LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

LRC Tracking #: (REG-11363)
EVista Tracking #: (SUB-REG-2017-00467)

Ministry of Energy

Amending Ontario Electricity Support Program Regulation to Support the Implementation of Ontario's Fair Hydro Plan

Regulation

Profile at a Glance

Priority: Key to Commitment
Public Interest: High
Key Stakeholder Interest: Moderate
New Costs/Burdens: No for Stakeholders; Yes for Government
New Savings/Opportunities: Yes for Stakeholders; No for Government

Proposed Items for Review

1. Amending the Ontario Electricity Support Program (OESP) regulation under the *Ontario Energy Board Act*, 1998 O. Reg. 314/15

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	Legislation and Regulation Committee, April 10, 2017	April 10, 2017
TB/MBC	No approval needed	

Original signed by — April 4, 2017
Deputy Minister — Date

Original signed by — April 4, 2017
Minister — Date

s. 1 **Proposal and Context**

The Ontario Electricity Support Program (OESP) is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers, providing a credit directly on bills. The program, established under section 79.2 of the *Ontario Energy Board Act, 1998,* is delivered by the Ontario Energy Board (OEB) and has been in place since January 1, 2016.

On March 1, 2017, Treasury Board approved the Cabinet Submission on Rate Mitigation which proposes to help vulnerable electricity consumers by expanding every benefit level of the OESP by 50%, increasing program eligibility, moving the program from a ratepayer funded program to a government funded program, and pursuing additional measures to substantially increase take-up.

To implement this direction, ENERGY is proposing to soon bring forward legislative amendments required to shift the OESP from the rate-base to the tax base. In the near term, in order to implement certain key elements of the above-noted direction by May 1, 2017, the Ministry is proposing amendments to the existing regulation made under OEBA s.79.2. These proposed amendments would, in combination with a recent Order of the Ontario Energy Board dated March 23, 2017, work together to: (i) increase funding to existing OESP-eligible consumers by 50%; (ii) provide for a number of new classes of rate-assisted consumers; (iii) ensure that the IESO is required to satisfy the OESP-related funding requirements from its OESP variance account rather than from consumers.

Further amendments to this regulation are anticipated in order to implement the legislative amendments to provide for the more permanent tax-based funding model.

In the meantime, pursuant to a decision and order issued by the Board on March 23, 2017, the OEB is requiring distributors and the IESO to cease collecting the current volumetric OESP charge from all consumers. In accordance with the Board's Order, the IESO would be required to draw down the existing OESP variance account – the amount collected through the volumetric charge paid by all consumers – minus the amount paid to OESP recipients – to pay for program costs. However, the proposed amending regulation is required to provide for the augmented amounts and new classes specified above. The expectation is that the IESO would be required to continue to draw down its OESP variance account. The Ministry's intention is to table legislation in a timely manner to allow any proposed legislation to, if approved, be put in place (with ensuing regulations) so that the transfer of the OESP from rate-base funded to a tax-base funded program would occur before the IESO exhausts the amounts in the OESP variance account.

To support the implementation to expand the OESP, regulatory amendments under to O. Reg. 314/15 made under the *Ontario Energy Board Act, 1998* (OEBA) is needed. The proposed regulation would:

- Increase the OESP credit amount by 50% and prescribe the revised credit amounts.
- Expand eligibility to include new household income and size categories, and include these new customer classes in the revised credit amounts, and.
- Once this amending regulation is put in place, if approved, the expectation is that the OEB would issue one or more orders to implement this approach in keeping with the statutory requirement that the Board must act in accordance with prescribed criteria in establishing OESP rate-assistance.

s. 2 Approach and Intended Outcomes

See Appendix A – Regulation Comparison Chart

To support the proposed program changes of the OESP, the Ministry is proposing to amend O. Reg. 314/15 under the OEBA. This regulation would require the OEB to implementation of the proposed OESP program changes noted in Section 1 above, which are required to be in place on May 1st, 2017.

Tables 1 and 2 depict the current OESP credits amounts based on the program eligibility criteria – household size and the total household after-tax income. Tables 3 and 4 depict the proposed revised OESP sliding scale fixed credits that are proposed, including for the new classes of eligible consumers which are proposed, in this amending regulation. This includes an enhancement of the current OESP for current OESP eligible classes of consumers by 50%, as well as the expanded (new) classes of eligible consumers which are designed to include more household income and size categories (these new classes of eligible consumers are reflected in red).

