples of Band-owned buildings could include arenas, health clinics, community centers, education centres, etc.

*Opportunities to adjust scale/scope:*

Hydro One provided preliminary data for Band-owned accounts in 107 First Nations. There is an opportunity to work with Hydro One Networks Inc. and Hydro One Remote Communities Inc. to refine the data to generate a more accurate estimate of potential cost of expanding the FNDC and to work with other local distribution companies to gather data on the remaining 16 communities.

*Considerations for implementation:*

Regulatory: Section 79.4 of the OEB Act provides for a delivery credit to offset the costs that make up the delivery line for on-reserve consumers, paid for through funds appropriated by the Legislature. It also provides for regulation making authority to define who is an on-reserve consumer and what areas constitute a "reserve". The central piece of the FNDC regulation (O. Reg. 197/17) surrounds the eligibility criteria. The regulation limits eligibility to all First Nations residential on-reserve customers, regardless of whether the customer is seasonal or permanent. The definitions of key terms, such as "reserve", "member of a band", are taken directly from the traditional meaning provided in the *Indian Act.* Amendments to O. Reg. 197/17 would be required and would require Cabinet (Legislation and Regulation Committee) approval. (Note: Advice from Legal required.)

*Timelines:*

Potential to present to Cabinet in spring 2018 and enact expanded FNDC on July 1, 2018. LDCs will require some lead time to become operationally proficient to implement proposed changes to FNDC initiative.

*Intended outcomes and performance measures:*

Performance measures include program uptake analysis to be gathered through IESO and Hydro One data annually post program launch. Hydro One estimates show 1,601 Band-owned non-residential accounts for 107 First Nations. This data could be used as a metric for program uptake. Additional data is required for the remaining 16 First Nations served by other licenced distributors.

*Linkages to existing government programs, strategies and/or mandate letters:*

Expanding the FNDC program aligns with the 2014 Political Accord by upholding First Nations by promoting relationship building by working on projects of mutual interest and also the principles communicated in the Ministry of Energy's 2017 Long Term Energy Plan.

The FNDC is also a direct example of progress made through the First Nations-Ontario Energy Table.

*Potential stakeholder reactions:*

COO would be supportive of the expansion of the FNDC to include Band-owned or non-residential buildings on reserve.

Communities that do not have reserve lands (eg. Algonquins of Ontario and non-Status First Nations) would likely continue to express concern about being excluded from the FNDC.

During the LTEP engagements, the Ministry of Energy received feedback at many sessions that the FNDC should be expanded to include First Nation members who live off-reserve. An expansion of the FNDC for non-residential buildings on reserve may cause concern for those who would like to see the program expanded to off reserve.

Local Distribution Companies (LDCs) would be interested in understanding how the program revisions would impact their operations and workload.

*Risks:*

Regulatory changes would be needed in order to expand the FNDC.

Given that the FNDC is funded through the tax base, the program would need to be revised and implemented in a fair, transparent manner.

*Policy approvals already received or that may be required:*

Cabinet approval (Legislation and Regulation Committee) will be required to amend O. Reg. 197/17.

Treasury Board approval will be required for funding.

## III. POTENTIAL NARRATIVE

*Provide draft, illustrative language that could be included in the 2018 Document.*

In July 2017, Ontario implemented the First Nation Delivery Credit (FNDC) which provides on-reserve First Nations households who are customers of licensed electricity utilities a credit equal to 100% of the electricity delivery charge on their electricity bills. The Government recognized that the FNDC is a starting point to providing the relief and support First Nations need to manage rates that rose quickly over time. Since implementation of the FNDC, First Nation communities and organizations advocated for an expansion of the program to include on-reserve Band-owned buildings. The 2018 Document will provide $7.4M [*Note*: **this is a preliminary estimate and subject to change**] funding to support 100% credit for delivery charges for on-reserve Band-owned buildings. The First Nation Delivery Credit Expansion is aligned with commitments the Government made in the 2014 Political Accord, the 2017 Long Term Energy Plan and most importantly feedback gathered through engaging with First Nation communities.

## IV. FISCAL SUMMARY

| MINISTRY | INITIATIVE | O/C | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|---|
| | Initiative Cost (Expansion of FNDC) - ESTIMATE | | $7.4M | $7.4M | $7.4M | $7.4M |
| ***Total Fiscal Impact ($ Millions)*** | | | **$ 7.4 M** | **$ 7.4 M** | **$ 7.4 M** | **$ 7.4 M** |

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**Date: January 16, 2018**