Delivering Fairness and Choice
LTEP 2017

Chapter 1. Ensuring Affordable and Accessible Energy

Making Energy Affordable

Over $50 billion has been invested in the electricity system over the past decade and a half. These investments have significantly improved the reliability of our electricity system. Last year, over 90 per cent of the power generated in Ontario came from sources of energy that were free of greenhouse gas emissions. We now have a robust supply of electricity that is expected to be abundant enough to meet Ontario electricity demand into the middle of the next decade. All of this leaves us well positioned to plan for and meet any of the challenges that may occur over the next 20 years.

These much-needed investments came at a cost: they increased electricity prices in Ontario. The Province is helping to relieve the cost pressures these system improvements caused with programs such as Ontario's Fair Hydro Plan, bringing electricity to off-grid communities, and expanding access to natural gas. These programs build on actions already taken over the past few years that reduced costs for families, farms and businesses by:

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- reducing Feed-In Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion;
- renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by $3.7 billion;
- deferring the construction of two new nuclear reactors at Darlington, avoiding an estimated $15 billion in new construction costs;
- starting the Bruce refurbishments in 2020, instead of 2016, thus helping to save $1.7 billion compared to the forecast in the 2013 Long-Term Energy Plan (LTEP);
- continuing to operate Pickering up to 2024, pending regulatory approvals, saving ratepayers as much as $600 million;
- driving down prices for clear, reliable generation by introducing strong competition between developers of large renewable projects. As a result of lower prices and slower procurement, costs for the Large renewable Procurement (LRP) were approximately $1.5 billion lower than forecast in LTEP 2013;

- suspending LRP ll and the Energy-from waste standard offer program, which is expected to save up to $3.8 billion compared to the forecast in LTEP 2013; and

- reducing the procurement target for the Feed-In-Tariff (FIT) 5 program to 150 MW and suspending future FIT procurements, saving up to $129 million.

Ontario's Fair Hydro Plan

On May 31, 2017, the government provided additional help for consumers. Ontario's Fair Hydro Plan became law, reducing electricity bills for residential consumers and as many as half a million small businesses and farms in the province.

Ontario's Fair Hydro Plan:

- lowers electricity bills by an average of 25 per cent for residential consumers, with increases held to the rate of inflation for four years. Lower-income Ontarians and those living in eligible rural communities will receive even greater reductions of as much as 40 to 50 per cent.

- increases support to eligible low-income households by expanding the Ontario Electricity Support Program (OESP);

- provides enhanced Distribution Rate Protection (DRP) for customers served by local distribution companies (LDCs) with some of the highest rates. The DRP expands the support provided through Rural or Remote Rate Protection (RRRP).

- shifts the funding of the OESP and the majority of RRRP from electricity bills to provincial revenues. This will reduce the regulatory charges paid by all Ontario ratepayers.

- reduces the monthly electricity bills of on-reserve First Nation residential customers of licensed distributors by giving the customers a 100 per cent credit for the delivery line or service charge on their bill.

- adds smaller manufacturers to the Industrial Conservation Initiative (ICI). This gives companies with peak demands between 500 kW and 1 MW a strong incentive to lower their consumption during peak hours and reduce their bills by about a third.

- includes an 8% reduction on amount before tax on the bill of Regulated Price Plan (RPP) customers, a reduction equal to the provincial portion of the Harmonized Sales Tax (HST).

- establishes an Affordability Fund to help people who can't make energy efficiency improvements to their homes because they don't qualify for low-income conservation programs.

Additional Details on Ontario's Fair Hydro Plan

Distribution Rate Protection

Rural or remote customers who face distribution costs that are higher than urban areas receive a rate subsidy through RRRP. RRRP is provided to approximately 350,000 Hydro One residential customers, as well as areas served by Algoma Power, Hydro One Remote Communities, and some distributors along James Bay. RRRP used to be funded by all Ontario electricity rate payers. The majority of RRRP costs will now be funded through provincial revenues.

