Ministry:	Energy
Meeting Date:	September 13, 2016
Agenda Class:	Major
Last reviewed by: N/A	**Tracking to:** Cabinet - September 14, 2016

SUBMISSION TITLE:	Electricity Price Mitigation

NO MATERIALS RECEIVED –BASED ON DRAFT POLICY SUBMISSION

I. DECISION BEFORE THE BOARD

The Ministry of Energy is requesting approval of a suite of initiatives providing relief to various electricity consumer classes.

II. RECOMMENDATIONS:

Board Judgment

•

APPROVE Supplementary Estimates for 2016-17 in the amount of $300,000,000 for the Ministry of Energy.

In this regard,

i. APPROVE the creation of a new Operating Expense item entitled "Ontario Rebate for Electricity Consumers" in Electricity Price Mitigation (Vote/Item 2905-03).

ii. APPROVE the creation of a new Transfer Payment line entitled "The proposed *Ontario Rebate for Electricity Consumers Act, 2016*, if it is enacted" under the Vote/Item 2905-03, Electricity Price Mitigation.

iii. Delegate to the Chair of Treasury Board/Management Board of Cabinet the power to execute a Treasury Board Order in favour of the Ontario Rebate for Electricity Consumers (Vote/Item 2905-03), offset from the Treasury Board Contingency Fund in the amount of $300,000,000 to provide a rebate of 8 percent to consumers eligible for the Regulated Price Plan.

NOTE out-year impacts of $1.1 billion in 2017-18, $1.1 billion in 2018-19, $1.2 billion in 2019-20, $1.2 billion in 2020-21, and $1.2 billion in 2021-22. The Ministry will update and formally request out-year expenditure increases in the 2017-18 Program Review, Renewal and Transformation.

NOTE the Ministry will return during the 2017-18 Program

Review, Renewal and Transformation to request additional resource requirements to support program implementation.

NOTE the Ministry will return during the 2017-18 Program Review, Renewal and Transformation to rename the transfer payment The proposed *Ontario Rebate for Electricity Consumers Act, 2016* (Vote/Item 2905-03) to Ontario Rebate for Electricity Consumers.

NOTE that the Climate Change Action Plan commitment of $1.3 billion (average of $330 million per year over four years) for electricity mitigation for industrial, commercial and residential consumers from cap and trade proceeds:

i. An annual average of $270 million from cap and trade proceeds is to be directed to ENERGY for each year from of 2017 to 2020, to ensure industrial and commercial consumers are not negatively impacted by cap and trade (a 2-3% reduction in rates). The allocation will be formalized through the 2017-18 PRRT process.

ii. ENERGY's current rate mitigation proposal requires approximately $240 million less in proceeds over the compliance period relative to the initial cap and trade allocation.

III. FINANCIAL SUMMARY

$ Millions	2016-17	2017-18	2018-19
Initiative cost requested	300.0	1,100.0	1,100.0
Initiative cost recommended	300.0	1,100.0	1,100.0
Recommended program base	300.0	1,100.0	1,100.0
Offset Recommended – Applies if cap and trade proceeds diverted to in-plan initiatives	0.0	60.0 (TBD)	60.0 (TBD)
Total Fiscal Impact	300.0	1,040.0	1,040.0

IV. KEY COMMENTS AND CONSIDERATIONS

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Context
Electricity costs have increased as the province has made investments in clean energy generation and modernized electricity infrastructure. Electricity bills are expected to continue to increase as more renewable energy projects come online. Since 2010, average bills for residential consumers (i.e., using 750 kWh/month) have increased by over 50%. Rates paid by commercial and industrial electricity consumers have increased by 56% and 6% respectively over the same period. Appendix C provides supporting background information.

As part of the 2016 Budget, the government committed to offset the impact of cap and trade in Ontario for commercial and industrial electricity consumers, while also providing a benefit of up to $2 per month for residential electricity consumers. This included a commitment to provide a modest benefit of up to $2 per month, on average, to residential consumers. The Climate Change Action Plan (CCAP) included up to $1.32B over 4 years to help keep electricity rates affordable for residential and industrial consumers.

