Price Mitigation Initiatives
September 2016
Key Messages/Questions and Answers
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<u>KEY MESSAGES</u>

- **Ontario is taking action to reduce electricity bills for families, farms, and businesses.**

- **We're doing this because we know that families need help with the cost of everyday living. Despite consistent economic growth since the global recession, many families aren't feeling the impact of the recovery in their everyday lives.**

- **We also recognize that rebuilding and cleaning up Ontario's electricity system has come at a cost. Over the last decade we've rebuilt our transmission and distribution grid, we've invested in clean generation, and we've closed the last dirty coal-fired power plant. But we need to take the next step in ensuring that clean, reliable system is affordable.**

- **We're able to take action now because years of careful management is leading to a balanced budget in 2017-18; and we believe that Ontarians should be the first to benefit from the province's fiscal discipline.**

- **Recognizing this, we are introducing new measures that would take effect January 1, 2017, including:**

    - **Rebating provincial portion of the HST to reduce bills by 8% ($11)**

    - **Cutting delivery charges for the most rural customers by 20% ($45)**

    - **Empowering industrial businesses to reduce bills by one third through the Industrial Conservation Initiative**

- **Taken together, this plan represents one of the single largest actions to reduce costs for electricity consumers in the province's history. It will provide needed assistance to consumers of all sizes, and it targets support to those that need it most.**

- **This plan builds on our government's commitment to provide affordable access to energy, including providing support for low-income families, expanding natural gas to more communities, and grid-connecting remote First Nations communities.**

QUESTIONS AND ANSWERS

General

Q. Why is the government introducing these price mitigation measures? Is the government finally acknowledging that electricity prices are too high?

We've built a safe, clean, reliable system during the last ten years and now are ready to take it to the next level, by taking steps to ensure Ontario's electricity bills are as affordable as can be.

Our government has heard from Ontarians and is committed to helping them with their everyday living costs.

That is why we are taking action. We are reducing the cost of electricity bills for families, businesses both small and large and reducing costs even more for northern, rural and remote communities.

This comprehensive package represents a billion dollars in taxes that we are giving back to Ontario families. The people of Ontario deserve to be the first to benefit from the hard work we have put into balancing our budget and meeting our fiscal targets.

This initiative is in addition to the many benefits our government already offers Ontarians to help with their bills. Our government remains committed to ensuring affordable access to our clean, reliable electricity supply.

Q. Even with these price mitigation efforts, Ontarians will still likely struggle to pay their electricity costs. What are you going to do to stop further increases in the future?

We are committed to ensuring that the safe, clean, and reliable system we have built over the last ten years is as affordable as can be to Ontarians.

Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

In fact, Ontario's 2013 Long-Term Energy Plan forecast that future increases in consumers' costs will be generally in-line with expected inflation.

No utility, distribution company, or government can predict the future with certainty. We are acting now to put ensure access to our clean and reliable electricity system is as affordable as can be for all Ontarians.

Q. If the government is looking to reduce electricity system costs, why not simply cancel expensive renewable energy projects?

A diverse electricity supply mix improves our system by reducing our dependence on any one source. It is one of the greatest strengths of Ontario's electricity system.

Under Ontario's new competitive procurement process for renewable energy, we are driving down costs for Ontario consumers.

With the recently announced Large Renewable Procurement contracts, the price for wind power is now on a level playing field with other forms of generation in Ontario; and the price contracted for solar power represents the lowest cost solar projects that have been contracted in Canada to date.

Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas (GHG) emissions and provides cleaner air for this and future generations of Ontarians.

Each of our supply mix elements, including hydroelectric, nuclear, natural gas, non-hydro renewables, conservation and clean imports, plays a unique role in delivering a reliable and cost-effective source of energy to Ontarians.

Q. Was there any consultation with the public or businesses when developing these price mitigation measures?

This initiative is a reflection of the hard work we have put into balancing our budget and meeting our fiscal targets. We believe that the people of Ontario deserve to be the first to benefit from our sound financial position.

Our government has heard from Ontarians and is committed to helping them with their everyday living costs, and that's why we've brought forward these measures.

This year, the Ministry of Energy is also beginning to develop its next Long-Term Energy Plan (LTEP). Developing the LTEP is a highly collaborative process. The Ministry works closely with its agencies and stakeholders during LTEP consultations and development.

LTEP consultations are expected to take place in over the next several months and we encourage all Ontarians to take part in the discussion of Ontario's energy future.

