Ontario

LEGISLATION AND REGULATIONS COMMITTEE BRIEFING NOTE

Energy
DRAFT based on draft materials- Electricity Bills

Cabinet (info) Feb 15, 2017	TB/MBC and Cabinet March 1, 2017	Announcement March 2, 2017	LRC/Cabinet April 10, 2017	TB/MBC May 9, 2017
Cabinet May 10, 2017	Introduction May 11, 2017	Royal Assent June 1, 2017	Cabinet June 27, 2017	LRC/Cabinet TBC

Summary of Proposal

The proposal is consistent with government direction.

Context for Decision:

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 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 2, 2017, the government announced Ontario's Fair Hydro Plan (OFHP), which would lower bills by 25% for a typical residential consumer, starting in the summer of 2017. OFHP includes some benefits for all consumer classes as well as targeted benefits to those identified as having the greatest need, including a 50% expansion of the benefits under OESP.

The *Fair Hydro Act, 2017,* was introduced on May 11, 2017 and received Royal Assent June 1, 2017. The act included amendments to the Ontario Energy Board Act, 1998 (OEBA) to allow for the OESP to transition from the rate base to the government funding, and allow for the potential transition of the program administration to the Crown or other entity. These amendments were 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 program administration.

Proposal

In order to complete the transition of OESP to government funding, and to move administration of the program from the OEB to the ministry, the ministry is proposing:

1. A proclamation Order In-Council (OIC) to bring into force subsection 79.2 of the OEBA as of January 1, 2018;

2. To revoke and replace the OESP regulation (O.Reg. 314/15) in order to ensure appropriate authorities for administering the program are transferred to the ministry; and

3. Administrative amendments to O. Reg. 293/12 made under the *Ministry of Revenue Act* in order for the Ministry of Finance (MOF) to continue to assist with income verification of OESP applicants after transfer of the program to the ministry.

Why does Ontario need these changes? Why now?

As part of OFHP, several electricity support programs, including OESP, were to transition from the rate base to government funding in order to eliminate the electricity rate impacts of these programs. OESP was not immediately transitioned as there was a significant variance account that was built up through the OESP regulatory charge, which allowed the OEB to continue program administration while not impacting rates.

Energy reports that, as of October 31, 2017, the variance account balance was $48.3 M and depletion to zero is anticipated for January/February 2018. The ministry proposal would complete the transition of the program to government funding in advance of the variance account being fully depleted and also make necessary amendments to transition the program's administration from the OEB to the ministry. Transition provisions will allow the continued utilization of the variance account until it can no longer support the program.

How will this proposal impact Ontario?

The transition of the OESP program to government funding will decrease average electricity bills by $XX per month. Unlike some other OFHP initiatives, the transition provides some rate relief for all electricity consumers.

Commented [HT1]: Please advise.

What is the expected cost to government?

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	**29.4**	**61.0**	**87.0**

The revised forecast assumes that the program will only reach 60% by 2020-21 and will grow at a slower rate compared to what was originally estimated. Forecast revisions for 2017-18 will be addressed through PRRT quarterly reports.

What are the key steps to deliver this proposal?

On January 1, 2018 ss. 79.2 will come into effect.

The OESP is almost entirely administered through a series of contracts and agreements. These contracts and agreements will transfer from the OEB to ENERGY. There will be no changes to the OESP program, and the program is expected to continue uninterrupted.

Funding for the OESP will continue to be drawn from the variance account until it is depleted, which is anticipated in February 2018. The transfer of administration authorities to ENERGY is anticipated to occur on March 1, 2018 (TBD) which will provide the Ministry with sufficient time to make all necessary arrangements for a seamless transition of program administration.

Commented [HT2]: When will this be determined?

How will the changes be communicated?

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 is prepared to continue implementing the high-profile communication and marketing approach that was originally developed with the OEB to support the implementation of changes under OFHP. This approach will inform low-income Ontarians of the enhancement of the OESP credit amount and expansion of the eligibility criteria.

ENERGY will work with Cabinet Office Communications to develop an ongoing marketing strategy for OESP.

Terms you need to know

- **Ontario Energy Board (OEB) –** A Crown Agency that independently regulates Ontario's electricity and natural gas sectors in the public interest. Implements an open and transparent process to allow for stakeholders to participate in quasi-judicial proceedings and formal stakeholder consultations.
- **Local Distribution Companies (LDCs)** – Local electricity utilities, responsible for distributing power from transmission lines to people's homes (e.g., Hydro Ottawa and Toronto Hydro).
- **Unit sub-meter providers (USMPs) –** Privately owned companies that provide metering services to multi-unit residential buildings so that individual unit residents can be billed for electricity based on their individual consumption levels.
- **Independent Electricity System Operator (IESO) –** An independent

corporation and agency of the Ministry of Energy that operates the electricity market in Ontario. Balances the supply and demand of electricity in Ontario, and then directs its flow across the province's transmission lines, including interties with other jurisdictions.

Cabinet Office Analysis

This proposal is consistent with government direction.

