Ontario

LEGISLATION AND REGULATIONS COMMITTEE: PRELIMINARY REGULATORY IMPACT ASSESSMENT FORM

Date:	June 27, 2017
Ministry:	Ministry of Energy
Name of Act:	*Ontario Fair Hydro Plan Act, 2017, Ontario Energy Board Act, 1998*
Name of Regulations:	**A. Global Adjustment (GA) Refinancing** 1. Creating a new Regulation to be made under the *Ontario Fair Hydro Plan Act, 2017* (*OFHPA*), which is Schedule 1 of the Fair Hydro Act, 2017 **B. Social Programs** 1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998;* and 2. Amending O*. Reg.* 197/17 (First Nation Delivery Credit) made under the *Ontario Energy Board Act, 1998.*

Section 1: Proposal and Context

A. GA Refinancing

1. **Creating a new Regulation to be made under the *Ontario Fair Hydro Plan Act, 2017* (*OFHPA*), which is Schedule 1 of the Fair Hydro Act, 2017.**

- The Ministry of Energy is seeking approval to create a new Regulation under the *Ontario Fair Hydro Plan Act, 2017* (*OFHPA*) to enable the implementation of GA Refinancing under the OFHPA.
- The proposed regulation would, if approved, provide further detail on the roles and responsibilities of the Financial Services Manager (FSM, i.e. Ontario Power Generation (OPG)), the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) under the OFHPA.
- The proposed regulation would, if approved, also provide further criteria related to the development and implementation of the Financing Plan by the FSM, the operation of the FSM, the setting of the Fair Allocation Amount by the Minister of Energy and the recovery of the Clean Energy Adjustment from electricity consumers, as required under the OFHPA.

B. Social Programs

1. **Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998.***
   - Recent legislative amendments to the *Ontario Energy Board Act, 1998 (OEBA)* provide the Ministry of Community and Social Services (MCSS) the authority to support the delivery of the OESP. These amendments came into force at Royal Assent on June 1, 2017.
   - The proposed amendments to O. Reg. 314/15 are designed to enable MCSS to implement its new authorities. In particular, the amendments would recognize that MCSS processes for determining financial eligibility for social assistance (SA) programs (which includes Ontario Works and the Ontario Disability Support Program) are sufficient to determine OESP eligibility. The amendments would also ensure that all current SA clients and new applicants deemed financially eligible for SA will automatically be eligible for OESP.
   - These amendments are intended to support the government's goal of substantially increasing uptake of the OESP.
2. **Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the *Ontario Energy Board Act, 1998.***
   - Amendment intended to correct error in legal name of Local Distribution Company named in regulation.

Section 2: Approach and Intended Outcomes

A. GA Refinancing

1. **Creating a new Regulation to be made under the *OFHPA*, which is Schedule 1 of the *Fair Hydro Act, 2017*.**
   - The proposed regulation supports key aspects of the OFHPA including:

     The establishment and transfer of portions of the regulatory asset;

     The establishment of the OFHPA-related deferral and variance account to be held by the Independent Electricity System Operator (IESO);

     The definition and details regarding the "funding obligation" which relates to the recovery of moneys borrowed by OPG/ financing entity to fund GA refinancing;

     Methodology related to the calculation by the FSM of the Clean Energy Adjustment (CEA, i.e., the total amount payable by electricity consumers each reference period) including the communication of the CEA amounts to be collected to the OEB for its use in setting rates;

Determination of rates and amounts related to the recovery of the CEA by the OEB under which regulated rate consumers must be invoiced and which must be used in the calculation of rates for non-regulated consumers;

Requirements for electricity vendors (the IESO, LDCs, retailers and unit sub-meter providers (USMPs)) in relation to the collection of amounts in respect of the CEA from electricity consumers;

The composition of the FSM's fees and the OEB's role in the review of fees those fees (i.e., the fees related to the ongoing operation of the FSM during the period of GA Refinancing);

Details related to the methodology to be used by the Minister in the calculation of the Fair Allocation amount (i.e. a calculation of the fair allocation of clean energy costs over time); and

Further criteria related to the development and implementation of the Financing Plan by the FSM.

- The proposed regulation is necessary to ensure that the mechanisms for refinancing of GA as set out under the OFHPA are in place in time for the first debt offering in fall 2017.

B. Social Programs

1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998.*

- As part of the Ontario Fair Hydro Plan (OHFP), ENERGY has already completed the following legislative and regulatory changes on OESP:
  - Effective May 1, 2017, ENERGY completed a regulatory amendment to O. Reg. 314/15 to increase OESP credit amounts by 50% and expand eligibility criteria;
  - Corresponding legislative amendments to section 79.2 of the OEBA were made to enable the program to shift from the rate-base to the tax-base once the rate-base pooled funding has been depleted. The intended approach involves proclaiming s.79.2 of the OEBA into force on a future date to be named by proclamation; and
  - These legislative amendments also provided MCSS with data-sharing and information-sharing provisionsfor MCSS to deliver OESP to SA clients. Along with ss. amendments to s. 79, the new sections 79.3 and 79.4, came into force at Royal Assent on June 1, 2017.
- To align OESP with other social assistance programs, amendments to the OEBA were also required to give MCSS the authority to collect new information from SA clients and applicants, and give both MCSS and OEB

the authority to share information regarding OESP enrolment.