Q. When will these mitigation measures take effect?

We are introducing legislation to support the proposed 8% rebate on September 15, 2016 (TBC). If passed, residential consumers, small businesses and farms will start receiving the rebate on January 1, 2017.

This start date will be aligned with the start of the next fiscal period of January 1st, and represents an aggressive timeline.

Our government has many programs currently in place to assist Ontarian's with their everyday energy costs, including the Ontario Electricity Support Program which we introduced earlier this year. We encourage customers to contact their local utility to find out what programs are available to them.

Q. Will Local Distribution Companies (LDCs) be ready to implement the bill changes? What happens if they are delayed? Will consumers be compensated retroactively?

Commented [DAC1]: Is there anything more we can say on this one?

We will work with the Ontario Energy Board and Local Distribution Companies (LDCs) to ensure the necessary adjustments are made to LDC billing systems.

LDCs already have experience with the implementation of billing changes like those associated with the OCEB and the Ontario Electricity Support Program (OESP).

<u>8% rebate for residential consumers, small businesses and farms:</u>

Q. How will customers receive this rebate? Is it permanent? Are there any requirements to be eligible? Who will be receiving this rebate?

The proposed rebate will be available to all consumers eligible for the Regulated Price Plan (RPP) – this includes about five million residential consumers, small businesses and farms.

The HST rebate will remove 8% from all of these customers' bills. That is a significant savings.

Consumers won't have to do anything to receive the rebate, it will be automatically added to their bills.

Q. How much can an average customer expect to save off their electricity bill?

The average customer in an urban area will see the provincial portion of the HST rebated to them. That means their bills will be reduced by 8%, or $130 annually - a significant savings.

Northern, rural, and remote communities will see their bills reduced even more through a lower delivery charge on their bills. These customers will see a reduction of 20% on average, or $540 annually – once again, a significant savings for families in these regions of Ontario.

Q. Will any other programs be affected by this rebate? For example, will recipients of the Ontario Electricity Support Program also receive the rebate?

The proposed rebate would apply to all RPP-eligible consumers regardless of income, status or location.

That means the rebate will work with other existing programs, such as the Ontario Electricity Support Program (OESP).

Q. Are consumers really receiving an 8% rebate when taking into account the costs associated with the other price mitigation measures you're announcing today (i.e. RRRP and ICI)?

The proposed rebate would provide 8% off total electricity costs before taxes, effectively offsetting the provincial portion of the HST.

If pressed:

The average consumer will see an average increase of around $0.60 a month to support the RRRP subsidy for rural and remote communities. In 2018, this cost may increase slightly depending on uptake of the ICI program among businesses.

Regardless, these costs are more than offset by the relief offered through the 8% GST rebate of $130 annually to the average household.

Q. Doesn't the rebate reward those who use more electricity – how does this encourage conservation?

Our government remains committed to Putting Conservation First.

Conservation is good government policy – it empowers individuals to lower their own bills, while reducing system costs and saving all Ontarians the cost of new generation and transmission infrastructure.

This rate mitigation is a result of what we have heard from Ontarians and our commitment to helping people with their everyday costs.

The mitigation package does not change our conservation goals.

Isn't this just another version of the Ontario Clean Energy Benefit (OCEB) – except it's 8% instead of 10%? Why didn't you just keep the OCEB?

The Ontario Clean Energy Benefit (OCEB) was a five year temporary program that ended, as planned, on December 31, 2015.

The OCEB had a specific purpose, which was to help families, farms and small businesses, manage their costs during our transition from coal-fired electricity generation towards a clean, modern and more reliable electricity system.

The good news is that Ontario has now already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

We've heard from Ontarians that the price of electricity can still be a particular challenge for some families.

These new initiatives will give Ontario's residential consumers, small businesses and farms, more ways to manage their electricity costs while we continue to make the critical investments needed to maintain our energy system.

Expansion of the Industrial Conservation Initiative (ICI):

Q. Why are you expanding the Industrial Conservation Initiative? How will the expansion of ICI help businesses with their electricity costs?

The Industrial Conservation Initiative (ICI) allows large electricity consumers to save on their electricity costs by reducing their demand during peak hours. Reducing consumption during peak hours benefits the companies' bills, while also benefiting the electricity system at large by reducing demand on the system during peak times.

