Energy	February 2, 2017

I. Executive Summary

Through its PRRT submission, the Ministry is delivering the government's top energy priority – providing Ontarians with a clean, reliable and affordable supply of energy through the implementation of the Long-Term Energy Plan.

The Ministry delivers the majority of its energy policies and initiatives through its ratepayer funded agencies and entities. The Ministry is also implementing a series of electricity price mitigation initiatives, such as the Ontario Rebate for Electricity Consumers (OREC provides a rebate of 8% of electricity bills) that launched January 1, 2017. OREC is currently funded from taxpayers. The Ministry is also developing further electricity rate mitigation initiatives including rate relief for industrial and commercial consumers.

The Ministry's PRRT submission is above its preliminary allocation, driven primarily by transactions related to broadening ownership of Hydro One, and implementation of the Ontario Rebate for Electricity Consumers.

Key risks include the open-ended nature of OREC with the rebate amount depended on weather, price of electricity and level of consumption. TB/MBC can choose to manage OREC risk through the Ministry by increasing its allocation, or centrally through the Treasury Board Contingency fund if the Ministry cannot identify sufficient internal offsets for funding pressures.

ENERGY has developed KPIs that are closely aligned with ministry strategic priorities and mandate commitments. These measures indicate:

- Greenhouse gas emissions from Ontario's electricity sector decreased from 31.20Mt of CO_2 in 2009-09 to 9.2Mt of CO_2 in 2014-15.
- In 2015, a total of 9MW of net metered renewable energy generation capacity was installed in Ontario.
- From 2004 to 2014, Ontarians conserved 9.9 Terawatt Hours (TwH) of electricity (enough to power the cities of Ottawa and Windsor in 2014).

II. Ministry Key Performance Indicator Summary

KPI	PROGRESS TO TARGET	ANALYSIS	RECOMMENDATIONS
Increase Energy Efficiency and Conservation (cumulative reduction in consumption)	9.90TWh (2014) Baseline (2008): 4.00TWh Target (2032): 30.00TWh	STRATEGIC RELEVANT TECHNICALLY SOUND	• Approve.
Maintain Low Energy Sector Emissions (CO2 emissions)	7.00Mt (2016) Baseline (2008): 31.20Mt Target (2032): 8.03Mt	STRATEGIC RELEVANT TECHNICALLY SOUND	• Approve.
Minimize Growth of Electricity Costs to Consumers and Businesses ($ spend by average consumer)	$141.50 (2016) Baseline (2016): $141.50 Target (2032): $188.00	STRATEGIC RELEVANT TECHNICALLY SOUND	• Approve.
Support Transition to Market-Based Metering Program (cumulative installed capacity)	9.10MW (2015) Baseline (2010): 6.40MW Target (2019):	STRATEGIC RELEVANT	• Approve. • Consider measure for public reporting. • If considerable overlap of this measure with another KPI, consider new measure.
Total Proceeds from Sale of Hydro One ($ billions)	$1.8B (2016) Baseline (2015): $0B Target (2019): $9.0B	STRATEGIC RELEVANT	• Proposed measure is an output. • Although strategically aligned with mandate commitments, measure best suited at program level

ADDITIONAL OPPORTUNITIES AND RECOMMENDATIONS

- A KPI related to engagement with Indigenous partners (e.g., remote community connection)
- A KPI to track progress related to innovation in the sector (e.g., micro-grids, energy storage, job growth related to innovation)
- Work with other ministries to integrate measures supporting the Climate Change Action Plan
- Work with other ministries to better understand the inter-relationships of measures linked to the expansion of natural gas access, affordability, and regulations

III. Financial Summary

- The Ministry submitted a plan that is **above** its preliminary allocation after accounting for fiscally neutral adjustments and specific identified initiatives including initiatives eligible to be funded from the Greenhouse Gas Reduction Account (GGRA).

$M	16-17[1]	17-18	18-19	19-20	20-21	
Preliminary Allocation						
Operating Expense	779.0	1390.6	1387.8	1317.0	1302.0	A
Capital Expense	22.0	22.2	21.3	17.5	17.0	B
Total Preliminary Allocation	**801.0**	**1412.8**	**1409.1**	**1334.6**	**1319.0**	C=A+B
% Growth		43.3%	(0.3%)	(5.6%)	(1.2%)	
Ministry Submission						
Operating Expense		1981.7	1750.1	1801.5	1845.8	D
Capital Expense		23.2	24.2	24.6	24.1	E
Total Ministry Submission		**2004.9**	**1774.3**	**1826.1**	**1869.9**	F=D+E
% Growth		(150.3%)	(16.3%)	3.7%	3.35%	
Over/(Under) Preliminary Allocation		592.1	365.2	491.5	550.9	G=F-C
Adjustment for Fiscally Neutral Items		*(212.6)*	*(15.3)*	*(21.8)*	*(21.8)*	H
Adjustment for GGRA-Eligible Items		*(251.2)*	*(265.7)*	*(279.7)*	*(324.0)*	I
Adjustment for Funding Set-Aside Pending Report Backs		-	-	-	-	J
Fiscal Impact of Ministry Submission		**128.3**	**84.2**	**190.0**	**205.1**	K=G+H+I+J
Recommendation						
Approve-In-Principle (Excludes GGRA-Eligible Items)						
Operating Expense		1398.4	1400.2	1331.7	1316.7	L
Capital Expense		23.2	24.2	24.6	24.1	M
Total Approve-In-Principle		**1421.6**	**1424.4**	**1356.3**	**1340.8**	N=L+M
% Growth		77.5%	0.2%	(4.8%)	(1.1%)	
Defer						
Operating Expense - Includes GGRA-Eligible Items		583.3	349.8	469.7	529.0	O
Capital Expense		-	-	-	-	P
Total Defer		583.3	349.8	469.7	529.0	Q=O+P
Do Not Approve						
Operating Expense		-	-	-	-	R
Capital Expense		-	-	-	-	S
Total Do Not Approve		-	-	-	-	T=R+S
Recommendation Over/(Under) Preliminary Allocation		8.8	15.3	21.8	21.8	U=N-C-I
Adjustment for Fiscally Neutral Items		*(7.7)*	*(15.3)*	*(21.8)*	*(21.8)*	H
Adjustment for Funding Set-Aside Pending Report Backs		-	-	-	-	J
Fiscal Impact of Recommendations		**1.1**	**0.0**	**0.0**	**0.0**	V=U+H +J

[1]2016-17 amount represents current approved allocation including all in-year decisions to date.

