LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

+LRC Tracking #: REG-11478

EVista Tracking #: SUB-REG-2017-01034

Ministry of Energy

Fair Hydro Act, 2017
Regulations

Profile at a Glance

Priority: Key

Public Interest: Very High

Key Stakeholder Interest: High

New Costs/Burdens: Yes for Government, Yes for Stakeholders

New Savings/Opportunities: Yes for Stakeholders; No for Government

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Proposed Items for Review

A. GA Refinancing

1. Creating a new Regulation to be made under Part II of the *Ontario Fair Hydro Plan Act, 2017,* which is Part II of Schedule 1 of the Fair Hydro Act, 2017; and
2. Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the *Electricity Act, 1998.*

B. Social Programs

1. Creating a new Invoicing Regulation to be made under the *Ontario Fair Hydro Plan Act, 2017;*
2. Creating a new Regulation (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA);
3. Creating a new Regulation (Distribution Rate Protection) to be made under the OEBA;
4. Amending O. Reg. 442/01*(Rural or Remote Electricity Rate Protection)* to be made under the OEBA;

5. Amendments to the O. Reg 363/16 (General) to be made under the *Ontario Rebate for Electricity Consumers Act, 2016*. (ORECA); and
6. Amendments to O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) to be made under the OEBA.

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	Cabinet approval received May 10	
TB/MBC	TB/MBC approval received May 9	

Deputy Minister ____________________ Date ____________________

Minister ____________________ Date ____________________

s. 1 Proposal and Context

Supporting Electricity Rate Mitigation under the Fair Hydro Act

- On May 11, 2017, the government introduced Bill 132, the *Fair Hydro Act, 2017* (FHA) which is comprised of two Schedules: Schedule 1 is the *Ontario Fair Hydro Plan Act, 2017* (*OFHPA*) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (*OEBA*); Schedule 2 includes the electricity social program-related amendments to the OEBA. On May 31, 2017 the *FHA* passed third reading and received Royal Assent on June 1, 2017.
- Under the *OFHPA*, a portion of the GA would be refinanced in order to more fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).
- Today's electricity consumers have been bearing disproportionate cost responsibility for the investments in developing the clean, modern and reliable electricity system that Ontario has today and that will continue to provide benefit to future generations. The legislation recognizes the long-term benefit of clean energy investments into the future and to more appropriately allocate costs into the future to account for long-term benefits.
- Refinancing a portion of GA would provide significant and immediate rate relief to electricity consumers that have been burdened with the costs of the necessary investments that have been made to decarbonize and modernize the province's electricity infrastructure, by spreading the cost of electricity investments so that they are shared proportionately by future consumers who cause a need for or benefit from the province's multi-billion dollar investments in electricity infrastructure.
- Under Schedule 1 of the *FHA* which enables GA Refinancing, electricity bills of typical residential consumers would be reduced by 25 per cent starting in summer 2017. In addition, further increases to electricity bills for typical consumers would be held to the rate of inflation to be set out in the proposed regulation to be made under Part II of the OFHPA. Up to 500,000 small businesses and farms would also benefit.
- Provisions under Schedule 2 of the *FHA* enable amendments to the OEBA and the creation of new programs targeted at more vulnerable electricity consumers, including funding these programs from the tax base rather than the electricity rate base.
- *FHA* is part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness.

- The proposed regulatory amendments and new regulation contained in this package are needed to implement Ontario's Fair Hydro Plan (*OFHP)*, as enacted under the *FHA*.

A. GA Refinancing

1. Creating a new Regulation made Under Part II of the *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017

- The Ministry of Energy is seeking approval to create a new Regulation under the *OFHPA* to support the required calculations and determinations to be made by the Ontario Energy Board under Part II of that Act (sections 6-12).
- The proposed regulation outlines the methodology that the OEB would use in applying the *OFHPA* reductions to eligible consumers who participate in the OEB's Regulated Rate Plan (RPP) and non-regulated consumers who are eligible for GA refinancing under *OFHPA*.
- The proposed regulation sets out the near-term reductions (i.e., the reductions that will be applied by the OEB from July 1, 2017 to April 30, 2018) as well as the reductions from April 30, 2018 to April 30, 2019. The further adjustments to be made for future periods beginning May 1, 2019 would be set out in further amendments to the Part II regulation.
- In addition, the proposed regulation also sets out that customers of unit sub-meter providers (USMPs) would receive a proportionate share of near-term *OFHPA* reductions.
- If the regulation is approved, the OEB intends to release new RPP rates effective July 1, 2017 that will include the full impact of OFHP as determined under the Part II adjustments.
- For consumers eligible for GA Refinancing that are not on the RPP, adjustments would be made on their electricity bills based on their consumption from July 1, 2017 onwards as necessary. Note: Consumers not paying RPP would also receive GA refinancing if they meet the other criteria defined within the *OFHPA* under the term "specified consumers". These include consumers that have opted-out of RPP to sign contracts with electricity retailers or become wholesale consumers and those who are eligible for the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA) but not RPP, such as long-term care homes.
- In accordance with the *OFHPA* and the proposed Part II regulation, if approved, the OEB would determine the adjustment to be made to the GA charge on eligible non-RPP consumers' bills, effective July 1st. Electricity vendors would be expected to ensure the adjustment is reflected on their customers' bills as soon as possible, and to make retroactive payments where necessary.

2. Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the Electricity Act, 1998

- The Ministry of Energy is seeking to amend O.Reg. 280/14 in response to the *OFHPA* and related regulations.
- The proposed amendments would provide the Independent Electricity System Operator (IESO) with the necessary authority related to its OFHPA activities, including the funding, borrowing and financial arrangements contemplated under the *OFHPA*. The IESO would be responsible for selling specified portions of the regulatory asset to OPG's financing entities, and to fund IESO monthly deferrals which are to commence July 1, 2017, as provided for under section 23 of the *OFHPA*.
- The additional authority set out under the proposed amendments to O. Reg. 280/14 would enable IESO to borrow amounts to fund the above-noted deferrals related to GA refinancing.
- IESO would be expected to amend its Statement of Borrowing in a manner consistent with the amended regulation, once approved.

B. Social Programs

1. Creating a new Invoicing Regulation made under the *Fair Hydro Act, 2017*

- The Ministry of Energy is seeking to create a new Regulation under the FHA related to electricity invoicing to communicate Ontario's Fair Hydro Plan (OFHP), and its associated bill impacts, to consumers.
- The proposed regulation would require electricity vendors and unit sub-meter providers (USMPs), as defined in the FHA, to include on-bill messaging about OFHP, as well as accompany paper invoices with a descriptive OFHP bill insert once every quarter for a 12-month period.
- The new regulation would specify the messaging electricity vendors and unit submeter providers (USMPs) would be required to display on invoices, as well as the bill insert. These messaging requirements would apply to French invoices as well.
- In advance of these new OFHP messaging requirements, the Ministry has removed outdated "8% provincial rebate" messaging requirements from invoices and envelopes under Minister's O. Reg. 364/16. Local Distribution Companies (LDCs) were in favor of removing these requirements, indicating they had no additional space on invoices to include new messaging.

2. Creating a new Regulation (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998*

- The Ministry of Energy is proposing a new regulation to be made under the OEBA to establish a First Nations Delivery Credit.
- The proposed new regulation would provide customers a credit for the full amount of the monthly delivery charge currently imposed by the LDC. The regulation would define eligibility for the credit to include all on-reserve residential customers who are members of a band as defined in the federal *Indian Act* who are accountholders served by a licensed LDC.
- The regulation would address circumstances where certain LDCs charge a bundled rate rather than a monthly delivery charge; this includes Hydro One Remotes Communities Inc. and Cat Lake Indian Reserve No. 63 C's monthly service charge and Cornwall Street Railway Light and Power Company Limited's minimum monthly charge.
- The regulation proposes that the program is to be delivered commencing July 1st, 2017 but it would provide for a three month period for LDCs to adapt their billing systems to deliver the credit. For LDCs requiring this additional time the entitlement accumulated commencing July 1st would be payable to eligible consumers as a lump sum no later than October 1st.
- The regulation would also contain a requirement for all LDCs to show the First Nations Delivery Credit on the bill as a line item appearing directly below the delivery charge line item. The regulation would also allow for an exemption if, for technical reasons, an LDC is unable to comply with the bill presentment requirements.
- The regulation would contain several provisions requiring information to be shared with IESO, requiring the OEB to report to ENERGY on annual projected costs of the program and tracking the funds for reimbursement purposes.
- The regulation would stipulate two (2) different limitation periods; a 2-year limitation period for customers who failed to receive the benefit to collect the credit retroactively and a 6-month limitation period for LDCs to collect any outstanding amounts owed by way of reimbursement.

3. Creating a new Regulation (Distribution Rate Protection) to be made under the *Ontario Energy Board Act, 1998*

- The Ministry of Energy is seeking to create a new Regulation to be made under the OEBA to enable the provision of enhanced distribution rate protection to full-time residential customers of prescribed LDCs.
- The proposed prescribed distributors are

  Atikokan Hydro Inc.

InnPower Corporation

Chapleau Public Utilities Corporation

Sioux Lookout Hydro Inc.

Northern Ontario Wires Inc.