Our expansion of the ICI will lower the threshold for participation in the program, expanding access to the program to over a thousand new businesses across the province, while also increasing the benefit to the system at large.

It will be up to individual businesses to decide whether and how to participate in the program. Participating businesses could see savings on their electricity bills of up to one third of their total costs.

Q. How much can ICI participants expect to save in terms of electricity costs? When will they start to see the benefit financially?

ICI participants save approximately one-third on their electricity bills.

Companies that opt in to the program in 2017 will begin to see these significant savings on their bills in 2018.

If pressed:

Companies that opt-in to ICI would see the impact in 2018 due to the time required to implement the expansion and the need to set a one-year baseline.

Q. How many companies will be eligible for the ICI once the expansion happens?

Currently there are about 300 consumers in the ICI program.

Over a thousand more Ontario businesses will be eligible to benefit from the ICI program after these changes, helping them stay competitive and grow.

Q. What about companies that can't shift their operations to off-peak hours? Will they be penalized financially by having to pay higher rates?

As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

These efforts are in addition to the programs Ontario already has in place to help industrial consumers address the cost of their electricity.

Companies in the province will continue to benefit from these programs.

Ontario's electricity rates are already extremely competitive with other jurisdictions. The combination of our hybrid electricity market, using regulated, contract and competitive market pricing, provides long-term price stability for industrial and smaller customers.

If pressed on what programs currently exist:

(see GHG Recycling Account messaging below)

In addition to the ICI, there are many existing programs and incentives available to support industrial consumers.

For example:

- Participants in the Northern Industrial Electricity Rate Program (NIERP) receive a rebate of two cents per kilowatt hour. On average, industrial electricity prices can be reduced by up to 25% through the program. In 2015, the Ontario government announced the commitment to an ongoing NIERP beyond March 2016.

- The Industrial Electricity Incentive (IEI) offers reduced electricity rates for companies starting or expanding operations in Ontario. To date, IESO has awarded 22 contracts to electricity-intensive companies across the province through the program.

- The Industrial Accelerator Program (IAP) provides financial incentives to eligible transmission-connected companies to fast track capital investment in major energy conservation projects.

- The IESO holds annual demand response auctions, which provide availability and utilization payments to successful participants that commit to reducing their electricity consumption when called upon to do so.

- The IESO's saveONenergy for Business conservation programs for commercial and industrial consumers offers financial incentives to distribution-connected small businesses, commercial, institutional and industrial consumers, to install energy-efficient equipment and improve the energy efficiency of their buildings.

As we move forward we will continue to look at all options to strike the balance between reliability and affordability, while continuing our work on modernizing our electricity system.

Q. If new ICI participants will be getting a break on their bills, where will the money come from? How will costs get shifted?

An ICI participant's share of peak demand is used to calculate some electricity charges. The remainder of these charges not allocated to ICI participants would be shared across remaining consumers.

Over the long-term, system benefits from ICI include reducing electricity use during peak periods and reducing the need for new peaking generation.

Impacts will depend on a number of factors, including how many eligible companies decide to opt-in and their ability to reduce their electricity demand during peak hours.

If pressed:

The combination of the RRRP and ICI expansions are estimated to cost ratepayers about $1.74/MWh in 2018. To put this into context, this represents about $1.31 per month for the average household. This small cost will be more than offset by the other elements of our rate mitigation package.

Greenhouse Gas Recycling Account proceeds for Commercial and Industrial Ratepayers

Q. How will GGRA recycling work to help reduce costs for commercial and industrial customers?

As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

Q. Why is the government using GGRA funds to help reduce the electricity costs of commercial and industrial companies? Aren't GGRA funds supposed to go to programs/initiatives that reduce greenhouse gas emissions?

As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

Using cap and trade auction proceeds to lower the cost of electricity will make electricity more competitive with traditionally cheaper fossil fuels.

By using the proceeds to lower the cost of electricity, there is potential to incent fuel-switching away from fossil fuels toward much cleaner grid-connected electricity and support the CCAP's goals of electrification.

Rural or Remote Rate Protection (RRRP) Update:

Q. What is Rural or Remote Rate Protection (RRRP)? How is RPPP being updated? What kind of relief will it provide to ratepayers that currently receive it?

Customers in Northern, rural, and remote communities face higher distribution charges due to the high cost of delivering electricity to these areas.

The RRRP is a program that provides a subsidy to these customers to help with these costs.