IV. Programs with Key Changes

Key decisions for the Ministry relate to either broadening Hydro One ownership or the new Ontario Rebate for Electricity Consumers (OREC, 8% Rebate).

For Hydro One, the ministry requests are consistent with past submissions, except for a new request to make the temporary resources ($, FTEs) permanent. Developments post PRRT submission impact these requests, primarily deferring recommendations pending further clarifications, and removing the request for permanent FTEs and on-going administration funding.

For OREC, the Ministry is proposing to manage rebate payment risk through its allocation (based on an updated forecast), and requesting resources ($, FTEs) to implement and administer the on-going program. All requests deferred to the Document due mostly to no internal offsets identified.

Summary of Programs with Key Changes

Program	Request Type	Request	Recommendation
1) Strategic Asset Management		A. Hydro One Report Back: – Accelerating Secondary Share Sales (Additional $70M in transaction costs in 2017-18 offset by proceeds) – Implementing First Nations Agreement – Cash Contribution (Additional $30M in 2017-18) – Implementing First Nations Agreement –Conferred Benefit Amount to First Nations ($135M in 2017-18 offset by non-cash revenue)	Defer (To In-Year) (Currently forecasts, specifics not known, manage risk from Treasury Board Contingency Fund)
2) Ontario Rebate for Electricity Consumers		B. Electricity Rate Mitigation – Rebate forecast update	Defer (To In-Year) (Currently a forecast, specifics not known, manage risks from Treasury Board Contingency Fund)
		C. Electricity Rate Mitigation – Permanent Administration FTEs and funding	Defer (To Warp-Up)

1) Strategic Asset Management

- Established to support the Province as shareholder of Hydro One and Ontario Power Generation in regards to managing its investment and governance relationship.
- A December 2016 memo announced establishment of the new Office of Government Business Enterprises & Strategic Initiatives within the Ministry of Finance, and the moving of responsibilities and staff of the Ministry of Energy's Investment and Governance Secretariat to Finance.
    - The Ministry's request to make the temporary Secretariat permanent, including FTEs and expanded funding, has been removed from the assessment note, to be dealt with by MOF as it consolidates resources and FTEs per the December 2016 memo and formulates its on-going requirements.
    - Clarify with MOF the going forward treatment of transactions related to broadening ownership of Hydro One that have historically been within Ministry of Energy under this program. All requests have been deferred. Like the treatment of the Northern Ontario Energy Credit, policy remains with MOF but the funding resides within Energy – transactions broadening Hydro One could remain within Energy's allocation.

Outcome Statement

Ontario has committed to broaden the ownership of Hydro One in a staged and prudent manner over time.

Outcome Measure: Proportion of Hydro One ownership

Target Value: 40% (03/31/2019)
Statement of Result: In 2015-16, Ontario's stake in Hydro One fell to 70.1 from 84% in 2014-15. Progress is tracking towards target 40% Ontario ownership

Output Measure: Number of shares sold to retail investors, institutional, and First Nation investors
Target Value: 356.75 million shares (03/31/2018)
Statement of Result: Cumulative number of shares sold. In 2015-16, 89.25 million shares were sold

Assessment:

- The identified performance measures are strategic and aligned to program goals and ministry mandate commitments. A similar measure related to the broadening of Hydro One ownership was also proposed as a ministry-level KPI; however, it was recommended to track at the program level given its narrow scope as an output-based metric. To enhance the relevance to decision-making, the ministry may consider refining the outcome measure to focus on impact of intended outcomes (e.g., cost efficiencies, return-on-investment).

Summary of Key Program Requests

Total Expense	$M	17-18	18-19	19-20	20-21	Recommendation
Current Approved Allocation		85.9	85.9	15.0	-	
A. Hydro One Report Back: – Accelerating Secondary Share Sales (Offset by proceeds), – Cash Contribution to First Nations – Conferred Benefit Amount to First Nations (Offset by a revenue entry)	Proposed	235.0	(15.0)	(15.0)	-	**Defer (To In-Year)** (Currently forecasts, specifics not known, manage from Treasury Board Contingency Fund and in-year TB/MBC submissions providing supporting specific information for funding requests)
	Recommended	-	-	-	-	
Adjustments for minor realignments	Proposed	-	-	-	-	**N/A**
	Recommended	-	-	-	-	
Total	**Proposed**	320.9	70.9	5.9	5.9	
	Recommended	**85.9**	**85.9**	**15.0**	**-**	

Assets – N/A

Key Program Requests

A. Hydro One Report Back:

- Accelerating Secondary Share Sales
- Implementing First Nations Agreement – Cash Contribution & Conferred Benefit Amount to First Nations

Request:

The Ministry is requesting incremental funding to support implementation of the government's asset strategy, including broadening ownership of Hydro One. The following requests are consistent with previous related submissions brought before TB/MBC:

- An additional $70M in 2017-18, bringing total to $140M for secondary share sales in 2017-18, to enable a decision to accelerate the completion of broadening Hydro One ownership into 2017-18 covering costs such as underwriting fees, legal expertise and consulting costs, in the event of a larger sale in 2017-18. Offset from sales proceeds. The Ministry is proposing to keep the $70M in 2018-19 should there be a decision not to accelerate all share sales into 2017-18.

- $30M in 2017-18, above the $15M already in allocation for the cash contribution to First Nations, based on participation level anticipated by end of 2017. The $15M provided in 2018-19 and 2019-20 is no longer required. This would enable flowing the $45M cash contribution in 2017-18, subject to participation levels.
- $135M in 2017-18 to expense the difference (the conferred benefit to First Nations) between the price of the Hydro One shares sold to First Nations and their market value.

