Delivering Fairness and Choice
LTEP 2017

Chapter 1. Ensuring Affordable and Accessible Energy

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Making Energy Affordable

Over $50 billion has been invested in the electricity system over the past decade and a half. These investments significantly improved the reliability of our electricity system. Last year, over 90 per cent of the power generated in Ontario came from greenhouse gas emission-free sources of energy. We now have a robust electricity supply 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, increasing electricity prices in Ontario. The Province is helping to relieve the cost pressures resulting from these system improvements with programs such as Ontario's Fair Hydro Plan, bringing electricity to off-grid communities, and expanding access to natural gas.

We must now focus on the system's customers, to make sure they benefit from the work that has been done and to help them prepare for the future. Technological innovation is creating different types of customers, and we need to have an energy system that is affordable, meets people's diverse needs and supports the economic development of Ontario.

The Ontario Fair Hydro Plan

On May 31, 2017, the government'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.

- gives addition support to eligible households, based on family size and combined income, through an expansion of the Ontario Electricity Support Program (OESP);

- delivers new Distribution Rate Protection (DRP) for customers served by local distribution companies with the highest rates. The DRP is an expansion of the Rural or Remote Rate Protection Program (RRRP).

- provides on-reserve First Nation customers of licensed distributors with a 100 per cent credit of the delivery line or service charge line on their monthly electricity bills;

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

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

- includes an 8% reduction on the before tax amount 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 don't qualify for low-income assistance with making energy efficiency improvements to their residences.

OESP

The monthly credits of the OESP have been increased by 50%, to cover more low-income Ontarians. This credit is an immediate on-bill reduction for those Ontarians who are eligible for this program.

The Ontario Energy Board (OEB), which administers this program, has planned an extensive communications campaign to ensure that more people are aware of the program. An insert with details of the program was included in the Canada Child Benefit mailing in July 2017.

Affordability Fund

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

The Fund will be administered by an independent trust overseen by the government and Hydro One. It is expected that electricity distributors, who are in the best position to provide consumers in need of assistance with energy efficiency improvements, will be able to begin applying to the Affordability Fund in the summer of 2017 *[NTD: will have to update as summer progresses].*

Distribution Rate Protection

Rural or remote residential customers who faced higher distribution costs compared to urban areas used to receive a rate subsidy through the RRRP. It covered approximately 350,000 Hydro One residential customers, as well as areas served by Algoma Power and Hydro One Remote Communities.

The Province has now expanded the RRRP to provide Distribution Rate Protection to about 800,000 customers served by local distribution companies with the highest distribution rates. They affected distribution companies are:

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

On-reserve Credit

The First Nations Delivery Credit(FNDC) will benefit approximately 21,500 customers living on reserves. 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.

Help from Existing Programs

The measures included in Ontario's Fair Hydro Plan are in addition to existing programs that also help Ontario families and individuals pay their electricity bills. These programs 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 saveONenergy Home Assistance Program that provides home energy efficiency assessments to lower-income consumers.

For businesses, industries and large institutions, there are a number of measures already in place, in addition to the ICI, to help them with their bills:

- the Northern Industrial Electricity Rate Program helps northern industries with the higher energy costs they face due to climate and their distance to markets;
- the Industrial Accelerator Program assists eligible companies connected to transmission networks to fast track the capital investment needed for major energy conservation projects; and
- the saveONenergy for Business program provides financial incentives for distribution-connected businesses for audits, retrofits and process and system improvements to help them reduce their electricity use.

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 a portion of the costs covered by the GA will be refinanced in the early years to reduce pressure on today's electricity ratepayers, the cost of that refinancing will be recovered in later years from ratepayers.

Natural Gas Expansion

Ontario wants to expand access to natural gas to 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. Both the expansion of natural gas pipelines and the construction of new infrastructure for liquefied or compressed natural gas are eligible. The program is administered by the Ministry of Infrastructure.

A new regulatory framework issued by the OEB issued in November 2016 gives utilities more flexibility by allowing them to charge customers who benefit from any expansion increased rates and surcharges. This makes natural gas expansion more economically feasible for unserved communities. The framework also encourages rate competition between multiple companies who are interested in providing service to these communities.

Natural gas utilities and municipalities are expected to file additional 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.

[Background/Potential Call-Outs]

Increased Consumer Protection

With the *Electricity Consumers Protection Act*, Ontario has already restricted the door-to-door sale of energy contracts to protect consumers from fraudulent claims and high-pressure sales tactics. 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. Consumers have no say on pricing arrangements; they are set by the owner or developer of the building.

Consumers have little awareness of the costs of these meter service providers or the value of what they pay for. That is why the government will ask the Ontario Energy Board to regulate the rates of these meter service providers and conduct appropriate oversight of their business practices. This will ensure consumers pay just and reasonable rates for the service they receive.