Office of the Provincial Controller Division

Ontario Fair Hydro Plan – Accounting for Market Accounts and Rate-regulated balances under Public Sector Accounting Standards

Agenda

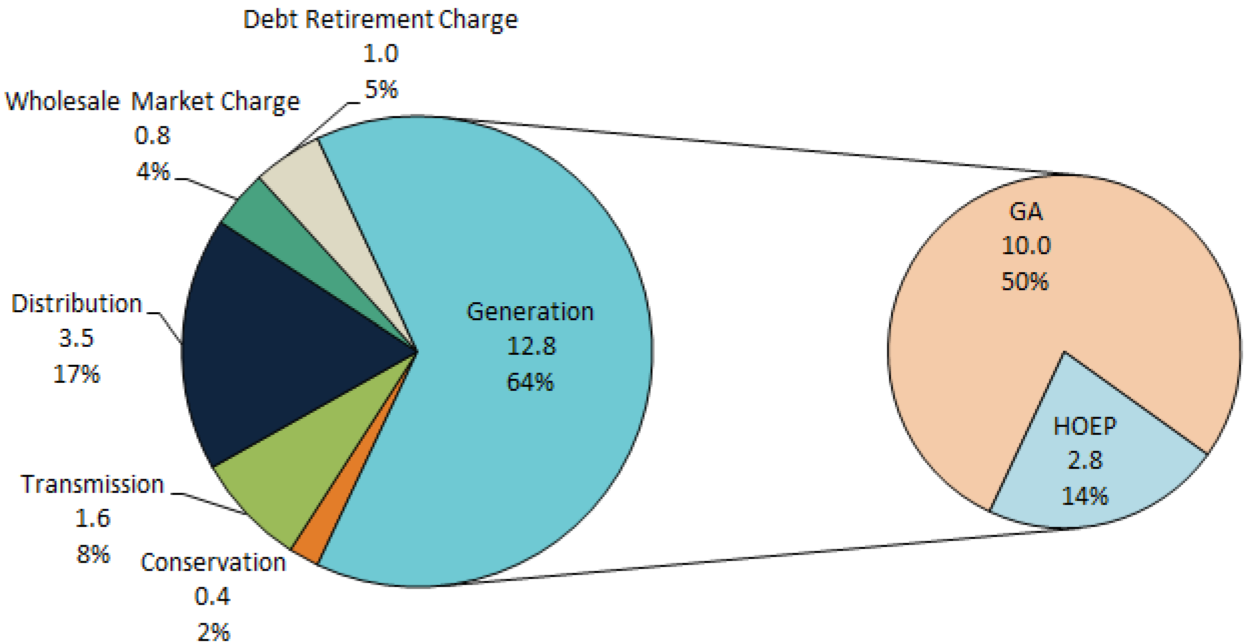
- Ontario's Electricity Market – Background and Context
- Ontario Fair Hydro Plan
- Use of Rate Regulated Accounting under PSAS
- Accounting for the Market Accounts of IESO

Ontario’s Electricity Market -- Background

Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.