The Province has now expanded RRRP to provide Distribution Rate Protection to about 800,000 residential customers served by local distribution companies with the highest distribution rates, including many of those who continue to receive RRRP. The cost of the DRP will be funded by provincial revenues. The residential customers who benefit are served by the following LDCs:

- Hydro One Networks Inc. (R1 medium density rate class and R2 low density rate class;
- Northern Ontario Wires Inc.;
- Lakeland Power (Parry Sound service territory);
- Chapleau Public Utilities Corporation;
- Sioux Lookout Hydro;
- InnPower;
- Atikokan Hydro; and
- Algoma Power.

Industrial Conservation Initiative

The Industrial Conservation Initiative (ICI) allows companies who are large electricity consumers to lower their electricity costs by reducing their demand during peak hours. This benefits them financially and benefits the electricity system by deferring the need for new peaking generation.

To give more businesses the incentive to participate in the ICI, we have lowered the threshold for entry and removed sector restrictions so that more companies can benefit. All businesses with an average monthly peak demand over 1 MW will now be eligible for the program; prior to this change, participation was restricted to companies with average monthly peak demand of more than over 5 MW and others in selected sectors that peaked at between 3 and 5 MW. In addition, companies in the manufacturing and greenhouse sectors with an average monthly peak demand between 500 kW and 1 MW will be eligible for the program.

Commented [JM2]: Changed it from "monthly average"

Commented [JM3]: What sectors?

Commented [JM4]: Can we be more specific about what sort of manufacturing?

OESP

In order to increase participation and provide added support to more low-income Ontarians, the monthly credits of the OESP were increased by 50 per cent and eligibility criteria were expanded. This credit is an immediate on-bill reduction for those Ontarians who are eligible for this program.

Ontario is working to improve coordination across provincial programs that also provide support to low-income Ontarians. Synchronizing the OESP with other social assistance programs will help get more vulnerable consumers into the program so they can receive the support they need on electricity bills.

On-reserve Credit

The First Nations Delivery Credit (FNDC) will benefit approximately 21,500 residential customers living on reserve. The costs will be funded by provincial revenues.

The FNDC will provide much needed relief from the high costs of electricity in First Nations communities and encourage socio-economic well-being. This is an important step towards reconciliation and the strengthening of Ontario's relationship with First Nations.

Affordability Fund

The Affordability Fund will help Ontarians who are not eligible for low-income conservation programs and need financial assistance to improve the energy efficiency of their homes. Measures that could be funded include energy-saving LED light bulbs, power bars, added insulation and energy efficient window air-conditioners and refrigerators.

The Affordability Fund will be administered by an independent trust that will distribute funds to the electricity distributors that apply. Distributors are in the best position to provide energy efficiency improvements to consumers in need of assistance. It is expected distributors will be able to start applying to the Affordability Fund later this summer *[NTD: will have to update as summer progresses].*

Refinancing the Global Adjustment to Ensure Intergenerational Fairness

Ontario's Fair Hydro Plan helps consumers by refinancing a portion of Global Adjustment (GA). The GA pays the costs of contracted generation in Ontario, as well as the cost of conservation and demand management programs.

The majority of the province's electricity generators have 20-year contracts, but many wind, solar and natural gas facilities are expected to provide additional benefit by operating past the life of their contracts. To relieve the burden on today's ratepayers and share costs more fairly with future generations, a portion of the GA is being refinanced to spread the cost of electricity investments over a longer period of time. This refinancing reflects the expected longer lifecycle of the facilities that have been built. The change will provide significant and immediate rate relief and will ensure intergenerational fairness. Present-day consumers should not carry the entire burden of investments that will benefit future generations.

While the proceeds of the refinancing will be used in the early years to reduce pressure on today's electricity ratepayers, the cost of refinancing in later years will be recovered from ratepayers.

