CABINET BRIEFING NOTE
AND LRC RECOMMENDATION

Energy
Fair Hydro Plan Regulations

Cabinet (info)	TB/MBC and Cabinet	Announcement	TB/MBC	Cabinet	Introduction
Feb 15, 2017	March 1, 2017	March 2, 2017	May 9, 2017	May 10, 2017	May 11, 2017
Royal Assent June 1, 2017	TB/MBC June 13, 2017	Cabinet June 14, 2017		Program Effective Date July 1, 2017	

Summary of Proposal

The proposed regulations are consistent with Cabinet direction. [TBC]

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, and includes the following major components:

- Refinancing a portion of the Global Adjustment (GA);
- Helping vulnerable electricity consumers ("social programs");
- Expanding the Industrial Conservation Initiative (ICI);
- Improving sector efficiency; and
- Modernizing Ontario's electricity market.

The *Fair Hydro Act, 2017,* was introduced on May 11, 2017, passed on May 31, 2017 and received Royal Assent June 1, 2017.

Proposal

This proposal is the next step in the implementation of the OFHP and would establish most of the necessary regulations under the *Ontario Energy Board Act, 1998* (OEBA), *Ontario Rebate for Electricity Consumers Act, 2016,* (ORECA) and the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) related to:

1. <u>Partial Refinancing of the Global Adjustment (GA):</u>

The ministry is proposing a new regulation under Part II of the OFHPA that would support the required calculations related to the refinancing of GA. More specifically, the proposed regulation would implement the reduction in rates for the typical residential consumer effective July 1, 2017.

2. Social Programs and Bill Presentment:

The ministry is proposing new regulations under the OFHPA and the OEBA and amendments to existing regulations under the OEBA and ORECA to support implementation and clarify program details of the social programs, as well as support transparency and communication of the changes made under the OFHP.

To fully implement the required regulations for the OFHP, the ministry will be seeking approvals of three additional regulations in late June 2017.

Why does Ontario need these changes? Why now?

Addressing rising electricity prices is among the highest priorities for Ontarians. Since the OFH was announced there has been increased media attention and public pressure for the government to take the necessary steps to enact the commitments made in the plan. The *Fair Hydro Act, 2017,* identifies a July 1 implementation date for the various price mitigation initiatives contained within. Pending approval of the regulations, the OEB will recalculate rates to be implemented for July 1, 2017.

Effective May 1, 2017, the OEB reduced electricity prices for eligible households and small businesses. At the time, the OEB also announced, upon passage of the Act, that it would further adjust Regulated Price Plan (RPP) prices as needed so that RPP customers receive the full rate relief as legislated.

What is the expected cost to government?

The estimate for the combined impact of the social programs in this proposal is expected to be $359M in 2017-18, growing in 2018-19 once annualized. The ministry will return to TB/MBC with updated out-year figures following program implementation. This investment has been factored into the fiscal plan in the 2017 Ontario Budget. These estimates are based on variable inputs such as program uptake, future energy consumption of various consumer groups and future distribution rates, and are therefore subject to change.

TABLE 1: Fiscal Impact ($M) of Social Programs	2017-18 Budget
Rural or Remote Rate Protection / Distribution Rate Protection	344
On-Reserve First Nations Delivery Credit	15

Note: As approved in the TB/MBC submission of Mach 1, 2017, and confirmed in Vote-Item 2905-1, the financial impacts of the social programs for the period July 1 2017- March 31, 2018.

What are the key steps to deliver this proposal?

- Spring- Summer 2017- Energy to work with IESO, OEB, OPG, MOF, OFA and LDCs on the implementation of OFHP.
- July 1, 2017- the remaining reductions and initiatives associated with the OFHP would take effect. Programs that are not established on this day for technical implementation issues will allow benefits to be retroactively applied to customers once programs are reflected in bills by individual LDCs.

How will the changes be communicated?

The proposed changes will be communicated via a news release or backgrounder in late June.

