FW: Latest deck from Energy

From: "Laughton, Patrick (TBS)" <patrick.laughton@ontario.ca>
To: "Nelson, Dane (TBS)" <dane.nelson@ontario.ca>, "MacIntyre, Kyle (TBS)" <kyle.macintyre@ontario.ca>
Cc: "Arbabzadeh, Nina (TBS)" <nina.arbabzadeh@ontario.ca>, "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
Date: Wed, 07 Dec 2016 08:52:01 -0500
Attachments: Price Mitigation Proposals_Dec5-16_v11.pptx (335.32 kB)

Kyle/Dane –

Sorry about the delay.

Below is a summary email with some context on the deck including proposed initiatives, fiscal impacts and some suggested speaking points for Karen/Maria (or Helen) for FPC this AM. I think the speaking points work well as comments which could be passed back to ENE. I've re-worded them for ease of use directly below (hopefully it works for you):

Key Issues:

- Greater understanding/information of the cost, objectives and outcomes of the proposals on additional electricity price relief is required. Some of the proposals, such as transitioning rate-based programs to tax-based, have significant fiscal impacts which need to be better outlined/understood in the deck. Clarity is also needed to understand the objectives and outcomes of moving these programs to the tax-base, including the impacts this would have for electricity consumers.

- Timing is a key consideration that should be addressed – should these proposals be for immediate and near-term implementation, it would create significant fiscal impacts in 2017-18 and 2018-19. Scalable options should be considered for all initiatives (i.e., options for the implementation of initiatives to be spread over the long-term, or through a staged-approach to help minimize the fiscal impact).

- Some of the proposals from Energy would require accounting changes (e.g. amortizing conversation program costs). Energy should work with OPCD in developing these proposals. The Auditor General may also need to be consulted.

P.

From: Fung, Felix (TBS)
Sent: December-06-16 8:17 PM
To: Arbabzadeh, Nina (TBS)
Cc: Dutton, Andrea (TBS); Laughton, Patrick (TBS); Morgenstern, Madeleine (TBS)
Subject: RE: Latest deck from Energy

Hi Nina,

Here's a quick summary of the deck from Energy related to Electricity Rate Mitigation that we received this morning (re-attached for your reference). In the email below, I've tried to be provide a bit of context (based on a discussion we had with Cabinet Office this morning), along with some speaking points for Maria and Karen. I believe OPCD was also asked to provide comments but not sure if they have sent them through (I haven't seen them). Also I spoke with Office of the Budget and they have not provided comments to Tim S yet. The OFA is also reviewing so you may see comments from them as well.

Context

The purpose of this deck is to outline additional initiatives that the government can undertake that can help lower the cost of electricity for residential and industrial consumers and transform how the electricity market operates in Ontario. This deck is a follow-up to the comments the Minister of Energy last week raised regarding the need for changes in how electricity resources are procured and the need for electricity market renewal.

Proposed Initiatives

Energy proposed a number of initiatives that could be undertaken that can provide further savings for residential and industrial electricity consumers (note: this is in addition to the 8% electricity rebate to residential consumers and the CCAP/GGRA proposal to use cap and trade proceeds to mitigate electricity rates for industrial/commercial consumers). The list of initiatives are found on page 6 and the on-bill impacts are found on page 8 and 9 of the deck. From their slide deck, it appears the benefit to residential consumers is approximately $0.18 to $3.58 in savings per 750kwh.

Fiscal Impacts

A main component of Energy's proposal is to shift programs that are currently funded by rate-payers to the tax-base. This shift would create significant fiscal impacts to the government, as none of these programs are currently included in the fiscal plan. For example:

- Funding electricity support programs (i.e., OESP, RRRP, First Nations Delivery Rate) through the tax-base would represent a cost of $440M annually.
- Funding the Industrial Conservation initiative through the tax-base would require $900M annually.
- Reducing OPG borrowing costs and ending the debt retirement charge would also create additional fiscal impacts

Speaking Points for Karen/Maria

Additional electricity price relief is listed in the latest fiscal deck, as one of the items "not included in Gap". Here are some speaking points for Karen/Maria:

- We need to better understand the proposals that Energy has developed on additional electricity price relief. Some of the proposals, such as transitioning rate-based programs to the tax-based, have significant fiscal impacts. We need to better understand the objectives and outcomes of moving these programs to the tax-base, including the impacts this would have for electricity consumers.