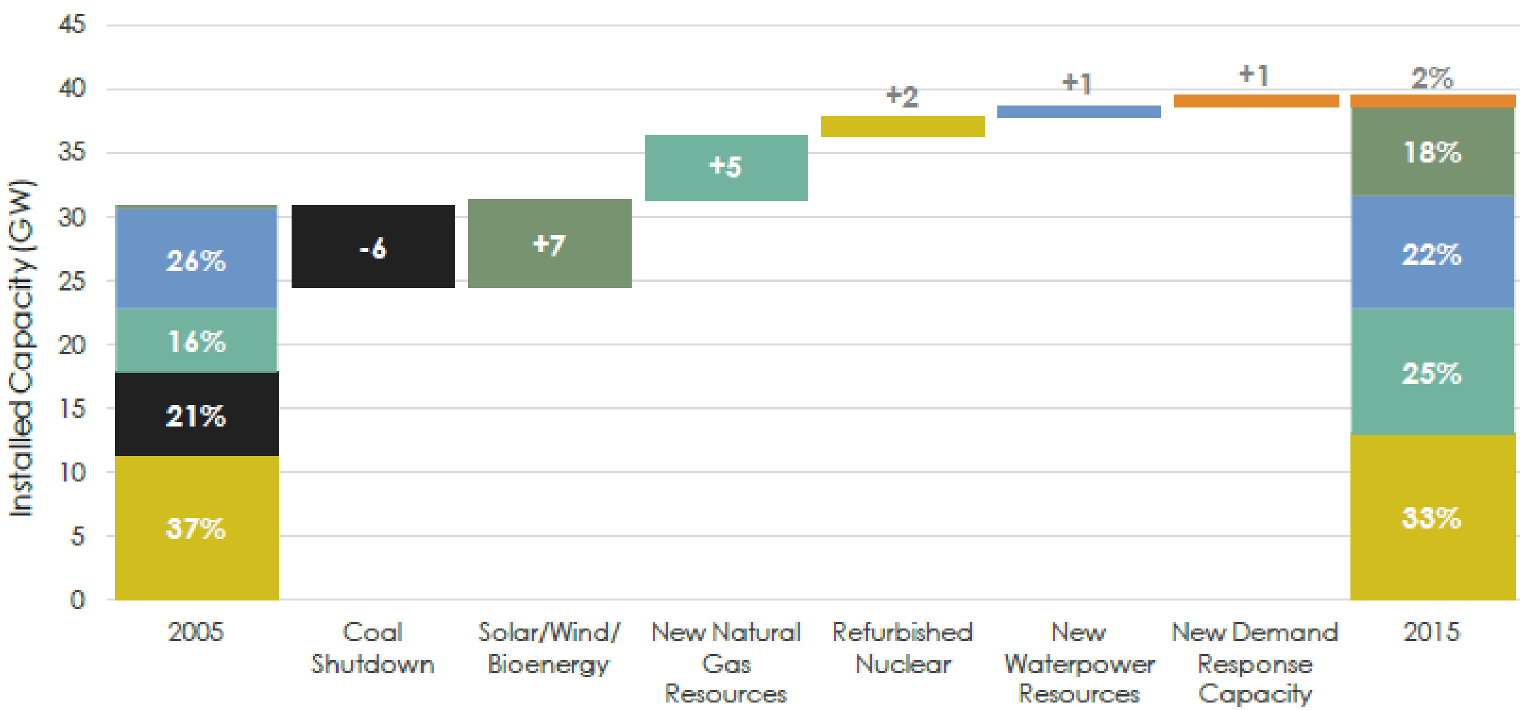
2015 Electricity System Cost
$ billion



Source: IESO

Significant Change in Supply Mix

- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.

