OTHER POSSIBLE AGENDA ITEMS ON OCTOBER 25, 2016 AT 4:00PM

1. Electricity Price Mitigation / Cap And Trade Proceeds (ENERGY lead)
2. Cap and Trade Price Impacts (MOECC lead)
3. LTEP (ENERGY lead)

NOTES ON AGENDA ITEMS:

1. ELECTRICITY PRICE MITIGATION / CAP AND TRADE PROCEEDS (ENERGY LEAD)

Suggested Response

- On October 21, 2016, ENERGY provided MOECC, MNR, MNDM, MEDG, TBS, MOF, CO and PO an update on proceeds recycling options. Three recycling proposals were discussed:
    - Recycling through Global Adjustment (GA);
    - Volumetric Recycling in "All" Hours; and
    - Volumetric Recycling in "Off-Peak" Hours.
- ENERGY committed to analyzing further hybrid recycling proposals (e.g., GA+volumetric, etc) and sharing the results with MOECC and the other ministries at future meeting.
- ENERGY will continue to work with MOECC and other ministries to develop and implement a proceeds recycling approach for Cabinet consideration to address the government's commitments in the 2016 Budget and Climate Change Action Plan (CCAP).
- ENERGY is also working with MOECC regarding the Greenhouse Gas Reduction Account (GGRA) funding process. The request forms and scorecards have been submitted to MOECC for review.

Background

- On September 12, 2016, the government approved a suite of rate mitigation initiatives, including:
    - Providing a rebate equal to the provincial portion of HST to consumers eligible for the Regulated Price Plan (RPP);
    - Updating the Rural or Remote Rate Protection (RRRP) program;
    - Expanding the Industrial Conservation Initiative (ICI); and
    - Redirecting cap and trade auction proceeds to commercial and industrial electricity consumer to provide a reduction in rates.
- As per the September 2016 Cabinet submission, ENERGY sought approval, working with MOECC, to recycle an estimated annual average of $270 million of cap and trade auction proceeds from the Greenhouse Gas Reduction Account (GGRA) for non-RPP commercial and industrial electricity consumers over the first compliance period (2017-2020) through a "volumetric" rebate mechanism.
    - As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to use a portion of the auction proceeds to reduce greenhouse gases (GHGs) by helping industrial and commercial electricity consumers use less electricity, which will also help to keep rates affordable.
    - No final decision has been made on the form of the mechanism.
    - ENERGY is preparing a Cabinet submission on proceeds recycling for November 2016 (TBC).
- On October 21, 2016, ENERGY staff met with MOECC, MNR, MNDM, MEDG, TBS, MOF, CO and PO on proceeds recycling. Three recycling proposals were discussed:
    - **Recycling through Global Adjustment (GA)** – This was the original recycling proposal and is supported by ENERGY and MOECC, but not by MNDM or MNR given the limited amount of Global Adjustment paid by some industries (e.g., pulp and paper).
    - **Volumetric Recycling in "All" Hours** – This method of recycling can provide benefit to all industrial sectors, but is more administratively complex and more difficult to link to GHG reductions.

    - **Volumetric Recycling in “Off-Peak” Hours** – This option is similar to Option 2, but recycling is limited to off-peak hours. This is the most administratively complex option but it is favoured by MOECC due to its greater linkage to GHG reductions.

- At the October 21, 2016 meeting, ENERGY committed to analyzing further hybrid recycling proposals (e.g., GA+volumetric, etc) and sharing the results with ministries at future meeting.

- In addition, ENERGY continues to work with IESO, LDCs and the Ontario Energy Board (OEB) on potential implementation issues (e.g., changes to billing systems and processes, etc).

- In fall 2016, ENERGY submitted a GGRA request form and scorecard for Tranche 1 CCAP items as per MOECC’s process.

    - An MOECC-led assessment and Minister review/evaluation is expected in September/October, followed by Treasury Board submissions in October.