As part of our rate mitigation efforts, we are almost doubling the RRRP to help these customers with their bills. This will mean an average savings of $540 per year for these individuals and families.

The level of RRRP has not been changed since 2003, which has resulted in diminishing relief for customers over the years.

That’s why are going to increase the support to these consumers by updating the RRRP.

Q. If the government is putting more money towards RRRP, where are those extra funds coming from? Ratepayers in the rest of the province?

The RRRP is funded by Ontario ratepayers.

As a result of this update, residential consumers will see an average cost increase of approximately $0.60 per month.

This cost increase is more than offset thanks to the 8% rebate they will be receiving starting in January 1, 2017.

Q. The Minister of Energy recently asked the Ontario Energy Board to look into rate relief for First Nations. Will the OEB’s report take the RRRP update into account?

Our government recognizes that the price of electricity can be a particular challenge for those that pay a higher share of their income towards the bill - particularly residents in rural and remote communities and on-reserve First Nation customers.

We have heard concerns about high electricity costs from First Nation leaders across Ontario and know that on-reserve First Nation customers often face unique challenges that lead to higher electricity consumption and higher costs that impact electricity affordability.

Given these unique challenges, the Minister of Energy committed to look at options for addressing First Nation electricity cost. That’s why the Minister of Energy requested that the Ontario Energy Board (OEB) investigate appropriate rate assistance options for on-reserve First Nation electricity consumers.

The OEB is an independent regulator with a mandate to protect Ontario consumers with respect to electricity prices and ensure the financial viability of electricity distributors.

We wouldn’t want to speculate on what the OEB will be recommending in its report.

The OEB has been asked to report back to the Minister on rate options, cost and funding mechanisms and program development issues by January 1, 2017.

Q. Why are urban customers subsidizing rural consumers? Isn’t this just a tax on some to provide relief for others? How does this rate relief benefit the electricity system?

The RRRP has been in place since 2001 and replaces a similar program that was in place prior to 1998.

It provides relief for the high distribution charges faced by Northern, rural, and remote customers as a result of the high cost of delivering electricity to these areas.

The cost of this program to an average urban family has been about $1.00 per month since 2003, and would increase by about $0.60 for the average customer with these changes in January.

This increase is more than offset by the 8% HST rebate that we are including in this rate mitigation package, which will save the average family $130 per year.

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Additional QAs provided by the Ministry of Finance

Q. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget?

The Ontario Rebate for Electricity Consumers would help make everyday life easier for Ontario families, small businesses and farms with electricity costs by providing a rebate that is equal to the eight per cent provincial portion of HST. This eight per cent rebate would appear directly on the consumer's electricity bill.

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Q. Do other provinces provide harmonized sales tax (HST) rebates related to energy?

Currently, there are no federally-administered point-of-sale rebates for electricity in any of the other provinces participating in the HST.

Nova Scotia is the only province with a provincially administered home energy rebate program that is equal to the provincial portion of the HST, and applies to all sources of residential use energy, including electricity.

Newfoundland and Labrador had a "Residential Energy Rebate" that was eliminated, effective July 1, 2015. The rebate, which came into effect October 11, 2011, was a provincially administered energy rebate equal to the provincial portion of the HST on energy used for residential purposes, including electricity.

Q. Would the rebate affect HST paid by consumers?

No. The HST on electricity costs remains at 13 per cent.

Q. What happens to input tax credits claimed by businesses?

Most businesses engaged in commercial activities can claim input tax credits to recover the HST they pay to operate their business.

Following the introduction of the eight per cent rebate, businesses would continue to be able to claim the credits as usual.

With this rebate, businesses across Ontario would have even more opportunity to be competitive and manage their energy costs.

Q. How is Ontario helping to lower electricity costs for residential consumers?

Ontario has a number of programs in place to help low-to-moderate income individuals and families with energy costs, including the Ontario Energy and Property Tax Credit, the Ontario Electricity Support Program, the Ontario Sale Tax Credit.

The Ontario Rebate for Electricity Consumers would be another program that would help Ontario families, small businesses and farms with electricity costs in addition to the above mentioned programs, if consumers were eligible.

Q. Will the federal government be rebating its portion of the HST?

The federal government has not shared any plans to mitigate electricity costs for Canadians.

The Province continues to work with the federal government when there is an opportunity to partner or consult as it relates to regulatory and emerging issues.

Ontario remains committed to making everyday life easier for people across the province by lowering costs and enhancing convenience and choice.