Ontario

MINISTRY OF
ENERGY

Electricity Rate Mitigation
Minister's Briefing

October 31, 2016

Delivering the Electricity Rate Mitigation Initiative

- On September 12, in the Speech from the Throne, the government committed to introducing measures that would provide consumers with rate relief on their electricity bills, including three main initiatives:
    1. Providing roughly 5 million eligible customers with an 8% rebate
    2. Expanding rate protection for eligible rural or remote customers
    3. Expanding eligibility under the Industrial Conservation Initiative (ICI)
- On September 12, the Ministry of Energy received Cabinet approval to introduce legislation that would enable a broader Electricity Rate Mitigation Strategy for electricity consumers across the province.
- On September 15, the Minister of Energy introduced Bill 13, the *Ontario Rebate for Electricity Consumers Act, 2016*, (ORECA) that puts in place an 8% rebate for residential, small business customers and farms. Bill 13 is scheduled to come into force on January 1, 2017.
    - The rebate could only be changed or removed by amending that Act.
    - The rebate is uncapped (regardless of your energy consumption consumers will receive the rebate)
- To implement the rate relief provided for under Bill 13, a number of additional regulations and regulatory amendments are needed to support the electricity rate mitigation strategy.

Consultation

- The Ministry engaged with stakeholders in a number of ways in developing the proposed regulations and regulatory amendments needed to support the rate mitigation initiative.

Regulatory Registry:

- On September 28th, the Ministry of Energy posted a proposal for comment on the Regulatory Registry to provide stakeholders with the opportunity to comment on the electricity mitigation initiative.
- The posting included proposed changes to RRRP, ICI and new regulations needed to support the 8% rebate.
- The posting closes on November 12th.

Working Group:

- The Ministry hosted an LDC Working Group session on October 6th. Nearly 40 LDCs representatives attended in person or by phone.
- The Working Group provided important feedback for the Ministry to consider in the development of the Regulatory package including billing system limitations that were incorporated into proposed bill presentment requirements.

Standing Committee of Justice - Public Hearings for Bill 13:

- On October 3, a number of organizations as well as individual citizens made presentations to the Standing Committee on Justice regarding Bill 13.

