Ontario

CABINET BRIEFING NOTE
AND LRC RECOMMENDATION

Energy
Electricity Bills

LRC	**CAB**	**In Force**
Dec 11, 2017	Dec 13, 2017	Jan 1, 2018

Summary of Proposal

The proposal is consistent with government direction.

Context for Decision:

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.

The *Fair Hydro Act, 2017,* was introduced on May 11, 2017 and received Royal Assent June 1, 2017. On October 26, 2017, the ministry released the 2017 Long Term Energy Plan (LTEP), which committed to the province to redesign electricity bills to make them more understandable and to give consumers the information that they want on the bill. This proposal is to further this commitment, but energy will return to LRC with further regulatory amendments in support of its broader and more long-term bill redesign project in early 2018. .

Proposal

To better communicate the associated bill impacts of Ontario's Fair Hydro Plan (OFHP) to consumers, the ministry is seeking to amend the:

1. "Invoicing Regulation" (O. Reg. 196/17); and
2. "Fair Adjustment Under Part II of the Act Regulation" (O. Reg. 195/17).

Both regulations are made under the Ontario Fair Hydro Plan Act (OFHPA), which was a schedule of the Fair Hydro Act, 2017.

Why does Ontario need these changes? Why now?

Since July 1, 2017, electricity vendors and USMPs have been required to include general on-bill messaging about the OFHP savings. ENERGY has heard that the current on-bill message is confusing for consumers and doesn't provide enough information about the savings.

How will this proposal impact Ontario?

All customers benefiting from OFHP would see the customer-specific savings on their invoices. Consumers will benefit from the increased clarity on their electricity bills with respect to how much they are saving as a result of the OFHP.

What is the expected cost to government?

The proposal has no direct cost to government. There will be compliance costs for LDCs to make changes to their billing systems and these costs will vary for each LDC. There are no anticipated costs to the OEB. Amounts, if any, passed onto consumers through electricity bills are expected to be negligible

What are the key steps to deliver this proposal?

- January 1, 2018 – proposed amendments to the regulations come into force.
- March 31, 2018 – date by which, unless an alternate arrangement has been granted by Minister’s letter, LDCs must comply with the proposed changes.

How will the changes be communicated?

High profile Minister’s announcement of the ministry's regulatory amendments and plans to support the redesign for all Ontarians. Changes will also be announced in late December with other proposed changes in effect on January 1, 2018 across government. ENERGY will develop Qs & As, key messages and an issues management plan.

Terms you need to know

- **Local Distribution Companies (LDCs) –** Local electricity utilities, responsible for distributing power from transmission lines to people's homes (e.g., Hydro Ottawa, Toronto Hydro, etc.) LDCs recover their costs through distribution rates. LDCs are licensed to serve a specific geographic area by the Ontario Energy Board (OEB). An LDC must receive Ontario Energy Board approval to charge a distribution rate.
- **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.
- **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.

Notes and Recommendation from LRC – December 11, 2017

The Legislation and Regulations Committee (LRC) recommended that the proposal proceed to Cabinet for review and approval, in order to take into consideration the new information provided at the meeting.

Committee members were provided with a legal/constitutional consideration and sought additional clarity on the potential risks for government. The ministry indicated that the implementation of the proposal does not create additional risks for the government versus the current billing requirements related to Ontario's Fair Hydro Plan.

Cabinet Office Analysis

This proposed regulatory amendments are consistent with government direction.

Proposal:

The proposed amendments to O. Reg. 196/17 would:

- prescribe the following language to be included on bills to present the OFHP savings:

  Ontario's Fair Hydro Plan saved you [specified amount] on your bill. This amount includes the 8% Provincial Rebate.

- prescribe a methodology for electricity vendors and USMPs to follow to determine the savings attributable to the OFHP (i.e. [specified amount]). This would include the benefits from programs such as the First Nations Delivery Credit or distribution rate protection for eligible customers.

To support the ongoing calculation of OFHP savings by local distribution companies (LDCs) and unit sub meter providers (USMPs), ENERGY proposes amendments to O. Reg. 195/17 to require the Ontario Energy Board (OEB) to calculate, on an annual basis, what the electricity prices would have been absent the OFHP. This will allow electricity vendors and USMPs to calculate savings in the cost of electricity associated with the OFHP.

The ministry proposes that customers, with net meter accounts or on pricing pilot projects, would be not receive the customer-specific savings message on their invoices, as OFHP savings messaging would be confusing.

- Invoices for pricing-pilot customers will contain specific messaging and information regarding the savings attributable to the pilot project. Including OFHP savings amounts could affect the customer's understanding of the pricing impact associated with participating in the pilot project.

- Invoices for net-metered customers contain information with respect to the electricity produced as well as consumed. Including OFHP savings amounts could affect the customer's understanding of the impact of net metering on their invoice.

- The number of customers participating in pricing pilots or net-metering is not significant.

Linkages:

- *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. The LTEP specifically called for bills to be clearer and more understandable.

- *Hydro One Networks Inc. Bill Pilot* – In November, 2017, Hydro One introduced a redesigned electricity invoice that was developed after extensive consumer research and has been observed to increase customer satisfaction and comprehension.

- *Bill Redesign Project* – Through the 2017 Long Term Energy Plan consultation process, the Ministry heard that consumers find their current bills confusing and inaccessible. To address this, the Ministry is working with industry and consumers to redesign electricity bills to make them easier for customers to understand and ensure they get the most useful information out of their bills.

Stakeholder response:

ENERGY held a series of Working Group sessions with LDC stakeholders to seek advice from industry on the development of new invoicing requirements. This included a session to discuss the proposal for customer specific dynamic messaging of OFHP savings on the bill. Working group sessions were held on August 11, 2017; August 31, 2017 and October 16, 2017.

On November 6, 2017, ENERGY posted this proposal on the Regulatory Registry, which received nine sets of comments from sector participants and associations.

Compliance timeline was a recurring theme raised by commentators:

- Stakeholders requested that ENERGY establish reasonable compliance timelines, as complex upgrades to billing systems are needed to implement the proposed regulatory amendments;

- The majority of stakeholders requested a compliance date of no earlier than March 31, 2018.

The general public is expected to be mostly supportive of the changes to bills as it will provide personalized messaging on OFHP benefits and increased transparency.

Risks:

LDC Capacity

There is a risk that not all LDCs will be able to implement the proposed changes in time for the March 31, 2018 deadline. To mitigate this risk the ministry is proposing to maintain the provisions in O. Reg 196/17 that allows electricity vendors and USMPs to seek an alternative arrangement, from the Minister of Energy (by way of a Minister's letter) if they are unable to comply with the requirements due to technical reasons or operational difficulties.

Perception

There is a risk that negative feedback could be received regarding inclusion of the OFHP savings message on the bill and the associated costs. To mitigate this risk, there will be issues management and key messages to address any such concerns.

Legal Risks

The current proposal does not change the legal risks associated with the inclusion of OFHP messaging on consumer's electricity bills, but a constitutional law risk that was not previously outlined has been identified. The Ministry of the Attorney General has advised that there is a moderately-high risk that government requiring LDCs and USMPs (utilities) to convey this information in this way could be successfully argued to constitute an infringement on the utilities' freedom of expression under the Canadian Charter of Rights and Freedoms. As noted, ENERGY has been working with utilities on the proposal through its formal Working Group and advises that the risk of a utility bringing a case of this nature forward is low. [ENERGY will work with MAG to explore possible language options that could mitigate this risk through future regulatory amendment, as appropriate].