Ontario

LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

6LRC Tracking #:
EVista Tracking #:

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*
O. Reg. 293/12 (Services to Other Ministries and Public Bodies) of the Ministry of Revenue Act, RSO 1990

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

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	LRC, December 11, 2017	December 11,2017
TB/MBC	No approval needed	

Deputy Minister of Energy	Date	Deputy Minister of Finance	Date
Minister of Energy	Date	Minister of Finance	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 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 issued a Decision and Order dated March 23, 2017 to: (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 program administration.

As of October 31, 2017 the variance account balance was $48.3 M and depletion to zero is anticipated for January/February 2018. 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 appropriate authorities for administering the program are transferred to ENERGY as needed once ss.79.2 is proclaimed; corresponding amendments are also being proposed that would revoke the current O.Reg. 314/15 and replace it with a new O.Reg. 314/15.

Finally, for OESP applications relying on income tax verification, MOF acts as the main interface with the Canada Revenue Agency (CRA). In order for MOF to continue to assist with income verification of OESP applicants, corresponding amendments are also being proposed to s. 2.2 of O. Reg. 293/12 made under the Ministry of Revenue Act.

s. 2 Approach and Intended Outcomes

The proposed approach includes proclaiming ss. 79.2 of the OEBA into force and bringing forward a joint submission with MOF to implement regulatory amendments to O.Reg. 314/15, and s. 2.2 of O. Reg. 293/12.

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

- transfer the authority to administer the OESP to the Minister of Energy and, more specifically, 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 (on behalf of HMQ) 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 certain 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 tax based rate-assistance program. Amendments will also transfer program administration authorities from the OEB to ENERGY.

Amendments to s.2.2 of O. Reg. 293/12 will provide MOF with authority to execute income verification for OESP applicants on behalf of ENERGY. Once the program has transitioned to ENERGY, 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.

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.

s. 3 Direction and Urgency

The OESP variance account is expected to deplete in February 2018. The legislative provisions in the OEBA awaiting proclamation are needed to allow the program to be financed through the tax-base, and corresponding amendments to O. Reg. 314/15 and O. Reg. 293/12 are required to facilitate the transition of the OESP to ENERGY. These changes are needed to ensure that the OESP continues to run uninterrupted, which includes:

- Reimbursing the IESO for distributing funds to the entities involved in administering the OESP;
- Directing distributors and USMPs to distribute funds provided by the IESO to customers who are eligible for OESP;
- Requiring the IESO and other entities involved in administering the program to submit information related to the provision of rate assistance, so the Ministry can evaluate the efficacy and fiscal impact of the program;
- Designing and implementing a program evaluation framework and audit procedures to review program efficacy, examine use of resources, perform client review, determine if the program is meeting objectives and achieving expected outcomes, and develop recommendations for changes to program design and administration, if deemed necessary; and,
- Developing and implementing a communications plan to raise program awareness and increase uptake.

The intent is to implement the proposed changes for March 1, 2018 (TBD). ENERGY will align the transition of authorities to coincide with the depletion of the variance account.

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 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.

s. 5 Implementation

The OESP is almost entirely administered through a series of contracts and agreements, which includes:

- A procurement contract with the Central Service Provider (CSP), which is responsible for maintaining the system used to receive and process all OESP applications and communicate to distributors and USMPs, as well as responding to inquiries related to the program;
- Contracts with 134 OESP intake agencies which receive fees for services provided in support of OESP applications and enrolment;
- A contract with the Ontario Native Welfare Administrators Association (ONWAA), which serves as an intake agency for First Nation communities and requires both operational and fee-for-service payments; and
- Memoranda of Understanding between the Ministry of Finance (MOF) and MCSS that governs the interaction with these entities, which respectively support the OESP application process and help to increase enrolment by aligning OESP with social assistance programs.

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. 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.

s. 6 Delivery and Results Tracking

There is no delivery or results associated with these changes. OESP performance will continue to be tracked by ENERGY, and as per Fair Hydro Plan commitments, ENERGY will continue to work with partners to increase program uptake as much as possible.

s.7 Stakeholder Consultations

ENERGY is working closely with the OEB and the IESO to transfer knowledge and ensure that the correct legislative, regulatory, and contractual mechanisms are in place to ensure a seamless transition of the OESP to the tax base, and to government administration. ENERGY has also begun to engage with the CSP to support with knowledge transfer and begin planning any system changes needed to accommodate the transition.

ONWAA and the 134 intake agencies also need to be engaged to discuss any issues or concerns regarding the transfer of contract responsibility. ENERGY will invite these entities to participate in a webinar to outline key program changes and answer questions. Subsequent webinars will be arranged as needed, and ENERGY will work with parties to make any contract amendments that are needed to align them with OPS policies and directives.

s.8 Other Jurisdictions and Harmonization

- N/A

s. 9 Communications

ENERGY is prepared to continue implementing the high-profile communication approach that was originally developed 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.

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.*