2. CAP AND TRADE PRICE IMPACTS (MOECC LEAD)

Suggested Response

- Although MOECC has overall responsibility for cap and trade there exists an opportunity to coordinate messaging with ENERGY on the impact cap and trade will have on fuel pricing.

- Cap and trade is expected to raise fuel prices between 3.3 cents per cubic metre for natural gas to 4.7 cents per litre of diesel.

Background

- Cap and trade will have a financial impact on the cost of carbon fuels in Ontario effective January 1, 2017. The anticipated cost impact for the various fuels is listed below.

Cap and Trade Fuel Sector Price Increases	
Fuel Source	**Price Increase effective Jan 1/17**
Natural Gas	3.3 cents per cubic metre
Gasoline	4.3 cents per litre
Diesel	4.7 cents per litre
Propane	4 cents per cubic metre

- Although all fuels are facing a price increase as a result of cap and trade, additional consideration will need to be given to how the messaging is developed for natural gas.

- The cap and trade cost for natural gas is expected to increase costs by approximately $60 per year (Budget estimate). **Note:** Enbridge and Union estimate and report this cost at $70 to $80 per year for a typical residential customer.

- Effective January 1, 2017 there are likely to be two additional factors contributing to increase the price of the commodity and the delivery component of natural gas. They are the quarterly rate adjustment mechanism (QRAM) and a cost of service application filed by the utilities.

- The utilities will make their QRAM filings for OEB review and approval shortly before the end of the year. The effective date for the commodity price change will be January 1, 2017, the same day the cap and trade price impacts will occur. The amount of the change, which could be an increase or a decrease, is not known at this time.

- The natural gas utilities have also filed cost of service applications that seek to increase the cost of delivering natural gas to consumers effective January 1, 2017. For a typical residential customer, Enbridge Gas Distribution is seeking an increase of $7.00 per year. Union Gas is seeking an increase of approximately $13.00 per year (for southern customers) and $18 (for northern customers). The actual amount of the rate increase has yet to be determined by the OEB.

3. LONG-TERM ENERGY PLAN (ENERGY LEAD)

Suggested Response

- The Long-Term Energy Plan (LTEP) presents an opportunity for the government to further elaborate and consult on Ontario's new climate change policies and initiatives as they relate to the energy sector.
- The first step in the LTEP process was the release of the Ontario Planning Outlook (OPO) by the IESO on September 1, 2016.
    - This report includes a ten-year review and a twenty-year outlook (to 2035) for electricity demand, supply, system costs, conservation and emissions.

- The Ministry of Energy also released a Fuels Technical report, prepared by Navigant Consulting, on September 30, 2016.
    - This report examines fuels demand and supply data, multiple demand outlooks up to 2035, and a description of Ontario's infrastructure and fuels sectors.
- The LTEP consultation and engagement process is now underway. In-person consultation sessions are taking place in 16 communities across Ontario in October and November, with parallel sessions in indigenous communities. Staff from MOECC and other ministries are invited to these sessions.
- ENERGY will continue to work with MOECC throughout LTEP development to help ensure appropriate alignment with CCAP.

Background

- The IESO worked with MOECC and the Ministry of Energy to ensure outlooks in the OPO were consistent with CCAP objectives CCAP to 2020. These assumptions also informed the Fuels Technical Report.
- The IESO's 20-year outlooks are affected by CCAP initiatives and assumptions (e.g., electric vehicles, heat pumps).
- The LTEP engagement process officially began on October 13 with the release of the LTEP discussion guide, in-person engagement schedule, and the Environmental Registry Notice.
- In-person consultations will take place in:

Oct. 24/25	Toronto
Oct. 27	Sudbury
Nov. 1	Barrie
Nov. 1	Kenora
Nov. 2	Thunder Bay
Nov. 3	Peterborough
Nov. 15	Sault Ste. Marie
Nov. 16	Timmins
Nov. 17	St. Catharines
Nov. 21	Guelph
Nov. 22	Pembroke
Nov. 23	Ottawa
Nov. 24	Kingston
Nov. 28	Windsor
Nov. 28	Kitchener
Nov. 29	London
Nov. 30	Mississauga