- Timing will be a consideration - should these proposals be for immediate and near-term implementation, it would create significant fiscal impacts in 2017-18 and 2018-19. We should also consider whether these proposals can be spread over the long-term, or through a staged-approach to help minimize the fiscal impact.

- Some of the proposals from Energy would require accounting changes (e.g. amortizing conversation program costs). Energy should work with OPCD in developing these proposals. The Auditor General may also need to be consulted.

Let me know if you have any questions or require additional information.

Thanks,
Felix

-----Original Message-----
From: Arbabzadeh, Nina (TBS)
Sent: December-06-16 5:44 PM
To: Fung, Felix (TBS); Morgenstern, Madeleine (TBS)
Cc: Dutton, Andrea (TBS); Laughton, Patrick (TBS)
Subject: FW: Latest deck from Energy

Hi Felix - I really appreciate that you're looking at Energy's deck after a long, busy day. I'm sorry to be bothering you with this, but is it possible for you/your team to help with putting together a few speaking points (bullets) for Karen on the fiscal impact? Please see Maria's note below.

Please let me know if you have any questions or if I can further clarify. Thanks very much!
Nina

-----Original Message-----
From: Duran-Schneider, Maria (TBS)
Sent: December 6, 2016 5:39 PM
To: Arbabzadeh, Nina (TBS)
Subject: Re: Latest deck

Yes. What's the fiscal impact and what does that buy based on the deck from Energy.

Original Message
From: Arbabzadeh, Nina (TBS)
Sent: Tuesday, December 6, 2016 5:33 PM
To: Duran-Schneider, Maria (TBS)
Subject: RE: Latest deck

Thanks, Maria. Just to clarify, you'd like us to put together a few speaking points on the fiscal impact/assumptions of the 'additional electricity price relief'?

-----Original Message-----
From: Duran-Schneider, Maria (TBS)
Sent: December 6, 2016 5:27 PM
To: Arbabzadeh, Nina (TBS)
Subject: FW: Latest deck

Pls see Gadi's comment below. It would be good to have a couple of speaking points on this for Karen re: the fiscal impact and assumptions, maybe.

-----Original Message-----
From: Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
Sent: Tuesday, December 06, 2016 5:22 PM
To: Schuurman, Tim (MOF); Hughes, Karen (TBS); Duran-Schneider, Maria (TBS); Lewis, Brian (MOF)
Cc: Esmail, Selena (MOF)
Subject: RE: Latest deck

I don't have anything of significance to add, but am just wondering whether there is sufficient weight in the four word bullet on the bottom right of page 17 "Additional electricity price relief", given the deck that we've just reviewed from Energy. I'm not sure how we highlight it more, though; maybe just when you're speaking to it tomorrow?

-----Original Message-----
From: Schuurman, Tim (MOF) [mailto:Tim.Schuurman@ontario.ca]
Sent: Tuesday, December 06, 2016 3:50 PM
To: Karen Hughes (MGS) < Karen.Hughes@ontario.ca >; Maria Duran-Schneider (MOF) < Maria.Duran-Schneider@ontario.ca >; Brian Lewis (MOL) < Brian.Lewis@ontario.ca >; Gadi Mayman < Gadi.Mayman@ofina.on.ca >
Cc: Selena Esmail (MOF) < Selena.Esmail@ontario.ca >
Subject: Latest deck

Scott just asked to review the latest version so I emailed him this version. My folks just gave it to me so I haven't even checked it myself. Still awaiting appendix slides.

If you'd like to peruse over the next 45 min or so, here it is.

Tim
