TREASURY BOARD / MANAGEMENT BOARD OF CABINET
REQUEST ASSESSMENT NOTE

Ministry:	Energy
Meeting Date:	March 6, 2017
Agenda Class:	Discussion
Last reviewed by: TB/MBC (March 1, 2017)	**Tracking to:** Fast Track Cabinet (March 8, 2017)

SUBMISSION TITLE:	Affordability Fund

I. DECISION BEFORE THE BOARD

- Approve funding in 2016-17 to support the Affordability Fund.

II. RECOMMENDATIONS:

• Approve $100,000,000 in 2016-17 offset from the Treasury Board Contingency Fund to support the Affordability Fund.	*Board Judgment*

III. FINANCIAL SUMMARY

$ Millions	**2016-17**	**2017-18**	**2018-19**
Initiative cost requested	200.0	0.0	0.0
Initiative cost recommended	100.0	0.0	0.0
Recommended program base	0.0	0.0	0.0
Offset Recommended	0.0	0.0	0.0
Total Fiscal Impact (C-fund)	100.0	0.0	0.0

IV. KEY COMMENTS AND CONSIDERATIONS

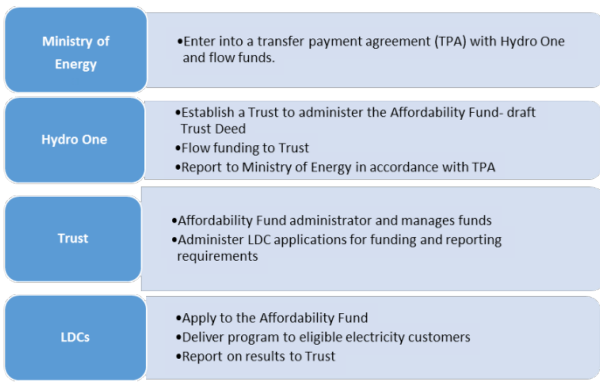
This item was part of the suite of initiatives before TB/MBC on March 1, 2017 related to electricity price mitigation. The Affordability Fund was minuted as follows:

> 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.
>
> a) Approved a commitment to provide up to $200,000,000 on a multi-year basis.
>
> b) Direct the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

The Ministry's current request is for $200,000,000 in 2016-17 offset from the Treasury Board Contingency Fund. The Affordability Fund would be available to LDCs only and would target those electricity customers who do not qualify for low-income conservation programs (e.g. The existing Home Assistance Program (HAP), delivered by LDCs under the Conservation First Framework) and who have difficulty paying their electricity bills.

- Ministry indicates 60,000 Ontarians at risk of disconnection from their electricity service each year. However, a profile description or details of these consumers is not provided by the Ministry.
- Eligible customers will be identified by LDCs and could include those in frequent arrears or facing disconnection. Priority would be given to homes primarily heated by electricity. However, the eligibility criteria have not been fully described including eligible consumers, eligible spending, and eligible LDCs.

To establish the Fund, the Ministry of Energy intends to enter into a Transfer Payment Agreement (TPA) with Hydro One. The TPA would include terms for Hydro One to establish a non-controlled Trust to administer and distribute funds to LDCs across the province on the basis of principles established by the Province and implemented at the discretion of the Trustees. The Trust would distribute funds to LDCs across the province, including Hydro One, at the direction of the Trustees.



- The Trust's governing principles will be outlined in the Trust Deed and the Trust will be managed by a Board of Trustees.
    - The Trust Deed will be drafted by Hydro One with input from the province and others in the LDC sector. The goals and principles of the Fund will be outlined in the Trust Deed and be consistent with the TPA, but the Trustees will have the discretion as to how to achieve the goals in alignment with the principles.
- The Trust would include Trustees possibly from the government, from other LDCs across the province and other independent Trustees, but not be controlled by the Province.
- The Trustees will have the discretion to hire Hydro One or other entities as service providers to assist with administering the Fund.
- The Trust would distribute funds to LDCs across the province (including Hydro One) at the discretion of the Trustees.
- LDCs would identify their respective eligible electricity customers and deliver the funding in accordance with the program.
  To protect public interest, it is expected that the Trust Deed will reflect an expectation that accountability provisions be included in funding provided to the LDCs which are consistent with those required under the TPD.

