Delivering Fairness and Choice
2017 LTEP

Chapter 1. Ensuring Affordable and Accessible Energy

Making Energy Affordable

Ontario's electricity system is well positioned to meet any of the challenges that may occur over the next 20 years, and pursue any emerging opportunities. More than $50 billion has been invested in the electricity system since 2003. These investments have significantly improved the reliability of our electricity system.

Over 90 per cent of the power generated in Ontario came from sources of energy that were free of greenhouse gas emissions last year. We now have a robust supply of electricity that is expected to meet Ontario's electricity demand into the middle of the next decade.

These much-needed investments came at a cost: higher electricity prices. The Province developed the Fair Hydro Plan to relieve the cost pressures caused by these system improvements. It builds on actions already taken over the past few years that reduced costs for families, farms and businesses by:

- 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 the Darlington Nuclear Generating Station, avoiding an estimated $15 billion in new construction costs;
- starting the refurbishments at the Bruce Nuclear Generating Station in 2020, instead of 2016, thus helping to save $1.7 billion compared to the forecast in the 2013 Long-Term Energy Plan (LTEP);

What Ontarians said in the LTEP Consultations and Engagements

- Electricity costs are too high
- Industry needs cost certainty
- High prices hurt industrial competitiveness
- Reduce rates by funding from tax base
- Consider new technologies and methods to manage use
- Provide more pricing plans
- Promote both customer and system benefits of conservation
- Delivery charges should be the same province-wide.

- continuing to operate the Pickering Nuclear Generating Station up to 2024, pending regulatory approvals, saving ratepayers as much as $600 million;

- driving down prices for clean, reliable generation by introducing strong competition between developers of large renewable projects. As a result of lower prices and revised procurement schedules, costs for the first round of the Large Renewable Procurement (LRP) were approximately $1.5 billion lower than forecast in the 2013 LTEP;

- suspending the second round of the LRP process (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 the 2013 LTEP; 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 June 1, 2017, Ontario provided additional help for consumers. The *Ontario Fair Hydro Plan Act, 2017* became law, reducing electricity bills for residential consumers and as many as half a million small businesses and farms across the province.

Ontario's Fair Hydro Plan:

- lowers electricity bills by an average of 25 per cent for residential consumers and as many as half a million small businesses and farms. The Fair Hydro Plan also limits bill increases to the rate of inflation for four years. Lower-income Ontarians and those living in eligible rural or remote communities will receive even greater reductions of up to 40 or 50 per cent.

- expands the Ontario Electricity Support Program (OESP) by increasing all on-bill credits by 50 per cent and making more Ontarians eligible for the program.

- provides enhanced distribution rate protection for customers served by local distribution companies (LDCs) with some of the highest rates. This will save eligible customers as much as 40 or 50 per cent on their electricity bills. The enhanced distribution rate protection broadens the support provided under the existing 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.

Commented [H1]: MO Requested this to say "all" residential customers.

To be consistent with the comment on the first sub-bullet below, recommend removing.

Commented [StephenM2]: MO requested adding the word "all" here as well.

25% doesn't apply to remote customers and customers of Cornwall. These are non-RPP/non-GA and olny get the removal of OESP charge.

Commented [PZ3]: MO requested that this sentence be removed.

Since this is consistent with news releases and OFHP messaging, we recommend leaving it in.

https://www.ontario.ca/page/ontarios-fair-hydro-plan

Commented [MSL4]: MO requested referring to Northern and rural here.

The geographic location of the LDCs was not part of the eligibility criteria. Many of the highest cost LDCs do serve rural and northern customers; however, there are many rural and northern customers who are not eligible for DRP, as their average rates are below the maximum monthly charge. So this reference has been removed.

Commented [MSL5]: MO edits to this section made it almost sound like the DRP was an expansion of the RRRP.

The new distribution rate protection is separate from the existing RRRP and uses different criteria for eligibility. "DRP" is not an exapansion of the existing RRRP, rather a new program.

- reduces the monthly electricity bills of on-reserve First Nation residential customers of licensed distributors by giving the customers a credit of 100 per cent on the delivery line or service charge of their bill. This provides them with an average monthly benefit of $85.