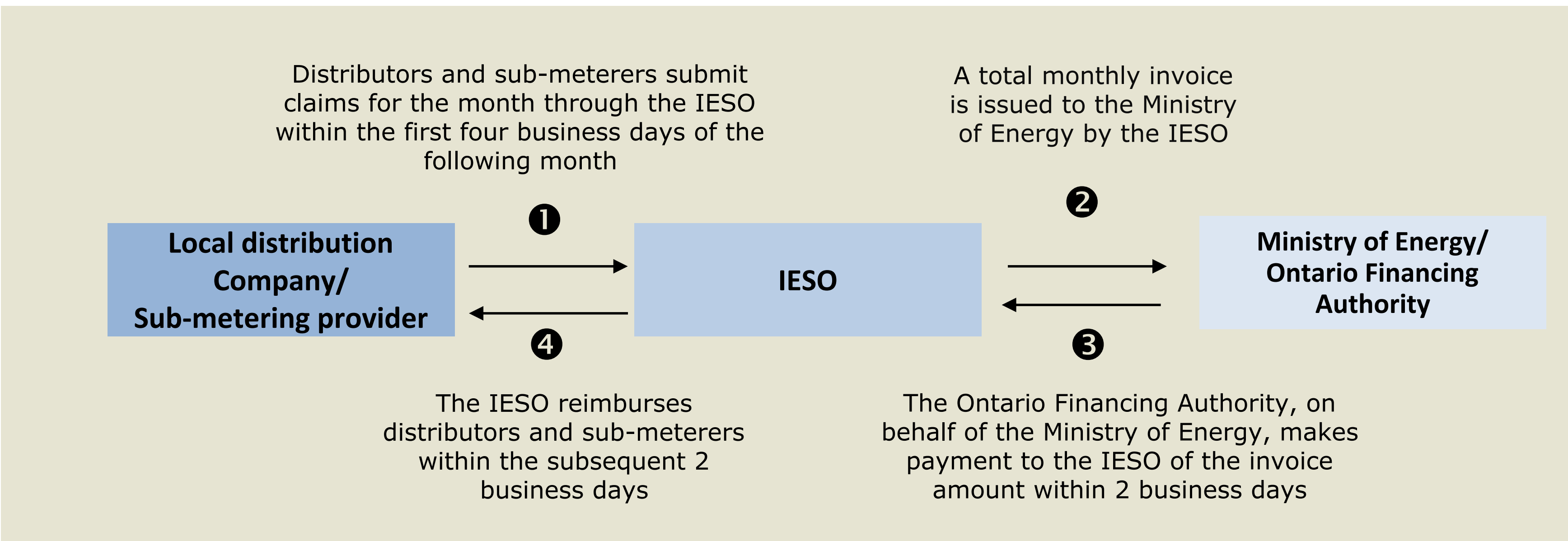
Summary of Regulatory Package

- There are six regulations or regulatory amendments that are tracking for approval for LRC / Cabinet
- There is also one Minister's Regulation on Invoicing requirements that does not require LRC or Cabinet approval, however this will form part of the package to inform Cabinet of bill presentment decisions.

1. General Regulation to implement the 8%: Creating a new General Regulation made under the *Ontario Rebate for Electricity Consumers Act, 2016.*	• New regulation that would provide the necessary mechanics to support the implementation of the 8% rebate, including treatment of Independent Power Authorities (IPAs)
2. Rural or Remote Electricity Rate: Amending O. Reg. 442/01(Rural or Remote Electricity Rate Protection) made under the *Ontario Energy Board Act, 1998*.	• Amending a regulation to update the Rural or Remote Rate Protection (RRRP) program, to provide increased rate relief to eligible rural customers (low-density customers of Hydro One)
3. ICI: Amending O. Reg. 429/04 (Adjustments Under Section 25.33 of the Act) made under the *Electricity Act, 1998*	• Amending the regulation to expand eligibility for Class A status to all electricity consumers with an average peak demand over 1MW, regardless of sector. Newly eligible consumers will have to opt-in, should they wish to participate.
4. OCEBA Amending O. Reg. 495/10 (General) made under the *Ontario Clean Energy Benefit Act, 2010*	• Amending a regulation to prescribe a cut-off date for electricity consumers to submit Ontario Clean Energy Benefit claims to bill issuers and a second cut-off date for bill issuers to submit reimbursement claims
Consequential Amendments **5. Amending O. Reg. 275/04** (Information on Invoices to Certain Classes of Consumer of Electricity) **6. Amending O. Reg. 161/99** (Definitions and Exemptions) made under the Ontario Energy Board Act, 1998.	• Some minor regulatory amendments consequential to implementing 8% rebate. • Updating invoicing regulation to allow rebate line item to appear on invoices.
7. Creating a new Minister's Regulation on Invoicing Requirements	• Made under the *Ontario Rebate for Electricity Consumers Act, 2016*, including direction on required wording for line item, placement on invoice, bill inserts, and on-envelope messaging.

1. General Regulation – Key Points

- The proposed General Regulation under the *Ontario Electricity Rebate Act, 2016* would put in place a framework very similar to the framework developed to deliver the Ontario Clean Energy Benefit.
- The legislation and regulation provides instruction and clarity to LDCs on the 8% rebate and how it is to be calculated (e.g. rebate is calculated before taxes, clarifies that the rebate is applied to those receiving OESP post-OESP amount)
- The proposed regulation also provides an outline on how the payments flow through to customers (per the diagram below)
- The proposed General Regulation also provides a process for Independent Power Authorities and customers of Cornwall Electric and other exceptional cases to receive the provincial rebate



2. Rural or Remote Electricity Rate Protection (RRRP) Expansion - Regulation

- The Ministry of Energy is seeking to increase the amount of rate protection available for eligible rural or remote electricity customers.
- Under the RRRP regulation the amount of rate protection available to Hydro One's R2 customers (residential customers who are classified as low density) is capped at a fixed amount of $127 million – which amounts to a monthly subsidy of $31.50.
- The Ministry of Energy is proposing to increase the $127M, currently available for rate protection for eligible customers, by $116.4M, to $243.4M.
    - The Speech from the Throne committed that the total of the provincial portion of the HST and the enhanced RRRP would provide a total combined benefit of $45 for eligible rural consumers across Ontario.
    - To do so, the original Cabinet Minute approved an increase of $110 million; however, based on Hydro One's updated number of eligible customers, the proposed $110 million is not sufficient to provide the estimated $29 per month or combined benefit of $45 per month, as originally estimated by the Ministry.
    - Increasing the funding by $6.4 million to $116.4 million would ensure that eligible customers would see an approximate increase of $29 in the monthly subsidy from $31.50 to $60.50 per month.
    - The increased RRRP subsidy would bring the average bill for a Hydro One R2 customer closer in line with the average bill for other rural customers across the province.
- Current funding for the RRRP program is paid for by all electricity customers across the province. The additional $116.4 million would increase the monthly cost for an average residential customer by $0.60*.