Lakeland Power Distribution Ltd. (Parry Sound Rate Zone)

Algoma Power Inc. (residential)

Hydro One Networks Inc. (Low & medium density classified customers)

- The proposed new regulation would establish a mechanism for the OEB to calculate maximum monthly distribution charge for prescribed consumers. This charge would be established by calculating the fully-fixed base distribution rates, using approved 2017 rates for the prescribed residential rate classes of a prescribed group of distributors, having regards to costs.
- Additionally, the regulation would enable payment flows to prescribed LDCs to allow recovery of rate protection provided to customers. Planned payment flows would follow the same reimbursement process under the *ORECA*, including requirements to provide information for reimbursement purposes, duty to provide information, records, invoicing requirements.

4. Amending O. Reg. 442/01(Rural or Remote Electricity Rate Protection) to be made under the *Ontario Energy Board Act, 1998*

- The Ministry of Energy is seeking to amend O. Reg. 442/01 (Rural or Remote Rate Protection) to be made under the OEBA to enable tax-based funds to support the provision of RRRP to Hydro One's low-density residential classified customers (R2).
- Under O. Reg. 442/01, the amount of rural or remote electricity rate protection (RRRP) available to Hydro One's R2 customers is capped at a fixed annual amount of $241.8 million – which amounts to a monthly subsidy of $60.50 for R2 customers.
- Proposed amendments would provide for a fixed monthly credit ($60.50), replacing the existing prescribed annual amount and would remove the escalating factor, as provisions under the new section 79.3 under the OEBA provides benefits in addition to RRRP, making the escalating factor unnecessary.

  New benefits provided for under 79.3 of the OEBA, together with the proposed regulations, would hold R2 customers to a maximum monthly base distribution charge – in addition to the $60.50 monthly RRRP benefit.
- Proposed amendments would enable payment flows to Hydro One to allow recovery of RRRP payments made to its customers.
- Current funding for the RRRP program is paid for by all electricity customers across the province. Removing $241.8 million from the global RRRP, as provided for in the proposed regulation, would lower the monthly cost for an average residential customer by ~$1.30.

5. **Amendments to O. Reg 363/16 (General) to be made under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA)**

- The Ministry of Energy is seeking to make a consequential amendment to O. Reg 363/16 (General) to be made under the ORECA, in order to provide clarity on how the proposed First Nations Delivery Credit should be treated with respect to the calculation of the 8% provincial rebate.
- The proposed amendments to O. Reg 363/16 would clarify that the First Nations Delivery Credit should be included in the base amount used to calculate the 8% rebate.
- This proposed consequential amendment aligns with the existing policy treatment for credits received under the Ontario Electricity Support Program (OESP).

6. **Amending O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) to be made under the *Ontario Energy Board Act, 1998***

- The Ministry of Energy is seeking to amend O. Reg. 275/04 made under the OEBA to remove the requirement for electricity vendors and USMPs to include informational messaging about the Debt Retirement Charge (DRC) in order to create more space on invoices for new OFHP messaging.
- The requirement to include a DRC line item on electricity invoices would remain.
- In addition, the Ministry is proposing to exempt Hydro One from the application of this regulation. This exemption would allow Hydro One to proceed with its planned bill redesign, unconstrained by regulation, for fall 2017.

s. 2 **Approach and Intended Outcomes**

A. GA Refinancing

1. **Creating a new regulation made Under Part II of the *OFHPA* of the *Ontario Fair Hydro Plan Act*, 2017**

- The proposed regulation sets out in detail the methodology that the Ontario Energy Board would, if this regulation is approved, use to make determinations under the OFHPA including:

  Defining the “hypothetical” regulated rate consumer upon which the OFHPA calculations to achieve the initial 25% reductions would be based;

  The methodology that the OEB is to apply in order to provide the initial *OFHPA*-related reduction for RPP consumers;

  The methodology that the OEB is to use in order to determine the initial adjustment to be made in respect of consumers eligible for Global Adjustment (GA) refinancing who are not RPP consumers;

The roles of Local Distribution Companies (LDCs) and retailers regarding the application of the *OFHPA* adjustments to electricity consumers;

The methodology for determining *OFHPA*-related adjustments for the year beginning May 1, 2018; and

Enabling the flow-through of *OFHPA*-related adjustments for electricity consumers of USMPs.

- In addition, the proposed amendments would set out the requirements on the OEB, LDCs/Retailers and USMPs for the near term adjustments to be made under the *OFHPA*.

- The proposed regulation sets out the near-term reductions (i.e., the reductions that will be applied by the OEB from July 1, 2017 to April 30, 2018) as well as the reductions from May 1, 2018 to April 30, 2019. Further adjustments to be made for future periods beginning May 1, 2019 would be set out in further amendments to the Part II regulation which would be brought forward at a future date.