Considerations:

- December 9, 2016 memo establishing the Office of Government Business Enterprises & Strategic Initiatives and consolidates Ministry of Energy staff within the Investment & Governance Secretariat within the new Office at Ministry of Finance.
  - Currently there is no clear direction regarding financial transactions such as Hydro One share sales remaining with Energy or transferring to MOF. Future Treasury Board submissions on this may be joint, reflecting the Minister of Energy's position as "Shareholder" under the Electricity Act and the role of the new MOF Office and its FTE staffing in MOF.

- An additional $70M in 2017-18, bringing total to $140M for **secondary share sales in 2017-18**, to enable a potential decision to accelerate the completion of broadening Hydro One ownership into 2017-18 covering costs such as underwriting fees, legal expertise and consulting costs, in the event of a larger sale in 2017-18. Offset from sales proceeds.
  - The Ministry still intends to return to TB/MBC regarding the direction given in September 2016:
    - Direct the Ministry of Energy, working with the Ministry of Finance/Ontario Financing Authority and Treasury Board Secretariat to undertake analysis on options on the sale of the remaining shares with a report back to Treasury Board/Management Board of Cabinet no later than early 2017 on a recommended approach.
    - Accelerating share sales will have multi-year fiscal plan implications beyond higher in-year proceeds (e.g., a higher/sooner proportionate share of forgone net income from Hydro One).

- Energy proposing to keep the $70M in 2018-19 if there's a subsequent decision not to accelerate share sales.
- The Ministry indicates the $140M breaks down as follows:
  - $133M for costs associated with share sales of Hydro One – primarily underwriting fees that are a fixed portion of revenues (gross proceeds of offering) and comprise the vast majority of the budget under this cost category. Other costs include legal / administrative costs for government and Hydro One (to be reimbursed to the company).
  - $7.5M for consulting, services and other costs associated with providing advice related to Hydro One, providing capacity funding for First Nations and Metis for their advisors, and procuring for consultants and advisors related to investment and governance decisions to support the Province's ongoing asset management strategy related to Hydro One and OPG.

- The Ministry is requesting changes to the timing of the up to $45M **cash contribution to First Nations** to reflect the recent renegotiation with First Nations regarding timing of payments. The original timing contemplated the Province contributing three annual payments of up to $15 million starting in 2017-18 following initial close of the share purchase. Revised timing contemplates a one-time contribution of up to $45 million in 2017-18. Terms which encompass participation thresholds have not changed. The Province will contribute $45 million if 100% of First Nations participate or $30 million and prorated if less than 100% of First Nations participate.
  - $30M in 2017-18, above the $15M already in preliminary. The $15M provided in 2018-19 and 2019-20 within the preliminary allocation would be removed.
  - The $30M is considered a fiscal impact to the preliminary allocation as the Province is providing a loan to First Nations that prevents the upfront recognition of share sale proceeds.
- Based on advice from legal services and the Ontario Provincial Controller (OPCD), the **conferred benefit to First Nations, $135M in 2017-18** based on estimated value conveyed per share of $9 times maximum number of shares being purchased by First Nations 14.9M**,** should be expensed for transparency (Flagged in previous TB/MBC submissions). The Province's book will show both the sale of shares at book value and the additional value (Fair Market Value – Book Value), conferred to the First Nations, through a transfer payment. The additional conferred value will be offset by miscellaneous revenue entry, resulting in no fiscal impact on the Province's books.
  - The estimate of $9 per share for conferred value is a conservative estimate based on a share value of $27 per share. Currently, share price is around $23.50 that results in a conferred value of $5.50 per share (well below $9 per share estimate and would result in significant underspending of about $50M if Energy is given the requested $135M).
  - Treasury Board Secretariat is in the process of obtaining a regulation under the *Financial Administration Act* prescribing a new class of non-tax expense.
  - As noted in the June 2016 TB/MBC submission providing an update on First Nations negotiations, the conferred benefit (estimated at roughly $150M then) is considered foregone revenue that needs to be recovered from future sales at higher prices than currently planned.

- All funding provided should include the caveat that any underspending be returned to TB/MBC.
- The Ministry indicates the Province remains on track to generate approximately $9 billion in gross proceeds and other revenue benefits, results to date include :
  - $3.4B towards $5B target to reduce debt:
    - ~$1.0B pre-IPO Hydro One dividend and additional PILs payment
    - ~$1.1B (book value amount) from the IPO and related share sales
    - ~$1.3B (book value amount) from the secondary offering
  - Up to $3.7B towards $4B target in net revenue gains that, through the Trillium Trust, will be reinvested in infrastructure:
    - ~$0.8B in net proceeds raised through the IPO and related share sales
    - ~$0.5B gain raised through the secondary offering (Accounts for about $0.7B subject to accounting risk)
    - ~$2.4B non-cash deferred tax benefit
  - The on track status factors in advice from the Provincial Controller that about $70M of the gain in the secondary offering related to OPG participation may not be recognized in the year of transaction, and about $50M of the gain related to acquisition of shares by separate Union Trusts.

Recommendations:

Defer to In-Year and pending clarifying direction following the December 9, 2016 memo establishing the Office of Government Business Enterprises & Strategic Initiatives.

- Manage these requests (cash contribution, conferred benefit, accelerating secondary share sales) as risk corporately through the Treasury Board Contingency Fund, requiring Energy or MOF to prepare an in-year TB/MBC submission to request funding based on supportive formal details versus high level forecasts.
- Direct return of any underspending to the Treasury Board Contingency Fund.

Operating Decisions	$M	17-18	18-19	19-20	20-21	Recommendation
A. Hydro One Report Back: – Accelerating Secondary Share Sales (Offset by proceeds), – Cash Contribution to First Nations – Conferred Benefit Amount to First Nations (Offset by a revenue entry)	Proposed Expense	235.0	(15.0)	(15.0)	-	**Defer (To In-Year)** (Currently forecasts, specifics not known, manage from Treasury Board Contingency Fund and in-year TB/MBC submissions providing supporting specifics for funding requests)
	Recommended Expense	-	-	-	-	

2) Ontario Rebate for Electricity Consumers

- In September 2016, the Board approved a suite of initiatives to provide rate relief to electricity ratepayers. One initiative provides an 8% rebate equal to the provincial portion of HST to consumers eligible for the Regulated Price Plan (RPP) and other eligible consumers as defined by legislation – this includes about five million residential consumers, small businesses and farms.