*The Ministry calculated this number using data available. The final cost will be calculated by the Ontario Energy Board

2. Rural or Remote Electricity Rate Protection (RRRP) Expansion – Adjustment Mechanism

- As part of the Price Mitigation initiatives, there was a desire to ensure that the funding (e.g. $243.4M) for R2 customers would be adjusted annually to reflect any increases on their electricity bills.
    - R2 rural consumers who receive rate protection under the RRRP have seen their monthly rate protection decline over time, as the fixed monthly amount of rate protection ($31.50) has not increased since 2004 while rates have been increasing annually.
- The proposed amendments to the regulation would add an escalating factor to the new base rate protection amount.
- Starting in 2018, and every year after, the total amount of rate protection available to Hydro One's R2 customers would be increased by a percentage, as calculated by the Ontario Energy Board.
    - This percentage would be based on the simple average, as calculated by the OEB, of the change in base distribution rates of all distributors from the previous year (this is a similar mechanism that is used with Algoma Power which is also a recipient of RRRP and has RRRP adjusted every year by the OEB).

3. Industrial Conservation Initiative Expansion (ICI)

- In 2010, when Ontario introduced ICI, the program was available to customers with a peak demand greater than 5 MW and in 2013 was subsequently expanded to allow eligible customers with a peak demand for electricity above 3 MW and less than or equal to 5 MW to opt in to the program.
  - ICI is intended to incent a greater number of Ontario businesses to lower their electricity costs by reducing electricity demand during peak hours. Reducing peak demand increases the reliability of the power grid, reduces greenhouse gas emissions and helps defer the need to procure new resources.
  - Currently, electricity consumers over 5 MW and consumers from 3-5 MW in certain energy intensive sectors are eligible for ICI (i.e., approximately 300 Class A electricity consumers).
- The Ministry of Energy is proposing to expand eligibility under ICI to include all electricity consumers and market participants with an average monthly peak demand greater than one megawatt by amending Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made under the Electricity Act, 1998.
  - The base setting period for the expanded program would begin in 2016, with the benefit seen by new consumers starting July 1, 2017 (i.e., the beginning of the next adjustment period).
- ICI would be expanded so that all electricity consumers over 1 MW are eligible for the program.
  - Newly eligible consumers in the program would include: mid-sized industrial, institutional and commercial category (i.e., automotive supply chain companies, office towers, large shopping malls, greenhouses and others).
  - With these changes, over 1,000 new businesses are estimated to be eligible to participate in ICI.

4. Ontario Clean Energy Benefit Act
5. and 6. Consequential Amendments

4. Amending O. Reg. 495/10 (General) made under the *Ontario Clean Energy Benefit Act, 2010*

- In addition to enacting the provisions for the 8% rebate, Bill 13 also included amendments to the *Ontario Clean Energy Benefit* Act, 2010 that provided the necessary authority to prescribe cut-off dates for retroactive claims.
- Proposed amendments would establish February 1, 2017 as the cut-off date for customer with an eligible account to come forward with unpaid OCEB claims.
- LDCs/USMPs would be given a 6 months period to process any claims submitted before February 1, 2017.

5. Amending O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumer of Electricity) made under the Ontario Energy Board Act, 1998

- This proposed amendment is consequential to the implementation of the Ontario Rebate for Electricity Consumers Act, 2016 as it aligns new invoicing requirements with established rules.

6. Amending O. Reg. 161/99 (Definitions and Exemptions) made under the Ontario Energy Board Act, 1998.

- This proposed amendment is consequential to the implementation of the Ontario Rebate for Electricity Consumers Act, 2016 as it aligns 8% program requirements with the regulatory framework governing exempted distributors such as landlords.

6. Minister's Regulation – Invoicing Requirements

- In order to ensure that consumers are made aware of the new rebate, a proposed new Minister's regulation under ORECA would be created to provide clear direction to energy vendors regarding.
- LDCs have indicated they will likely be operational by January 1 2017, however, the legislation gives LDCs until July 1 2017 to become operational in delivering the 8% rebate and associated messaging.

On Bill Messaging

- On bill messaging will be permanently displayed on electricity bills (e.g. as long as 8% rebate is in place).