The Ontario Clean Energy Benefit (OCEB) expired December 31, 2015, as part of the originally planned, five-year legislated program put in place as a broad-based, transitional measure to a cleaner electricity system. OCEB was also put in place following the implementation of the Harmonised Sales Tax (HST). Unlike the previous provincial Retail Sales Tax (RST), the HST (and GST) included electricity in the taxable base. With the end of OCEB, the government ended the electricity Debt Retirement Charge (DRC) on residential users earlier than planned, as of January 1, 2016, and also put in place the low-income targeted Ontario Electricity Support Program (OESP).

In order to achieve the CCAP commitment and additional price mitigation, the Ministry of Energy has developed price mitigation options that consider tax-based levers, cap and trade proceeds, and shifting costs within the rate-base.

Proposal
The Ministry is proposing the following to mitigate electricity prices for consumers (Appendix D provides more information on each item below):

- Provide an 8% rebate on the pre-tax cost of electricity to consumers eligible for the Regulated Price Plan* (i.e., residential, small business and farms), equivalent to the provincial portion of HST
- Expand Industrial Conservation Initiative (ICI) eligibility by lowering the threshold to 1 MW, to provide support to Class B electricity consumers (i.e., commercial, institutional and small industrial)
- Update the Rural and Remote Rate Protection (RRRP) program, to provide relief to rural customers
- Recycle cap and trade proceeds to commercial and industrial electricity consumers to provide a modest (1%) reduction in rates

Public high-profile communications would coincide with introduction of legislation (September 2016). Currently, the 8% rebate would be available starting January 1, 2017 (it could be prescribed earlier), along with updating the RRRP. Expanding ICI won’t be added to bills until 2018 due to the time required to implement the expansion and for billing changes. Recycling cap and trade proceeds would commence in 2017.

The following tables provide an overview of the four initiatives, recipients, projected financial impact, grouping them based on whether taxpayers or ratepayers cover the costs:

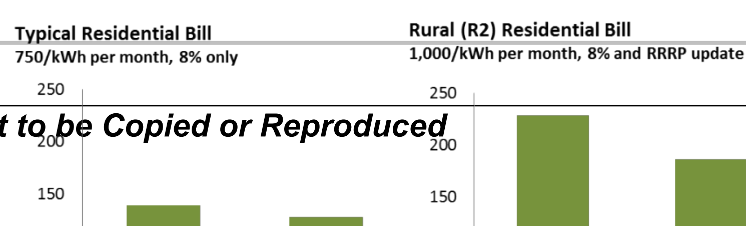
Measure		Annual Impact	Targeted Recipients
Taxpayers cover the costs (Potential to impact the Province's Fiscal Plan)			
1.	8% Rebate to Regulated Price Plan	Fiscal $1B*	Residential, small business and small farms, and other small users
2a.	Use cap and trade proceeds to commercial and industrial electricity consumers to provide a modest reduction in rates. (Implementation details under development).	($270M) in cap and trade proceeds to offset $270M in costs of reducing rates by 1%. No Fiscal Impact	For the 2016 Budget, cap and trade proceeds were projected at $330M/year. See item 2b. regarding the residual amount of cap and trade proceeds ($330M - $270M = $60M)
2b.	The 8% rebate above allows for a portion of cap and trade proceeds to be redirected to other GHG reduction initiatives already in the fiscal plan.	($60M)	Provides fiscal plan flexibility of $60M only if these proceeds are diverted to offset costs of other existing in-plan initiatives that reduce GHG emissions.
	Total Fiscal Impact	$946M	Matches Financial Summary on page 1 for 2017-18

* Annual numbers from ENERGY.

