Ontario

LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

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Ministry of Energy

Amending Ontario Electricity Support Program Regulation to Support the Implementation of Ontario's Fair Hydro Plan

O.Reg.314/15 (Ontario Electricity Support Program) of the *Ontario Energy Board Act, 1998*

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Moderate
Key Stakeholder Interest: Moderate
New Costs/Burdens: No for Stakeholders; Yes for Government
New Savings/Opportunities: Yes for Stakeholders; No for Government

Proposed Items for Review

1. Proclaiming into force ss. 79.2 *Ontario Energy Board Act, 1998*
2. Amending the Ontario Electricity Support Program (OESP) regulation under O. Reg. 314/15 of the *Ontario Energy Board Act*, 1998

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	LRC, January 23, 2018	January 23, 2018
TB/MBC	No approval needed	

Deputy Minister — 30/1/2018 Date

Minister — 31/1/2018 Date

s. 1 Proposal and Context

The Ontario Electricity Support Program (OESP) is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers by providing a credit directly on bills. The program, established under section ss. 79.2 of the *Ontario Energy Board Act, 1998* (OEBA), is currently delivered by the Ontario Energy Board (OEB) and has been in place since January 1, 2016.

On March 1, 2017, Treasury Board approved the Cabinet Submission on Rate Mitigation which proposed to help vulnerable electricity consumers by expanding every benefit level of the OESP by 50%, increasing program eligibility, moving the program from a ratepayer funded program to a government funded program, and pursuing additional measures to substantially increase uptake.

To implement certain key elements of the above-noted direction by May 1, 2017, the OEB implemented several program changes to achieve the following objectives: (i) increase funding to existing OESP-eligible consumers by 50%; (ii) provide for a number of new classes of rate-assisted consumers; (iii) increase enrolment into the OESP by aligning eligibility criteria with other social assistance programs; (iv) shift funding for the program to the tax base by eliminating the OESP charge for electricity customers.

As part of *Ontario Fair Hydro Plan Act, 2017*, cost recovery for the OESP is being shifted away from the rate-base to the tax base. Amendments to the OEBA were approved in June 2017 to support the transition to the tax base, transfer certain authorities from the OEB related to program spending, and give authority to the Ministry of Community and Social Services (MCSS) to support OESP uptake for social assistance clients. The legislation was not proclaimed at the time, as there was a significant variance account that was built up through the OESP regulatory charge, which allowed the OEB to continue to pay for the program. .

As of November 30, 2017 the variance account balance was $36.1 M and depletion to zero is anticipated when electricity providers seek compensation for February 2018 program costs. In order to facilitate the transition of the OESP to a tax based program, the Ministry of Energy (ENERGY) is proposing to bring into force ss. 79.2 of the OEBA, via a Proclamation Order-in-Council. This would shift the source of OESP funding to provincial revenues.

In order to ensure the program can continue uninterrupted once funding transitions to the tax base, corresponding amendments are also being proposed that would revoke the current O. Reg. 314/15 made under the OEBA, and replace it with a new regulation. Changes would ensure that once the program transitions to provincial revenues, the OEB will continue to administer the program and the Ministry of Energy will have oversight of spending activities.

s. 2 Approach and Intended Outcomes

The proposed approach includes proclaiming ss. 79.2 of the OEBA into force and replacing O. Reg. 314/15 with a new regulation that will complete the transition to government funds and introduce a range of reporting requirements that shift authority for program spending oversight to the Ministry. The proposed regulatory changes would:

- Ensure that the IESO-administered variance account is depleted, at which point program costs will be compensated using government funds;
- Retain the same rate class structure and eligibility requirements, including ensuring that anyone deemed eligible for Ontario Works or the Ontario Disability Support Program will automatically be eligible for OESP;
- Outline the information reporting requirements from electricity providers in order to be compensated by the Independent Electricity System Operator (IESO) for program costs;
- Introduce reporting requirements for the IESO on program costs in order to be paid for compensation it provides to electricity providers and others that incur costs related to administering the OESP; and
- Introduce reporting requirements for the OEB on program metrics and projected program costs for approval by the Ministry before those costs are incurred.

The effective date for the proclamation and the new regulation would be February 1, 2018. This date is required to ensure the appropriate processes are in place to shift the program to government funds when the variance account is depleted. This is expected to happen when electricity providers are compensated for February 2018 program costs, which takes place in early March. However, if the variance account depletes earlier, then the February 1 effective date would enable the Ministry to begin making payments in February, if needed.

s. 3 **Direction and Urgency**

Starting on May 1, 2017, the IESO stopped collecting the OESP charge, which was a volumetric charge of $0.0011 per kilowatt-hour (kWh; a measure of the amount of power consumed) for every unit of electricity consumed in Ontario. This charge was used exclusively to finance the OESP, and due to a significant positive variance, continues to be used to the pay for costs associated with program administration and delivery.

