Ontario

LEGISLATION AND REGULATIONS COMMITTEE: PRELIMINARY REGULATORY IMPACT ASSESSMENT FORM

Date:	April 10, 2017 (LRC)
Ministry:	ENERGY
Name of Act:	*Ontario Energy Board Act, 1998*
Name of Regulation:	Ontario Electricity Support Program

Section 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 (tax base) 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 in by May 1, 2017, the Ministry is proposing amendments to the existing regulation made under OEBA s.79.2. These proposed amendments would require the Ontario Energy Board to (i) increase funding to existing OESP-eligible consumers by 50%; (ii) provide for a number of new classes of OESP rate-assisted consumers

Further amendments to this regulation may be needed 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 proposed amendments would work together with the recent OEB order such that the IESO is expected to continue to draw down its

OESP variance account in order to address OESP funding requirements rather than have distributors collect the OESP charge from consumers. This approach is intended to strike the appropriate balance in augmenting the OESP in a manner which respects the OEB's existing role in respect of the OESP. The Ministry's intention in the near term 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 to O. Reg. 314/15 (Ontario Electricity Support Program) made under the *Ontario Energy Board Act, 1998* (OEBA) is needed. The proposed regulation would:

- Increase the OESP credit amount for existing OESP classes by 50% and prescribe the credit amounts for the new OESP classes mentioned below.
- Expand the number of OESP eligible classes to include new household income and size categories, The new classes would be provided for in a separate Schedule to the amending regulation.

Section 2: Approach and Intended Outcomes

To support the 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 implement the proposed OESP program changes noted in Section 1 above, which are required to be in place on May 1st, 2017. The amending regulation would work together with the Ontario Energy Board's order to provide the IESO with the requirement to fund the OESP, including the new OESP eligible classes and enhanced OESP for existing classes, from its OESP variance account.

Tables 1 and 2 depict the current OESP credits amounts based on the current 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 currently 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) and would appear in Schedule 1 to the Regulation.

Existing OESP Classes and Credit Amounts

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

Proposed OESP Credits

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

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)	×	❑
Consumers Eligible low-income consumers who receive the OESP would receive a monthly credit on their bills in the expanded program. These credits range between $35 and $75 if they fall within the first proposed sliding scale and between $52 and $113 dollars if they fall within the second proposed sliding scale for more energy intensive consumers.		
Businesses	×	❑
LDCs and USMPs would continue to be responsible for delivering the OESP credit amounts on the bills of eligible low-income consumers.		
Non-profit Groups	❑	×
Communities	×	❑
Electricity consumers that self-identify as indigenous (First Nation, Métis, or Inuit) are eligible to receive the OESP through the enhanced credit scale. The OEB works with intake agencies to support program delivery, including those that work exclusively with First Nation consumers (e.g. Ontario Native Welfare Administrators Association).		
Governments	×	❑
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 in by		

May 1, 2017, the Ministry is proposing amendments to the existing regulation made under OEBA s.79.2.		

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	❑	×
N/A		
Environment	❑	×
N/A		
Social Impacts	×	❑
The OESP would continue to provide an on-bill rate reduction directly on the bills of eligible low-income electricity consumers. The enhancement of the program to increase credit amounts by 50% and expanded eligibility criteria are intended to provide additional assistance with electricity costs and enable more Ontario consumers to participate in the program.		
Trade	❑	×
N/A		
Economy	❑	×
N/A		
Other	❑	×
N/A		

Section 5: Costs	Yes	No
Are direct compliance costs likely to exceed $2 million per year?	❑	×
The current regulation already provided for potential changes to credit amounts and eligibility, and utilities / unit-sub metering providers were instructed by the OEB to design their systems so that these changes could be made quickly and cost-effectively. The funding and eligibility-related enhancements provided for in this amending regulation would, if approved, be funded through the IESO's OESP variance account which currently has a surplus of over $100 million. This regulation would work together with the		

Board's recent decision and Order of March 23, 2017 to accomplish this outcome. Based on discussions with distributors to date, 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.		
Is a full RIA required?	❑	×

Contacts

	Name	*Phone Number*
Approved by (Director)	Sunita Chander	416-325-6594
Ministry Contact		
Cabinet Office Policy		