Date:	January 23, 2018
Ministry:	ENERGY
Name of Act:	1. *Ontario Energy Board Act, 1998*
Name of Regulation:	1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998*

Section 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 by providing a credit directly on bills. The program, established under section ss. 79.2 of the *Ontario Energy Board Act, 1998* (OEBA), is currently 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 proposed 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 uptake.

To implement certain key elements of the above-noted direction by May 1, 2017, the OEB implemented several program changes to achieve the following objectives: (i) increase funding to existing OESP-eligible consumers by 50%; (ii) provide for a number of new classes of rate-assisted consumers; (iii) increase enrolment into the OESP by aligning eligibility criteria with other social assistance programs; (iv) shift funding for the program to the tax base by eliminating the OESP charge for electricity customers.

As part of *Ontario Fair Hydro Plan Act, 2017*, cost recovery for the OESP is being shifted away from the rate-base to the tax base. Amendments to the OEBA were approved in June 2017 to support the transition to the tax base, transfer certain authorities from the OEB related to program spending, and give authority to the Ministry of Community and Social Services (MCSS) to support OESP uptake for social assistance clients. The legislation was not proclaimed at the time, as there was a significant variance account that was built up through the OESP regulatory charge, which allowed the OEB to continue to pay for the program.

As of November 30, 2017 the variance account balance was $36.1 M and depletion to zero is anticipated when electricity providers seek compensation for February 2018 program costs. In order to facilitate the transition of the OESP to a tax based program, the Ministry of Energy (ENERGY) is proposing to bring into force ss. 79.2 of the OEBA, via a Proclamation Order-in-Council. This would shift the source of OESP funding to provincial revenues.

In order to ensure the program can continue uninterrupted once funding transitions to the tax base, corresponding amendments are also being proposed that would revoke the current O. Reg. 314/15 made under the OEBA, and replace it with a new O. Reg. 314/15. Changes would ensure that once the program transitions to provincial revenues, the OEB will continue to administer the program and the Ministry of Energy will have oversight of spending activities.

Section 2: Approach and Intended Outcome
Starting on May 1, 2017, the IESO stopped collecting the OESP charge, which was a volumetric charge of $0.0011 per kilowatt-hour (kWh; a measure of the amount of power consumed) for every unit of electricity consumed in Ontario. This charge was used exclusively to finance the OESP, and due to a significant positive variance, continues to be used to the pay for costs associated with program administration and delivery. The OESP variance account is forecasted to deplete in March 2018, which is when the IESO compensates electricity providers and others that have incurred program costs in February 2018 (e.g. the OEB, the central service provider that manages the OESP application system). If the account runs out before the authorities and means are in place to cover program costs with government funds, the IESO would have to incur debt to make payments. Each month the program costs over $12 million, and is growing at a rate of about 4% per month, resulting in significant interest costs. These costs would be avoided if the provisions in the OEBA are proclaimed and the proposed regulation is approved with an effective date of February 1, 2018.

The purpose of Section 3 is to identify stakeholders that will be affected by the regulatory proposal, and briefly describe the anticipated impact (whether a cost or a benefit). These factors will be considered in the determination of whether a full RIA is required.

Section 3: Affected Stakeholders	Yes	No
Individuals (specific groups or consumers)	☑	☐
Consumers There are an estimated 571,000 customers that are eligible for OESP. As of November 30, 2017, there are 206,333 customers receiving rate assistance. Given that the Ministry is not planning to implement any changes to how the program is administered, ENERGY does not anticipate that customers will express any new concerns related to how		

the program is delivered. As part of the FHP, the OEB issued a Decision and Order to its rate-regulated distributors to rescind the 0.11¢/kWh on electricity consumed or estimated to have been consumed on and after May 1, 2017 to reduce regulatory charges for all customers. The formal shift of the OESP from the rate base to the tax base will ensure that once the variance account has been depleted, funding for the program will be drawn from provincial general revenues. **Government** MCSS will continue to perform its current role in aligning OESP with social assistance criteria and enrolling SA clients into OESP. **Agencies** Regulatory amendments will ensure the OEB maintains authorities to administer the program. The IESO will maintain responsibility for flowing funds to reimburse/compensate distributors for the costs of delivering the OESP from the money appropriated for such purposes from the legislature. This will require the IESO to monitor program specific information and flow the amounts necessary to compensate distributors for the costs incurred in carrying out the program.		
Businesses	❑	☑
N/A to businesses.		
Non-profit Groups	❑	☑
No fiscal impacts on not-for-profit organizations as a result of these amendments.		
Communities	❑	☑
No fiscal impacts on communities as a result of these amendments.		
Governments	☑	❑
The Government of Ontario will be responsible for funding the program. On March 1, 2017 TB/MBC approved the following fiscal spending for the next four years: 2017-18: $140 M; 2018-19: $261 M; 2019-20: $325 M; 2020-21: $375 M The cost of the OESP is heavily dependent on program uptake because the credits are fixed amounts. To ensure the program receives an		

2017-18	2018-19	2019-20	2020-21
$140 M	$261 M	$325 M	$375 M

appropriate amount of funding to support its ongoing implementation, ENERGY submitted revised program forecasts through the 2018-19 PRRT Submission:		

Ontario Electricity Support Program ($M)	2018-19	2019-20	2020-21
Preliminary Allocation	259.4	325.0	375.0
Revised Forecast *(based on 60% uptake)*	230.0	264.0	288.0
+ Surplus / - Deficit	**29.4**	**61.0**	**87.0**

The revised forecast assumes that the program will reach 60% by 2020-21 and will grow at a slower rate compared to what was originally estimated. Forecast revisions for 2017-18 will be addressed through PRRT quarterly reports.

The purpose of Section 4 is to identify and describe the types of impacts anticipated as a result of the regulatory proposal. These factors will be considered in the determination of whether a full RIA is required.

Section 4: Type of Impact	Yes	No
Health and Safety	❑	☑
N/A		
Environment	❑	☑
N/A		
Social Impacts	❑	☑
N/A		
Trade	❑	☑
N/A		
Economy	❑	☑
N/A		
Other	❑	☑
N/A		

The purpose of Section 5 is to estimate the direct costs for external stakeholders to comply with the regulatory proposal. If direct compliance costs are expected to exceed $2 million per year, a full regulatory impact analysis will be required. Other factors (as described in Sections 3 and 4 above) will also be reviewed in the determination of whether a full RIA is required.

Section 5: Costs	Yes	No
Are direct compliance costs likely to exceed $2 million per year?	❑	☑

The Ministry is proposing to transition funding for the OESP to provincial revenues. The Ministry is not proposing to make any changes to how the program is administered, including changes to eligibility, credit scales or how distributors disburse rate assistance. There are therefore no major external costs for external stakeholders to comply with this proposal.		
Is a full RIA required?	❑	☑

Contacts

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