LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

LRC Tracking #: (REG-11363)
EVista Tracking #: (SUB-REG-2017-00467)

Ministry of Energy

Amending Ontario Electricity Support Program Regulation to Support the Implementation of Ontario's Fair Hydro Plan

Regulation

Profile at a Glance

Priority: Key to Commitment
Public Interest: High
Key Stakeholder Interest: Moderate
New Costs/Burdens: No for Stakeholders; Yes for Government
New Savings/Opportunities: Yes for Stakeholders; No for Government

Proposed Items for Review

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

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	Legislation and Regulation Committee, April 10, 2017	April 10, 2017
TB/MBC	No approval needed	

Deputy Minister　　　　Date

Minister　　　　Date

s. 1 Proposal and Context

The Ontario Electricity Support Program (OESP) is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers, providing a credit directly on bills. The program, established under section 79.2 of the *Ontario Energy Board Act, 1998,* is delivered by the Ontario Energy Board (OEB) and has been in place since January 1, 2016.

On March 1, 2017, Treasury Board approved the Cabinet Submission on Rate Mitigation which proposes to help vulnerable electricity consumers by expanding every benefit level of the OESP by 50%, increasing program eligibility, moving the program from a ratepayer funded program to a government funded program, and pursuing additional measures to substantially increase take-up.

To implement this direction, ENERGY is proposing to soon bring forward legislative amendments required to shift the OESP from the rate-base to the tax base. In the near term, in order to implement certain key elements of the above-noted direction by May 1, 2017, the Ministry is proposing amendments to the existing regulation made under OEBA s.79.2. These proposed amendments would, in combination with a recent Order of the Ontario Energy Board dated March 23, 2017, work together to: (i) increase funding to existing OESP-eligible consumers by 50%; (ii) provide for a number of new classes of rate-assisted consumers; (iii) ensure that the IESO is required to satisfy the OESP-related funding requirements from its OESP variance account rather than from consumers.

Further amendments to this regulation are anticipated in order to implement the legislative amendments to provide for the more permanent tax-based funding model.

In the meantime, pursuant to a decision and order issued by the Board on March 23, 2017, the OEB is requiring distributors and the IESO to cease collecting the current volumetric OESP charge from all consumers. In accordance with the Board's Order, the IESO would be required to draw down the existing OESP variance account – the amount collected to date through the volumetric charge paid by all consumers – minus the amount paid to OESP recipients – to pay for program costs. However, the proposed amending regulation is required to provide for the augmented amounts and new classes specified above. The expectation is that the IESO would be required to continue to draw down its OESP variance account. The Ministry's intention is to table legislation in a timely manner to allow any proposed legislation to, if approved, be put in place (with ensuing regulations) so that the transfer of the OESP from rate-base funded to a tax-base funded program would occur before the IESO exhausts the amounts in the OESP variance account.

To support the implementation to expand the OESP, regulatory amendments under to O. Reg. 314/15 made under the *Ontario Energy Board Act, 1998* (OEBA) is needed. The proposed regulation would:

- Increase the OESP credit amount by 50% and prescribe the revised credit amounts.
- Expand eligibility to include new household income and size categories, and include these new customer classes in the revised credit amounts, and.
- Once this amending regulation is put in place, if approved, the expectation is that the OEB would issue one or more orders to implement this approach in keeping with the statutory requirement that the Board must act in accordance with prescribed criteria in establishing OESP rate-assistance.

s. 2 Approach and Intended Outcomes

See Appendix A – Regulation Comparison Chart

To support the proposed program changes of the OESP, the Ministry is proposing to amend O. Reg. 314/15 under the OEBA. This regulation would require the OEB to implementation of the proposed OESP program changes noted in Section 1 above, which are required to be in place on May 1st, 2017.

Tables 1 and 2 depict the current OESP credits amounts based on the program eligibility criteria – household size and the total household after-tax income. Tables 3 and 4 depict the proposed revised OESP sliding scale fixed credits that are proposed, including for the new classes of eligible consumers which are proposed, in this amending regulation. This includes an enhancement of the current OESP for current OESP eligible classes of consumers by 50%, as well as the expanded (new) classes of eligible consumers which are designed to include more household income and size categories (these new classes of eligible consumers are reflected in red).