- adds smaller manufacturers and greenhouses with average monthly peak demand between 500 kW and 1 MW to the Industrial Conservation Initiative (ICI). This gives participants a strong incentive to lower their consumption during peak hours, and can reduce their bills by up to one-third.

- includes the 8 per cent rebate introduced that took effect on January 1, 2017, 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

Ontario Electricity Support Program

In order to benefit more low-income Ontarians and provide them with additional support, the Province has expanded the eligibility criteria for the OESP and increased the monthly credits by 50 per cent. For example:

- *a one-person household earning under $28,000 could now receive up to $45 per month;*
- *a four-person household earning under $48,000 could now receive up to $40 per month; and,*
- *households with seven or more people earning a total of $39,000 or less could receive up to $75 per month.*

Ontario is also working to improve coordination across provincial programs that 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.

Commented [MO6]: MO thought this would be a good opportunity for an anecdote from Francesca Dobbyn.

Under consideration.

Distribution Rate Protection

The Rural or Remote Rate Protection program provides a rate subsidy to rural and remote customers who face higher distribution costs compared to urban areas.

Ontario has expanded rate protection to provide distribution rate relief to residential customers served by LDCs with some of the highest rates. About 800,000 customers will now benefit from the enhanced distribution rate protection, 450,000 more customers than previously covered.

LDCs whose customers are benefitting from the enhanced distribution rate protection include: Hydro One (R1R2 and R2 rate classes), Northern Ontario Wires, Lakeland Power (Parry Sound service territory), Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma. The benefits differ from utility to utility.

On-reserve Credit

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

The credit 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.

Commented [MO7]: MO thinks this is a good opportunity for anecdote from Chief Isadore Day.

Under consideration.

Industrial Conservation Initiative

The Industrial Conservation Initiative (ICI) allows companies that 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, Ontario has lowered the threshold for entry and increased the types of companies that can benefit. As of July 1, 2017, all businesses with an average monthly peak demand over 1 MW will be eligible for the program. In addition, small manufacturing companies and companies in the greenhouse sector with an average monthly peak demand between 500 kW and 1 MW will also be eligible.
Before this, participation was restricted to companies that had an average monthly peak demand of more than over 5 MW, or companies in the manufacturing, mining, data processing, refrigerated warehousing and greenhouses industries that had an average monthly peak demand of between 3 and 5 MW.

Affordability Fund

The Affordability Fund will help Ontarians who are not eligible for low-income conservation programs to improve the energy efficiency of their homes. The fund will provide them with financial assistance to add energy-saving LED light bulbs, power bars, more insulation and energy efficient window air-conditioners and refrigerators to their households.

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 those contracts. Present-day consumers should not carry the entire burden of investments that will provide benefits for decades to come. 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 provides significant and immediate rate relief and will ensure intergenerational fairness.

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

Help from Existing Programs

The measures included in Ontario's Fair Hydro Plan build on 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, that provides free home energy efficiency assessments and upgrades to low-income consumers.

Commented [H8]: MO requested that a bullet on ICI be included here.

A section on ICI has now been added, so a bullet has not been added here.

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, which assists eligible companies connected to transmission networks to fast track the capital investment needed for major energy

conservation projects. Distribution sites of transmission-connected customers are also eligible.

- the Save on Energy for Business programs, which provide financial incentives for energy audits, retrofits and process and system improvements to help distribution-connected businesses reduce their electricity use and manage costs.

Commented [JM9]: Don't understand what these are

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 living in condominiums and other multi-unit residential buildings who are served by unit sub-meter providers (USMPs).

USMPs are private companies that provide metering services to multi-unit residential buildings so that individual unit residents can be billed directly for electricity they consume. The residential customers inherit the pricing arrangements; costs are set by the owner or developer of the building.

Both the Province 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 Province 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.

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 give customers greater choice in their energy supply and to aid the economic development of their communities. In order to do this, the Province 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 a year. The program is administered by the Ministry of Infrastructure.

A new regulatory framework issued by the OEB in November 2016 gives utilities more flexibility in rate structures, making 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. Natural gas is one among several different energy options that provide greater consumer choice and may help to reduce overall energy costs.

Gasoline Price Review

Northern communities have raised concerns about the high cost of the gasoline they use. As a result, the Province 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 on its findings later this year. The Province intends to review the OEB's report in detail and consider the information in future decision-making.