Measure		Annual Impact	Targeted Recipients
Ratepayers cover the costs (No impact to the Province's Fiscal Plan)			
3	Expanding ICI eligibility to customers above 1MW in all sectors	Rate base ($47M/$82M)**	Intermediate and large-sized industrial, commercial and institutional consumers above 1MW in all sectors
4.	Updating Rural and Remote Rate Protection	Rate base ($110M)	Residents in rural or remote locations: Hydro One's lowest-density R2 customers.

** Short-term/Long-term rate base impact, where short term is one year after expanded eligibility takes place and long-term is expected impact once new customers have time to change behavior.

Due to the nature of the ICI Global Adjustment mechanism and cost recovery of RRRP, the rate base proposals (#3 and #4) above benefit the targeted recipients, but come at a cost to all other electricity rate payers in Ontario.
The graphic from the Ministry on the following page highlights the bill impacts by electricity consumer class. The graphic at the end of Appendix D provides more details.



See Appendix E for more illustrative bill impacts.

Fiscal Impact

The most recent Electricity Price Mitigation Options deck notes that "proceeding with an 8% Regulated Price Plan (RPP) rebate without a cap would cost an estimated $1 billion per year".

The $1 billion figure is a 2017 to 2020 calendar year average of cost estimates developed by Ministry of Energy staff, as follows:

$ millions	**2017**	**2018**	**2019**	**2020**
	1,003	1,014	975	1,049
Avg. 2017-20	1,010			

- On a fiscal year basis, the above estimates become:

$ millions	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	261	1,006	1,004	994
3-Year Avg.	1,001			

The Ministry also indicates the current proposal would provide recycling of cap and trade proceeds to commercial and industrial consumers on a volumetric basis. This would require an estimated $60 million less per year in proceeds than previously estimated (i.e., providing fiscal plan flexibility of about $60M per year to commit to other GHG reduction initiatives in the fiscal plan).

There are no details as this point if the $261M in 2016-17 would be offset from the Treasury Board Contingency Fund or provided through supplementary estimates.

Cap and Trade Proceeds

The 2016 Budget committed to offset the impact of cap and trade for commercial and industrial consumers, while also providing a benefit of up to $2 per month for residential consumers (on average). While residential and other consumers would benefit from the 8% pre-tax rebate, this does not apply to non-Regulated Price Plan consumers (larger industrial, commercial, and other consumers). As such, the Ministry is proposing to direct a portion of cap and trade auction proceeds to industrial and commercial consumers not in the RPP to go beyond mitigating cap and trade impacts and provide a 1% bill impact (shown in the graphic at top of page 4).

To be characterized as a regulatory charge under the cap and trade program, auction proceeds need to be spent on programs that are reasonably likely to reduce or support the reduction of greenhouse gases. It is unclear from current materials whether this proposal meets this requirement.

Considerations – Implementation

At this point, the Ministry has presented a high level overview of major implementation pieces:

- New legislation would be required to enable the 8% rebate proposal. Legislation would closely mirror the Ontario Clean Energy Benefit Act, 2010. If passed, the legislation would require a general regulation. Amendments would also be required to various regulations to expand ICI and RRRP.
- On-bill rebate delivery would likely require adjustments to LDC billing systems, which could impact delivery costs and timelines. The Ministry indicates will consult with LDCs (possibly through Ontario Energy Board) to accurately assess these impacts once the program has been announced. In the past, LDCs have asked for at least six months' notice when implementing billing system changes. Timing concerns may be alleviated by allowing LDCs to provide retroactive payments rebates if their systems cannot be updated in time for January 1, 2017. This was done with the OCEB.
- Detailed messaging on bills could be implemented (A bill mock-up is pending from the Ministry). The rebate would not be directly linked to HST. With electricity invoices containing multiple line items and LDC bill presentment varying widely, direction on rebate presentment will need to be flexible to allow LDCs to incorporate easily while ensuring government-preferred branding and messaging is conveyed.
- The Ministry will need to continue to consult with the Independent Electricity System Operator (IESO), Ontario Energy Board (OEB) and LDCs regarding implementation of proceeds recycling.

