

Re: Updated minute

From: "Thompson, Scott (MOF)" </o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=thompson, scott (mof)5d1">
To: "Kwan, Ronald (OFA)" <ronald.kwan@ofina.on.ca>
Cc: "McLean, David (MOF)" <david.mclean@ontario.ca>, "Mayman, Gadi (OFA)" <gadi.mayman@ofina.on.ca>, "Chaput, Brandon (MOF)" <brandon.chaput@ontario.ca>
Date: Sun, 19 Feb 2017 08:14:17 -0500

Thanks Ron - if you have the draft Minute, there's a point that says increases are capped at 25 percent higher than 2017 prices. Thanks for the explanations - helps a lot.

Scott

Sent from my iPad

> On Feb 19, 2017, at 8:00 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> Hi Scott,
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> Not sure if Serge has responded.
>
> A few technical points below.
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> I believe the RRRP cost is falling over time up to 2023 as the cost to buy down the high cost R1, R2 and LDCs falls over the period as they phase in to the fixed cost distribution charge model, and that decline exceeds the annual increase in the normal RRRP costs. After 2023, the transition to fixed costs is done, and only the "normal" inflation-adjusted RRRP is driving the overall cost increases.
>
> The OESP cost rises so significantly in part because of the assumed rapid transition to 100% take-up as they take steps to make the application process simpler. Aside from that, agreed that it's not clear why the enhancement is needed, given the size of the general proposed GA and existing 8% benefits.
>
> On the GA options, as I understand it, the targeted percentage drop is for the initial period, constrained by the direction to keep increases to the bill to 2% for the period to 2021. After that, what is constrained is the rate of increase in the GA payments to the rate of inflation and that the GA payments in any given year not exceed the true cost of the GA by more than \$3.2 Bn. As there needs to be GA deferred costs recovery, over time, the RPP consumers bills eventually end up larger than what the bills would have been in the absence of deferral. I don't know of any stated constraint on keeping the later higher cost below 25% higher, though Energy's projections do show it kept below that level -- perhaps a little over 20% higher -- an excerpted version of the Energy slide with the 25% option is attached, with data labels added.
>
> Ron
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> -----Original Message-----
> From: Thompson, Scott (MOF) [mailto:Scott.Thompson@ontario.ca]
> Sent: February-18-17 3:56 PM
> To: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>
> Cc: Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; Martha Greenberg (MOHLTC) <Martha.Greenberg@ontario.ca>; Steve Orsini (MOF) <Steve.Orsini@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; William Bromm (CAB) <William.Bromm2@ontario.ca>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Subject: Re: Updated minute
>
> A few points:
> - most importantly, we haven't been able to take our Minister through the 'all in' fiscal impact summary for the package being presented. Our Minister will be back on Tuesday and this will be at the top of his mind.

> - related to this, is it assumed that there will be a full year's worth of fiscal impact in 17-18. Won't some of these measures take time to roll out and therefore be a smaller impact in year one?

> - also related, what is the presumed duration of the non-GA mitigation measures? Are they permanent? If so, we'll need a stronger understanding of the long term fiscal implications of them. There's just a small (and worrisome) footnote at the bottom of the fiscal table on page 35 that suggests the costs for RRRP will start increasing post 2023

> - I don't believe we've seen a strong case being made for the 200M affordability fund. Since that is proposing to use money from 16-17, and we're publishing Q3 on Tuesday, he'll be particularly sensitive to that. He does not want additional expense items added between now and Q3 that would significantly add to the interim deficit number for 16-17 to be presented in Document. With all of the other affordability measures being proposed, why do we need to rush this program out the door now? I'm not suggesting moving it into a later fiscal year, but I think it would benefit from a stronger analysis of the level of need, after building in all of the OESP proposed changes. The slides say that LDC's say that something is needed, but of course they would, they haven't seen all of the other things that are coming.

> - why does the fiscal impact of oesp need to increase so significantly from years one to four? Can't we somehow put a limit on the size of the program, and revisit the need to enhance further once we see the effect of electricity price mitigation overall on lower income households?

> - not sure how the 25 percent cap works after 2022. Does this mean that the cost in any given year can't be any more than 25 percent higher than what it was in 2017? Does this math work, even if electricity prices increase drastically for some unexpected reason?

> - the TB consideration of this will be important. They will need some real analysis of the impact, and hopefully some real time to consider the options. Not sure how this is possible if an announcement is to be this week

> - I see MMA referenced in the Minute. Is Energy working with them on implementation options? I'm quite concerned about the operability of any proposal, as I'm aware that rent control is only on a portion of the rental stock, and I know that we didn't try to ensure savings pass through from landlord to renter in some previous electricity programs.

> Thanks

> Scott

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> Sent from my iPad

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> On Feb 18, 2017, at 1:50 PM, Imbrogno, Serge (ENERGY)
<Serge.Imbrogno@ontario.ca<mailto:Serge.Imbrogno@ontario.ca>> wrote:

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> Hi. I believe that's where my MO and PO landed but we could try for different language. Not sure if up to 25 percent language would give us some flex. Serge

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> Sent from my BlackBerry 10 smartphone on the Rogers network.

> From: Davidson, Steven (CAB)

> Sent: Saturday, February 18, 2017 1:42 PM

> To: Greenberg, Martha (CAB); Imbrogno, Serge (ENERGY)

> Cc: Orsini, Steve (CAB); Angus, Helen (TBS); Thompson, Scott (MOF); Foster, Robert (CAB); Chochla, Megan (CAB); Moore, Karen (CAB); Bromm, William (CAB); Kwamena, Boafoa (CAB); Hume, Steen (ENERGY); Hughes, Karen (TBS); Katona, Keley (ENERGY)

> Subject: Re: Updated minute

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> Serge, a question on 2A of attached minute.

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> I don't recall us locking down a 25% cap. Is that from your MO? Is there any risk of that impacting on ability for full repayment by 2048, ie if consumption patterns change and repayment is being funded by a relatively smaller customer base (which is one of the risks flagged)?

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> Thanks.

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> Sent from my iPhone

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> On Feb 18, 2017, at 1:30 PM, Greenberg, Martha (CAB)
<Martha.Greenberg@ontario.ca<mailto:Martha.Greenberg@ontario.ca>> wrote:

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> Hi all,

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> Attached is an updated minute that incorporates the version received from energy last night as well as

SoC comments and Steven's comments this morning. We have incorporated most of the detail energy included but not in all areas, for example some of the detail on legislative change isn't here and some detail is more appropriate for a TB minute (e.g., on the affordability fund). I have left one comment in, around whether OEFC or the OFA would require any expanded powers as it could be added in 2Ai, will leave that to MOF to answer.

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> Tracked changes was not a pleasant read so I have made this clean but if you would like further details on the changes, just email me and I can walk you through them.

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> I've saved this version as Feb 18 130pm.

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> Same password.

> Thanks,

> martha

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> Martha Greenberg

> Assistant Deputy Minister

> Cabinet Office - Economic, Environment, Justice & Intergovernmental Policy

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> Martha.Greenberg@ontario.ca<mailto:Martha.Greenberg@ontario.ca>

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> <price mitigation minute draft Feb 18 130pm.docx>

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> <2017-02-09 - Rate Mitigation Plan Options_Feb 9 version _1230_Slide28.pdf>