2. Amendments to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the *Electricity Act, 1998*

- The proposed amendments would provide IESO with the necessary authority related to its *OFHPA* activities including the funding, borrowing and financial arrangements contemplated under the *OFHPA*.
- IESO would be expected to amend its Statement of Borrowing in a manner consistent with the amended regulation, once approved.
- The additional authority set out in the proposed amendments would enable IESO to to borrow amounts to fund the deferrals related to GA refinancing, which is a key element in Government's approach to GA refinancing. Specified portions of the Regulatory Asset would be sold by IESO as investment interests to the financing entity (ies) to be established by Ontario Power Generation as Financial Services Manager.

B. Social Programs

1. Creating a new Invoicing Regulation made under the *Fair Hydro Act, 2017*

- The proposed invoicing regulation would require electricity vendors and USMPs to include prescribed on-bill messaging about OFHP in a location where conservation or other utility messages to consumers are usually placed. This message would serve to inform consumers about OFHP and the resultant bill impacts.
- Electricity vendors and USMPs would also be required to accompany paper invoices with a descriptive OFHP bill insert quarterly for a 12-month period, beginning with the first invoice issued on or after July 1, 2017 until the first invoice issued on or after July 1, 2018. These inserts would only be required semiannually for seasonal bill customers.

- The proposed regulation would allow electricity vendors and USMPs to seek an exemption, or 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.
- In anticipation of these new OFHP invoicing requirements, the government has already revoked outdated "8% provincial rebate" messaging requirements from O. Reg. 364/16 (Invoicing Requirements) to free-up space on the bill and avoid confusion amongst consumers.
- O. Reg. 364/16 is a Minister's regulation under *the Ontario Rebate for Electricity Consumer Act, 2016* (ORECA) that does not require approval by Lieutenant Governor-in-Council. As a result of these amendments, electricity vendors and USMPs are no longer required to provide 8% provincial rebate on-bill messaging or issue envelopes that are marked with 8% provincial rebate. However, the requirement to include an "8% Provincial Rebate" line item remains.
- These amendments also removed spent provisions from O. Reg. 364/16 that formerly directed the distribution of 8% rebate bill inserts (already delivered), as well as outdated transitional and revocation periods.

2. Creating a new Regulation (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998*

- In recognition of the long-standing contribution made by First Nations people to the development of the province's electricity infrastructure the government has delivered on its commitment to work with the Chiefs of Ontario (COO) in pursuing reconciliation.
- The *OFHA*, or Bill 132, introduced section 79.4 which establishes the authority, through regulation, to prescribe certain customers and classes of customers as being eligible to receive a 100% rebate on the delivery line on their bills. The rebate would be funded entirely through money appropriated from the legislature for that purpose.
- The regulation limits eligibility to all residential rate class First Nations customers living on reserve served by the 11 affected LDCs. The 11 affected LDCs serving on-reserve consumers identified by the OEB in its report include: Algoma Power Inc., Attawapiskat Power Corporation, Bluewater Power Distribution Corporation, Cat Lake Power Utility Ltd., Cornwall Electric Distribution, Hydro One Networks Inc. Hydro One Remote Communities Inc., PUC Distribution Inc., and Thunder Bay Hydro Electricity Distribution; Fort Albany Power Corporation; and Kashechewan Power Corporation.
- The credit will automatically apply to the bills of those customers who have already registered with their LDC as HST exempt. Customers who have yet to register with their LDC will need to identify themselves to their LDC in order to receive the benefit.
  - The Ministry of Energy, in collaboration with the Chiefs of Ontario (COO), has crafted the policy in a manner which best reflects the needs and wishes of Ontario's many varied indigenous communities.

  - COO has also developed a Communiqué to send out to all First Nation Chiefs to encourage them to make sure their members are receiving the HST exemption from their LDC
  - COO will finalize the Communiqué and release in June.

- Under the proposed new regulation created pursuant to section 79.4 under the OEBA, ENERGY proposes eligibility for the program to include all on-reserve First Nations residential customers. The regulation proposes that for LDCs who charge either, a bundled minimum monthly charge or a monthly service charge, that those charges would be credited instead of a delivery charge.
- The regulation would also prescribe a new "First Nations Delivery Credit" line item which would appear directly below the delivery charge. It also would provide for LDCs to gain an exemption from this requirement from the Minister of Energy by way of a Minister's Letter.
- The regulation would include a provision which contemplates customers who have moved and the customer failed to receive the benefit in the period leading up to their moving off reserve and it would create an entitlement for back-pay for that period spanning July 1st up to the point where they moved off-reserve.
- The proposed new regulation establishes a 2-year limitation period for consumers for past entitlements and a 6-month limitation period for LDCs for reimbursement.

- As the First Nations Delivery Credit involves the expenditure of tax money to fund the entire program costs, the Ministry of Finance (MOF) and Treasury Board Secretariat (TBS) require that such money be tracked and accounted for throughout the process. Provisions in the legislation and the regulation would enable appropriate auditing and information to ensure appropriate oversight of public funds.