Cabinet Office Analysis

The proposed new regulations under the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and the regulatory amendments under the *Ontario Energy Board Act, 1998* (OEBA) allow for the implementation of the key elements of Ontario's Fair Hydro Plan (OFHP) announced on March 2, 2017 and are consistent with Cabinet direction [TBC].

1. Partial Refinancing of the Global Adjustment:

The ministry is proposing a new regulation under Part II of the OFHPA that would support the implementation of the refinancing of GA, including:

- defining the typical consumer upon which the OFHPA calculations to achieve the 25% reduction will be based;
- the methodology required for OEB to apply rate reductions under the OFHPA for regulated rate consumers;
- the methodology required for OEB to determine adjustments to be made in respect of specified consumers as defined in the OFHPA who are not regulated rate consumers;
- the methodology for setting electricity rates and adjustments to GA costs for the year beginning April 30, 2018 to limit increases to inflation; and
- the flow-through of rates and adjustments in circumstances involving unit sub-metering.

The new regulation is required for the Ontario Energy Board (OEB) to recalculate electricity rates in advance of the July 1 implementation deadline outlined in the OFHPA. If approved, the OEB is targeting June 22 to announce changes to rates for the July 1 effective date.

Critics of the OFHP may see the implementation of this component of the plan as compromising the independence of the OEB. This is mitigated by the fact that the government has always, through legislation and regulation, established the parameters within which the OEB operates, and has no control over the day to day operations of the Board.

2. Social Programs

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

Rural or Remote Rate Protection (RRRP) helps to offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province.

The Fair Hydro Act, 2017 amended the *Ontario Energy Board Act, 1998* to enable the funding of existing RRRP for prescribed customers to be provided for through provincial revenues, rather than from electricity customers. The proposed amendments to O. Reg. 442/01 moves a portion of RRRP costs used to support Hydro One R2 customers from electricity rates to be government funded. This is the majority of the cost associated with RRRP.

Currently, under O. Reg. 442/01, the amount of RRRP available to Hydro One's R2 customers is capped at a fixed annual amount of $241.6 million – which amounts to a monthly subsidy of $60.50 for R2 customers. Proposed amendments will replace the existing prescribed annual amount with a fixed monthly credit of $60.50, and will remove the escalating factor, as provisions under the new section 79.3 under the OEBA provides benefits beyond RRRP, making the escalating factor unnecessary.

The ministry is proposing a new regulation under the OEBA to create a government funded distribution rate protection (DRP) program. The regulation establishes a mechanism for the OEB to calculate a maximum monthly distribution charge for prescribed consumers 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 the costs of service for the LDCs.

The following LDCs and residential rate classes would be prescribed as eligible for DRP: Hydro One Networks Inc. (low and medium density classified customers), Algoma Power Inc. (R1, residential), Atikokan Hydro Inc., InnPower Corporation, Chapleau Public Utilities Corporation, Sioux Lookout, Lakeland Power Distribution Inc.-Parry Sound Rate Zone, Northern Ontario Wires Inc.

The OEB would continue its usual rate setting activities for prescribed LDCs, as authorized under the OEBA, and prescribed LDCs would continue to collect the revenue to which they are entitled. However, eligible customers (~800,000) of prescribed LDCs would pay no more than the maximum charge determined by the OEB. The shortfall between the set maximum charge collected from customers and the approved OEB charge would be made up by provincial funds. The regulations would enable payment flows to prescribed LDCs to allow recovery from the province of DRP payments made to customers. Planned payment flows will follow the same reimbursement process under the ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements.

If the required regulations are approved, the program would be in effect July 1, 2017.

On-Reserve First Nations Delivery Credit (FNDC)

First Nation and Political-Territorial Organization leaders have advocated for the need for electricity rate relief for on-reserve customers and the review of delivery charges associated with transmission and distribution within the context of historical grievances related to lands affected by energy infrastructure.