Outcome Statement

Electricity is made more affordable by Ontario Rebate for Electricity Consumers recipients during a period of rising prices as Ontario transitions to a cleaner, modern electricity system

Outcome Measure: Average reduction to electricity bills to households, small business, and farms

Target Value: 8% (03/31/2019)

Statement of Result: Baseline data and trend values are not available as the program will come into effect January 2017. Progress will be assessed in the next reporting cycle

Output Measure: Transaction time (days) to process claims and reimburse local distribution / sub-metering providers

Target Value: 5 days (03/31/2019)

Statement of Result: Baseline data and trend values are not available as the rebate program will come into effect January 2017. Baselines will be established and progress towards targets will be assessed in the next reporting cycle

Assessment:

- The identified performance measures are aligned to ministry mandate commitments and are technically sound. The ministry notes that target values will be identified following program implementation. As the program matures, the ministry may consider segmenting the outcome measure by various client types (i.e., households, small business, and farms) and geographic region as this could signal challenges for any particular group or region.

Summary of Key Program Requests

Total Expense	**$M**	**17-18**	**18-19**	**19-20**	**20-21**	**Recommendation**
Current Approved Allocation		1006.0	1004.0	1004.0	1004.0	
B. Electricity Rate Mitigation: Rebate forecast update	Proposed	94.0	96.0	196.0	196.0	**Defer (To In-Year)**
	Recommended	-	-	-	-	**(Currently a forecast, specifics not known, manage risk from Treasury Board Contingency Fund)**
C. Electricity Rate Mitigation: Permanent Administration FTEs (4) and funding	Proposed	3.1	3.1	3.1	3.1	**Defer (To Wrap-Up)**
	Recommended	-	-	-	-	
Adjustments for minor realignments	Proposed	-	-	-	-	**N/A**
	Recommended	-	-	-	-	
Total	**Proposed**	1103.1	1103.1	1207.1	1207.4	
	Recommended	**1006.0**	**1004.0**	**1004.0**	**1004.0**	

Key Program Requests

B. Forecast update of payments to eligible consumers under the Ontario Rebate for Electricity Consumers (OREC)

Request:

- The Ministry is requesting an expenditure increase to reflect the latest forecast based on updated methodology and improved data inputs.

Considerations:

- This is an increase to the amounts provided in Energy's preliminary allocation that match the multi-year amounts from the September 2016 TB/MBC item approving electricity price mitigation initiatives.
- Electricity consumers will receive the 8% benefit directly on their bill from their electricity vendor. The distributors and sub-meterers then submit claims for the month through the IESO. A total monthly invoice is issued to the Ministry of Energy by the IESO, which is then paid by the Ontario Financing Authority (OFA), on behalf of the Ministry for Energy. Once the OFA makes the payment, the IESO reimburses distributors and sub-meterers. The Ministry of Energy will enter into Memorandums of Understanding (MOU) with the IESO and OFA to clearly define each organizations respective role in the delivery of the Rebate.
- The ministry is providing a revised price forecast that is based on projected electricity prices, applied to estimated consumption each year by residential, farm, and small businesses. There is a fiscal risk exposure as actual fiscal cost will depend on actual prices, including existing and new retailer contract prices and numbers, and actual consumption by eligible consumers, which will be variable.
- OREC does not cap eligible monthly consumption, versus what was done for the Ontario Clean Energy Benefit.
- No offset has been identified. As actual costs are likely to deviate from projections, based on actual price and consumption levels, there is a choice for TB/MBC – to manage the open-ended OREC risk within the Ministry's allocation, by providing the Ministry with incremental funding to match its updated forecasts, or centrally through the Treasury Board Contingency fund as done for forest fire fighting and business risk management income stabilization support for farmers.
- The Ministry notes the risk of insufficient funds for OREC nearing year-end and as mitigation indicates needing a flexible and quick method for obtaining additional funds, or otherwise risk late payment to the IESO, LDCs and sub-metering providers, which could delay the availability of the rebate to customers or cause significant working capital issues for these entities.
  - Providing the funding does not eliminate the risk, the Ministry may still need to draw, a lower amount, from the Treasury Board Contingency Fund.

Recommendations:

Defer to In-Year – The request is currently a forecast, a risk management approach could be taken where the risks are managed from the Treasury Board Contingency Fund.

C. Electricity Rate Mitigation – Permanent FTEs and funding to administer the Ontario Rebate for Electricity Consumers (OREC)

Request:

- The Ministry is requesting funding of $3.1M per year and four permanent FTEs, including funding of $0.4M in Salary and Wages, to cover program implementation and delivery of the OREC.

Considerations:

- The Ministry indicates successful implementation of the Ontario Rebate for Electricity Consumers, a permanent program, will require additional permanent staff resources in the Ministry of Energy to support new government policy and operational responsibilities.
- The ministry's partners in this initiative – the IESO, OFA and the Ministry of Finance – are not providing program administration support. Rather, the IESO and OFA are only making payments on behalf of the Ministry of Energy, and the Ministry of Finance is tasked with auditing entities post payment.
- The Ministry is requesting a total of 4 new permanent FTEs starting in 2017-18 and onwards. The FTEs requested will cover a variety of responsibilities critical to the success of the Ontario Rebate for Electricity Consumers, including:
    - Policy and program development, providing direction to 72 local distribution companies (LDCs) and 10 Independent Power Authorities to develop specific payment and billing mechanisms, in addition to managing the relationships with service providers to ensure that any identified issues are addressed and resolved.
    - Financial
    -
    - support to track and monitor up to 400 data elements each month in order to know how much funding has been provided and to what entities, and tracking LDC payments and settlement statements based on information received from the IESO.
    - Communications and marketing support to handle internal and external program stakeholders.
- The $3.1M per year breaks down as follows:
    - $0.6M related to the 4 FTEs, including $0.4M in Salary and Wages, remainder is primarily Services – Office operations.
    - $2.5M per year in Services to cover program implementation and delivery of the Ontario Rebate for Electricity Consumers.
- The OREC admin resources request is similar as for the Ontario Clean Energy Benefit (OCEB ran from January 1, 2011 until December 31, 2015, the Ministry continues to wrap-up the program – targeting September 2017 to deal with trailing liabilities).
    - The Ministry's OCEB request for 6 FTEs was not approved, however funding was provided – $2.8M in 2011-12, $2.8M in 2012-13, $2.8M in 2013-14 and on-going for the duration of OCEB. However, 2012-13 Results-based Planning minutes note a realignment of this funding to a different Vote/Item; and a reduction in operating expense through internal efficiencies (Expense Levers) was included, leaving only $1.2M for 2013-14 and $1.9M for 2014-15 and on-going for the duration of OCEB. There is no OCEB admin funding as of 2017-18.
    - Given similarities between OREC and OCEB, OREC funding for year 1, 2017-18 could be as requested at $3.1M and then flatlined at lower level of $1.9M per year from year two onwards.
- As of December 2016, the Ministry has a vacancy rate of 5.6% or 11.61 positions