3. Creating a new Regulation (Distribution Rate Protection) to be made under the *Ontario Energy Board Act, 1998*

- As part of the Fair Hydro Plan, Energy made a commitment to expand rate protection beyond the existing RRRP eligibility.
- While the RRRP helps mitigate some of the higher distribution costs for customers residing in low-density rural areas and/or remote areas, recent amendments to the OEBA, enacted through Bill 132, expand distribution rate relief beyond RRRP to include consumers in higher-distribution cost LDCs
- The new Section 79.3 of the OEBA enables the Minister to provide distribution rate protection to residential-class consumers, having regard to the costs of distributing electricity to those consumers. This relief would be financed from the tax base.
- In order to deliver the rate protection enabled under Section 79.3, the proposed new regulation under the OEBA is needed to prescribe the following matters: the relevant LDCs; the classes of consumers or consumers designated as

distribution rate protected consumers; the maximum amount of the monthly base distribution charge; limitation periods; and the type of information required by the OEB and Ministry to implement and administer the program, including information related to the relevant financial transactions.

- Under the new regulation, Energy proposes to prescribe the following LDCs for the purposes of the provision of distribution rate protection:

  Atikokan Hydro Inc.

  InnPower Corporation

  Chapleau Public Utilities Corporation

  Sioux Lookout Hydro Inc.

  Northern Ontario Wires Inc.

  Lakeland Power Distribution Ltd. (Parry Sound Rate Zone)

  Algoma Power Inc. (residential)

  Hydro One Networks Inc. (Low & medium density classified customers)

- Distribution rate-protected residential consumers would be residential-class customers of the prescribed LDCs. In the case of Lakeland Power Distribution Ltd., the rate protection would be limited to customers subject to Parry Sound Rate Zone residential class rates. In the case of Algoma Power Inc., the rate protection would be limited to residential customers residing in a dwelling and for Hydro One Networks Inc., the rate protection would be extended to the R1 (medium density) and R2 (low-density) rate classes.
- Section 79.3 (3) enables the setting of a maximum monthly charge for prescribed distributors. Under the proposed new regulation, by July 1, 2017, the OEB would determine the maximum monthly charge, using the approved 2017 base distribution rates for prescribed LDCs, as expressed as a fixed monthly charge. The lowest fixed monthly charge among prescribed LDCs would be used to establish the maximum monthly charge prescribed LDCs would charge distribution rate protected residential consumers.
- The proposed new regulation establishes a 2-year limitation period for consumers for past entitlements and a 6-month limitation period for LDCs for reimbursement.
- The proposed new regulation establishes payment flows to reimburse LDCs for lost revenue associated with charging distribution rate protected residential customers that maximum monthly charge, as established by the OEB, rather than the full amount owing to them, as provided for through OEB-approved distribution rates.
- As the distribution rate protection involves the expenditure of tax money to fund the entire program costs, provisions in the regulation would enable the collection of necessary information to ensure appropriate oversight of public funds.

4. *Amending* O. Reg. 442/01*(Rural or Remote Electricity Rate Protection)* made under the *Ontario Energy Board Act, 1998*

- RRRP is an existing program currently funded by ratepayers through the regulatory line of the electricity bill. The program currently costs $1.58/month for a 750kWh consumer.
- Recent amendments to Section 79 of the OEBA, as enacted under Schedule 2 of the Fair Hydro Act, 2017, enables the government to pay the costs of providing prescribed customers with RRRP from funds appropriated from the legislature.
- The majority of the current RRPP costs are directed to Hydro One customers classified into the "R2" residential rate class, who receive a monthly benefit of $60.50.

  There are approximately 330,000 customers of Hydro One, classified as R2, who receive RRRP benefits. These consumers have some of the highest distribution costs in the Province.
- Proposed amendments to O. Reg 442/01 would establish that Hydro One would be reimbursed, for the provision of RRRP to its eligible customers, from money provided for through a legislative appropriation.
- Proposed amendments to O. Reg 442/01 would remove the annual fixed amount of RRRP funding for Hydro One's R2 consumers, including the escalating factor and would replace it with a monthly amount of $60.50 per customer.

  The escalating factor is an unnecessary provision, in light of the additional rate protection provided under Section 79.3 of the OEBA

  Proposed amendments to enable a customer monthly benefit maintains the current level of benefit for consumers and simplifies the reconciliation process.
- The proposed amendments are consistent with policy direction to move the costs of RRRP from the rate base to the tax base, as the provision of RRRP to Hydro One's R2 customers represents approximately 85% of the program costs.
- The proposed new regulation would also establish payment flows to reimburse Hydro One for the provision of RRRP to its eligible customers.
- As the provision of RRRP involves the expenditure of tax money to fund the majority of the program costs, provisions in the regulation would enable the collection of necessary information to ensure appropriate oversight of public funds.

