



# **Rate Mitigation Update**

## **Minister's Briefing**

**April 18, 2017**

# Background



- Ontario is lowering electricity bills by 25 per cent for the typical residential customer and holding rate increases to the rate of inflation for four years. Small businesses and farms would also benefit from this initiative.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.
- These new measures will cost the government up to \$2.5 billion over the next three years.
- Government intends to introduce legislation to enable Ontario's Fair Hydro Plan

*Source: Ministry of Energy Technical Briefing Deck*

# Rate Mitigation Implementation Group



*[OPCD to update]*

- The Rate Mitigation Implementation Working Group was created in mid-March with representatives from Energy, TBS, MOF, OPG, IESO, and OEB
- The implementation group meets weekly in order to address key outstanding issues, including the drafting of the legislation for Global Adjustment Refinancing .
- If passed, the legislation would enable IESO and OPG to work together to refinance the GA over a longer period of time. The legislation would also outline the role for the OEB, as it relates to the financing proposal.

# GA Legislation



- [OPCD to update on legislation]

# Electricity Support Programs



- As part of the suite of electricity price mitigation initiatives, TB/MBC on March 1, 2017 approved the enhancement of a number of electricity support programs, including shifting the costs of these programs from the rate-base to government funding.
- These programs include:
  - Affordability Fund
  - Ontario Electricity Support Program (OESP)
  - Rural or Remote Electricity Rate Protection (RRRP) Program
  - First Nations On-Reserve Delivery Credit (FNORDC)
- Through the 2017-18 PRRT, multi-year funding for these programs, based on refined forecasts, were built into the Ministry of Energy's allocation (Appendix A provides details).
- The following slides provide an update on the implementation of these programs.

# Electricity Support Programs – Affordability Fund



- As part of the March 1 approval, TB/MBC approved a commitment of up to \$200M on a multi-year basis towards the Affordability Fund.
- On March 6, TB/MBC approved \$100M in 2016-17 to establish the fund.
- To establish the fund, the Ministry of Energy has entered into a Transfer Payment Agreement (TPA) with Hydro One.
  - The TPA includes terms for Hydro One to establish a non-controlled Trust to administer and distributed funds to LDCs on the basis of principles established by the Province and implemented at the discretion of the trustees.
  - The Trust's governing principles are outlined in the Trust Deed.
  - The Trust Deed and Transfer Payment Agreement were executed on March 23 and 24.
  - Funds were transferred from the Ministry to Hydro One on March 30.

# Electricity Support Programs – Affordability Fund



- No legislative changes are required to create this program.
- The Ministry is planning to report back to TB/MBC in June 2017 with final program details and a performance management framework, including outcome measures and targets.
- The Ministry expects LDC can begin to apply the Trust for funding beginning in Summer 2017.
- The Ministry has also been directed to report back to TB/MBC through the 2018-19 PRRT with a value for money assessment, including spending to date and results and outcomes achieved.

# Electricity Support Programs – Ontario Electricity Support Program



- As part of the March 1 approval, TB/MBC approved expanding the benefit level of OESP by 50%, moving the program from a ratepayer funded program to a government funded program, and pursuing additional measures to substantially increase take up.
- On April 10, LRC / Cabinet approved regulatory amendments under the Ontario Energy Board Act, 1998. These amendments included:
  - Increasing funding by 50% for existing OESP consumers;
  - Add new classes of OESP-eligible consumers; and
  - Ensure the IESO continues to fund the program through its OESP variance account (estimated at \$100M)
- The Ministry has also begun work with the Behavioural Insights Unit, Centre of Excellence for Evidence-Based Decision Making, to accelerate / maximize program uptake.

# Electricity Support Programs – Ontario Electricity Support Program



- Next Steps:
  - May 1, 2017 – TB/MBC & LRC – proposed legislation to shift the funding of this program from rate-payer to government funding.
  - Spring 2017 – TB/MBC with final program details, including performance metrics.

# Electricity Support Programs – RRRP



- As part of the March 1 approval, TB/MBC approved broadening the RRRP program to mitigate distribution charges for customers of 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.
- The Ministry is currently working on the program details and has convened a LDC working group in late March.
- Next Steps:
  - May 1, 2017 – TB/MBC & LRC – proposed legislation to shift the funding of this program from rate-payer to government funding.
  - Spring 2017 – TB/MBC with final program details, including performance measurement framework.

# Electricity Support Programs – FNORDC



- As part of the March 1 approval, TB/MBC approved the establishment of a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve.
- The Ministry is currently working on the program details, including working with the Chiefs of Ontario.
- Next Steps:
  - May 1, 2017 – TB/MBC & LRC – proposed legislation to create the FNORDC
  - Spring 2017 – TB/MBC with final program details, including performance measurement framework.

# Electricity Support Programs – Other Initiatives



Additional initiatives supporting electricity price mitigation:

- Expanding Industrial Conservation Initiative (ICI)
  - Lowering ICI eligibility threshold to 500 kW for consumers in targeted sectors, such as manufacturing. Program to remain funded through the rate-base.
  - Reg amendments were approved by LRC / Cabinet on April 10, 2017.
- Additional Initiatives for Small Business and Industrials (ENERGY, MEDG, MOF, MOECC, MOL, Small Business)
  - Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers
  - Report back to TBC/MBC and Cabinet in fall 2017
- Initiatives for Tenants (ENERGY, MOH)
  - Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs
  - Report back to TBC/MBC and Cabinet in fall 2017

# Timelines



# Appendix A

- The following tables provides the current multi-year funding profile for social programs providing electricity price mitigation

|                                                                                | (\$ million) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------------------------------------------------------------------------|--------------|---------|---------|---------|---------|---------|
| Ontario Rebate for Electricity Consumers (OREC)<br>(Revised Forecast for OFHP) |              | 300     | 939     | 882     | 882     | 895     |
| Ontario Fair Hydro Plan (OFHP):                                                |              |         |         |         |         |         |
| Affordability Fund                                                             |              | 100     |         |         |         |         |
| Expanding and Enhancing OESP                                                   |              |         | 344     | 261     | 325     | 375     |
| Broadening RRRP                                                                |              |         | 140     | 472     | 484     | 497     |
| Providing First Nations On-Reserve Delivery Credit                             |              |         | 15      | 20      | 20      | 20      |
| OFHP Total                                                                     |              | 100     | 499     | 753     | 829     | 892     |
| TOTAL                                                                          |              | 400     | 1438    | 1635    | 1711    | 1787    |