Legal Considerations

8% Rebate (shift costs from rate-base to tax base by providing a rebate equal to the provincial portion of HST):

- Providing the contemplated rebate under the proposed Bill does not, in and of itself, give rise to legal issues. As policy direction is given on the specifics of supporting regulations, any associated legal risks can be identified.

ICI Expansion (shift costs within rate-base by expanding eligibility for the ICI program to consumers of >1 MW):

- To establish that the charge is legitimate, it must be established that the purpose and effect of the charge is to facilitate the maintenance of a financially viable electricity system by way of load management or some other feature under which those who are subsidized provide an overall system benefit enjoyed by those who subsidize them.

RRRP Update (shift costs within the rate-base by increasing the RRRP benefit paid to rural and remote customers):

- Increasing the amount of revenue devoted to the RRRP or expanding the scope of consumers eligible for the program does not raise new legal risk. There is a good argument that the RRRP is a regulatory charge, as it socializes some of the costs of distributing electricity to rural consumers. Overall the risk that the RRRP would be characterized as a tax is assessed as moderate (meaning equally good arguments on both sides).

Cap and Trade Proceeds Recycling (reduce impact on rate base and tax base by directing cap and trade auction proceeds to industrial consumers):

- To be characterized as regulatory charges under the cap and trade program, auction revenues should be spent on programs that reduce GHGs.

Other Considerations

- This request does not align with the 2016 Budget fiscal plan and there are no proposed offsets.
- The 8% rebate would provide a typical residential consumer about an $11 per month benefit on average (about $10, after the impact of RRRP and ICI expansion), exceeding the Budget 2016 $2 per month on average cap and trade commitment. Also, the budget committed to offsetting the impact of cap an trade on industrial and commercial consumers, a 1% reduction is being proposed using cap and trade proceeds, which could be recycled elsewhere on GHG reduction initiatives.
- Reduction in electricity prices that does not consider consumption amounts (e.g., without the cap in the previous OCEB program) does not promote electricity conservation and may be seen as unaligned with climate change objectives.
- There is potentially a need for supplementary estimates as the existing vote (2905) Electricity Price Mitigation does not include a separate item for the 8% rebate (2905 was used for the Ontario Clean Energy Benefit and currently includes the Northern Ontario Energy Credit).
- Other price mitigation measures introduced following the implementation of the HST, as well as the end of OCEB, would continue.
  - Both the energy portion of the Ontario Energy and Property Tax Credit (OEPTC) and NOEC were introduced/ enhanced following the introduction of the HST and have a significant annual fiscal cost (totalling about $500 million annually).
  - The DRC on residential consumers was ended early, as of January 1, 2016 (about a $340 million impact in 2016-17).
  - OESP is a low-income targeted program funded by electricity consumers through the electricity rate base.

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APPENDIX A: PROPOSED MINUTE
UNDER DEVELOPMENT

DRAFT MINUTES
As of Sept 9, 2016

APPROVE Supplementary Estimates for 2016-17 in the amount of $300,000,000 for the Ministry of Energy.

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reduction in rates). The allocation will be formalized through the 2017-18 PRRT process.

ii. ENERGY’s current rate mitigation proposal requires approximately $240 million less in proceeds over the compliance period relative to the initial cap and trade allocation.

APPENDIX B: FINANCIAL TABLES

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE			Fiscal Plan Basis		TABLE B1 *Appropriations Basis*
$ Millions		**2016-17**	**2017-18**	**2018-19**	**2016-17**
Initiative cost recommended		0.0000	0.0000	0.0000	
Expense changes:					
Operating item	Oper	300.0000	11000000	1100.0000	300.0
Operating Offset	Oper	0.0000	0.0000	0.0000	00000
Revenue changes:					
Revenue Increase/ Offset		0.0000	60.0000	60.0000	
Revenue decrease		0.0000	0.0000	0.0000	
Total Fiscal Impact (draw from c-funds)		**300.0000**	**1040.0000**	**1040.0000**	**300.0000**