5. Amending the O. Reg 363/16 (General) under the *Ontario Rebate for Electricity Consumers Act, 2016*

- Proposed amendments to O. Reg 363/16 (General) under the ORECA, would provide clarity on how the First Nations Delivery Credit, provided for under Section 79.4 of the OEBA should be treated with respect to the calculation of the 8% provincial rebate.
- The proposed amendments to O. Reg 363/16 would clarify that the First Nations Delivery Credit should be included in the base amount used to calculate the 8% rebate.
- This proposed consequential amendment aligns the existing policy treatment for credits received under the Ontario Electricity Support Program (OESP).

6. **Amending O. Reg. 275/04 *(Information on Invoices to Certain Classes of Consumers of Electricity)* made under the *Ontario Energy Board Act, 1998***

- The proposed amendment to O. Reg. 275/04 would remove invoicing requirements related to the DRC exemption message, per s. 8.2. Electricity vendors and USMPs would no longer have to include informational messaging about the DRC on or with invoices. However, the requirement to include a DRC line item on electricity invoices would remain (even for charges of $00.00).
- These proposed amendments would also exempt Hydro One from the application of this regulation, allowing them to move forward with their planned bill redesign in Fall 2017.
- Hydro One has recently been investigating ways to improve the appearance and comprehension of its bill. As part of this undertaking, they have enlisted the services of a behavioural research firm, engaged an online panel of 4,000 customers, held in-person research sessions and consulted with the OEB and IESO.
- This proposed regulatory exemption would allow Hydro One to focus efforts on developing its "ideal" revised bill. However, Hydro One would be required to issue the quarterly OFHP bill inserts under the proposed OFHPA invoicing regulation, and would include on-bill OFHP messaging.
- The Ministry is also proposing to amend the regulation by adding the French version.

s. 3 Direction and Urgency

A. GA Refinancing

- The direction for the creation and implementation of GA Refinancing programs is found in the March 1, 2017 Cabinet Minute and subsequent public commitments.
- The reductions related to GA Refinancing have been announced to commence as of July 1, 2017.
- This timeline is now set out in legislation under the *OFHPA* which has received Royal Assent on June 1, 2017.
- The proposed regulatory amendments and new regulation are necessary to implement Ontario's Fair Hydro Plan as legislated in the *OFHPA* by July 1, 2017.

B. Social Programs

- The direction for the creation and implementation of the social programs is found in a variety of sources including the Cabinet Minute, throne speech given on the government's efforts to mitigate the high price of electricity in Ontario, government news releases and public commitments made by the Minister and other key government spokespeople.

- The program has been announced to commence as of July 1, 2017. This includes both local announcements and organized speeches and press conferences.
- The proposed "Social Program" regulatory amendments & new regulations are necessary to implement the Fair Hydro plan by July 1, 2017.

s. 4 **Impact Assessment and Costs**

A. GA Refinancing

Government Impact

- The proposed regulation and amendment to existing regulations do not involve a direct impact on the province.
- In order to finance the incurrence of funding obligations necessary to refinance the GA, OPG would require monthly "equity injections" from the Province but would be fiscally neutral as OPG would issue new shares to the Province in exchange for any equity injections it received from the Province.

Stakeholder Impact

- The proposed regulation and amendment would impact LDCs, USMPs and retailers, in relation to the reductions that they would apply to their customers' invoices.

Agency Impact

- The OEB would be impacted in terms of the requirements to apply the methodology set out in the proposed Part II Regulation.
- IESO would be expected to amend its Statement of Borrowing in a manner consistent with the amended regulation 280/14, if approved.
- In addition to the other activities that IESO must undertake to provide for the IESO monthly deferrals, IESO would be expected to record any reduction in amounts resulting from the Part II adjustments in a variance account, which will form part of the regulatory asset that IESO is expected to create.
- OPG and/or a financing entity created by OPG as Financial Services Manager under the *OFHPA* would be expected to purchase specified portions of IESO's regulatory asset. The initial purchase of the regulatory asset by OPG as Financial Services Manager through its financing entity(ies) would then become the investment asset and subsequently investment interests to be added to that asset which are key to securitization central to the refinancing of the GA.

B. Social Programs

i. Social Programs

Government Impact

- As approved in the TB/MBC submission of March 1st, 2017 and confirmed in Vote-Item 2905-1, the financial impacts on Government of the social programs for the period July 1, 2017- March 31, 2018 are anticipated to be as follows:

Program	2017-18 Budget
Rural or Remote Rate Protection	344,000,000
Ontario Electricity Support Program	140,000,000
On-Reserve First Nations Delivery Credit	15,000,000

- ENERGY will report back to TB/MBC in fall 2017-18 with an update on out-year projections following analysis on rate applications before the Ontario Energy Board.