Recommendations:

- Defer to Wrap-Up – Request for FTEs and funding above preliminary allocation with no offsets identified.

Operating Decisions	$M	17-18	18-19	19-20	20-21	Recommendation
B. Electricity Rate Mitigation: Rebate forecast update	Proposed Expense	94.0	96.0	196.0	196.0	**Defer (To In-Year)**
	Recommended Expense	-	-	-	-	
Defer to In-Year – manage risk from the Treasury Board Contingency Fund.						
C. Electricity Rate Mitigation: Permanent Administration FTEs and funding	Proposed Expense	3.1	3.1	3.1	3.1	**Defer (To Wrap-Up)**
	Recommended Expense	-	-	-	-	
Defer to Wrap-Up – Request for FTEs and funding above preliminary allocation with no offsets identified.						

Given similarities between OREC and OCEB, OREC funding for year 1, 2017-18 could be as requested at $3.1M and then flatlined at lower level of $1.9M per year from year two, 2018-19 onwards.

FTE Decisions	(# of FTEs)	17-18	18-19	19-20	20-21	Recommendation
C. Electricity Rate Mitigation: Permanent Administration FTEs and funding	Proposed New FTEs (P)	4.0	4.0	4.0	4.0	**Defer (To Wrap-Up)**
	Recommended FTEs	-	-	-	-	
Defer to Wrap-Up – Request for FTEs and funding above preliminary allocation with no offsets identified.						

Request for additional FTEs to administer OCEB was not approved. The Ministry notes staff held other files and responsibilities in addition to administering OCEB (no staff dedicated solely to OCEB).

V. Programs without Key Changes

Summary of Programs without Key Changes

		Current Approved Allocation				Recommended Allocation			
Total Expense	**$M**	**17-18**	**18-19**	**19-20**	**20-21**	**17-18**	**18-19**	**19-20**	**20-21**
Approve-In-Principle - Status Quo									
Long-Term Energy Plan Program Initiatives (TP)		3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Northern Ontario Energy Credit (TP)		26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Ministry Admin (Legal Services Branch)		5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
– Transfer of 1 FTE to MAG for Legal Services support for 2017-18 only.									
Ministry Admin (MO, DMO)		3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Approve-In-Principle – Minor Changes to Program Allocation									
Electricity and Natural Gas Sector Regulation (Ontario Energy Board)		39.4	39.8	39.8	39.2	45.7	46.0	46.0	45.5
– Change in agency expense offset by revenue.									
Electricity and Natural Gas Sector Regulation (Independent Electricity System Operator)		215.6	213.8	210.2	210.2	218.4	222.9	225.8	225.8
– Change in agency expense offset by revenue.									
Energy Policy Development and Implementation		23.9	23.9	23.0	23.0	22.0	22.0	21.1	21.1
– Assigned the $1.9M on-going savings target. – Transfer of 2 FTEs to MGCS for EWRB project for 2017-18 only.									
Ministry Admin (Communication Services Branch)		4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Ministry Admin (Corporate Services Branch)		5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2

VI. New Priority Initiatives (Scalable Options) – N/A

VII. Greenhouse Gas Reduction Account (GGRA) Decisions

GGRA Operating Initiative	Eligible for GGRA	Description	Initiative Cost $M			
			17-18	18-19	19-20	20-21
Free Overnight Charging Program for Electric Vehicles (EVOCIP), GGRA 2016-17 #10	☒Yes ☐No	Ontarians will be offered rebates against the cost of overnight electricity if they charge electric vehicles (EVs) overnight. This initiative is expected to reduce GHGs from automobiles by encouraging greater acquisition and use of EVs, and encouraging EV owners to shift to charging during off-peak hours, reducing peaking demand (which is typically when natural gas electricity generation plants are used to meet power demand). The Ministry indicates offering "free overnight charging", based upon average daily EV charging rates and anticipated EV adoption, the $15 million in funding announced in CCAP would be insufficient. The Ministry estimates that a 4-year program capped at $15 million with comprehensive coverage of EV owners across Ontario would enable an annual rebate of $105. Since specific program design has not been determined yet, the Ministry estimates administration costs of about 10% of total program costs, or about $1.5 million, bringing total program costs to $15 million. Administration costs are assumed to be front-loaded, with annual processing costs of about $200,000.	2.2	2.7	3.7	5.0
Cap and Trade Proceeds Recycling to Keep Electricity Rates Affordable, GGRA 2016-17 #91	☒Yes ☐No	• On September 12, 2016: ○ Cabinet directed the Ministry of Energy, working with MOECC, to report back to Cabinet on an approach to recycle cap and trade proceeds to industrial and commercial electricity consumers over the first compliance period (2017-2020). ○ Ontario announced a number of initiatives to reduce electricity bills for consumers across the province, including the intention to use a portion of the cap and trade auction proceeds to help keep electricity prices affordable for industrial and commercial electricity consumers. Recycling cap and trade auction proceeds to lower the cost of electricity would offset electricity consumers' contributions to investments/initiatives which reduce greenhouse gas (GHG) emissions (e.g., non-emitting generation, conservation programs, etc.). Depending on the final approach, the Ministry indicates legislation, regulation or Lieutenant Governor in Council (LGIC) regulation may be required to allow the Independent Electricity System Operator (IESO) and Local Distribution Companies (LDCs) to recycle proceeds to consumers. The program dates are subject to change.	249	263	276	319

VIII. Ministry Performance Measurement System

Overall Assessment of Performance Measurement System

Overall, the ministry has reported measures demonstrating good potential to inform a strong performance measurement system. Although some measures are more output-focused, and many require additional details or methodological refinement, they are well aligned to the ministry goals, priorities, and mandate commitments. Measures are focused on conserving energy, demonstrating cost efficiencies, and disseminating knowledge to the general public. To ensure the performance measurement system reaches its potential, there is room for refinement of measures to reflect an outcome-focus and to maximize value to inform decisions related to ministry programs, policies, and/ or goals.