The OFHPA amended the *Ontario Energy Board Act, 1998* to enable the creation of a government funded delivery credit program for on-reserve customers. The proposed regulations provide the details of the program. The program will be available to on-reserve customers serviced by licensed distributors (LDCs: Algoma, Attawapiskat, Bluewater, Cat Lake, Cornwall, Fort Albany, Kashechewan, Hydro One, Hydro One Remote Communities, PUC (Sault Ste. Marie), Thunder Bay.), would eliminate the delivery charge for all on-reserve residential customers who are First Nation members, and eliminate the monthly service charge for customers that charge a bundled rate. The ministry has been working with the Chiefs of Ontario (COO) on the implementation details and are moving forward with consensus recommendations from the implementation working group.

Eligible recipients would be automatically enrolled in the program through existing LDC processes for recognizing First Nation consumers with tax exempt status. The OEB estimates that, on average, customers would receive a monthly benefit of $85. The program will cost approximately $15M annually and be implemented by the prescribed July 1, 2017 effective date. The program would not limit any eligibility for existing rate relief programs that mitigate total bill such as the Low Income Energy Program (LEAP) or OESP. There is a risk that some eligible recipients may not be currently registered with their LDCs as tax exempt, which would mean that they would not receive the benefits under the program they are entitled to. To mitigate this risk, Energy is working with COO and LDCs on a communications approach to make sure eligible customers self-identify for tax exempt status.

The regulations will also enable payment flows to prescribed LDCs to allow recovery from the province of FNDC payments made to customers. Planned payment flows will follow the same reimbursement process under ORECA, including requirements to provide information for reimbursement purposes, duty to provide information, records, and invoicing requirements. The following LDCs would be prescribed as responsible for delivering the program: [LDCs list?]

The proposed regulation relies upon definitions of key terms such as “member of a band” and “reserve” from the *Indian Act* (Canada). This approach is defensible and relatively straightforward, but may be criticised as not taking into account lands that are considered as roughly analogous to reserve land, but that do not meet the strict definitions of the *Indian Act.* For example, many communities have lands within the federal Additions to Reserve (ATR) process that would be excluded from this program until the lands are officially recognized as reserve. This risk is mitigated by the fact that many of these parcels of land will have few if any residences on them, so the impact is expected to be minor. The legislation provides sufficient flexibility to expand application to these kinds of lands if appropriate in the future.

The ministry is also proposing amendments to O. Reg. 363/16 under the ORECA to provide clarity that FNDC should be included in the base amount used to calculate the 8% rebate. This is consistent with how other support programs have been treated for the purposes of applying the 8% rebate to customer's bills.

3. Bill Presentment

The ministry is proposing to create new regulations under the OFHPA that would:

- require electricity vendors and unit sub-meter providers (USMPs) to include messaging related to OFHP and the resultant bill impacts on invoices.
- require electricity vendors and USMPs to accompany paper invoices with a descriptive bill insert to be issued once every quarter within a specific 12-month period, beginning with the first invoice issued on or after July 1, 2017.
- require electricity vendors identified in regulation as servicing customers on-reserve to include a "First Nations Delivery Credit" as a visible line item on invoices and demonstrate the associated savings, as applicable.

The ministry is also proposing amendments to O. Reg. 275/04 that would remove invoicing requirements related to the Debt Retirement Charge (DRC) exemption message, per s. 8.2. LDCs would no longer have to include informational messaging about the DRC on or with invoices, but the requirement to include a DRC line item on electricity invoices would remain (even for charges of $00.00). The 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.

In anticipation of these new OFHP invoicing requirements, the ministry has amended O. Reg. 364/16 (Minister's order) to revoke the "8% provincial rebate" messaging requirements from invoices and envelopes to free-up space on the bill and avoid confusion amongst consumers. However, the requirement to include an "8% Provincial Rebate" line item remains.

Risks

Fiscal

The social programs do not have a scheduled end date and represent an ongoing fiscal pressure, which will likely increase over time. These estimates are based on variable inputs such as program uptake, electricity market conditions, future energy consumption

Commented [GH1]: From OFA: Suggest a mention of accounting risks in the Fiscal subsection, particularly given the AG's stated position at Committee on this. May want to seek input from OPCD/TBS.

Suggest including on page 6, as part of the objectives of the proposed regulations:
- Details on how the interest on the Trust debt will be managed; and
- The Clean Energy Adjustment as it relates to repayment from 2027 onwards.

of various consumer groups and future distribution rates, and are therefore subject to change.