The Ministry indicates the measures funded through the Fund would be similar, or build on those available through the Home Assistance Program.

- The existing Home Assistance Program (HAP), delivered by LDCs under the Conservation First Framework, provides efficiency upgrades and education, at no cost, to help improve the energy efficiency and comfort of their homes and help customers manage their electricity bills. Program eligibility is aligned with other low-income support programs such as the OESP.

Affordability Fund recipients could receive measures (e.g. energy-saving light bulbs, programmable thermostats, cold climate air source heat pumps) ranging from $3,000 to $5,000 per customer, at no or minimal cost. As an illustration, with $200M, the Ministry indicates the estimated reach of the fund

Commented [np1]: Some question whether the funds may flow directly from the Province's CRF to the Trust (matter under discussion). Perhaps that reference under H1 drafting the trust deed could also reference addressing funding but not say how it will flow?

Commented [np2]: Not a requirement

could be 15,000 to 65,000 households, depending on measures and uptake. The large range is due to the vagueness of the plan to determine eligibility mentioned above.

Performance Measurement:

The submission indicates that Hydro One would provide support to the Province in exercising its oversight of the program by collecting reports from the LDCs on behalf of the Province and/or submitting regular progress reports on program participation. The TPA with Hydro One will include details on reporting requirements. There is currently no mention of outcome measures in the submission but such details are expected to follow as planning progresses. Also, the submission is silent on being able to measure whether there were decisions made not aligned with the TPA principles and how much funding might have flowed due to that decision.

Commented [np3]: Not sure what this means. Has any funding flowed?

Consistent with OPCD's guidance on one-time transfers, the Ministry will create a grant agreement (i.e., A Transfer Payment Agreement) with the following accountability provisions.

- Description of the intended use of the funds including the specific purpose for which the funds will be used and the nature of eligible expenditures
- Report-back requirements, including periodic reporting on the use of the transfer funds
- Right to independent verification /audit

Commented [np4]: Just as an FYI, the reason that MOE is considering the cash flow design is to ensure that the ability to audit (by MOE or the AG) are not inadvertently impacted.

Risks:
Appendix C is the risk table submitted by the Ministry. Many of the Ministry's cited risk focus on the quick timing to put the program in place in 2016-17, oversubscription of funds, and underspending.

The Ministry also notes moderate risk with a high impact from flowing the funds into an independent trust account also for limited accountability, oversight, and transparency provisions. TBS staff note the list of accountability provisions provided by the Ministry above do not explicitly mention (nor does the submission elsewhere) the Transfer Payment Accountability Directive (TPAD) principle – Value for money is expected in the expenditure of government funds.

Commented [np5]: Just as an FYI, the one-time Transfer guidance by OPCD is in line with the TPAD.

TBS staff notes moderate risk around geographical representation of members in the Trust, lack of program design details (e.g., LDC and customer eligibility criteria) and lack of articulation of what success looks like for the program to ensure accountability. With the non-application based program structure, eligibility and selection criteria needs to be clearly established to pass the equity test.

Financials:
The Ministry is proposing that the Fund be provided through a one-time payment of $200M in 2016-17 offset from the Treasury Board Contingency Fund.

- The Ministry indicates providing the $200M immediately provides LDCs with the required upfront commitment to apply for funding and initiate planning and implementation activities.

- Administration expenses will be in accordance with the Transfer Payment Directive.

- The Ministry expects that the funds through the Affordability Fund will be deployed within a year (funds are expected to be exhausted by March 31, 2018). The TPA will include the option to extend the original funding amount into future years in the event of under spending. The TPA will also include the option to incorporate potential future funding from the tax base. The Ministry intends to seek an exemption from the Cash Management Directive from the Ontario Financing Authority, MOF.