Stakeholder Impact

- The *Fair Hydro Act* social programs would impact Local Distribution Companies and their consumers.
  - For example, the Distribution Rate Protection program would involve 8 LDCs, the First Nations On-Reserve Delivery Credit would involve 11 LDCs and the only impacted LDC from the changes to the legacy RRRP program would be to Hydro One Networks Inc. (the R2 rate class).
  - There may be modest impacts on unit sub-meter providers and retailers, due to the requirement to flow financial assistance through to consumers served by such entities and/or invoicing requirements.
- The compliance costs for LDCs would involve the expenditure of money to alter their billing systems in order to carry out the program. This includes costs to alter the bill presentment and to include a new line on the bill that would highlight the First Nations On-Reserve Delivery Credit.

Agency Impact

- The OEB would have a role in setting the harmonized monthly base distribution charge for the purposes of the Distribution Rate Protection Program as well as setting the residual charge under RRRP.
- The IESO would be responsible for flowing the funds used to reimburse/compensate LDCs for the costs of delivering the social programs from the money appropriated for such purposes from the legislature. This would require the IESO to monitor program

specific information portal and flow the amounts necessary to compensate LDCs for the costs incurred in carrying out the programs.

- The proposal advances the government's overarching goal of reducing the cost of electricity paid by residential customers, especially those facing the highest costs of delivery.

s. 5 **Implementation**

A. GA Refinancing

- On April 20, 2017, the Ontario Energy Board (OEB) announced new RPP rates effective May 1, 2017, that included a portion of the bill reduction proposed under the OFHP.
- The *OFHPA* requires the OEB to make a further rate adjustment no later than fifteen business days after the legislation receives Royal Assent for RPP consumers to achieve the full 25% for a typical consumer.
- The full reduction from the *OFHPA* would then be addressed through an RPP rate adjustment to be made in accordance with the proposed Part II OFHPA Regulation, if approved, that would impact rates from July 1, 2017.
- Non-regulated consumers would be impacted on the basis of their electricity consumption as of July 1, 2017.
- In addition, the proposed regulation would set out the requirements on the LDCs, Retailers and USMPs for the near term adjustments to be made under the *OFHPA*
- The regulations referenced in this package are needed to come into force in time for OEB to make the necessary determinations for a July 1st, 2017, implementation.

B. Social Programs

- The social programs would be implemented through the proposed new regulations and amending regulations contained in this package
- The proposed regulations are needed to come into force in time for a July 1st program implementation.
- The efforts required to implement the programs would primarily fall upon the impacted LDCs who would need to adjust their billing systems in order to carry out the program.
- For the high-cost distribution rate protection and the on-reserve credit, there are more limited transitional provisions that would provide distributors with a prescribed time, that being October 1st 2017, by which they must have adapted

their billing systems while maintaining program eligibility for the rate assistance being provided.

s. 6 Delivery and Results Tracking

A. GA Refinancing

- The proposed new regulation, if approved, would set out the methodology OEB would use, in applying the *OFHPA* reductions to regulated rate consumers (i.e., electricity consumers who receive Regulated Rate Plan (RPP) pricing) and non-regulated rate consumers who are eligible to receive reductions under *OFHPA*.
- Detail related to these calculations may be further referenced in the OEB documents related to its RPP announcements which already set out in detail the forecasting and methodologies involved in determining RPP supply cost and rates.

B. Social Programs

- In addition to the proposed regulatory package, the IESO would establish an information portal that would facilitate the oversight of the social programs and allow for appropriate tracking of information and forecasting of costs associated with the social programs.
- The amendments to the OEBA contained provisions granting the Minister of Finance certain prescribed powers, expanded upon through regulation, which would enable the Minister of Finance to track, audit, inspect and collect records and information related to the expenditure of tax-funds.

s.7 Stakeholder Consultations

A. GA Refinancing

- The development of the proposed regulations was preceded by extensive consultation with representatives from the Ontario Energy Board (OEB), IESO, Ontario Power Generation (OPG) and LDCs.
- As appropriate, other Ministries were provided with drafts of the regulation and amendments and consulted on particular issues.

- Legislative counsel was involved on a daily basis and produced multiple versions of the regulation and amendments.

- A steering committee chaired by the Deputy Minister met and were briefed weekly on the status of the regulations (i.e., the "Rate Mitigation Implementation Group" consisting of senior executives of the Ministry of Energy, Cabinet Office, Ministry of Finance, Treasury Board Secretariat, OFA, OPCD, OPG, OEB and IESO.

