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 challenges that may occur over the next 20 years and to 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.

Last year , over 90 per cent of the power generated in Ontario came from sources of energy that were free of greenhouse gas emissions.. Today, the Ontario electricity sector represents approximately 2 per cent of greenhouse gas emissions across all sectors. We now have a robust and clean supply of electricity that is expected to meet Ontario's electricity demand into the middle of the next decade.

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 energy use
- Provide more pricing plans Promote both customer and system benefits of conservation
- Delivery charges should be the same province-wide

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

- reducing Feed-In Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion[i];

- renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by $3.7 billion[ii];

- 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 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);

- 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 renewable energy 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[iii];

- 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[iv]; 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[v].

Ontario's Fair Hydro Plan

On June 1, 2017, Ontario provided additional help for electricity 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.

- 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.[vi]

- 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 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.

- 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.[vii]

- adds eligibility for smaller manufacturers and greenhouses with average monthly peak demand greater than 500 kW to the Industrial Conservation Initiative (ICI). This program provides 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 don't qualify for low-income conservation programs make energy efficiency improvements to their homes, in cases where they otherwise couldn't do so without financial assistance.

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[viii]. For example:

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

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.

Distribution Rate Protection

Rural or Remote Rate Protection provides a distribution rate subsidy to rural and remote customers who face higher distribution costs compared to less rural 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[xii] customers will now benefit from the enhanced distribution rate protection.

Commented [IS1]: Suggest removing "up-to" since the OESP credit amount s are fixed and this language suggest they could receive a lesser amount.

Commented [MO2]: Add chart.

Commented [AH(3]: MO thought this would be a good opportunity for an anecdote from Francesca Dobbyn.

Does MO have an anecdote to share?

LDCs whose customers are benefitting from the enhanced distribution rate protection include: Hydro One (medium and low density 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 benefits approximately 21,500 residential customers [xiii] living on reserve. The costs are being funded by provincial revenues.

The credit provides much needed relief from the high costs of electricity in First Nations on-reserve 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 [MO4]:
MO Edit: MO thinks this is a good opportunity for anecdote from Chief Isadore Day.

Response: Ministry has reached out to COO and is awaiting a response.

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 customers with an average monthly peak demand over 1 MW are eligible for the program. In addition, small manufacturing companies and greenhouses with average monthly peak demand between 500 kW and 1 MW are also 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 helps Ontarians who are not eligible for low-income conservation programs and demonstrate a need for financial assistance to improve the energy efficiency of their homes. The fund is expected to provide direct installation of measures like energy-saving LED light bulbs, power bars, more insulation, and energy efficient window air-conditioners and refrigerators to their households.

Commented [QM(5]: The writer had removed this but from a policy perspective it is important to communicate this point.

A key eligibility criteria for the Affordability Fund is financial need

The Affordability Fund is administered by an independent trust that distributes 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.

Commented [YDT6]: To the writer: it is critical that we capture the nuance of eligibility, what will be provided, and the Trust structure – we can only establish expectations, we cannot commit the Board of Trustees.

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.

Help for Businesses and Industry

There are a number of 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 assist eligible companies, and their distribution-connected sites, to fast track the capital investment needed for major energy conservation projects. ; and

Commented [SE(7]: An example would be if Ford, a Transmission-connected customer, had a site that was connected to an LDC's distribution grid. Ford could elect to have all its facilities, regardless of where they were connected, apply for incentives under IAP.

- 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.

The Province will continue to engage with businesses to develop options to achieve economic development priorities through providing support for electricity costs.

Increasing Consumer Protection

With the *Energy Consumer 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 or by the condominium board.

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, including:

- 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 a review of these priority issues completed by late 2017.

Commented [LA(8]: The OEB implementation directive requies the OEB to examine & identify steps to strengthen consumer protection in relation to USMPs, don't think it would be accurate to say that protections could be in place by 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, administered by the Ministry of Infrastructure. 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.

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 the OEB to serve these communities. 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 and remote communities have raised concerns about the high cost of the gasoline. As a result, the Province directed the OEB 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 of retail price variations over time and between regions within Ontario;
- 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.

Summary

- Ontario's Fair Hydro Plan will help relieve the cost pressures being felt by today's ratepayers and will build on previous actions that reduce electricity costs for families, farms and businesses.
- The OFHP will lower electricity bills by an average of 25 per cent for residential consumers.
- By refinancing a portion of the Global Adjustment, Ontario will spread the cost of electricity investments over a longer period of time and share costs more fairly with future generations.
- The expansion of the Industrial Conservation Initiative will give more businesses the incentive to participate in the program and to lower their electricity costs by reducing their demand during peak hours.
- Ontario will continue to support expanded access to natural gas to give customers greater choice and aid in the economic development of their communities.
- Ontario will enhance consumer protection by providing the Ontario Energy Board with increased regulatory authority over Unit Sub-meter providers (USMPs) to gain better insight into USMP costs, rates and contractual agreements with developers.

Commented [NA(9]: Deletion of "they use" based on CoS edit in the LTEP Cabinet Submission.

Commented [NA(10]: This was a clarification from OEB and also consistent with current Ministry messaging.

Commented [MO11]:
MO Edit: Crossed this out and was seeking confirmation.

Response: OEB staff indicated they are targeting September 2017. OEB also reviewed this section and had no comments on the timeline.

[i] **https://news.ontario.ca/mei/en/2016/09/actions-to-reduce-energy-costs.html**

[ii] **https://news.ontario.ca/mei/en/2016/09/actions-to-reduce-energy-costs.html**

[iii] **https://news.ontario.ca/mei/en/2016/09/actions-to-reduce-energy-costs.html**

[iv] **https://news.ontario.ca/mei/en/2016/09/actions-to-reduce-energy-costs.html**

[v] **https://news.ontario.ca/mei/en/2017/03/previous-actions-to-reduce-energy-costs.html**

[vi] OESP 50% increase and expanded eligbility taken from OEB Decision & Order for OESP Credits (April 25, 2017) and amounts prescribed in s. 5(2) and Schedule 1 in O. Reg. 314/15 (OESP) of *Ontario Energy Board Act, 1998* (OEBA). The amendments were approved by Cabinet on April 26, 2017.

[vii] Average benefit taken from OEB report on First Nation Rate

[viii] OESP 50% increase and expanded eligbility taken from OEB Decision & Order for OESP Credits (April 25, 2017) and amounts prescribed in s. 5(2) and Schedule 1 in O. Reg. 314/15 (OESP) of *Ontario Energy Board Act, 1998* (OEBA). The amendments were approved by Cabinet on April 26, 2017.

[ix] Amount prescribed in section s. 5(2)(c) in O. Reg. 314/15 (OESP) of OEBA https://www.ontario.ca/laws/regulation/150314

[x] Amount prescribed in section s. 5(2)(b) in O. Reg. 314/15 (OESP) of OEBA https://www.ontario.ca/laws/regulation/150314

[xi] Amount prescribed in section s. 5(2)(i) in O. Reg. 314/15 (OESP) of OEBA. https://www.ontario.ca/laws/regulation/150314

[xii] Estimated from Hydro One R1 and R2 customers benefitting from DRP, plus eligible customers from 7 smalller LDCs.

[xiii] Number of customers taken from OEB report on First Nation Rate