<u>Existing OESP Classes and Credit Amounts</u>

Table 1:

Household Income (After Tax) Household Size (Number of people living in household)

	1	2	3	4	5	6	7+
< $28,000	$30	$30	$34	$38	$42	$50	$50
$28,001 - $39,000			$30	$34	$38	$42	$50
$39,001 - $48,000					$30	$34	$38

$48,001 - $52,000							$30

Table 2:
Household Income (After Tax) — Household Size (Number of people living in household) Energy Intensive

	1	2	3	4	5	6	7+
< $28,000	$45	$45	$50	$55	$60	$75	$75
$28,001 - $39,000			$45	$50	$55	$60	$75
$39,001 - $48,000					$45	$50	$55
$48,001 - $52,000							$45

<u>Proposed OESP Credits</u>

Table 3:
Household Income (After Tax) — Household Size (Number of people living in household)

	1	2	3	4	5	6	7+
< $28,000	$45	$45	$51	$57	$63	$75	$75
$28,001 - $39,000		$40	$45	$51	$57	$63	$75
$39,001 - $48,000			$35	$40	$45	$51	$57
$48,001 - $52,000					$35	$40	$45

Table 4:
Household Income (After Tax) — Household Size (Number of people living in household) Energy Intensive

	1	2	3	4	5	6	7+
< $28,000	$68	$68	$75	$83	$90	$113	$113
$28,001 - $39,000		$60	$68	$75	$83	$90	$113
$39,001 - $48,000			$52	$60	$68	$75	$83
$48,001 - $52,000					$52	$60	$68

s. 3 Direction and Urgency

See Appendix B, Variance Memo

<u>Direction</u>

On March 1, 2017 the Ministry of Energy received Cabinet approval to proceed with the enhancement of the OESP as part of the approved direction for Government's electricity rate-mitigation package. Cabinet minute required the Ministry to implement changes to increase the benefit level of the OESP by 50% provide new credit amounts on the existing scale. The Ministry is still working on legislation and regulations that would shift the program from a ratepayer funded program to a government funded (tax-base) program.

Once this amending regulation is put in place, if approved, the expectation is that the OEB would issue one or more orders to implement this approach in keeping with the statutory requirement that the Board must act in accordance with prescribed criteria in establishing OESP rate-assistance.

Urgency

The intent is to implement the proposed changes by May 1, 2017.

s. 4 Impact Assessment and Costs

As approved by Cabinet, in the longer term, ENERGY is working on a package of legislative amendments which would, if approved by Cabinet and passed by the Legislature, shift the costs related to the OESP would impact the government's fiscal plan. However, there would be no immediate costs to Government anticipated resulting from the implementation of this proposed regulation since the costs for the OESP are anticipated to shift to Government only after (or near the time at which) the IESO has depleted the OESP variance account in accordance with this amending Regulation.

s. 5 Implementation

Currently, the OEB is responsible for administering the OESP, including implementing the proposed regulatory changes. The OEB is concurrently working on its own systems for May 1 implementation, and with utilities, unit sub-metering companies, and other partners to ensure that their systems can incorporate the regulatory changes based on the Board's own order, dated March 23, 2017, which required the IESO and distributors to stop collecting the current OESP charge from consumers. The above-noted proposed amending regulation is required to implement the additional features of the Government's plans.
Once this amending regulation is put in place, the expectation is that the OEB would issue one or more orders to implement this approach in keeping with the

statutory requirement that the Board must act in accordance with prescribed criteria in establishing OESP rate-assistance.

s. 6 Delivery and Results Tracking

The OEB regularly reports to the Ministry of Energy on OESP uptake numbers. This includes the number of applications, the number of approved applications, and the number of applications declined.

At the start of the program, the OEB set an ambitious target of 60% participation. The program reached 30% participation by the end of 2016. It is expected that program enhancements would support increased uptake and ENERGY anticipates an increase in the number of OESP applications and recipients.

s.7 Stakeholder Consultations

On March 9, 2017, there was broad public consultation and the proposed amendment to O. Reg. 314/15 under the OEBA was posted on the Regulatory Registry. Comments posted on the registry will be considered as the proposed amending regulation is being developed.

Local distribution companies were consulted on March 23, 2017 regarding the Fair Hydro Plan, including the OESP changes that are currently being proposed through the proposed amending regulation and amending legislation.
The OEB is also working with utilities, unit sub-metering providers, and other partners to ensure that their systems can incorporate the proposed regulatory changes in time for a May 1, 2017 implementation. The OEB hosted a webinar on March 29, 2017 to begin this process.

It is expected that the majority of the stakeholders would be in a position to implement the program changes, provided the proposed regulatory amendments are approved.

s.8 Other Jurisdictions and Harmonization

N/A

s. 9 Communications

See Appendix C, Communications Snapshot

The Ministry and the OEB are prepared to proceed with a high-profile communication approach, to inform low-income Ontarians of the enhancement of the OESP credit amount and expansion of the eligibility criteria, should the amending regulation be approved.

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Sunita Chander	416-325-6594
Ministry Legal	James Rehob	416-325-6676
Ministry Communications		
Assistant or Deputy Minister's Office		
Cabinet Office Policy		

Appendices

Appendix A: Regulation Comparison Chart
Appendix B: Variance Memo
Appendix C: Communications Snapshot