Existing OESP Classes and Credit Amounts

Table 1:

Household Income (After Tax) Household Size (Number of people living in household)

	1	2	3	4	5	6	7+
< $28,000	$30	$30	$34	$38	$42	$50	$50
$28,001 - $39,000			$30	$34	$38	$42	$50
$39,001 - $48,000					$30	$34	$38

$48,001 - $52,000							$30

Table 2:
Household Income (After Tax)

Household Size (Number of people living in household)
Energy Intensive

	1	2	3	4	5	6	7+
< $28,000	$45	$45	$50	$55	$60	$75	$75
$28,001 - $39,000			$45	$50	$55	$60	$75
$39,001 - $48,000					$45	$50	$55
$48,001 - $52,000							$45

<u>Proposed OESP Credits</u>

Table 3:
Household Income (After Tax)

Household Size (Number of people living in household)

	1	2	3	4	5	6	7+
< $28,000	$45	$45	$51	$57	$63	$75	$75
$28,001 - $39,000		$40	$45	$51	$57	$63	$75
$39,001 - $48,000			$35	$40	$45	$51	$57
$48,001 - $52,000					$35	$40	$45

Table 4:
Household Income (After Tax)

Household Size (Number of people living in household)
Energy Intensive

	1	2	3	4	5	6	7+
< $28,000	$68	$68	$75	$83	$90	$113	$113
$28,001 - $39,000		$60	$68	$75	$83	$90	$113
$39,001 - $48,000			$52	$60	$68	$75	$83
$48,001 - $52,000					$52	$60	$68

s. 3 Direction and Urgency

Direction

On March 1, 2017 the Ministry of Energy received Cabinet approval to proceed with the enhancement of the OESP as part of the approved direction for Government's electricity rate-mitigation package. Cabinet minute required the Ministry to implement changes to increase the benefit level of the OESP by 50% provide new credit amounts on the existing scale. The Ministry is still working on legislation and regulations that would shift the program from a ratepayer funded program to a government funded (tax-base) program.

Once this amending regulation is put in place, if approved, the expectation is that the OEB would issue one or more orders to implement this approach in keeping with the statutory requirement that the Board must act in accordance with prescribed criteria in establishing OESP rate-assistance.

Urgency

The intent is to implement the proposed changes by May 1, 2017.

s. 4 Impact Assessment and Costs

As approved by Cabinet, in the longer term, ENERGY is working on a package of legislative amendments which would, if approved by Cabinet and passed by the Legislature, shift the costs related to the OESP would impact the government's fiscal plan. However, there would be no immediate costs to Government anticipated resulting from the implementation of this proposed regulation since the costs for the OESP are anticipated to shift to Government only after (or near the time at which) the IESO has depleted the OESP variance account in accordance with this amending Regulation.

s. 5 Implementation

Currently, the OEB is responsible for administering the OESP, including implementing the proposed regulatory changes. The OEB is concurrently working on its own systems for May 1 implementation, and with utilities, unit sub-metering companies, and other partners to ensure that their systems can incorporate the regulatory changes based on the Board's own order, dated March 23, 2017, which required the IESO and distributors to stop collecting the current OESP

charge from consumers. The above-noted proposed amending regulation is required to implement the additional features of the Government's plans.
Once this amending regulation is put in place, the expectation is that the OEB would issue one or more orders to implement this approach in keeping with the statutory requirement that the Board must act in accordance with prescribed criteria in establishing OESP rate-assistance.

s. 6 Delivery and Results Tracking

The OEB regularly reports to the Ministry of Energy on OESP uptake numbers. This includes the number of applications, the number of approved applications, and the number of applications declined.

At the start of the program, the OEB set an ambitious target of 60% participation. The program reached 30% participation by the end of 2016. It is expected that program enhancements would support increased uptake and ENERGY anticipates an increase in the number of OESP applications and recipients.

s.7 Stakeholder Consultations

On March 9, 2017, there was broad public consultation and the proposed amendment to O. Reg. 314/15 under the OEBA was posted on the Regulatory Registry. Comments posted on the registry will be considered as the proposed amending regulation is being developed.

