TREASURY BOARD/MANAGEMENT BOARD OF CABINET

Ontario

TB/MBC Date:	March 1, 2017, held in the Council Chamber, Room 275, Legislative Building, at 12:00 pm.
Attendees:	Ms. L. Sandals (Chair), Mr. C. Sousa, Ms. L. Albanese, Mr. B. Chiarelli, Mr. K. Flynn, Mr. J. Leal, Mr. B. Mauro, Ms. E. McMahon, and Mr. Y. Naqvi.
Item Number:	01
Ministry:	Energy
Title:	Electricity Price Mitigation Initiatives
Type of Item:	General

Approved electricity rate mitigation actions that support up to a 25% electricity bill reduction (including the 8% reduction announced in 2016) for an average household in 2017.

In this regard, the Board:

i) Directed the Ministry of Energy to implement electricity rate mitigation for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP) and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor by:

  a) Subject to completed legal, accounting and financing risk assessments, refinance the Global Adjustment (GA) in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical residential customer consuming 750kWh per month in 2017 by about 16%. Total projected bill increases will be kept in line with CPI until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt by 2048, with escalation in subsequent years set above Consumer Price Index (CPI) in order to ensure that bill increases due to repayments are capped at around 10% of the total bill.

  b) Direct the Ministry to report back to Treasury Board/Management Board of Cabinet (TB/MBC) by Spring 2017, prior to going to LRC with any legislative changes. The report on the approach to refinance Global Adjustment should include, but not be limited to:

- Formal accounting opinions from Ontario Power Generation (OPG) and Independant Electricity System Operator (IESO) auditors.
- Completed legal, financing and accounting risk assessments. Assessments to include, but not limited to proposed legislation, technical aspects such as Eurig analysis, and risk to borrowing (in discussion with the Ontario Financing Authority).
- Report on the multi-year profile of GA smoothing, identifying specific assumptions.
- Report on sensitivity analysis completed as assumptions vary, such as under different recovery rates and periods.
- Overall risk mitigation plan addressing completed legal, accounting and financing risk assessments.

c) If a non-fiscal mechanism cannot be established:

1) Directed the Ministry to report back to Cabinet and TB/MBC with options for achieving a comparable level of electricity rate mitigation in the most cost effective way, in order to minimize the impact on the province's fiscal plan.

2) Noted costs to government of proceeding if cost of refinancing of Global Adjustment is recognized as an expense in the fiscal plan of up to \$2,534,000,000 in 2017-18, \$2,668,000,000 in 2018-19, \$2,942,000,000 in 2019-20, \$3,420,000,000 in 2020-21 and \$3,232,000,000 in 2021-22.

ii) Approved broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer funded program to a government funded program beginning in 2017, including harmonizing distribution cost for customers with the highest distribution rates (Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service territory) and Northern Ontario Wires Inc) at the lowest distribution rate paid by the average consumer of the LDCs noted by fall 2017. In this regard:

a) Noted costs estimated at up to \$459,000,000 in 2017-18, \$472,000,000 in 2018-19, \$484,000,000 in 2019-20, and \$497,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Directed that any underspending related to any of the initiatives be returned to TB/MBC and not be reallocated within the Ministry.

c) Directed the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to broaden RRRP.

d) Directed the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the broadened program now government funded.
- Report on and assessment of impacts of consolidation of LDCs.
- Assessment of distribution rates and implications for the program.

iii) Approved expanding every benefit level of the Ontario Electricity Support Program (OESP) by 50%, moving the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up. In this regard:

a) Noted costs estimated at up to $186,000,000 in 2017-18, $261,000,000 in 2018-19, $325,000,000 in 2019-20, and $375,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Directed that any underspending related to any of the initiatives be returned to TB/MBC and not be reallocated within the Ministry.

c) Directed the Ministry to work with Treasury Board Secretariat (Behavioural Insights Unit, Centre of Excellence for Evidence-Based Decision Making) to accelerate/ maximize program uptake.

d) Directed the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to expand OESP.

e) Directed the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Identify eligibility criteria, and refinements being made.
- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the expanded program now government funded.

iv) Approved establishing a new government funded Affordability Fund to provide energy efficiency measures to electricity customers who do not qualify for existing low income conservation programs and who have difficulty paying their electricity bills. In this regard:

a) Approved a commitment of up to $200,000,000 on a multi-year basis to support the Affordability Fund.

b) Directed the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

v) Approved establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve. In this regard:

a) Noted costs estimated at up to $20,000,000 in 2017-18, $20,000,000 in 2018-19, $20,000,000 in 2019-20, and $20,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Directed the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

c) Directed that any underspending related to any of the initiatives be returned to TB/MBC and not be reallocated within the Ministry.

vi) Approved expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500kW to enhance competitiveness for Class B manufacturers beginning July 2017.

Directed the Ministry to report back to TB/MBC by Spring 2017 with final program details, results achieved to date versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vii) Directed the Ministry to:

a) Work with Treasury Board Secretariat and the Ministry of Finance on the development of a comprehensive risk-based costing, including forecast models and sensitivity tests on assumptions and financial estimates, for the electricity mitigation initiatives.

b) Report back to TB/MBC through regular updates including quarterly reports and the 2018-19 Program Review, Renewal and Transformation on the status of implementation, and revised out-year expenditure requirements if applicable.

c) Continue to work with the Ontario Energy Board, the Independent Electricity System Operator and Ontario Power Generation, through the Long-Term Energy Plan 2017, to further reduce electricity rates across the system.

d) Work with the Office of the Premier, Cabinet Office, the Ministry of Finance and Treasury Board Secretariat on an integrated communications strategy.

Secretary, Treasury Board and
Management Board of Cabinet

Distribution

Mr. S. Imbrogno
Mr. S. Thompson
Mr. R. Burns
Mr. H. Zisser