Help from Existing Programs

The measures included in Ontario's Fair Hydro Plan are in addition to existing programs that already help Ontario families and individuals pay their electricity bills. They include:

- the Northern Ontario Energy Credit, for low- to middle-income families and individuals living in northern Ontario;
- the Ontario Energy and Property Tax Credit, for low- to moderate-income individuals;
- low-income Energy Assistance Programs, for emergency situations; and
- the Save on Energy Home Assistance Program, to provide home energy efficiency assessments and upgrades to lower-income consumers.

Commented [JM5]: What is the difference between low-income and lower-income?

In addition to ICI, there are a number of other measures in place to lower industrial, commercial and institutional electricity prices. These include:

- the Northern Industrial Electricity Rate Program, for northern industries facing higher energy costs due to climate and their distance to markets;
- the Industrial Accelerator Program, for companies connected to transmission networks so they can fast track the capital investment needed for major energy conservation projects; and
- the Save on Energy for Business program, which provides financial incentives for energy audits, retrofits and process and system improvements to help distribution-connected businesses reduce their electricity use and manage costs.

Increasing Consumer Protection

With the *Energy Consumers Protection Act, 2010,* Ontario protected consumers from fraudulent claims and high-pressure sales tactics by restricting the door-to-door sale of energy contracts. We will now turn our attention to protecting those consumers who live in condominiums and other multi-unit residential buildings.

Often, these consumers are not actually customers of a local distribution company but buy their electricity from private companies who meter their units and send them a bill for their usage. This is known as sub-metering. Consumers inherit the pricing arrangements; costs are set by the owner or developer of the building.

Both the Ministry and the Ontario Energy Board (OEB) have heard consumers say they would like to know more about how these decisions are made and what they are being asked to pay for. That is why the government will ask the OEB to enhance its oversight of sub-metering companies and bring in new consumer protection measures.

Enhancing consumer protection and taking a more stringent approach to regulation would give the OEB more insight into how these sub-metering companies determine their costs, set their rates and enter into agreements with developers. The OEB would be able to reign in these unfair business practices when:

- costs are deemed not to be reasonable or fair;
- contracts pass on unjustified costs to consumers; or
- sub-metering companies unduly punish consumers for switching to a different service provider.

Consumers will benefit from having the same protections as LDC customers: clarity about what goes into prices, protection from winter disconnections, and the ability to appeal unfair practices to the OEB. The OEB expects to have these new protections in place in early 2018.

Natural Gas Expansion

Ontario wants to expand access to natural gas to support greater customer choice and help the economic development of local communities. In order to do this, the government launched a new $100 million Natural Gas Grant Program in April 2017. It supports both the expansion of natural gas pipelines and the construction of new infrastructure for liquefied or compressed natural gas. Switching from heating with oil to using natural gas under this program could save an average consumer an estimated $1,100 annually. The program is administered by the Ministry of Infrastructure.

A new regulatory framework issued by the OEB in November 2016 gives utilities more flexibility by allowing them to collect increased rates and surcharges from customers who benefit from any expansion. This makes natural gas expansion more economically feasible for unserved communities. The framework also encourages the use of rate competition when multiple utilities apply to serve these communities.

Natural gas utilities and municipalities would file applications for natural gas expansions with the OEB, although it may not make economic sense to expand natural gas to all areas and all regions of the province.

Gasoline Price Review

Northern communities are concerned about the high cost of the gasoline they use. As a result, the Minister of Energy directed the OEB in November 2016 to review Ontario's retail market for gasoline and diesel fuel.

The Gasoline Price Review will focus on three main topics:

- the extent and causes over time of regional variations in the retail price of gasoline and diesel fuel;
- how pricing and markets in Ontario compare with other jurisdictions; and
- the information available to consumers about pricing and price variations.

The OEB expects to report back to the Ministry with its findings later this year. The government intends to review the OEB's report in detail and consider the information in future decision-making.