TBS staff note the March 1, 2017 minute was a commitment of up to $200M on a multi-year basis with direction to the Ministry Direct the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

Given the high-level nature of the current submission without specific details from a pending TPA, nor a performance management framework in place to gather evidence to support evidence-based decision-making, it is recommended that only $100M in funding in 2016-17 be provided now(of the multi-year $200M commitment) as it still demonstrates an upfront commitment. It also provides time for the Fund and the Ministry to gather results and demonstrate value for money when the Ministry returns through the 2018-19 PRRT planning process to report back on the performance of the Affordability Fund as support for a future funding request.

Commented [np6]: Details should be available well before the next PRRT process. Since the $ need to be flowed by March 31, they will have completed much of the groundwork by then. MOE is also working with H1 and H1's external advisors (Osler's) to develop the agreements.

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Date:	March 3, 2017	**Log number:**	
Branch / Division:	General Government, Planning and Resources Branch, PEMD, TBS		

APPENDIX A: PROPOSED MINUTE

Approve providing $100,000,000 in 2016-17 for the government funded Affordability Fund.

In this regard,

i) Approve a Treasury Board Order, under the authority of the Financial Administration Act, in the amount of $100,000,000 in Green Energy Initiatives Transfer Payment, under Energy Development and Management (Vote/item 2902-1), offset by the Treasury Board Contingency Fund, to establish the Affordability Fund.

ii) Direct the Ministry to

a) Report back to TB/MBC through the 2018-19 PRRT planning process with final program details, including performance management framework, results achieved to date, a value for money assessment, impacts to Province's fiscal plan, and a multi-year funding request, if needed at that time.

b) Provide regular updates to TB/MBC through regular reporting process including quarterly reports.

c) Work with Cabinet Office and the Office of the Premier to develop a communications strategy.

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE					TABLE B1
		Fiscal Plan Basis			*Appropriations Basis*
$ Millions		**20116-17**	**2017-18**	**2018-19**	**2016-17**
Initiative cost recommended		100.000	0.0000	0.0000	
Expense changes:					
Operating item – Green Initiatives TP	Oper	100.0000	0.0000	0.0000	0.0000
Total Fiscal Impact (draw from c-funds)		**100.000**	**0.0000**	**0.0000**	**0.0000**

APPENDIX C: MINISTRY'S RISK ASSESSMENT AND MITIGATION STRATEGY

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
It is proposed that the funding for the Fund be expensed in 2016-17, while the programs would be delivered in future fiscal years. The Auditor General may ask for the funding to be expensed in future fiscal years.	M	L	ENERGY is engaging with Hydro One and the Ontario Provincial Controller (OPCD) early to seek input on funding mechanism, including the model where Hydro One sets up an independent trust.
The Auditor General may question the rush nature of this program in addition to the need for a Trust Account and why the Ministry is unable to deliver the program itself.	H	M	ENERGY will develop issues management materials to address these concerns.
Flowing the funds into an independent trust account allows for limited accountability, oversight and transparency provisions.	M	H	ENERGY has engaged with the Ontario Provincial Controller to seek their guidance on how to incorporate accountability, oversight and transparency provisions in the TPA. ENERGY will develop a TPA in-line with OPCD guidelines on accounting considerations for using government funded Trust Accounts.
Oversubscription of funds	M	M	Need for additional funding in future years can be evaluated based on customer needs.
Underspending of allocated funds	L	M	TPA will include the option to extend the original funding amount into future years. The Trust will also have the ability to extend funding as needed. To increase uptake for customers in need, LDCs will undertake targeted outreach.
Some entities, including LDCs who are not selected as parties to the TPA, may feel left out of the funding program or perceive the funding as inadequate.	M	L	Undertake consultations with LDCs and other stakeholders to provide input on allocation methodology. Prepare a robust communication plan to emphasize the scope and purpose of the Fund

Commented [np7]: If funds are flowed to a non-controlled entity by March 31st, low risk of change in expense (16/17).

Commented [np8]: OPCD guidance on one-time transfers (consistent with TPAD) is being referenced by the working group.