Perception

It is expected that there will be some criticism of the OFHP messaging and bill presentment changes as being political in nature and not strictly necessary for transparency or program implementation.

Legal

In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets present only a low risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the asset, but rather is doing so in order to lower the price in the short term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period.

Under the FNDC program “non-status” Indigenous communities without reserves (e.g. certain members of the Algonquins of Ontario (AOO), Mocreebec etc.) and Métis will not be eligible as they do hold reserve lands. There is a risk that these communities could challenge the program on the grounds that it discriminates against them contrary to section 15 of the Charter (equality rights). This risk is mitigated by the ameliorative purpose of the program and because targeting First Nations communities for a reserve-based program corresponds to the distinct circumstances of reserve-based communities, relative to other Indigenous communities. A genuinely ameliorative program that targets some people but excludes others is shielded from a section 15 challenge if it serves or advances the ameliorative goal.

Program Design and Implementation

The proposal relies heavily on LDCs as a partner for implementation. Many of these changes will need to take place simultaneously and amongst the 70 LDCs in Ontario there is variety in size, efficiency and ability to implement change. This risk is mitigated by phase in implementation provisions in the enabling legislation that allows for LDCs to provide retroactive payments to July 1, 2017 if they are, for technical reasons, unable to have the required program changes implemented by this date.

Linkages

Commented [EK2]: The Fair Hydro Plan also included changes to the Ontario Electricity Support Program (OESP). Should those changes be included in this note?

Long-Term Energy Plan (LTEP) – Ontario is preparing to release a new LTEP in summer 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 will balance the principles of affordability, reliability, clean energy, community and Indigenous engagement, as well as conservation and demand management.

Electricity Rate Mitigation Initiatives – The *Ontario Rebate for Electricity Consumers Act, 2016*, (ORECA) put in place a rebate for an amount equivalent to the 8% provincial portion of the HST for eligible residential, small business customers and farms, beginning January 1, 2017.

The Ontario Clean Energy Benefit (OCEB) – Was a five-year legislated program put in place as a broad-based, transitional measure to a cleaner electricity system. OCEB was also put in place following the implementation of the Harmonised Sales Tax (HST). Unlike the previous provincial Retail Sales Tax (RST), the HST (and GST) included electricity in the taxable base. OCEB program ended on December 31, 2015.

Debt Retirement Charge – On January 1, 2016, the government ended the electricity DRC on residential users, which was earlier than previously estimated. For all other consumers the DRC will be removed by April 2018, also earlier than previously estimated.

Industrial Conservation Initiative (ICI) – Implemented in January 2011 to help large industrial consumers reduce electricity costs by reducing consumption in peak periods. As part of OFHP, ICI eligibility has been expanded several times, and was most recently expanded to allow for the participation of the manufacturing and, e.g., greenhouse sectors with an average month peak demand greater than 500 kilowatts (kW) and less than or equal to 1 megawatt (MW). ICI provides a benefit to all consumers by decreasing the need for costly peaking generation over the long term.

Affordability Fund – Approved as part of OFHP, and under development, the Affordability Fund is intended to provide energy efficiency measures to Ontarians who are not eligible for low income conservation programs, and who are otherwise unable to make energy efficiency improvements without financial assistance.

Ontario's Climate Change Action Plan (CCAP) – The CCAP, released in summer 2016, reiterated the 2016 Budget commitment and stated that Ontario intends to invest in initiatives that both reduce greenhouse gas (GHG) emissions and ensure that the net impact of cap and trade would not result in an overall increase in electricity costs for commercial and industrial consumers, and that there would be a modest benefit of up to $2 per month, on average, to residential consumers. This commitment to residential consumers was exceeded by the January 2017 8% rebate.

The commitment to mitigate the cap and trade impact on electricity costs for commercial and industrial consumers (Class A and B) has not been fully addressed, though the two recent expansions to the ICI provides for significant potential savings for those eligible. Funding electricity social programs through government funds rather than the rate base will also provide saving to all electricity consumers (i.e., Class A and B).