- The proposed amendments to O. Reg. 314/15 will enable MCSS to implement these new authorities and help meet the government's goal of substantially increasing uptake in the OESP. Amendments include:
  - Changes to the OESP eligibility definitions so that household size and household income – the two main criteria for determining OESP eligibility – also capture the criteria that MCSS uses to determine financial eligibility for social assistance. These changes are needed because there are minor differences in how eligibility is determined between SA programs and the OESP;
  - Recognizing the "benefit unit" as eligible for OESP, such that a current or new SA client who is not the utility account holder, but is part of an account holder's benefit unit, can still receive support from MCSS to apply to the OESP;
  - Addressing current and future scenarios where those deemed financially eligible for OESP fall outside of the current OESP eligibility categories. Proposed amendments to Schedule 1 will ensure that anyone deemed financially eligible for social assistance (and is part of a benefit unit that is billed directly for electricity) is automatically eligible for OESP; and
  - Requiring an Agreement with OEB before MCSS can begin applying to OESP on behalf of those deemed financially eligible for SA.
- In order to implement these changes, MCSS is submitting to the Treasury Board a separate request for appropriate resources, using allocations already approved for enhancing the OESP as part of the Fair Hydro Plan.
- Pending the approval of the proposed amendments to the O. Reg. 314/15 in this package, the next steps include:
  - Proclaiming s.79.2 of OEBA once the funds in the IESO OESP Variance account are depleted; and
  - Further amendments to O. Reg. 314/15 to implement the move from the rate base to the tax base.

2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the *Ontario Energy Board Act, 1998.*

- The approach reconciles the Cat Lake Reserve name with the distribution company who services the territory to provide for greater accuracy.
- This will ensure that residents of Cat Lake receive the FNDC and that there will be no confusion as to who will provide the credit.

The purpose of Section 3 is to identify stakeholders that will be affected by the regulatory proposal, and briefly describe the anticipated impact (whether a cost or a benefit). These factors will be considered in the determination of whether a full RIA is required.

Section 3: Affected Stakeholders	Yes	No
Individuals (specific groups or consumers)	×	❑
A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** ***Consumers*** • The proposed regulation would enable the implementation of GA Refinancing under the OFHPA by creating mechanics to facilitate financing. • This would mean that electricity bills of typical residential consumers would be reduced by 25% starting on July 1, 2017. • Further adjustments would be made to electricity bills in relation to the recovery of the Clean Energy Adjustment as set out in the new proposed regulation in the mid to late 2020s. ***Agency Impact*** • The regulation will set out roles and responsibilities of the Financial Services Manager (FSM, i.e. Ontario Power Generation (OPG)), the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) under the OFHPA. **B. Social Programs** **1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998.*** ***Consumers*** • SA clients on Ontario Works (OW) or Ontario Disability Support Program (ODSP) would directly benefit from the on-bill relief on their electricity bill from the OESP. ***Government*** • MCSS will be responsible for implementing the proposed regulatory changes, which were designed to support a strategy jointly developed by ENERGY, the OEB, and MCSS to meet the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery.		

Agency Impact

- The OEB will support implementation in two general ways. First, as per the amendments to the OEBA, it has authority to share information about OESP enrolment with MCSS in order to identify SA clients that currently receive utility bills but are not currently enrolled in OESP. This will help MCSS to undertake targeted outreach to current SA clients that can be enrolled in OESP.
- Second, OEB and its OESP delivery consultant – ICF Consulting – will help MCSS to expeditiously prepare for implementation by providing training materials and technical support for MCSS system changes. Cost impacts are expected to be minimal and are covered by the OEB's existing authorities to cover administration costs related to the OESP using the OESP variance account.
- The IESO would be responsible for flowing the funds used to compensate LDCs for the costs of delivering the social programs from the money appropriated for such purposes from the legislature. This would require the IESO to monitor program specific information portal and flow the amounts necessary to compensate LDCs for the costs incurred in carrying out the programs.

2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the *Ontario Energy Board Act, 1998.*

- Eligible consumers on Cat Lake Reserve will be assured of receiving FNDC.

Businesses	×	❑

A. GA Refinancing

1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.

- The proposed regulation would enable the implementation of GA Refinancing under *OFHPA*.
- Up to 500,000 small businesses and farms would participate in GA refinancing.
- Local distribution companies will have obligations to include clean energy adjustments on bills to customers in the future.

