Tab 7

Electricity Rate Mitigation

The Ministry of Energy is providing an information overview on the causes and potential measures to mitigate recent electricity price increases. Options include targeted measures for rural / remote, in-need and Indigenous consumers as well as broader measures intended to bring down rates for residential and small business consumers.

Context

Electricity costs are rising in response to necessary investments to improve reliability of the electricity system and meet environmental objectives. The government has already taken action to mitigate impacts on consumers, including:

- Introducing an 8% rebate for residential / small business consumers, and enhancing the Rural or Remote Rate Protection Program and Industrial Conservation Initiative;
- Deferring construction of new nuclear reactors at Darlington and delaying planned refurbishment at Bruce by four years; and
- Reducing renewable procurement costs (e.g., renegotiating the Green Energy Investment Agreement, reducing feed-in-tariff prices, introducing a competitive procurement process for large projects).

Targeted Measures for Vulnerable Populations

Rural / Remote Electricity Rate Protection	2016-17	2017-18	2018-19	2019-20
Fiscal Impact ($ Millions)	0	454	450	446

Expand the existing program and harmonize distribution rates for customers in the top 1/8 of distribution rate classes, providing relief to about 700,000 customers (slides 7 to 21)

Ontario Electricity Support Program	2016-17	2017-18	2018-19	2019-20
Fiscal Impact ($ Millions)	0	178	239	290

Improve the existing program to streamline applications, increase uptake, enhance benefit levels and expand eligibility to include additional households (slides 22 to 25)

Affordability Fund	2016-17	2017-18	2018-19	2019-20
Fiscal Impact ($ Millions)	200	0	0	0

Establish a fund through local distribution companies to help consumers in need but not considered 'low-income' to make energy efficiency improvements (slides 26 to 29)

On-Reserve First Nations Delivery Credit	2016-17	2017-18	2018-19	2019-20
Fiscal Impact ($ Millions)	0	20	20	20

Consistent with the Ontario Energy Board recommendation, remove delivery charges for all 21,500 on-reserve First Nations residential customers (slides 30 to 34)

Note: Fiscal impacts above arise from funding new / existing programs from the tax base. Migrating programs from the rate base would also reduce costs for other ratepayers.

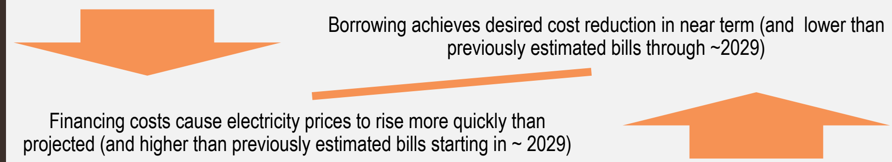
Global Adjustment Smoothing for Regulated Price Plan Consumers

The Global Adjustment ($12.3 billion in 2016) covers the fixed costs of generation including capital, financing and operations, as well as conservation program costs.

- The vast majority (almost 90%) of the Global Adjustment is linked to emissions-free renewable and nuclear generation facilities, as well as natural gas plants.

The Ministry is exploring smoothing the Global Adjustment to reflect the benefit of generation assets beyond contract terms / provide ratepayer relief (slides 42 to 54).

- Relief would be targeted to residential and small business consumers;
- Smoothing would be structured such that it does not impact the fiscal plan; and
- Options target projected reductions of 18% to 25% of a typical residential bill in 2017.



There are significant legal / accounting risks that could result in a negative impact on the fiscal plan if the preferred approach is / cannot be implemented.

Smoothing	2016-17	2017-18	2018-19	2019-20
Fiscal Risk ($ Millions)	0	1,487 to 2,266	1,585 to 2,372	1,524 to 2,633

Should electricity demand fall below forecasts, the costs of debt repayment would exacerbate the anticipated electricity rate increases for future ratepayers.

Ongoing Transformation

Since 2012, the Ontario Energy Board has attempted to move the electricity distribution sector toward a more performance-based regulatory framework.

- The Ministry could direct the Board to look at opportunities for further efficiencies, or review its own regulatory requirements to eliminate unnecessary cost pressures.

The Independent Electricity System Operator is moving forward with market renewal initiatives that could save up to $300 million per year starting in 2021.

- Savings would be reflected in the Hourly Ontario Electricity Price and wholesale market service charges, representing about $1 per month on a typical residential bill.