Commented [RK3]: Is this what is meant – for industrial and commercial regardless of whether they are in Class A or Class B?

The CCAP committed to a new Climate Change agency that would act as one window for the delivery of climate change-related programs. The Green Ontario Fund (GreenON) - is tasked to develop programs and services designed to:

- Reduce greenhouse gas emissions from housing from buildings and the production of goods, and
- Increase uptake and overcome market barriers of low-carbon technologies and processes.

The CCAP committed that the government consult on and develop options to mitigate the impact of carbon pricing and resulting increased utility costs on residential tenants. The mitigation is proposed because tenants do not usually have the opportunity to make changes to their building envelope (e.g., windows, insulation) or major appliances that would allow them to address utility costs themselves. On April 24, 2017, the government introduced the *Rental Fairness Act, 2017* which, if passed, would remove above-guideline rent increases for utilities, to protect tenants from carbon costs and encourage landlords to make their buildings more energy efficient.

Delivery

The proposed regulations are required under the major components of the *Fair Hydro Act, 2017* in order to fully implement the initiative and clarify program details.

1. Partial Refinancing of the Global Adjustment:

The ratepayer benefit of the OFHP will be in place as of July 1, 2017. The establishment of the regulatory asset and purchase by the OPG trust is expected to take three to six months to implement following the June 1, 2017 Royal Assent of the *Fair Hydro Act, 2017*.

The act includes transition provisions in circumstances where for technical or operational reasons invoices cannot be adapted in time for the issuance of the first invoices under the program. In these cases, adaptation of invoices must be implemented by August 1, 2017, followed by a subsequent lump sum credit to the consumer once the invoice is adapted.

Using the methodology outlined in the OFHPA and the Part II regulations, the OEB will calculate the electricity rates that consumers will pay as of July 1, 2017.

2. Social Programs:

<u>DRP and RRRP</u>

The programs will take advantage of existing LDC and IESO processes. The regulatory amendments also enable payment flows to prescribed LDC to allow recovery of RRRP and DRP payments made to customers.

It is possible that for technical reasons not all LDCs will be able to implement the changes required under the DRP in time for the prescribed effective date. In this case, the regulation dictates the eligibility of July 1st and gives until October 1, 2017 for LDCs to get their systems in place. The LDCs would provide a lump sum credit to customers that would otherwise have been eligible for benefits under the program.

On-Reserve First Nations Delivery Credit (FNDC)

The ministry is consulting with affected LDCs, the OEB, the IESO and Chiefs of Ontario (COO) on implementation. FNDC will take advantage of existing LDC, IESO, and community-LDC relationships to implement the program. The regulatory amendments also enable payment flows to prescribed LDCs to allow recovery of FNDC payments made to customers.

It is possible that for technical reasons not all LDCs will be able to implement the changes required under the program in time for the prescribed July 1, 2017 effective date. OFHPA includes transitional provisions that would ensure customers remain eligible for the delivery credit from the prescribed date. Once available, the rebate would appear on the eligible customer's electricity bills as a credit for their delivery line. FNDC line item, demonstrating the savings by eliminating the delivery line costs on the bill.

STAKEHOLDER AND PARTNER CONSIDERATIONS

General Public (including residential and small businesses) – Likely support a proposal that is projected to provide 25% in average rate relief (including the 8% announced in 2016) and other targeted relief for vulnerable Ontarians, but there has been public discussion of the longer term implications. Some individuals and organizations will perceive the GA smoothing as unduly burdening future generations. Ability of the public to understand current and recent changes will heavily depend on government communications. There may be also some criticism that additional fiscal pressure and risk is being taken to benefit some customers that are not in as much need of rate relief as others (i.e., those that own second homes or cottages).

Commented [RK4]: "e.g.,"?

Industrial and Commercial Consumers – Will continue to be concerned with the impact of cap and trade on electricity prices and the commitment in the Climate Change Action Plan to use GGRA funds to "keep electricity rate affordable". Will likely respond positively to the recent changes to expand ICI eligibility to some manufacturing and greenhouse Class B customers, but may be more neutral on the rest of the initiatives.