The ministry's proposed KPIs suggest that:

- Greenhouse gas emissions from Ontario's electricity sector decreased from 31.20Mt of CO_2 in 2008-09 to 9.2Mt of CO_2 in 2014-15.
- In 2015, a total of 9MW of net metered renewable energy generation capacity was installed in Ontario.
- From 2004 to 2014, Ontarians conserved 9.9 Terawatt Hours (TwH) of electricity (enough to power a city the size of Ottawa in 2014).

The ministry has set ambitious targets aligning well with its Long-Term Energy Plan outlining ways to offset growth in electricity demand. While most of the proposed KPIs are technically sound with data to report, and many have trend data to allow for careful assessment of target values, areas for refinement have been identified. For example, the ministry should consider moving the measure related to broadening the ownership of Hydro One to the program level.

There may be opportunities for KPI development or revision related to engagement of Indigenous partners (e.g., remote community connection), and innovation within the sector (e.g., energy storage, micro-grids, or growth). Further, the ministry could work with other ministries to better understand the inter-relationships of measures related to the expansion of natural gas access, affordability, and regulations.

Generally, the ministry could review the program inventory and refine as needed for the next reporting period to ensure coherence of the inventory and – ultimately - to contribute to a strong performance measurement system.

Key Performance Indicator (KPI)/ Unit of Measure	Outcome Statement	Key Ministry Programs Contributing to the Outcome Being Assessed by KPI	Baseline Value and Date	Current Value and Date (if not baseline)	Target Value and Date
Continue to increase energy efficiency and conservation in Ontario Cumulative reduction in electricity consumption, terawatt hours (TWh)	Conservation is the cleanest and most cost-effective energy resource and offers consumers a way to reduce their energy bills and reduces the need to build new electricity infrastructure.	P29001 - Electricity and Natural Gas Sector Regulation P29004 - Long-Term Energy Plan Program Initiatives	4.00 TWh 2005	9.90 TWh 03/31/2014	30.00 TWh 03/31/2032
Maintaining low electricity sector emissions in support of the province's climate change targets CO2 emission levels in megatonnes (Mt) as weighted average Apr-Dec Y1 (75%) + Jan-Mar Y2 (25%)	By refurbishing emission-free nuclear capacity and sourcing clean renewable power, Ontario will maintain a low emissions profile and help achieve the province's Greenhouse Gas (GHG) emission reduction targets.	P29002 - Electricity Market Operations & System Planning P29004 - Long-Term Energy Plan Program Initiatives	31.20 Mt 03/31/2008	7.00* Mt 03/31/2016 *Preliminary estimate - not weighted	8.03 Mt 03/31/2032
Minimize annual growth of electricity costs to consumers and business Dollars ($) spent by the average consumer in the electricity sector	Through energy conservation efforts and support from government regulation, citizens, particularly in rural and First Nation communities, will prosper when they are not burdened by rising electricity costs.	P29001 - Electricity and Natural Gas Sector Regulation P29004 - Long-Term Energy Plan Program Initiatives P29012 - Ontario Rebate for Electricity Consumers Program	$141.50* 03/31/2016 *Weighted average of actual 2015 and forecast 2016.	N/A	$188.00 03/31/2032
Proceeds raised from sale of Hydro One against targets Earnings in billions of dollars	Broadening the ownership of Hydro One raising funds for both the Trillium Trust investments in infrastructure and to pay down debt.	P29011 - Strategic Asset Management & Transformation	0.00 03/31/2015	$1.80B 03/31/2016	$9.00B* 03/31/2019 *Total net gain

Key Performance Indicator (KPI)/ Unit of Measure	Outcome Statement	Key Ministry Programs Contributing to the Outcome Being Assessed by KPI	Baseline Value and Date	Current Value and Date (if not baseline)	Target Value and Date
Support transition from standard offer procurements to market based net metering program for customer sited renewables Cumulative installed capacity in megawatts (MW)	Transitioning the deployment of renewable generation to the updated net metering regulation will enable individuals and organizations to generate their own electricity and reduce their bills while contributing to Ontario's clean energy economy and Climate Change Action Plan.	P29002 - Electricity Market Operations & System Planning P29004 - Long-Term Energy Plan Program Initiatives	6.40 MW 03/31/2010	9.10 MW 03/31/2015	45.00 MW 03/31/2019

The table below provides further detail of the assessment of the Ministry-level KPIs.

Key Performance Indicator (KPI)	Strategic Importance	Relevance for Decision Making	Technical Standards
Continue to increase energy efficiency and conservation in Ontario	**Strategic Importance & Alignment:** ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☐ Horizontal and/ or transformational linkage This measure is aligned to ministry goals and mandate commitments related to demonstrating leadership in setting energy efficiency standards, as well as promoting energy conservation.	**Relevance for Decision Making:** ☒ Improved outcomes ☒ Cost efficiencies/ cost avoidance ☐ Contribute other important information This KPI is related to conservation and reducing costs associated with energy use for Ontarians. The measure is relevant for monitoring reduced consumption as an outcome as well as to inform cost efficiency of the energy sector through reduced demand.	Although the KPI is output-based, its focus on improved energy conservation enhances its utility for performance measurement and monitoring. Based on information available as well as trend data, the identified target appears ambitious and potential impact of reaching target is clear.
Maintaining low electricity	**Strategic Importance & Alignment:**	**Relevance for Decision Making:**	The measure is a weighted average of