Messaging for the 8% rebate

- After discussion with Ministry of Finance, the Ministry is proposing **[8% Provincial Rebate]** as the required line item phrasing.
    - At the Working Group, some LDCs flagged their billing systems have a 30 character limit. The above phrasing complies and should result in fewer exemption requests.
- Suggested call-out messaging is **[Ontario is providing a rebate on your electricity costs equal to the Provincial portion of HST].**

Messaging for RRRP (for H1 R2 customers only)

- RRRP will not be listed as separate line item on the invoice; however, a call-out message will be required: **[Your delivery charge is reduced through Rural or Remote Rate Protection by X per month].**

Envelope Messaging (See next slides)

Messaging for the 8% rebate

- Energy vendors will be directed to include prescribed messaging on the envelope to alert consumers to the new 8% rebate. (A 6 month transitional period will be permitted).
- Messaging on envelopes is required for a minimum of one year by LDCs

Bill Insert Messaging (See next slides)

- Energy vendors will be directed to include a bill insert with prescribed language providing consumers with information regarding the new 8% rebate. The bill insert is included once a customer starts receiving the 8% rebate.
- Customers of Hydro One (R2) who receive RRRP will be provided with additional information about the RRRP program on bill inserts targeted to those customers.

Envelope Design and Bill Insert Mock-Up

Envelope

Anytown Hydro Logo

8% Provincial Rebate

J. Smith
1134 Fifth Street
Anytown, Ontario
A1B 1C1

Ontario is helping reduce electricity costs for families, businesses and farms

Bill-Insert

On January 1, 2017, your electricity costs went down 8%.

Ontario's government is reducing electricity costs by rebating an amount equal to the provincial portion of the HST on your monthly hydro bill. That's an 8% rebate for Ontario families, and on average will mean $130 more in your pocket each year.

This is part of Ontario's plan to help people with the costs of everyday living by reducing electricity costs. Across Ontario, about five million residential consumers, farms and small businesses will benefit from thi rebate.

[LDC name] will implement these savings onto your bill by July 1, 2017. Applicable savings will be retroactive to January 1, 2017.

Eligible rural ratepayers will receive additional relief that will decrease total electricity bills by an average of $540 a year or $45 a month, inclusive of your 8% rebate. This decrease will be reflected in the delivery charge, as a result of the enhanced Rural or Remote Rate Protection (RRRP)

Additional RRRP message for RRRP customers only

To learn more visit Ontario.ca/energy

Bill Mock-Up

SAMPLE MONTHLY BILL STATEMENT

Anytown Hydro-Electric Limited

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges

Electricity	
Off-Peak @ 8.700 ¢/kWh	41.20
Mid-Peak @ 13.200 ¢/kWh	16.35
On-Peak @ 18.00 ¢/kWh	23.60
Delivery	53.07
Regulatory Charges	4.79
Debt Retirement Charge	0.00
Total Electricity Charges	**$139.00**
HST	18.07
8% Provincial Rebate	(11.12)
Total Amount	**$145.95**

Discussion with LDCs on Bill Inserts and Envelope Design

- The language for the bill inserts and on-envelope messaging will be prescribed in regulation, as well as broad direction on message placement. However the specific design requirements will not prescribed through regulation.

- The Ministry will work with LDCs to provide some design suggestions that could be incorporated into the design of the insert and envelope that LDCs work up. See below for some of the design options:

Post Cabinet Milestones – Operational Requirements

- The proposed regulatory package puts in place significant portion of the necessary framework to deliver the 8% rebate; however, some additional operational components will need to be completed prior to the program launch in January 1, 2017.

- **MOUs:** there were MOUs put in place when the OCEB was created to ensure that work activities with the different entities was clear.
    - MOU with OFA: provides clarity on initiatives that OFA would be responsible for (e.g. settling the IESO invoice and paying IESO). OFA provided a draft of the revised MOU, Ministry staff are reviewing.

    - MOU with IESO: provides roles for the IESO, reporting requirements, payment process. Ministry has provided a revised draft for IESO review.

    - MOU with MOF: outlines the responsibilities of MOF with respect to administering sections of the Bill for which MOF is responsible, and states the deliverables that each ministry would complete (e.g. audits, spot checks of the program). MOU can be place early next year (no requirement to have in place Jan 1).

- **Portals:** The rebate program will require a mechanism to ensure there were payments flowing from MOF to the IESO and a way for the Ministry to verify the payments (similar to what was created under the Clean Energy Benefit program). A dedicated SharePoint access site will be created to ensure that IESO/ENERGY/MOF/LDCs can input data and make invoice payments. The website is created by the internal IT department within government (e.g. not a procurement).
    - **Ministry Portal:** staff working with Government Services to create new portal for rebate program. The portal will be largely similar to the current OCEB Portal.