Local distribution companies were consulted on March 14, 2017 regarding the Fair Hydro Plan, including the OESP changes that are currently being proposed through the proposed amending regulation and amending legislation.
The OEB is also working with utilities, unit sub-metering providers, and other partners to ensure that their systems can incorporate the proposed regulatory changes in time for a May 1, 2017 implementation. The OEB hosted a webinar on March 29, 2017 to begin this process.

It is expected that the majority of the stakeholders would be in a position to implement the program changes, provided the proposed regulatory amendments are approved.

s.8 Other Jurisdictions and Harmonization

N/A

s. 9 Communications

See Appendix C, Communications Snapshot

The Ministry and the OEB are prepared to proceed with a high-profile communication approach, to inform low-income Ontarians of the enhancement of the OESP credit amount and expansion of the eligibility criteria, should the amending regulation be approved.

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Sunita Chander	416-325-6594
Ministry Legal	James Rehob	416-325-6676
Ministry Communications		
Assistant or Deputy Minister's Office		
Cabinet Office Policy		

Appendices

Appendix A: Regulation Comparison Chart
Appendix B: Communications Snapshot

Amendments to "Regulation or O. Reg. 314/15", "Ontario Electricity Support Program" under the "*Ontario Energy Board Act, 1998*"

Current Regulation	Proposed Amendment	Rationale for Change
	1. "account-holder" means a consumer who has an account with a distributor that falls within a residential-rate classification as specified in a rate order made by the Board under section 78 of the Act, and who lives at the service address to which the account relates for at least six months in a year; "electricity-intensive medical device" means an oxygen concentrator, a mechanical ventilator or a kidney dialysis machine; "household" means the account-holder and any other people living at the accountholder's service address for at least six months in a year, including people other than the account-holder's spouse, children or other relatives; "household income" means the combined annual after-tax income of all members of a household aged 16 or over; "Indigenous person" includes a person who is a First Nations person, a Métis person or an Inuit person.	These definitions are referenced in the proposed amendment.

Current Regulation	Proposed Amendment	Rationale for Change
Amount of OESP rate assistance **5.** For 2016, the Board shall fix the amount of monthly rate assistance for each class of consumers that has been identified as rate-assisted consumers in the Distribution System Code as follows: 1. $30 for consumers in Class A. 2. $34 for consumers in Class B. 3. $38 for consumers in Class C. 4. $42 for consumers in Class D. 5. $45 for consumers in Class E. 6. $50 for consumers in Class F. 7. $55 for consumers in Class G. 8. $60 for consumers in Class H. 9. $75 for consumers in Class I.	**Amount of OESP rate assistance** **5.** (1) Effective May 1, 2017, the Board shall fix the amount of monthly rate assistance for each class of consumers that is identified as rate-assisted consumers in Schedule 1 as follows: (a) $35 for consumers in Class A; (b) $40 for consumers in Class B; (c) $45 for consumers in Class C; (d) $51 for consumers in Class D; (e) $52 for consumers in Class E; (f) $57 for consumers in Class F; (g) $60 for consumers in Class G; (h) $63 for consumers in Class H; (i) $68 for consumers in Class I; (j) $75 for consumers in Class J; (k) $83 for consumers in Class K; (l) $90 for consumers in Class L; and (m) $113 for consumers in Class M.	This section was amended to increase the OESP credit amount by 50% and prescribe the revised credit amounts for new the eligible categories.
N/A	**SCHEDULE 1**	

Current Regulation	Proposed Amendment	Rationale for Change
	1. Class A is composed of the following account-holders, other than account-holders that also meet the requirements of Class E: i. account-holders with a household income of more than $39,000 and no more than $48,000 living in a household of three persons, and ii. account-holders with a household income of more than $48,000 and no more than $52,000 living in a household of five persons. 2. Class B is composed of the following account-holders, other than account-holders that also meet the requirements of Class G: i. account-holders with a household income of more than $28,000 and no more than $39,000 living in a household of two persons, ii. account-holders with a household income of more than $39,000 and no more than $48,000 living in a household of four persons, and iii. account-holders with a household income of more than $48,000 and no	Schedule 1 is added to the regulation to prescribe the new eligibility criteria and revised classes that are now eligible to receive the OESP under the enhanced OESP criteria.