APPENDIX C: ELECTRICITY SECTOR BACKGROUND

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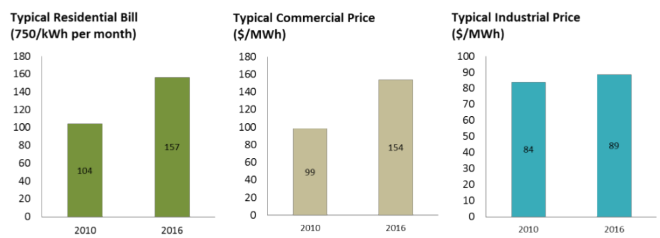
The Ministry has provided the following information to provide electricity sector context this item.

There are three classes of electricity consumers:

	Regulated Price Plan	Class B	Class A
Consumer Types	• Residential • Small Business • Farms	• Commercial • Institutional • Small industrial	• Large commercial • Large industrial
Load Size	Below 0.05 MW	Between 0.05 MW and 3 MW	Above 3 MW*
Total Consumption	58 TWh	57 TWh	26 TWh
Share of Consumption	41.1%	40.4%	18.4%

Since 2010, average bills for residential consumers (i.e., using 750 kWh/month) have increased by over 50%. Rates paid by commercial and industrial electricity consumers have increased by 56% and 6% respectively over the same period.



Note: 2016 represents May 2016 for residential and YTD June 2016 for commercial and industrial.

Existing Rate Mitigation efforts are on-going:

- Ontario currently provides rate mitigation to various electricity consumer classes through a combination of tax-based and rate-based programs.
  - For example, Northern Ontario residential electricity consumers receive tax credits in recognition of higher electricity costs in the north and rural consumers receive a subsidy funded through the rate-base due to the higher cost of delivering power to rural areas.
  - As of 2016, the government removed the Debt Retirement Charge (DRC) from residential electricity bills. While this saves a typical residential electricity ratepayer about $60 per year, it is less than the benefit previously provided through the Ontario Clean Energy Benefit (OCEB).
  - OCEB provided a tax-base rebate of 10% rebate on the total cost of electricity charges related to electricity consumption on eligible bills between 2011 and 2015.
- Because electricity costs must be fully recovered from electricity consumers, rate mitigation funded through the rate-base often represents a shifting of costs from one consumer group to another (i.e., industrial to residential and commercial consumers).

– Rate-based initiatives are generally associated with incenting changes in behaviour that provide electricity system benefits (i.e., shifting electricity consumption from on-peak to off-peak periods).

- The following slides provide an overview of the programs currently available to different electricity consumer classes along with the cost shift associated with several of the programs:

Program	Consumer Type	Rate/Tax -based	Description
Northern Ontario Energy Credit	**Residential**	Tax	Delivered as part of the Ontario Trillium Benefit, provides individuals living in northern Ontario with a credit of up to $146 per year for the 2016 benefit year.
Ontario Energy and Property Tax Credit		Tax	Also delivered as part of the Ontario Trillium Benefit, provides up to $1,008 per year for low-to moderate-income individuals and families.
Ontario Electricity Support Program		Rate	Provides ongoing assistance directly on the bills of eligible low-income electricity consumers.
Rural or Remote Rate Protection		Rate	Provided to rural and remote residential and farm customers because the cost of distributing power to remote areas is much higher than for urban areas.
saveONenergy Conservation Programs (including Home Assistance Program for low income customers)		Rate	Delivered by LDCs which provide financial incentives for electricity-saving measures like LEDs, ENERGYSTAR certified ceiling fans, baseboard programmable thermostats, clotheslines, and advanced powerbars.
saveONenergy Conservation Programs (including Retrofit Program for Buildings and other programs)	**Commercial**	Rate	saveONenergy suite of electricity conservation programs for commercial customers offered by local distribution companies (LDCs) help businesses save energy to better manage their electricity consumption and reduce their annual electricity costs. See Appendix for more information.
Industrial Conservation Initiative	**Industrial**	Rate	Encourages Ontario's largest consumers to reduce consumption during peak periods to save on average 25% on their electricity bills.
Industrial Accelerator Program		Rate	Provides financial incentives of up to $10 million to transmission-connected electricity consumers, to invest in energy-efficiency or self-generation which would reduce the amount of electricity withdrawn from the provincial grid.
Industrial Electricity Incentive		Rate	Provides reduced electricity rates for companies starting or expanding operations in Ontario.
Northern Industrial Electricity Rate Program		Tax	Provides $20 megawatt per hour (MWh) rebate for qualifying large northern industrial consumers.
Demand Response		Rate	Provides payments to businesses and industry to shift consumption at times when the electricity system is stressed. DR currently provides ~500 MW of capacity to the system.