Introduction:

The Ontario Electricity Support Program (OESP) is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by providing a rebate directly on electricity bills. The program was launched in January 2016 and has had roughly 30% enrolment. Under OFHP the program was expanded to increase the existing benefit credit amounts by 50% and provide additional credits to more households. Under the expanded program the basic OESP benefit scale increased from $30-$50 to $35-$75 a month and the enhanced OESP benefit scale would increase from $45-$75 to $52-$113 a month for eligible consumers.

Commented [HT3]: What is the updated number?

Proposal:

The proposed proclamation OIC would bring into force ss. 79.2 Ontario Energy Board Act, 1998 to enable the OESP to transition from the electricity rate base to government funding to reduce pressure on electricity rates. The program is also transitioning from being administered by the OEB to the ministry and the ministry is proposing administrative regulatory amendments to enable this transition. The ministry advises that there will be no interruption with the program and that program recipients should not notice that any change has taken place once the proposed amendments are implemented.

Amending the Ontario Electricity Support Program (OESP) regulation (O. Reg. 314/15) under the Ontario Energy Board Act, 1998

Regulatory amendments would revoke the current O.Reg. 314/15 and replace it with a new O.Reg. 314/15. The regulatory amendments would, for example:

- transfer the authority to administer the OESP to the Minister of Energy and allow the administration of certain administrative requirements to be delegated by the Minister to the central service provider (CSP) to the extent specified by the Minister or as reflected in a contract between the Minister and the CSP;
- prescribe the technical and administrative requirements related to the administration of OESP;

- allow the OESP to continue to be funded through the IESO-administered variance account, until the amounts recorded in the account are no longer sufficient, when taken on their own, to fund the Program;
- determine classes of rate-assisted consumers;
- outline rules for the calculation of rate-assisted consumers;
- determine payments, including determining the method or methods of calculating the amount of rate assistance to be provided to recipients;
- outline information reporting requirements.

In general, the intention of the proposed amendments to O. Reg. 314/15 would be to adjust existing language and include new authorities to support the transition of the OESP to a government funded rate-assistance program. Amendments will also transfer program administration authorities from the OEB to ENERGY.

Amending the Services to Other Ministries Regulation (O. Reg. 293/12) under the Ministry of Revenue Act, RSO 1990

OESP applications relying on income tax verification, and the Ministry of Finance (MOF) acts as the main interface with the Canada Revenue Agency (CRA) for the program. Amendments will provide MOF with authority to execute income verification for OESP applicants on behalf of ENERGY. Once the program has transitioned to the ministry, these amendments will ensure that MOF can continue to confirm applicant eligibility and determine the amount of rate assistance that each applicant is eligible for.

Linkages:

Commented [MK(4]: Any linkage to the basic income pilot or other low income benefit programs?

2017 Long-Term Energy Plan (LTEP) – Ontario released the 2017 LTEP on October 26, 2017. The LTEP identifies needs for investments over the shorter term, while broadly mapping out the direction of the sector over a 20 year timeframe. The LTEP is intended to balance the principles of affordability, reliability, clean energy, community and Indigenous engagement, as well as conservation and demand management.

Ontario's Fair Hydro Plan – On June 1, 2017, the *Ontario Fair Hydro Plan Act, 2017* became law, reducing electricity bills for all residential consumers across the province. As many as half a million small businesses and farms are also benefiting. The OFHP also helps electricity consumers by enhancing a number of electricity support programs. The OFHP initiatives will feature prominently in the province's next LTEP and will have an impact on the province's energy planning activities for decades.

Protecting Vulnerable Energy Consumers Act, 2017 – On February 22, 2017, the government passed the Protecting Vulnerable Energy Consumers Act, 2017, which grants the OEB power in preventing electricity consumers from being disconnected during the winter months.

Low-Income Energy Assistance Program (LEAP) – Low-income electricity consumers that qualify for the OESP could qualify for other energy relief programs, including one-time grants from the OEB's LEAP as well as credits from the Ontarian Trillium Benefit's

Ontario Energy and Property Tax Credit and Northern Ontario Energy Credit programs. Under LEAP, low-income electricity consumers receive emergency financial assistance, and also benefit from special rules, such as having security deposits waived, longer payment times on arrears payment plans, and longer grace periods if facing disconnection.

Stakeholder response:

The only stakeholders that should notice a change are contract counterparties and the IESO, with which ENERGY will need to enter into an agreement about the transfer of funds. ENERGY is engaging with contract counterparties to allow them to raise any concerns with the transition and how it is being implemented. The ministry is anticipating that response to the proposal will be largely neutral.

Commented [MK(5]: Suggest adding a line here to confirm that there is no impact to beneficiaries of the OESP so no expected response from them.

Commented [HT6]: Please confirm

Risks:

Commented [HT7]: Other risks worth noting?

Program costs

The cost of the OESP is heavily dependent on program uptake because the credits are fixed amounts, and the program represents an ongoing and increasing pressure on government revenues.

Commented [MK(8]: And this proposal does not change the potential cost of the program

Ministry capacity

Moving the program to be administered by the ministry represents another line of business that could pose capacity challenges for the ministry. This is mitigated by the fact that the program is almost entirely administered through a series of contracts and agreements which will be transferred from the OEB to the ministry. The ministry is not reporting any major anticipated challenges associated with the transfer of these contracts and agreements.