Current Regulation	Proposed Amendment	Rationale for Change
	more than $52,000 living in a household of six persons. 3. Class C is composed of the following account-holders, other than account-holders that also meet the requirements of Class I: i. account-holders with a household income of $28,000 or less living in a household of one or two persons, ii. account-holders with a household income of more than $28,000 and no more than $39,000 living in a household of three persons, iii. account-holders with a household income of more than $39,000 and no more than $48,000 living in a household of five persons, and iv. account-holders with a household income of more than $48,000 and no more than $52,000 living in a household of seven or more persons. 4. Class D is composed of the following account-holders, other than account-holders that also meet the requirements of Class J:	

Current Regulation	Proposed Amendment	Rationale for Change
	i. account-holders with a household income of $28,000 or less living in a household of three persons, ii. account-holders with a household income of more than $28,000 and no more than $39,000 living in a household of four persons, and iii.account-holders with a household income of more than $39,000 and no more than $48,000 living in a household of six persons. 5. Class E is composed of account-holders with a household income and household size described under Class A who also meet any of the following requirements: i.The dwelling to which the account relates is heated primarily by electricity. ii. The account-holder or any member of the account-holder's household is an Indigenous person. iii. The account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive	

Current Regulation	Proposed Amendment	Rationale for Change
	medical device at the dwelling to which the account relates. 6. Class F is composed of the following account-holders, other than account holders that also meet the requirements of Class K: i. account-holders with a household income of $28,000 or less living in a household of four persons, ii. account-holders with a household income of more than $28,000 and no more than $39,000 living in a household of five persons, and iii.account-holders with a household income of more than $39,000 and no more than $48,000 living in a household of seven or more persons. 7. Class G is composed of account-holders with a household income and household size described under Class B who also meet any of the following requirements: i.The dwelling to which the account relates is heated primarily by electricity.	

Current Regulation	Proposed Amendment	Rationale for Change
	ii. The account-holder or any member of the account-holder's household is an Indigenous person. iii. The account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates. 8. Class H is composed of the following account-holders, other than account holders that also meet the requirements of Class L: i.account-holders with a household income of $28,000 or less living in a household of five persons, and ii. account-holders with a household income of more than $28,000 and no more than $39,000 living in a household of six persons. 9. Class I is composed of account-holders with a household income and household size described under Class C who also meet any of the following requirements:	

Current Regulation	Proposed Amendment	Rationale for Change
	i.The dwelling to which the account relates is heated primarily by electricity. ii. The account-holder or any member of the account-holder's household is an Indigenous person. iii. The account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates. 10. Class J is composed of, i.account-holders with a household income of $28,000 or less living in a household of six or more persons, other than account holders that also meet the requirements of Class M, ii. account-holders with a household income of more than $28,000 and no more than $39,000 living in a household of seven or more persons, other than account holders that also meet the requirements of Class M, and	

Current Regulation	Proposed Amendment	Rationale for Change
	iii. account-holders with a household income and household size described under Class D who also meet any of the following requirements: A. The dwelling to which the account relates is heated primarily by electricity. B. The account-holder or any member of the account-holder's household is an Indigenous person. C. The account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates. 11. Class K is composed of account-holders with a household income and household size described under Class F who also meet any of the following requirements,: i.The dwelling to which the account relates is heated primarily by electricity.	

Current Regulation	Proposed Amendment	Rationale for Change
	ii. The account-holder or any member of the account-holder's household is an Indigenous person. iii. The account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates. 12. Class L is composed of account-holders with a household income and household size described under Class H who also meet any of the following requirements: i.The dwelling to which the account relates is heated primarily by electricity. ii. The account-holder or any member of the account-holder's household is an Indigenous person. iii. The account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.	

Current Regulation	Proposed Amendment	Rationale for Change
	13. Class M is composed of account-holders with a household income and household size described under subparagraph i or ii of the description of Class J who also meet any of the following requirements: i. The dwelling to which the account relates is heated primarily by electricity. ii. The account-holder or any member of the account-holder's household is an Indigenous person. iii. The account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.	
	Commencement 4. This Regulation comes into force on May 1, 2017.	Date the proposed regulatory amendment comes into force.

Communications Snapshot – Regulation for Ontario Electricity Support Program

Communications Objectives

- Demonstrate the government's commitment to providing electricity rate relief to low-income households in Ontario through the introduction of regulation that, if passed, would expand the Ontario Electricity Support program.