Ontario has implemented several programs that have shifted costs amongst electricity consumer classes (i.e., residential, commercial and industrial). The table below shows the estimated cost shifts in the province's electricity system that result from three existing government programs (i.e., ICI, RRRP and OESP):

Cost Shift Impact	2011	2012	2013	2014	2015	2016
Residential Bill ($/month for 750 kWh)	3.55	4.07	3.85	4.46	5.68	6.55
Commercial – Class B ($/MWh)	4.74	5.43	5.14	5.94	7.57	8.73
Industrial – Class A ($/MWh)	-20.97	-25.26	-22.38	-24.68	-32.56	-31.55

Note: Negative values indicate a benefit; positive values denote an incremental charge.

A number of actions have and are being taken to reduce overall electricity system costs. Despite these actions to reduce system costs, electricity rates continue to increase for consumers:

- Renegotiating the Green Energy Investment Agreement, reducing contract costs by $3.7 billion;
- Deferring the construction of two new nuclear reactors at Ontario Power Generation's Darlington facility, avoiding an estimated $15 billion in new construction costs;
- Approving Ontario Power Generation's plans to enable the ongoing operation of Pickering up to 2024, which is expected to save ratepayers as much as $600 million.

- Reducing Feed-In-Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast; and
- Removing an expected $3.3 billion in Large Renewable Procurement (LRP) costs relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast, based on the results of the first phase of the LRP.
- Despite these actions to reduce system costs, electricity rates continue to increase for consumers.

APPENDIX D: FURTHER INFORMATION SUPPORTING PROPOSED INITIATIVES

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he following information has been provided by the Ministry.

1. **Provide an 8% rebate to consumers eligible for the Regulated Price Plan* (i.e., residential, small business and farms), equivalent to the provincial portion of HST**

   The Ministry is proposing to introduce legislation/regulation to provide a rebate of 8% to consumers eligible for the Regulated Price Plan. The below table indicates which consumers would or would not receive the benefit. This would be equivalent to the provincial portion of the HST.

   - Those ineligible to receive the 8% rebate will benefit from one or more of the other initiatives under this proposal (e.g., ICI expansion, proceeds recycling, etc).
   - An HST exemption would require federal approval. Engaging in discussions with the federal government would take time and would likely result in not meeting the targeted implementation date.

Eligible for the 8% rebate (< 50 kW or < 250,000 kWh/year)	**Not eligible for the 8% rebate** (> 50 kW or > 250,000 kWh/year)

• Residential Regulated Price Plan consumers
• Residential retail consumers
• Multi-unit residential buildings and other facilities used as residential rental units
• Long-term care homes and school residences
• Farms eligible for Regulated Price Plan (Including Class B farms that opted out of the Regulated Price Plan)
• Small businesses
  – Coffee / snack retailer
  – Convenience store
  – Apparel store
  – Hair salon
  – Small insurance office
	• Class A consumers
	  – Manufacturer
	  – Large grocery store
	  – Mines
	  – Auto assembly plants
	• Class B consumers
	  – Commercial offices (low rise)
	  – Hotel
	  – General warehousing

2. **Expand ICI eligibility by lowering the threshold to 1 MW, to provide support to Class B electricity consumers (i.e., commercial, institutional and small industrial)**

   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 consumers). Consumers participating in ICI include the following sectors: pulp and paper, auto, manufacturing, chemicals and mines.