    - **IESO Portal:** IESO will need to create a new portal (similar to OCEB) to process LDC payments and to receive LDC data. IESO aiming to have portal operational before end of year.

Next Steps

Regulation Package:

- Finalize regulations and LRC package for Nov 14 LRC / Nov 16th Cabinet
- Monitor Regulatory Registry for any submissions to amend LRC package as needed (regulatory registry closes Nov 12th)

Bill Presentment:

- Share proposed messaging with LDCs to place on electricity bills so LDCs can update their billing systems to deliver the 8% by January 1 2017

- Share envelope and bill-insert designs with LDCs

Operational Requirements:

- Work with IT and IESO to ensure portal is operational by January 1 2017
- Work with OFA and IESO to finalize MOUs

Rate Mitigation Package Timeline

	September 2016	October 2016	November 2016	December 2016	January 2017
Legislation	Introduction: Sept 15th	Committee hearings: Oct 3rd Clause by Clause: Oct 17th			
Regulation	Regulatory Drafting	Regulatory Drafting; Final Package	Cabinet: Nov 16		
	Regulatory Posting: Sept 28 – Nov 12				
Stakeholder session		WG session with LDCs October 6th	Meeting with EDA regulatory Council (TBD)		
Buildout of Portal		Sign letter of agreement		Portal in place (tested) IESO Portal in place	
MOUs (IESO, OFA, MOF)				MOUs with IESO and OFA in place	MOU with MOF

Ontario

MINISTRY OF **ENERGY**

Appendix

General Regulation - Overview

- The proposed General Regulation under the *Ontario Rebate for Electricity Consumers Act, 2016* would put in place a framework very similar to the framework developed to deliver the Ontario Clean Energy Benefit, including provisions addressing
  - **Time-limitation for retroactive claims-** establish a two-year time limitation for retroactive claims
  - **Base invoice amounts for invoices** - direction on what amounts should be included in the calculation of the 8% rebate.
  - **Flow through of financial assistance** – direction that unit sub-meter providers must pass through the rebate to eligible customers.
  - **Financial assistance re: fees and charges imposed by unit sub-meter providers** – direction for unit sub-meter providers on applying the rebate to their fees and charges.
  - **Paying rebate directly to consumers -** provisions that permit direct payment to consumers for transitional purposes such as closing an account with outstanding rebate still owing.
  - **Duty to provide information –** provisions that require LDCs and other vendors to provide the Ministry with specific information needed for verification and forecasting purposes.
  - **Records** –making unit sub-meter providers subject to same record-keeping requirements as LDCs under the Act.
  - **Requirements to provide information for reimbursement purposes –** direction to electricity vendors and unit sub-meter providers on types of information that must be provided and to whom in order to be reimbursed.
  - **Reimbursement to electricity vendors and unit sub-meter providers –** direction on reimbursement process.
  - **Requirement to establish a variance account –** subject to OEB approval, requiring LDCs to establish and maintain variance accounts for the purposes of delivering the rebate.

General Regulation – Access for Independent Power Authorities

- Under the proposed General Regulation, a parallel program for Independent Power Authorities (IPAs) would be created to ensure IPAs had the opportunity to participate and have customers receive the rebate.
- The proposed framework for the regulation would allow for the four IPA communities who previously participated in the Ontario Clean Energy Benefit program to transition their eligibility for the 8% rebate without requiring them to undertake a full application.
  - For the 6 communities who were not receiving the OCEB, they would still be eligible for the 8% rebate, but would need to go through the enrollment process.
- Significant efforts were made by the Ministry to enroll the six communities who did not receive the OCEB. Full enrollment of IPAs may be delayed or untenable for the following reasons:
  - Based on previous experience, the enrolment process would take several months. It is highly unlikely arrangements could be in place for January 1, 2017.
  - IPAs are not provincially regulated. Instead, they are federally funded, and there is no requirement for customer billing. It is not known if these communities have a billing system in place.

List of IPA Communities

1. Eabametoong First Nation
2. Keewaywin First Nation
3. North Spirit Lake First Nation*
4. Weenusk First Nation*
5. Pikangikum First Nation
6. Poplar Hill First Nation
7. Nibinamik First Nation*
8. Wunnumin Lake First Nation
9. Muskrat Dam First Nation*
10. Wawakapewin First Nation

* These communities and or its third party provider had a contract with the Ministry of Energy and actively received the Ontario Clean Energy Benefit.