

Remote First Nation Communities and CCAP

Issues:

1. ENERGY has been tasked with leading the CCAP commitment to use microgrids and other renewable technology to reduce diesel use in remote First Nations.
2. MOECC has been directed to consider exempting certain fuels delivered to reserves for use by First Nations from the Cap and Trade program, and ENERGY has been supporting MOECC as they develop an approach.

Key Messages:

CCAP Microgrid initiative-

- ENERGY has worked with MIRR and MOECC over the past months per cabinet directive, and has developed a recommendation for moving forward with implementing our CCAP directive, which is supported by our partner Ministries.
- We have submitted an updated GGRA request for funding, and we are taking the required steps to have that request reflected in our PRRT for 2017-18.
- ENERGY is recommending that, pending the approval of our GGRA request, we move forward with a plan to engage directly with the four un-connectable communities and work with them on high-penetration renewable projects that meet community needs.
- Some communities already have projects/plans underway that we can support to move them towards implementation and/or increase the potential for diesel reductions.

Cap and Trade mitigation strategy-

- Regarding mitigating the impact of Cap and Trade on fuel costs for First Nations, ENERGY recognizes the challenges associated with implementing an exemption to Cap and Trade, however, we are also sensitive to the challenges faced by remote communities and their sensitivity to price increases.
- While ENERGY does have a number of rate mitigation measures in place for First Nation customers on reserve, none of ENERGY's current programs could be used for the purpose of meeting the specific commitment to protect First Nations from the impacts of Cap and Trade.
- Energy is happy to continue working with MOECC to share our knowledge and experience of legal and / or implementation issues that may arise as they develop their plan for providing relief to remote communities in the face of increasing costs as a result of Cap and Trade.

Background:

CCAP Microgrid initiative-

- The Climate Change Action Plan states that: *Where community support exists, Ontario would work with First Nation organizations to develop advanced microgrid*

solutions in First Nation communities...These projects would support economic growth by reducing reliance on diesel fuel and enabling stable, predictable sources of power. Projects would focus on renewable energy such as biomass, solar, and waterpower.

- The CCAP cabinet minute tasked ENERGY and MIRR with working with MOECC to develop and report back to Cabinet with an implementation plan to work with First Nation governments and organizations to develop a program for low or no carbon energy powered microgrids and other alternative energy projects
- ENERGY has been leading the work on this minute over the past months, and has been engaging with MIRR and MOECC to ensure that they are in agreement on the recommended approach.
- ENERGY submitted a GGRA request to support our proposed path forward on this initiative, including a request for \$500,000 in 2017-18 to support our work engaging with communities to develop the requested program/implementation plan.
- ENERGY is awaiting a decision regarding the allocation of GGRA funding prior to engaging with communities to mitigate the risks associated with the possibility that this initiative may not receive funding in the coming fiscal year.

Cap and Trade mitigation strategy-

- The Environmental Bill of Rights Registry for the final greenhouse gas cap and trade regulation proposed a complementary regulation later in 2016 under the Climate Change Mitigation and Low-carbon Economy Act, 2016. The proposed regulation would provide for First Nations impact mitigation, by excluding certain fuels delivered to reserves for use by First Nations from the cap and trade program. MOECC is currently working on recommendations for how to fulfil this direction, with a focus on the remote diesel-reliant First Nations. In the long term, ENERGY's work to reduce diesel use in remote communities (both through grid connection and through a microgrid program for un-connectable communities) will serve to offset the impact of cap and trade, however, in the interim to these solutions being in place there is a desire by MOECC to establish an alternative way of shielding First Nations from the impacts of elevated diesel prices due to cap and trade.
- ENERGY is not responsible for establishing the interim plan to protect remote First Nations from the impacts of cap and trade, but staff have been offering support and recommendations to support MOECC's work, including:
 - Helping MOECC to understand how fuels are distributed to the communities
 - Explaining the funding structures for energy costs in remote communities (in both IPAs and RemoteCo serviced communities), and helping them to understand how remote customers might or might not experience the impacts of higher cost for diesel under the different models
 - Explaining ENERGY's approach to applying the 8% rebate in IPA communities
 - Explaining ENERGY's current approach to mitigating rates in First Nations, including explaining the recommendations from the OEB regarding First Nation rates
- ENERGY has encouraged MOECC to pursue an exemption; however, MOECC feels that there are significant complexities associated with applying such a policy.

- MOECC has indicated that they may instead wish to provide a reimbursement to RemoteCo and IPAs at a value in line with the anticipated impact on diesel costs (approximately \$.05/L), which could be refunded to LDCs on the basis of fuel receipts remitted.
- ENERGY has indicated to MOECC that our current suite of programs is not suitable for meeting the objectives of this initiative (including options such as relying on RRRP, or expanding the Ontario Rebate for Electricity Consumers program)
- There may be a role for ENERGY to support MOECC in developing a new program given our experience with the 8% rebate and our overarching mandate around energy and energy prices in Ontario.