Key Performance Indicator (KPI)	Strategic Importance	Relevance for Decision Making	Technical Standards
sector emissions in support of the province's climate change targets	☒ Mandate Commitments ☒ Ministry Strategy/ Priorities [Describe]: ☐ Horizontal and/ or transformational linkage This measure is aligned with mandate commitments related to continued leadership in setting energy efficiency standards, as well as to the commitment to promote energy conservation, and to help customers reduce their energy use. There is an opportunity to work with other ministries to ensure horizontal alignment related to the Climate Change Action Plan.	☒ Improved outcomes ☐ Cost efficiencies/ cost avoidance ☐ Contribute other important information This measure is focused on improved outcome for Ontarians by reductions to Greenhouse Gas emissions.	measured levels of CO_2 emissions. The target is linked to the Long Term Energy Plan, but does not appear to be a stretch target. The ministry may want to consider revising the target value should trend data indicate a more ambitious goal is feasible.
Minimize annual growth of electricity costs to consumers and business	**Strategic Importance & Alignment:** ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☒ Horizontal and/ or transformational linkage Mitigating the effects of the impact of electricity prices on Ontarians is a key priority for the government. This measure has strong ties to the Long Term Energy Plan (LTEP) as well as explicit mention of the ministry goal to decrease electricity costs to rural areas (including First Nations).	**Relevance for Decision Making:** ☒ Improved outcomes ☒ Cost efficiencies/ cost avoidance ☐ Contribute other important information This measure is focused on improved outcomes for Ontarians related to decreased electricity costs. Its relevance is enhanced with its ability to address cost avoidance for consumers – though not necessarily the province. The measure is intended to include a particular focus on rural and First Nations communities. To the extent that this bears out in reporting, it will enhance the relevance of the KPI.	The ministry noted that target value and metrics would be further developed in the next reporting cycle. While the measure is aligned with the commitment to mitigate the impact of electricity prices on consumers and businesses, the measure could be refined to focus on particular activities or programs that may have a differential influence on costs. Alternatively, it could be strengthened if segmented by region (i.e., rural/ urban), for example. The outcome statement refers to energy conservation efforts supporting citizens, particularly in rural and First Nation communities, but it is not clear how this measure - in isolation - may do that.
Proceeds raised from sale of Hydro One against targets	**Strategic Importance & Alignment:** ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☐ Horizontal and/ or transformational linkage	**Relevance for Decision Making:** ☐ Improved outcomes ☒ Cost efficiencies/ cost avoidance ☐ Contribute other important information	Given its strong alignment to the ministry program related to strategic assets, this measure should be revised to be more outcome-focused and considered at the

Key Performance Indicator (KPI)	Strategic Importance	Relevance for Decision Making	Technical Standards
	Although the KPI is output-focused, it aligns to ministry priorities and mandate commitments related to driving efficiencies, generating savings, and broadening ownership of Hydro One.	Although focused on output, this measure has the potential to provide an indication of cost efficiencies if combined with other performance measures related to Trillium Trust investments in infrastructure and/ or debt payment. As described, the output-based measure is narrow in scope, limiting its relevance for decision making.	program level.
Support transition from standard offer procurements to market based net metering program for customer sited renewables	**Strategic Importance & Alignment:** ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☒ Horizontal and/ or transformational linkage This measure is aligned to ministry priorities, goals and mandate commitments. There may also be opportunities for horizontal alignment of measures related to the Climate Change Action Plan.	**Relevance for Decision Making:** ☐ Improved outcomes ☐ Cost efficiencies/ cost avoidance ☒ Contribute other important information This measure will contribute information for decision-makers related to clean energy, and progress towards targets promised as part of the Long-Term Energy Plan. The measure could be more valuable for decision-makers if it was refined to assess impact.	Although this KPI is output-focused, the indicator is strategically aligned to key ministry goals and priorities. The ministry may consider refinement of the measure to be more outcome-focused (e.g., proportion of all energy generation in the province that is net metered renewable). The ministry should ensure any overlap between this measure and other KPIs is minimized. If considerable overlap is noted, a new measure should be considered.

Program Assessment

The ministry submitted program measures for five of seven programs outlined in the ministry program inventory. As noted by the ministry, one program was sunset in 2015-16, and another program fell beyond the ministry's purview (all admin and funding through MOF). All five programs are associated with at least one KPI, and the PRRT programs are identified as aligning with the following Multi-year Priority Outcomes:

- Leader on Environmental Sustainability & Climate Change Mitigation
- Modernized Infrastructure, Trans. Networks
- Reduced Poverty, Inequality, and Exclusion

The identified program level measures are generally aligned with program and ministry priorities including the reporting of two efficiency measures to assess program delivery. The ministry may consider a thoughtful refinement of the program level measures to ensure they contribute relevant information, make most use of available data, and to ensure they are useful to drive continuous improvement within the ministry, especially given the ministry's ambitious goals and targets.

IX. FTE Summary

The table below shows the request for four permanent FTEs starting in 2017-18 for implementation and administration of the Ontario Rebate for Electricity Consumers. The Ministry's request related to the temporary Investment and Governance Secretariat has been removed, to be dealt with by MOF.

Temporary transfers in 2017-18 to MAG for on-going energy related work and to MGCS to support the Energy and Water Reporting and Benchmarking Project are also shown.