Working Groups:

- The Ministry held working groups with all affected LDCs:
  - The consultations occurred in person and by teleconference.
- The Ministry also convened an LDC Working Group to consult on the proposed OFHP invoicing requirements. Feedback was sought on what could be accomplished from a billing perspective within the compressed OFHP timelines.
- The feedback from the OEB helped to shape the estimates for the program costs of the proposed On-Reserve First Nations Delivery Credit as well as implementation timelines for the aforementioned program.

Regulatory Registry:

- On May 15, 2017, the Ministry of Energy posted multiple proposals for comment on the Regulatory Registry to provide stakeholders with the opportunity to comment on the electricity mitigation initiative.
- The posting included proposed changes to O. Reg. 280/14 and O. Reg. 429/04 and new regulations needed to support the implementation of GA Refinancing.
- To date, the Ministry has received a one comment through the regulatory posting.
  - The comment was sent by "Planet Energy" – a natural gas and electricity retailer – who wish to ensure that retail customers and RPP customers are treated equally in terms of the benefits of GA Refinancing.
  - While the precise impact on electricity consumers will vary across the province, the legislation and the supporting Part II regulation sets out the methodology the OEB will use to determine the OFHPA adjustments that would apply to RPP and non-RPP consumers (i.e., consumers on retail contracts) who are eligible for GA refinancing.
- The posting closes on June 10, 2017.

B. Social Programs

- The Ministry engaged with stakeholders in a number of ways in developing the proposed regulations and regulatory amendments needed to support Ontario's Fair Hydro Plan.

Agencies and Government:

- The Ministry has consulted with Energy agencies such as the Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) on their respective roles and responsibilities.
- Energy consulted with Ministries such as the Ministry of Finance (MOF) and Treasury Board Secretariat (TBS) as their will be a role for them to play in overseeing the implementation of the program funding. The Ministry of Community and Social Services was consulted regarding streamlining OESP sign-up.

The Chiefs of Ontario (COO)

- ENERGY has held multiple working group sessions with COO to discuss implementation. COO has publicly supported the introduction of the First Nations Delivery Credit.

Working Groups:

- The Ministry held working groups with all affected LDCs:
    - The Ministry received several quantitative data submissions from LDCs to help support the program and to buttress the implementation issues flagged by the utilities.
    - The consultations occurred in person and over teleconference.
- The consultations respecting the RRRP, the DRP and the On-Reserve First Nations Delivery Credit revealed concerns from LDCs over the costs of implementation and the timelines and obstacles to implementing the billing system changes.
- The Ministry also convened an LDC Working Group to consult on the proposed OFHP invoicing requirements. Feedback was sought on what could be accomplished from a billing perspective within the compressed OFHP timelines.
- The feedback from the OEB helped to shape the estimates for the program costs of the proposed On-Reserve First Nations Delivery Credit as well as implementation timelines for the aforementioned program.

Regulatory Registry:

- On May 12, 2017, the Ministry of Energy posted multiple proposals for comment on the Regulatory Registry to provide stakeholders with the opportunity to comment on the electricity mitigation initiative.
- The posting included proposed changes to RRRP, new regulations needed to support the social programs, and changes to invoicing requirements.
- To date, the Ministry has received a number of comments through the regulatory posting.
- The posting closes on June 10, 2017.

Standing Committee of Justice – Public Hearings for Bill 132:

- On May 23-25, 2017, the following organizations made presentations to the legislative committee and spoke to provisions under Schedule 2 (social programs):
  - **The Ontario Energy Association:** Expressed support for social programs
  - **United Way Bruce Grey:** Supported all the social programs a means to assist customers with their bills.
  - **Low Income Energy Network:** Supported all the social programs a means to assist customers with their bills.
  - **The Chiefs of Ontario (COO):** Supported the First Nations Delivery Credit.

s.8 Other Jurisdictions and Harmonization

A. GA Refinancing

- GA Refinancing will not have an impact upon any other jurisdiction.
- GA refinancing does not harmonize Ontario rules with other jurisdictions and are not comparable to other Canadian jurisdictions.

B. Social Programs

- The program would not impact upon any other jurisdiction.
- The social programs do not harmonize Ontario rules with other jurisdictions and are not comparable to other Canadian jurisdictions.

s. 9 Communications

- Energy has prepared a Communications Snapshot which summarizes the approach outlined in this document to communications.
- In respect of the First Nations On-Reserve Delivery Credit, the LDCs will work in collaboration with the Chiefs of Ontario and the Ministry to promote and advertise the availability of the credit to all eligible on-reserve customers.

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Tim Christie/Sunita Chander	5-6708/5-6594
Ministry Legal	Carolyn Calwell	2-8392
Ministry Communications		
Assistant or Deputy Minister's Office		
Cabinet Office Policy		

Appendices

Appendix A: Variance Memo

Appendix B: Compendium

Appendix C: Draft Regulations