LEGISLATION AND REGULATIONS COMMITTEE
BRIEFING NOTE

DRAFT BASED ON DRAFT MATERIALS
Energy
Ontario Electricity Support

Cabinet (Info) February 15, 2017	TB/MBC March 1, 2017	Cabinet (Policy) March 1, 2017	Announcement March 2, 2017
LRC/Cabinet (Reg) April 10, 2017	Effective Date (Reg) May 1, 2017	TB/MBC (Leg) Spring 2017	LRC (Leg) Spring 2017
Cabinet (Leg) Spring 2017			

Summary of Proposal

This proposal is consistent with Cabinet and Treasury Board/Management Board of Cabinet (TB/MBC) direction on March 1, 2017 to help vulnerable electricity consumers through an expanded Ontario Electricity Support Program by:

- Expanding every benefit level of the program by 50%;
- Increasing program eligibility;
- Moving the program from being funded by the rate-base to the tax base; and
- Pursuing additional measures to increase program uptake.

Proposal

The Ontario Electricity Support Program (OESP) is an Ontario Energy Board (OEB) program that provides a monthly credit directly on the electricity bills of eligible consumers, based on their household income and size. There are two scales – one with basic credits, and enhanced credits for Indigenous people or those who use electric heat or certain electrically intensive medical devices.

The Ministry of Energy (ENERGY) is seeking approval to amend Ontario Regulation 314/15 under the *Ontario Energy Board Act, 1998* to:

- Increase funding by 50% for existing OESP-eligible consumers;
- Add new classes of OESP-eligible consumers; and
- Ensure the Independent Electricity System Operator (IESO) continues to fund the program through its OESP variance account.

The IESO has ceased collection of volumetric OESP charges from all consumers, as per a March 23, 2017 OEB Order. ENERGY intends to report back to TB/MBC and bring forward legislation in spring 2017 to transfer the OESP from the rate-base to the tax base prior to the IESO's variance account being exhausted.

Why does Ontario need these changes? Why now?

Addressing rising electricity prices is among the highest priorities for Ontarians. There has been increased media attention and public pressure for the government to provide ratepayer relief.

On March 2, 2017, the Ontario government announced its intention to enhance the OESP, as part of a larger electricity rate mitigation package.

How will this proposal impact Ontario?

This proposal would help vulnerable electricity consumers by increasing credits for existing OESP-eligible consumers. For instance, single, low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180). For single consumers receiving the lowest credit for the enhanced scale, the amount would increase from $45 to $68 per month ($816 per year, an increase of $276).

This proposal would also extend eligibility to new electricity consumers based on new household income and size categories.

The proposed changes are anticipated to increase program participation. At the end of 2016, program participation was 30% – half of its original target of 60%.

Commented [SY1]: In 2016, how many low-income consumers were eligible for the OESP? How man were registered at year end? And how many more customers are anticipated to be eligible as a result of the proposed changes?

What is the expected cost to government?

ENERGY anticipates there would be no immediate costs to government resulting from the proposed regulatory amendments.

Shifting the OESP from the rate-base to the tax-base would impact the government's fiscal plan in the longer-term.

What are the key steps to deliver this proposal?

If approved, the OEB would implement the proposed OESP program changes by May 1, 2017. The OEB, utilities, unit sub-metering companies, and other partners are already updating their systems to prepare for the expanded OESP.

How will the changes be communicated?

ENERGY recommends a high-profile communications approach for the Ministry and the OEB to inform low-income Ontarians of the new OESP credit amounts and the expanded eligibility criteria. Tactics would include…

Commented [SY2]: Will the Comms Snapshot be updated to reflect this approach?

Commented [SY3]: Please describe tactics ENE and OEB will use to inform low-income Ontarians of the proposed changes. One or two sentences is fine.

Terms You Need to Know

- **Ontario Electricity Support Program (OESP)** – An income-tested, application based program that lowers electricity costs for the most vulnerable consumers by providing a credit on monthly electricity bills. The program is delivered by the Ontario Energy Board and has been in place since January 1, 2016.
- **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 stakeholders to comment on various items.
- **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.
- **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).

Cabinet Office Analysis

The Ontario Electricity Support Program (OESP) is an Ontario Energy Board (OEB) program that provides a monthly credit directly on the electricity bills of eligible consumers, based on their household income (total after tax) and size.