	16-17[1]	17-18	18-19	19-20	20-21	
Preliminary FTE Allocation[2]						
Base	208.61	209.61	209.61	204.61	204.61	A
Total In-Year Permanent	0.00	0.00	0.00	0.00	0.00	B
Total In-Year Temporary	0.00	0.00	0.00	0.00	0.00	C
Total Inter-Ministry Transfers *(Sending: Permanent-/Temporary-)* *(Receiving: Permanent+/Temporary+)*	0.00	0.00	0.00	0.00	0.00	D
Total Preliminary FTE Allocation[3]	**208.61**	**209.61**	**209.61**	**204.61**	**204.61**	E=A+B+C+D
Ministry FTE Submission[2]						
Permanent FTEs		4.00	4.00	4.00	4.00	F
Temporary FTEs		0.00	0.00	0.00	0.00	G
Inter-Ministry Transfers – FTEs *(Sending: Permanent-/Temporary-)* *(Receiving: Permanent+/Temporary+)*		(3.00)	0.00	0.00	0.00	H
Total Ministry FTE Submission		**1.00**	**4.00**	**4.00**	**4.00**	I= F+G+H
Over (Under) Preliminary FTE Allocation		**(10.61)**	**(7.61)**	**(7.61)**	**(7.61)**	J
FTE Recommendation[2]						
Approve-In-Principle						
Permanent FTEs		0.00	0.00	0.00	0.00	K
Temporary FTEs		0.00	0.00	0.00	0.00	L
Inter-Ministry Transfers – FTEs *(Sending: Permanent-/Temporary-)* *(Receiving: Permanent+/Temporary+)*		(3.00)	0.00	0.00	8.00	M
Revised FTE Allocation		**TBD**	**TBD**	**TBD**	**TBD**	N=E+K+L+M
Total FTEs Defer		4.00	4.00	4.00	4.00	O
Total FTEs Do Not Approve		0.00	0.00	0.00	0.00	P

[1]2016-17 number includes all in-year decisions to date.

[2]Numbers are "all up" (e.g., if the request is for X permanent FTEs in 2017-18, the same number of X FTEs will show in each year)

[3] Staff Strength is under Preliminary FTE Allocation by 11.61 FTE as of December 2016

X. Appendices

- **Legend: Icons**
- **Summary of Programs**
- **Program Changes**
- **FTE Schedule**
- **Technical & Admin. Decisions**
- **10-year capital expense and asset plans**
- **[Ministry-reported Risks]**
- **Other Supporting Schedules**

Legend: Icons

Information

Transformation

Key Performance Indicators

Key Risks

Funding

Scalable options provided

Central Agency Analysis/ Considerations

Key Request Types

Financial

Increase in funding above allocation

Decrease in funding/savings

Release funding set aside for out-year impacts of in-year approvals

Increase in funding offset by revenue

Inter-ministry transfer of funding/resources

Internal realignment/funding offset from within allocation

Re-profile funding

Other

Resources/FTEs

I&IT

Negotiating mandate

Consultation

Announce

Other Supporting Schedules

Financial Summary (Detailed Version)

$M	16-17	17-18	18-19	19-20	20-21
Ministry Specific Funding - Preliminary Allocation					
Operating Expense	779.0	1390.6	1387.8	1317.0	1302.0
Capital Expense	22.0	22.2	21.3	17.5	17.0
Total Preliminary Allocation	**801.0**	**1412.8**	**1409.1**	**1334.6**	**1319.0**
Ministry Submission					
Operating Expense		1981.7	1750.1	1801.5	1845.8
Capital Expense		23.2	24.2	24.6	24.1
Total Ministry Submission		**2004.9**	**1774.3**	**1826.1**	**1869.9**
Over/(Under) Preliminary Allocation		*592.1*	*365.2*	*491.5*	*550.9*
Adjustments for Fiscally Neutral Items					
· **Inter-Ministry Transfers:** GSIC IT Rationalization		*0.0*	*0.0*	*0.0*	*0.0*
· **Inter-Ministry Transfers:** Grants Ontario Funding Model		*0.1*	*0.1*	*0.1*	*0.1*
· **GGRA Revenue Offset:** Keeping Electricity Rates Affordable		*(249.0)*	*(263.0)*	*(276.0)*	*(319.0)*
· **GGRA Revenue Offset:** EV Overnight Charging Rebate		*(2.2)*	*(2.7)*	*(3.7)*	*(5.0)*
· **Consolidated Agencies Revenue:** Higher Revenue Forecast (OPCD)		*(7.7)*	*(15.3)*	*(21.8)*	*(21.8)*
· **Revenue:** H1 Secondary Share Sale Proceeds		*(70.0)*			
· **Revenue:** Conferred Benefit to First Nations		*(135.0)*			
Fiscal Impact of Ministry Submission		**128.3**	**84.2**	**190.1**	**205.1**
Recommendations					
Do Not Approve					
Do Not Approve - Operating Expense		*0.0*	*0.0*	*0.0*	*0.0*
Do Not Approve - Capital Expense		*0.0*	*0.0*	*0.0*	*0.0*
Total Do Not Approve		**0.0**	**0.0**	**0.0**	**0.0**
Defer					
· GGRA: Keeping Electricity Rates Affordable	O	*249.0*	*263.0*	*276.0*	*319.0*
· GGRA: EV Overnight Charging Rebate	O	*2.2*	*2.7*	*3.7*	*5.0*
· H1: Strategic Asset Management Admin, 5 Perm FTEs	O			*5.9*	*5.9*
· H1: Cash Contribution to First Nations	O	*30.0*	*(15.0)*	*(15.0)*	
· H1: Conferred Benefit to First Nations	O	*135.0*			
· H1: Accelerated Secondary Share Sale	O	*70.0*			
· Updated Forecast Electricity 8% Rebate	O	*94.0*	*96.0*	*196.0*	*196.0*
· Admin & FTEs Electricity 8% Rebate	O	*3.1*	*3.1*	*3.1*	*3.1*
Defer - Operating Expense		*583.3*	*349.8*	*469.7*	*529.0*
Defer - Capital Expense		*0.0*	*0.0*	*0.0*	*0.0*
Total Defer		**583.3**	**349.8**	**469.7**	**529.0**
Adjustment for Deferred / Not Approved Fiscally Neutral Items		**583.3**	**349.8**	**469.7**	**529.0**
Approve					
Operating Expense		1398.4	1400.2	1331.7	1316.7
Capital Expense		23.2	24.2	24.6	24.1
Total Approve		***1,421.6***	***1,424.5***	***1,356.3***	***1,340.8***
Over/(Under) Preliminary Allocation		8.8	15.3	21.8	21.8
Adjustment for Fiscally Neutral Items		*(7.7)*	*(15.3)*	*(21.8)*	*(21.8)*
Fiscal Impact of Recommendations		**1.1**	**0.0**	**0.0**	**0.0**
% Growth		***77.5%***	***0.2%***	***(4.8%)***	***(1.1%)***