   ICI would be expanded so that all consumers over 1 MW are eligible for the program, which would:

   - Reduce electricity peak demand by incenting more consumers to lower their electricity demand during peak periods;
   - Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods; and
   - Increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system.

	Benefit to New ICI Participants	System Benefit	Financial Impact	Residential Bill Impact
	Bill Savings	Peak Demand Reduction (MW)	GA shifted to Class B ($M)	
Short-term	Up to 21%	80	47	Increase of $0.42/month
Long-term	Up to 34%	165	82	Increase of $0.74/month

The different impacts refer to the amount of time it takes for new Class A consumers to respond to the expanded ICI eligibility. The bill impacts assume a 25% uptake, which would increase Class A consumption by roughly 3 TWh, leaving an estimated 54 TWh in Class B that are either between 0.05-1 MW or choose not to opt in to ICI. This would represent an estimated 300 additional consumers in ICI, though they would represent a much smaller share of the consumption than the 300 consumers currently participating. Newly eligible consumers in the program would mostly fall into the small industrial, institutional and commercial category, including: automotive supply chain companies, office tower, large shopping mall, greenhouses and others.

3. Update the Rural and Remote Rate Protection (RRRP) program, to provide relief to rural customers

The Ministry is proposing to provide an additional $110M in rate protection to eligible rural or remote electricity consumers, and consider options to periodically adjust the amount of rate protection available to these consumers going forward.

RRRP is a rate-based funded subsidy program that helps offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province.

- Today, RRRP is a $175M program. For an average residential customer, the cost of supporting RRRP is roughly $1 per month. For other customers, the cost can range from $65 for a greenhouse to $8,000 for a medium industrial.
- The majority of the program funding ($125.5M) provides a subsidy to Hydro One's lowest-density customers – classified as R2 customers. There are approximately 329,000 R2 customers. The current program provides a monthly subsidy for R2 customers of $31.50.
- RRRP funding supporting R2 customers has been capped at the current level since 2004. As a result, the impact of its assistance has diluted over time as electricity costs have risen.

An additional $110Mn in program funding would see an increased subsidy of ~$28 /month. This would bring R2 bills in line with Hydro One R1 (medium density) bills at 1000kWh.

- This would increase the R2 portion of the RRRP to $235 million with a monthly impact on an average residential consumer of ~$0.60.
- The RRRP could be indexed at inflation or "trued up" on a regular basis to ensure the subsidy remains constant.

4. Recycle cap and trade proceeds to commercial and industrial electricity consumers to provide a modest reduction in rates

The 2016 Budget committed to offset the impact of cap and trade for commercial and industrial consumers, while also providing a benefit of up to $2 per month for residential consumers.

– To meet the 2016 Budget commitment, the Climate Change Action Plan (CCAP), committed $1.3 billion from the GGRA over the first compliance period (2017-2020).

– However, providing a 8% rebate to Regulated Price Plan consumers would allow for GGRA proceeds previously committed to residential consumers to be redirected to other consumers classes and/or GHG reduction initiatives in the fiscal plan.

The current proposal would provide additional recycling to commercial and industrial consumers, while requiring an estimated $60 million less per year (i.e., a reduction of $240M over the first four year compliance period).
The following table identifies the illustrative impacts.