The OESP variance account is forecasted to deplete in March 2018, which is when the IESO compensates electricity providers and others that have incurred program costs in February 2018 (e.g. the OEB, the central service provider that manages the OESP application system).

If the account runs out before the authorities and means are in place to cover program costs with government funds, the IESO would have to incur debt to make payments. Each month the program costs over $12 million, and is growing at a rate of about 4% per month, resulting in significant interest costs.

These costs would be avoided if the provisions in the OEBA are proclaimed and the proposed regulation is approved with an effective date of February 1, 2018.

s. 4 Impact Assessment and Costs

On March 1, 2017 TB/MBC approved the following fiscal spending for the next four years, to be drawn from general provincial revenues:

2017-18	**2018-19**	**2019-20**	**2020-21**
$140 M	$261 M	$325 M	$375 M

The cost of the OESP is heavily dependent on program uptake because the credits are fixed amounts. To ensure the program receives an appropriate amount of funding to support its ongoing implementation, ENERGY submitted revised program forecasts through the 2018-19 PRRT Submission:

Ontario Electricity Support Program ($M)	**2018-19**	**2019-20**	**2020-21**
Preliminary Allocation	259.4	325.0	375.0
Revised Forecast *(based on 60% uptake)*	230.0	264.0	288.0
+ Surplus / - Deficit	**29.4**	**61.0**	**87.0**

The revised forecast assumes that the program will reach 60% by 2020-21 and will grow at a slower rate compared to what was originally estimated.

OEB research and consultations have found that participation rates for programs vary widely depending on several factors, and that 60% is a reasonable benchmark for success.

For example, the Low Income Home Energy Assistance Program (LIHEAP) in the United States has consistently low participation rates. This program has similar application and eligibility requirements as the OESP. However, independent research on this program found a 17% participation rate in 2010 for

LIHEAP, while another federal program – the Supplemental Nutrition Assistance Program – had participation rates between 50-65% within the same timeframe. These variations were determined to be a factor of how programs are funded and the degree to which participation is a policy priority.

Increasing OESP participation is a priority for government, and was articulated as a Fair Hydro Plan objective in the March 2017 TB Minute. MCSS efforts to align OESP with social assistance programs will improve these results. Legislative changes in June 2017 enabled MCSS to identify which of its clients are currently not receiving OESP, for which they are all now eligible. MCSS is now directly contacting over 90,000 social assistance clients by phone and mail so they get enrolled in OESP and start receiving benefits.

Additional efforts to improve uptake are expected to include collaboration between OEB and Ministry communications offices to better promote the OESP. TBS Behavioural Insights will continue to be engaged by MCSS, OEB, and the Ministry of Energy to identify ways to better reach potentially eligible customers and improve marketing and advertising.

s. 5 Implementation

This proposal will not change OESP delivery in any way. Recipients will continue to receive credits without interruption, the application process will remain the same, and electricity providers and other program administrators will seek cost recovery from the IESO.

In order to implement these changes, the IESO and the OEB will formally begin reporting program costs and metrics to enable Ministry oversight. Further, the OEB will begin to prepare forecast spending report for the Ministry to review and approve before the OEB can incur those costs and receive compensation from the IESO.

s. 6 Delivery and Results Tracking

There is no delivery or results associated with these changes. The OESP will continue to be delivered seamlessly.

s.7 Stakeholder Consultations

The Ministry is working closely with the OEB and the IESO to ensure that the correct legislative and regulatory mechanisms are in place to ensure seamless program delivery.

s.8 Other Jurisdictions and Harmonization

- N/A

s. 9 Communications

OEB is finalizing an OESP marketing buy for Q1 2018 (ending March 31), which will be consistent with previous campaigns undertaken by the OEB.

ENERGY will continue to work with the OEB to support the implementation of changes under the Fair Hydro Plan. This approach will inform low-income Ontarians of the enhancement of the OESP credit amount and expansion of the eligibility criteria.

ENERGY will continue to work with Cabinet Office Communications to develop an ongoing communications strategy to improve public awareness of the OESP.

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
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Cabinet Office Policy		

Appendices

Appendix A: Order in Council to proclaim into force ss. 79.2 of the *OEBA, 1998.*