The impact of cap and trade has been added to electricity bills as of January 2017. Class B consumers have raised concerns about the cost of electricity and its impact on their business competitiveness. Although Class A electricity consumers have access to ICI, they are also concerned about the impact of cap and trade on their electricity costs. They are expecting that GGRA funds will be used to mitigate their costs. There is an expectation government is going to take specific action to mitigate their increases due to cap and trade, and given the initiatives proposed in this submission, there is no plan to provide further relief through the Greenhouse Gas Reduction Account. Funding electricity support programs through government funding rather than the rate base will provide some saving to both Class A and B consumers.

Commented [RK5]: Are the concerns from the subset of Class B customers not eligible for the OFHP?

Tenants – Likely to support any future price mitigation measures that directly benefit them; likely to react negatively if no mitigation measures target them.

Northern communities – Likely to support the targeted RRRP delivery relief.

Indigenous communities – First Nation members who live on reserves are likely to support the proposal because of the targeted delivery relief. Other Indigenous communities (i.e., Métis, non-status, First Nations without reserve land bases) are likely to react negatively at being ineligible for the delivery charge relief.

NGOs – May react negatively towards any price relief that is not directly tied to energy conservation. May criticize the inclusion of natural gas electricity generators as part of the clean energy costs.

Solar PV sector – May react negatively to price relief as it can be seen to undercut the economics of net metering.

LDCs – Have expressed the need for an additional tool to provide assistance to their customers who are having difficulty with their electricity bills.

Terms you need to know

- **Global Adjustment (GA) –** The GA accounts for the difference between generation costs (contracted and rate-regulated) and the wholesale market price in order to recover fixed costs, including capital costs, of putting in place and operating Ontario's generation fleet, as well as the cost of conservation and demand management programs. The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.
- **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.
- **Delivery charge –** The costs of getting electricity from generating stations to homes and businesses. Appears as one line on electricity bills, includes three components:
  - Transmission: The costs of moving electricity across high voltage lines from generating stations to the distribution system. This cost is recovered through a variable per unit charge that is approved by the OEB.
  - Distribution: The costs of moving electricity from the transmission system to homes and businesses. Depending on the LDC, distribution costs makes up about 60% to 80% of the Delivery line. This cost is currently recovered through both a variable charge and fixed charge, approved by the OEB. Distribution rates for residential customers are moving to a fully-fixed charge by 2019 for most LDCs. Some LDCs, such as Hydro One and Algoma Power are transitioning over a longer period.

- Line Loss: The costs to recover electricity that is lost when it is delivered over a power line.

- **Regulated Price Plan (RPP) –** Since April 2005, the Ontario Energy Board (OEB) has administered an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators. This pricing plan is known as the Regulated Price Plan (RPP). About 5 million residential consumers, small businesses and farms are eligible for the RPP.
- **Customer classification for Hydro One –** Customer service classes are determined by the kind of electricity service as well as by density – how many customers there are in the area and the number of customers per kilometre of line. Lower customer density increases the cost to serve. Residential class R1 customers are considered 'medium density' customers and residential class R2 are considered 'low density customers.' Hydro One also served urban residential customers, considered "high density" through its UR class. Hydro One also has urban and non-urban general service classes.
- **Ontario Power Generation (OPG) –** A business corporation owned by the Province that owns and operates generation assets, including nuclear and hydro, and generates almost half of Ontario's electricity.
- **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.
- **Independent Electricity System Operator (IESO) –** An independent corporation established under the *Electricity Act, 1998* that operates the electricity market in Ontario. Balances the supply of and demand for electricity in Ontario and then directs its flow across the province's transmission lines, including interties with other jurisdictions.
- **Affordable Housing- *Residential Tenancies Act, 2006* amendments –** To mitigate the costs of carbon pricing on tenants, who are not able to control major building features that impact energy use (like insulation and windows) or major appliances, the government has amended regulations under the Residential Tenancies Act, 2006 to remove the ability for landlords to increase rents above the guideline based on extraordinary increases in utility costs.