B. Social Programs **1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.** • N/A to businesses. **2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.** • N/A to businesses.		
Non-profit Groups	×	❑
A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** • The proposed regulation would enable the implementation of GA Refinancing under *OFHPA.* • Non-profit groups would participate in GA refinancing if they are a specified consumer as defined under the *OFHPA*. **B. Social Programs** **1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.** • No fiscal impacts will be felt by not-for-profit organizations as a result of these amendments. **2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.** • N/A to non-profit groups		
Communities	❑	×
A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** • No fiscal impact felt by communities as a result of the proposed regulation.		

B. Social Programs **1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.** • No fiscal impacts will be felt by communities as a result of this amending regulation. **2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.** • No fiscal impacts will be felt by communities as a result of this amending regulation.		
Governments	×	❑
A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** • No fiscal impact felt by Governments as a result of the proposed regulation. **B. Social Programs** **1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.** • Cost impacts for the amending O. Reg. 314/15 are expected to be negligible. There is significant overlap between the financial eligibility for the OESP and other social assistance programs, resulting in very few occurrences where SA clients do not meet the current OESP eligibility requirements. • As approved in the TB/MBC submission of March 1st, 2017 and confirmed in Vote-Item 2905-1, the financial impacts on Government of the social programs for the period July 1 2017- March 31 2018 are anticipated to be $140,000,000. • ENERGY will report back to TB/MBC in fall 2017-18 with an update on out-year projections following analysis on rate applications before the OEB.		

• In order to implement these changes, MCSS is submitting to the Treasury Board a separate request for appropriate resources, using allocations already approved for enhancing the OESP as part of the Fair Hydro Plan. **2. Amending O. 197/17 Reg. (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.** • N/A		

The purpose of Section 4 is to identify and describe the types of impacts anticipated as a result of the regulatory proposal. These factors will be considered in the determination of whether a full RIA is required.

Section 4: Type of Impact	Yes	No
Health and Safety	❑	×
A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** • N/A **B. Social Programs** **1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.** • N/A **2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.** • N/A		
Environment	❑	×

A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** • N/A **B. Social Programs** **1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.** • N/A **2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.** • N/A		
Social Impacts	×	❑
A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** • N/A **B. Social Programs** **1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998.*** • ENERGY has been engaging with MCSS and the OEB for several months to develop a strategy for meeting the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery. The joint strategy instructed the recent amendments to the OEBA, and the changes to O.Reg. 314/15 that are being proposed in this submission. • SA clients on Ontario Works (OW) or Ontario Disability Support Program (ODSP) would directly benefit from the on-bill relief on their electricity bill from the OESP.		

<table>
<tr><td>2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.
• N/A to this amendment</td><td></td><td></td></tr>
<tr><td>Trade</td><td>❑</td><td>×</td></tr>
<tr><td>GA Refinancing

1. Creating a new Regulation to be made under OFHPA, which is Schedule 1 of the Fair Hydro Act, 2017.
• N/A

B. Social Programs

1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.
• N/A

2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.
• N/A</td><td></td><td></td></tr>
<tr><td>Economy</td><td>×</td><td>❑</td></tr>
<tr><td>A. GA Refinancing

1. Creating a new Regulation to be made under OFHPA, which is Schedule 1 of the Fair Hydro Act, 2017.
• N/A

B. Social Programs

1. Amending O. Reg. 314/15 (Ontario Electricity Support Program) made under the Ontario Energy Board Act, 1998.
• Cost impacts for the amending O. Reg. 314/15 are expected to be negligible. There is significant overlap between the financial eligibility for the OESP and other social assistance programs, resulting in very few occurrences where SA clients do not meet the current OESP eligibility requirements.
• In order to implement these changes, MCSS is submitting to the Treasury Board a separate request for appropriate resources, using allocations already approved for enhancing the OESP as part of the Fair Hydro Plan.</td><td></td><td></td></tr>
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2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998 • N/A for amending regulation.		
Other	❑	×
A. GA Refinancing **1. Creating a new Regulation to be made under *OFHPA*, which is Schedule 1 of the Fair Hydro Act, 2017.** • N/A **B. Social Programs** **1. Amending *O. Reg. 314/15 (Ontario Electricity Support Program)* made under the *Ontario Energy Board Act, 1998.*** • N/A **2. Amending O. Reg. 197/17 (First Nation Delivery Credit) made under the Ontario Energy Board Act, 1998.** • N/A		

The purpose of Section 5 is to estimate the direct costs for external stakeholders to comply with the regulatory proposal. If direct compliance costs are expected to exceed $2 million per year, a full regulatory impact analysis will be required. Other factors (as described in Sections 3 and 4 above) will also be reviewed in the determination of whether a full RIA is required.

Section 5: Costs	Yes	No
Are direct compliance costs likely to exceed $2 million per year?	❑	✓
Is a full RIA required?	❑	✓

Contacts

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