	Average Annual Fiscal Impact	**Average Annual Greenhouse Gas Reduction Account (GGRA) Proceeds Impact**	**Regulated Price Plan (Residential) Impact**		**Class B (Commercial) Impact***	**Class A (Industrial) Impact***	
			Average (750 kWh/ month)*	***Rural*** (1000 kWh/ month)***		***Existing***	***New***
• 8% rebate to Regulated Price Plan eligible consumers • ICI Expansion • RRRP Update • Proceeds Recycling	$1.0 billion annually	$0.27 billion annually (Reduction of $0.06 billion annually or $0.24 billion total from the CCAP commitment)	-$11/ month (-8%)	-$45/ month (-20%)	-$1/MWh (-1%)	-$1/ MWh (-1%)	Up to -$52/MWh (-34%)

***Note:** The impact of cap and trade would not be added to electricity bills until 2017 and the impact of ICI would not be added to bills until 2018 due to the time required to implement the expansion and for billing changes.

**** Note:** Average Regulated Price Plan Impact represents a pre-tax value of the 8% rebate and does not include the impact of ICI expansion and RRRP update (total impact of $1.31/month based on 750 kWh/month).

*****Note**: Rural customers refers to customers of Hydro One eligible to receive RRRP (R2 rate class customers). Impact shown is pre-tax and does not include the impact of ICI expansion and RRRP update (total impact of $1.74/month based on 1000 kWh/month).

APPENDIX E: ILLUSTRATIVE BILL IMPACTS

Commented [TA4]: TB to update to align with current Cab sub content

The Ministry has provided the following illustrative bill impacts:

	Current Bill (after tax) (before tax)	Current Rate mitigation initiatives*	New Rate Mitigation initiatives	New Bill (after tax) (before tax)
Average Residential (Toronto – 750 kWh/month)	$139 /month	N/A	8% pre-tax rebate: - $11	$128 /month
Rural Residential (Hydro One R2 – 1000 kWh/month)	$229 /month	RRRP: –$32	8% pre-tax rebate: - $16 Updated RRRP: - $28	$185 /month
Low-income Residential ** (Toronto – 750 kWh/month)	$101 /month	OESP: -$38	8% pre-tax rebate: - $8	$93 /month
Small Business (Toronto – 403,200 kWh/month)	$148 /MWh	N/A	8% pre-tax rebate: - $12/MWh	$136 /MWh
Small Farm (Hydro One R1 – 4,000 kWh/month)	$202 /MWh	N/A	8% pre-tax rebate: - $16/MWh	$186 /MWh

*Note: Some residential consumers can also receive tax credits based on income, age and geography (Northern Ontario Energy Credit and Ontario Energy and Property Tax Credit). These credits are delivered through the Trillium Tax Credit and can be as high as $1,332 per year for a family.
** income of less than $28,000, family of 4.

Totals may not add due to rounding.

	Current Rate	Current Rate mitigation initiatives*	Cost of new initiatives (RRRP and ICI)	New Rate Mitigation initiatives	Net Impact	New Rate
Large Institutional (Toronto – distribution-connected, 10 MW)	$108 /MWh	ICI: -$49/MWh	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh (2017-2020 average)	-$0.90 /MWh (-1%)	$107 /MWh
Large Industrial (Timmins – transmission-connected, 10 MW)	$69 /MWh	ICI: -$49/MWh NIERP: -$20/MWh	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh	-$0.90 /MWh (-1%)	$68 /MWh
Small Industrial – opt-in to ICI (Toronto – 2 MW)	$152 /MWh	N/A	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh ICI: -$51.30/MWh	-$52 /MWh (-34%)	$100 /MWh
Large Commercial – does not opt-in to ICI (Toronto – 2 MW)	$152 /MWh	N/A	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh	-$0.90 /MWh (-1%)	$151 /MWh
Small Institutional (Toronto – 500 kw)	$154 /MWh	N/A	$1.74 /MWh	Proceeds Recycling: -$2.60/MWh	-$0.90 /MWh	$153 /MWh

Notes:

1) There is the potential for a consumer eligible for the Regulated Price Plan to opt-out of the Regulated Price Plan to opt-in to Class A and receive all three benefits (i.e., Regulated Price Plan, ICI, proceeds recycling).
2) The impact of cap and trade would not be added to electricity bills until 2017 and varies per year over the course of the first compliance period. For illustrative purposes, the estimated average benefit of proceeds recycling is shown above.