The basic and enhanced OESP credit amounts that currently exist are depicted in Tables 1 and 2. The enhanced OESP credit amounts are available to Indigenous people, those who heat their home with electricity, and those who rely on the following at-home medical devices: kidney dialysis machine, mechanical ventilators (invasive and non-invasive), and oxygen concentrator.

<u>Existing OESP Credit Amounts</u>

Table 1: Existing – Basic

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$30	$30	$34	$38	$42	$50	$50
$28,001 - $39,000			$30	$34	$38	$42	$50
$39,001 - $48,000					$30	$34	$38
$48,001 - $52,000							$30

Table 2: Existing – Enhanced

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$45	$45	$50	$55	$60	$75	$75
$28,001 - $39,000			$45	$50	$55	$60	$75
$39,001 - $48,000					$45	$50	$55
$48,001 - $52,000							$45

ENERGY is proposing to amend Ontario Regulation 314/15 under the *Ontario Energy Board Act, 1998* to enhance the OESP by increasing the OESP credit amounts by 50% for existing OESP-eligible consumers and adding new classes of OESP eligible consumers. The proposed OESP credit amounts are depicted in Tables 3 and 4, with new classes shaded in grey.

<u>Proposed OESP Credit Amounts</u>

Table 3: Proposed – Basic

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$45	$45	$51	$57	$63	$75	$75
$28,001 - $39,000		$40	$45	$51	$57	$63	$75
$39,001 - $48,000			$35	$40	$45	$51	$57
$48,001 - $52,000					$35	$40	$45

Table 4: Proposed – Enhanced

Household Income (After Tax)	Household Size (# of People Living in Household)						
	1	2	3	4	5	6	7+
< $28,000	$68	$68	$75	$83	$90	$113	$113
$28,001 - $39,000		$60	$68	$75	$83	$90	$113
$39,001 - $48,000			$52	$60	$68	$75	$83
$48,001 - $52,000					$52	$60	$68

If approved, the OEB would implement the proposed changes by May 1, 2017.

ENERGY is intending to report back to TB/MBC and bring forward legislation in spring 2017 to transfer the OESP from being funded by the rate-base to the tax-base. In the meantime, ENERGY would ensure the Independent Electricity System Operator (IESO) would continue to draw from its OESP variance account to fund the program. The variance account is the difference between the volumetric charge collected by the IESO from all electricity consumers, less the amount paid to OESP recipients. The IESO ceased collection of the volumetric charge on March 23, 2017, in accordance with an Order issued by the OEB.

Linkages

- The government announced the proposed regulatory changes to the OESP as part of Ontario's Fair Hydro Plan. Other rate mitigation items that make up this plan include a new Affordability Fund, an enhanced Rural or Remote Rate Protection program, and a delivery credit for on-reserve First Nations households.

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

- Low-income electricity consumers could benefit from special rules, such as having security deposits waived, longer payment times, and longer grace periods if facing disconnection. Those in arrears and are at risk of being disconnected could also benefit from emergency financial assistance from the OEB.

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

Delivery

If approved, the proposed regulatory amendments would take effect upon filing.

The OEB would be responsible for implementing the changes by May 1, 2017.

The OEB would continue to report regulatory to ENERGY on OESP participation data, including the number of applications submitted, approved, and declined.

Stakeholder Response

ENERGY posted this proposal for comment on the Regulatory Registry from March 9 to April 8, 2017. X comments were received. Comments were generally supportive of the proposed regulatory changes.

Commented [SY4]: Please add number of comments received.

Commented [SY5]: Feel free to edit and expand on this.

On March 23, 2017, ENERGY consulted with local distribution companies (LDCs) on Ontario's Fair Hydro Plan, including the proposed regulatory and legislative changes for the OESP.

On March 29, 2017, the OEB hosted a webinar for utilities, unit sub-metering providers, and other partners on the proposed regulatory changes. ENERGY anticipates that the majority of stakeholders would be able to update their systems so as to implement the regulatory changes by May 1, 2017.

Risks

- The proposal relies heavily on LDCs as partners for implementation. There are 70 LDCs in Ontario that vary in size, efficiency, and ability to implement change.

Commented [SY6]: ENE, what happens if an LDC cannot implement the changes by May 1?

- The proposed OESP credit amounts would no longer follow the low income definition as set by the recently updated Statistics Canada Low Income Measure (LIM). This could apply pressure on other provincial programs to increase funding amounts.

- Funding the OESP from the tax base, as opposed to the rate-base, would result in a fiscal pressure, which ENERGY would assess prior to bringing forward legislation in spring 2017.