Issue #1 – Cap the rebate for residential consumers within the Regulated Price Plan (RPP), to offset the fiscal impact

- "Capping" refers to limiting the calculation of the 8% rebate to the amount of fixed and volumetric charges calculated using only the first 3,000 kWh per month of consumption. Charges related to consumption over 3,000kWh would not receive the 8% rebate. [Similar to 3,000 kWh cap for former Ontario Clean Energy Benefit (OCEB) program]
- Fiscal impact:
    - A cap of 3,000 kWh per month would result in a negligible fiscal impact.
    - A cap of 750 kWh per month would result in approximately $200K of savings (i.e. annual fiscal impact of proposed rate mitigation would be reduced to $800K). This is considered a very tight cap as the average residential consumer uses 750 kWh per month.
- Risks:
    - It is expected that customers who rely on electricity for heating (one of the subgroups of residential consumers most affected by rising electricity costs) would not receive the full 8% rebate.
    - Implementing a cap would require consultation with local distribution companies (LDCs). LDCs would need to upgrade their billing systems to accommodate a more complex program delivery. It is expected that ultimately, the related costs would be passed onto consumers.
    - The OCEB cap created an inequity amongst some multi-unit residential complexes.
        - Savings were not always passed on from property management to consumers who did not receive electricity bills.
        - Suite metred buildings received much less benefit than bulk or unit sub-metred buildings. The larger benefit was dedicated to common area consumption (property management) rather than to individual consumer bills.

Issue #2 – Update the Rural or Remote Rate Protection program (RRRP) and expand the Industrial Conservation Initiative (ICI) program using a phased approach

- Phasing in these changes would help mitigate the fiscal impact, while still achieving relief to residential users within the RPP in the near term.
    - The current proposal without any phase in provides average rural consumers with a 20% benefit and average industrial consumers new to ICI with a 34% benefit, far exceeding the 2016 Budget commitment to (merely) offset the impact of cap and trade in Ontario for commercial and industrial electricity consumers.
- While commercial electricity rates have increased by 56% over the last six years, industrial electricity rates have remained relatively flat over the same time period, due primarily to the ICI program.
- Note: The base setting period for the expanded ICI program would begin in 2017, with the benefit seen by consumers starting in 2018. This is because savings are calculated based on the previous year's consumption.

Issue #3 – Ensure enough prudence is built into the cap and trade proceeds lever (i.e. don't overcommit proceeds)

- It is estimated that carbon trading in Ontario will generate approximately $1.9 billion in 2017.
    - However, California and Quebec sold only 11 per cent of available emission permits in a May 2016 auction.
    - California sold just over one-third of the carbon permits it offered to cover emissions this year, receiving the minimum price at an auction last month.
- PO confirmed that Ontario would delay rate mitigation for industrial and commercial consumers if the anticipated amount of cap and trade proceeds did not become available.