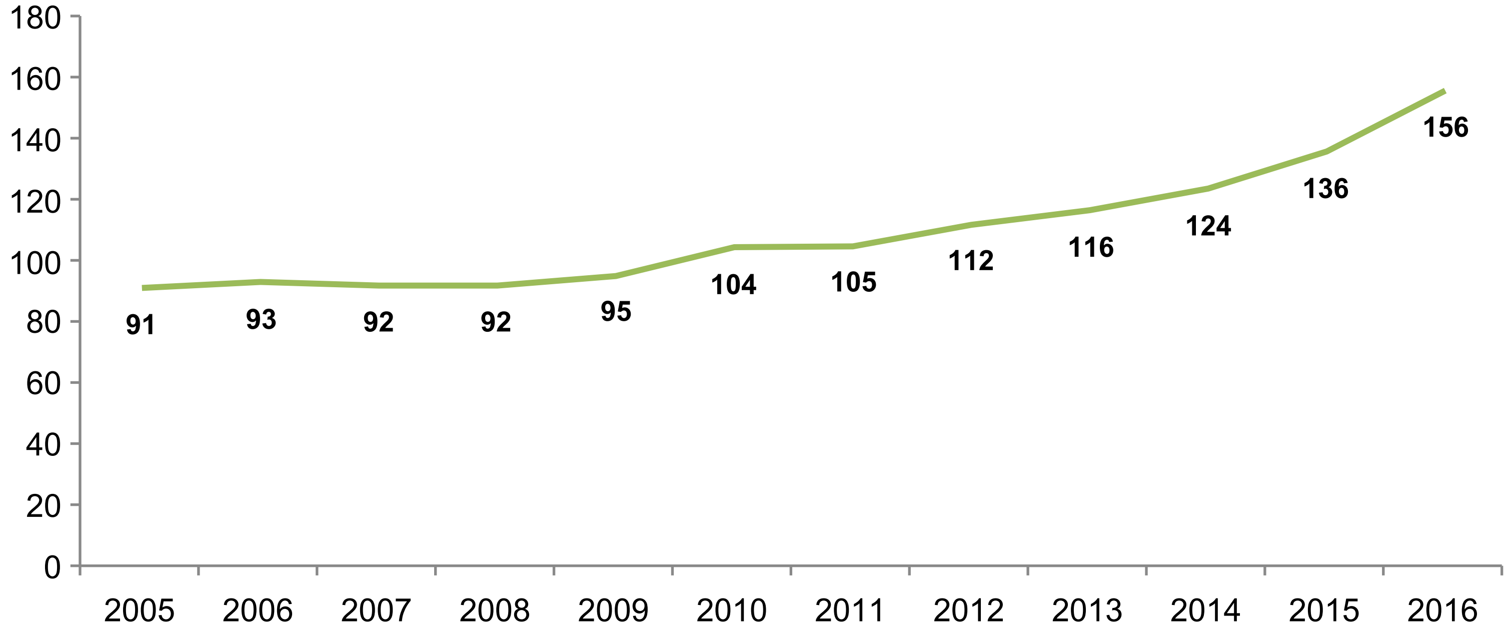


Source: *IESO*

Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).

Typical Residential Electricity Bills
in $ per month, 750 kWh consumption



Source: *Ministry of Energy*

2017 Long-term Energy Plan

Recent Actions To Mitigate Electricity Rates

- Following the 2016 Throne Speech, several actions were announced to further reduce electricity costs.
  - As of January 1, 2017, Ontario is rebating an amount equal to the provincial portion of the HST to reduce eligible residential, small business and farm electricity bills by 8%.
  - Expanded support available to eligible rural ratepayers by updating Rural or Remote Rate Protection (RRRP) with additional relief, decreasing total electricity bills by an average of $45 each month when combined with the 8% rebate.
  - Expanding the Industrial Conservation Initiative (ICI) – up to one-third savings for participants.
  - Suspending the LRP II and the Energy from Waste Standard Offer Program (EFWSOP) – up to $3.8 billion in cost savings.
  - Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements – up to $129 million in cost savings.

Ontario's Electricity System

- Ontario's electricity system is a $20 billion annual sector that serves the needs of nearly 5 million homes, businesses, farms and industries.

- The Ontario Energy Board (OEB) is the independent regulator of Ontario's energy sector. It approves rates and prices that are reasonable to consumers and allow utilities and generators to invest in the system.

- The Independent Electricity System Operator (IESO) is a not-for-profit entity that manages the province's power system to ensure Ontarians receive power when and where they need it. It also manages contracts with non-regulated generators. In addition, the IESO plans and prepares for future electricity needs, and works with its partners to guide conservation-related efforts.

- Ontario Power Generation (OPG) is wholly-owned by the Province of Ontario and produces almost half of the electricity used in Ontario. OPG owns and operates: two nuclear stations, 66 hydroelectric stations, two biomass stations and one thermal station.

Role of the Independent Electricity System Operator

- The IESO is a corporation established pursuant to Part II of the Electricity Act, 1998, and administers $17 billion of the $20 billion annual electricity system, settling transactions between generators and consumers of electricity.

- One of IESO's roles is to settle the market accounts, which are the amounts due to the entities who provide electricity to the market (e.g. power generators) and due from those who consume electricity (e.g. local distribution companies on behalf of their consumers).

- The IESO is rate-regulated under the Electricity Act (1998) and the Ontario Energy Board Act (1998) by virtue of its right to recover the following costs from future ratepayers as determined by the Ontario Energy Board:
  - Revenue, expenditure requirement and fees
  - Smart meter expenses
  - PSAB transition items
  - Market settlements (Rate Protection Price (RPP), Ontario Electricity Support Program (OESP), Rural or Remote Rate Protection (RRRP))

IESO Changes in Accounting Policy

- In 2016, IESO made two changes in its accounting policies:
  - adopted rate-regulated accounting
  - Reflected the market accounts in the statement of financial position
  - for changed the accounting to include the market accounts (including the regulated asset/liability associated with the cash flow deficit/surplus from the RPP), recognizing the amounts to be settled as assets and liabilities in the Statement of Financial Position, equal in amount.