Context

- Launched in January 2016 the OESP is administered through the Ontario Energy Board (OEB).
- The OESP is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers, providing a rebate directly on bills. There are two scales: one with basic credits, and an enhanced credit for Indigenous people or those who use electric heat or certain electrically intensive medical devices.
- At the time of the January 2016 launch, qualified individuals could be eligible for a $30 to $50 monthly credit based on the size of the household and income. For example, a family of four with an annual income of less than $28,000, would be eligible for a $38 monthly credit -- a total of about $455 per year.
- On March 2, 2017 Premier Wynne announced Ontario's Fair Hydro Plan to lower electricity rates for households and small businesses by an average of 25 per cent and also increase support for Ontarians eligible for OESP.
- The ministry is proposing to bring in additional savings to Ontario consumers through new initiatives to help the most vulnerable by creating and enhancing electricity support programs and shifting cost onto the tax base.
- The government intends to introduce legislative and regulatory changes that would, if passed, enable the following:
    - Increase the OESP by 50 per cent, meaning that single, low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180), and single consumers receiving the lowest credit on the enhanced scale would increase from $45 to $68 ($816 per year, an increase of $276).
    - Exploring automatic qualification for customers who are enrolled in other provincial low-income social programs.
    - Move forward in having the OESP funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.
- Changes that reflected in this OESP regulatory amendment include an increase of all OESP credits by 50%, and an increase in the number of OESP-eligible classes of customers. These are to be implemented May 1.
- Also on May 1,in accordance with the OEB's recent OESP Order, the OESP regulatory charge collected from consumers is reduced to zero (it is currently $0.0011 kWh), and the program will be funded by the OESP variance account (the difference between the amount collected and the amount paid, which is currently $107M). This will result in all customers in Ontario paying less for electricity, and those eligible for the OESP receiving more on-bill support.

Target Audience

- All low-income electricity consumers in Ontario.

Key Messages

- Ontario's Fair Hydro Plan would, if approved, lower electricity rates for households and small businesses by an average of 25 per cent.
- The proposed changes to the Ontario Electricity Support Program would, if approved, provide more assistance to those who need it most, helping to ensure that all Ontarians have continued access to clean and reliable electricity.
- We understand the rising costs are a concern, which is why we are bringing in savings now through new initiatives that are anticipated to cut costs directly on your energy bill.
- The government is working hard to keep electricity affordable for Ontarians. This program would help ensure that electricity costs are more affordable for the most vulnerable.

Strategic Approach

- Reactive materials will include Q&As and key messages will be prepared.
- Strategic communications, particularly timing, is dependent on the passing of relevant regulation.
- A comprehensive communications strategy will be submitted prior to the passing of the regulation

Issues & Mitigation

Issue/Consideration	Mitigation Strategy	Key Message
The government is providing a little relief to all consumers, when they could instead have done more for those that needed it most.	Draw attention to Ontario Electricity Support Program and other initiatives which are targeted at the most vulnerable consumers.	The Ontario Electricity Support Program provides targeted relief to low income consumers. In addition, special programs are available to assist low income consumers with energy conservation and in meeting unpaid bills. As well, the government has put in place the Ontario Trillium Benefit to assist families with low to moderate incomes.

Tactics & Rollout

Launch Event	
Proposed Date and Time	**Location**
n/a	n/a
Description *(What is the event, who is leading it? If it's a third party event, how does it connect to the announcement?)*	
n/a	
Visual/Photo-op *(Describe the backdrop (e.g., protected greenbelt forest) and describe any planned photo ops (e.g., boarding a new TTC streetcar).*	
n/a	
Speakers & Attendees	
n/a	

	Pre-Launch	Launch	Post-Launch
Regional Rollout Examples: - MPP Template - Speeches - Media event - Op-ed, media pitch - Editorial board meeting	N/A	N/A	N/A
Earned Examples: - News release, etc. - Remarks - Event - Calls/emails to targeted audiences - Multilingual media - Fact sheets - House Statement	N/A	N/A	N/A
Digital / Social Examples: - Web content - Twitter/Facebook - Keyword / interactive web - Blogger outreach - Videos	N/A	N/A	N/A
Paid ***(must include budget)*** Examples: - TV/radio/newspaper - Online banners/ads - Advertorial - Householder/direct mail	N/A	N/A	N/A

Evaluation

- A comprehensive evaluation will be provided closer to the passing of the relevant regulation.