- The reporting for the market accounts better reflects the economic substance of IESO's operations and enhances the relevance, transparency and accountability of its financial reporting

- IESO management determined that rate-regulated accounting is appropriate and well understood in the North American electricity sector, and the recognition of regulatory assets brings IESO in line with 6 other independent system operators – AESO (Alberta), ISO New England, NYISO (New York), MISO (Midwest United States), PJM (Eastern United States) and ERCOT (Texas).

- The Ontario Power Authority, which merged with the IESO on January 1, 2015, presented in its unqualified, audited financial statements under PSAS, a segment of the market accounts for settlement with generators under contracts

Accounting for Independent Electricity System Operator (IESO) Market Accounts

- Independent Electricity System Operator (IESO) is a corporation established pursuant to Part II of the *Electricity Act, 1998*, and prepares its financial statements in accordance with PSAB standards.
- KPMG LLP audits IESO's financial statements and issued an unqualified opinion on the December 31, 2016 financial statements.
- IESO administers a $17 billion annual market reflecting the amounts *due to* entities that provide electricity to the market (e.g. power generators) and *due from* entities who consume electricity (e.g. local distribution companies on behalf of their consumers). IESO is a party to these agreements with the market participants.
- In 2016, IESO changed the accounting for the market accounts, recognizing these amounts due from and due to the market participants as assets and liabilities respectively.
- This change has no impact to the province's annual deficit, net debt or accumulated deficit.
- The Ontario Power Authority (which was merged with the IESO on January 1, 2015) included a segment of these accounts in its financial statements, and received an unqualified opinion by its external auditor, KPMG LLP. The financial statements of the Province were not qualified by the Office of the Auditor General as a result of including these accounts.

Accounting for IESO Market Accounts

- The IESO is a party to agreements with each market participant, and each market participant either owes an amount to the IESO or is owed an amount from the IESO. For example:
  - Ontario Power Generation has a receivable from IESO recorded on its financial statements related to power generated, and historically, IESO did not have a payable recorded to Ontario Power Generation – now it does
  - Hydro One has a payable to IESO recorded on its financial statements related to power purchases, and historically, IESO did not have a receivable recorded from Hydro One – now it does
- The amounts due from market participants meet the definition of an asset and the amounts due to market participants meet the definition of a liability under PSAB standards.
- In connection with this change, the accounting for eight other independent system operators in North America were reviewed, and all but one recognize market accounts in the financial statements.
- IESO management, their Audit Committee, their Board of Directors, their external auditor and the Office of the Provincial Controller support the change in accounting as being more transparent.
- A qualified opinion was issued by the Office of the Auditor General on the 2016-17 consolidated financial statements regarding the change in Independent Electricity System Operator's accounting for the "market accounts".

Role of the Ontario Energy Board

- The OEB has been established by the Province to be Ontario's independent energy regulator; its mandate and authority come from the Ontario Energy Board Act, 1998, the Electricity Act, 1998, and a number of other provincial statutes.

- As noted previously, the rates charged by the IESO to electricity consumers are determined by the OEB, and therefore, it is considered the governing board of the IESO.

- While both the IESO and the OEB are controlled by the Province, this does not negate the role the OEB plays with respect the electricity market nor the determination of the IESO as a rate-regulated entity
  - Under US GAAP, the requirement is an independent, third-party regulator <u>or its own governing board empowered by statute</u> or contract.

Ontario's Fair Hydro Plan

- Since 2003, nearly $70 billion has been invested in the electricity system, including more than $37 billion in electricity generation to ensure the system is clean and reliable.

- The Ontario Fair Hydro Plan Act ("OFHPA") provides Ontario ratepayers with an average 25% reduction in their electricity bills by way of:
  1. Spreading the cost of Ontario's clean energy investments over the expected lifecycle of the generation infrastructure assets (i.e. global adjustment); this is expected to account for 18-19% of the overall reduction,
  2. Shifting the cost of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection (RRRP) social program costs from ratepayers to taxpayer-funded programs,
  3. An 8% rebate equal to the provincial portion of the HST, which took effect on January 1, 2017.

- The OFHPA requires the IESO to create and maintain a variance account for the global adjustment (referred to in the OFHPA as a 'regulatory asset') to be recovered from the ratepayers, but the OFHPA does <u>not</u> establish any accounting definitions for this variance for financial reporting purposes

- By way of this government's policy decision, the 8% rebate and the social programs will be funded from the tax-base (not the rate-base); costs incurred, starting in 2016-17, have been accounted for as an expense in the Province's consolidated financial statements.

Ontario's Fair Hydro Plan

Tax Base

- 8% rebate (started 1/1/17)
- Ontario Energy Support Program*
- RRRP*
- First Nations On-Reserve Credit*
- Affordability Fund*

Rate Base

- Global Adjustment Refinancing

Global Adjustment (GA) Refinancing

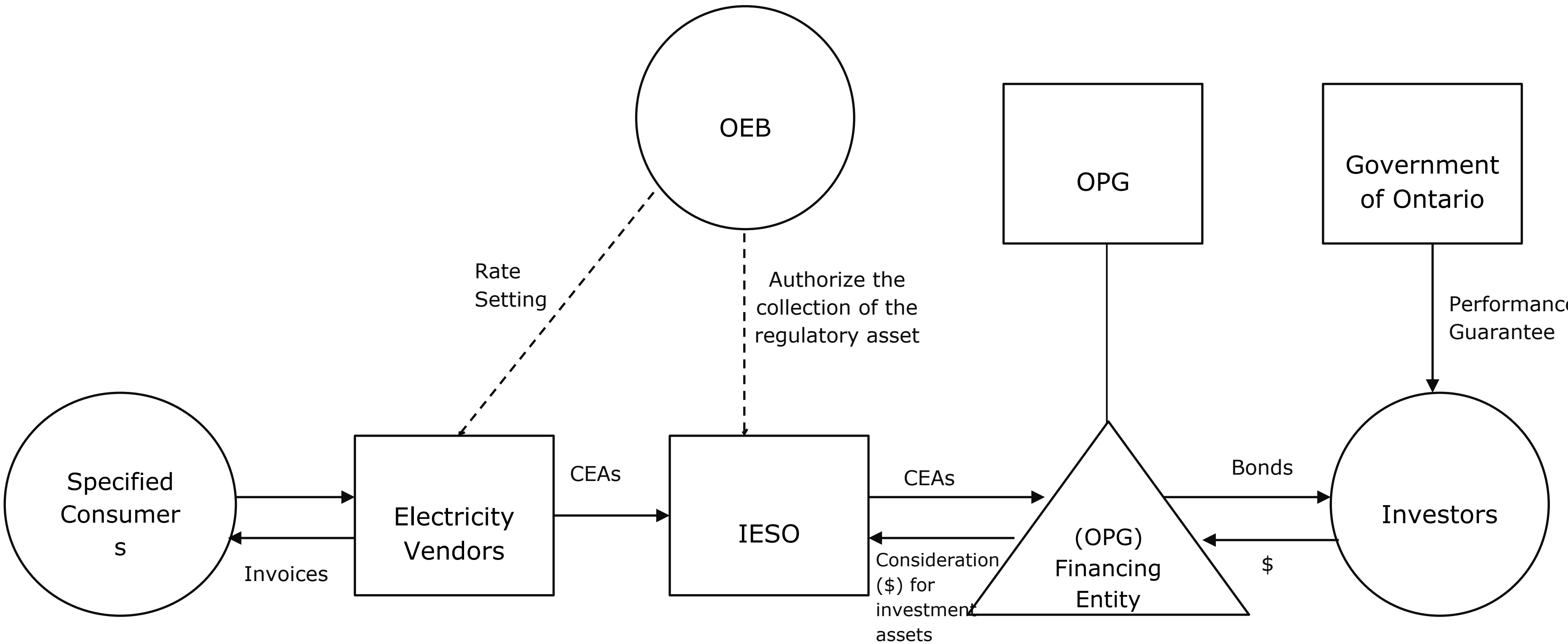
- Under the OFHPA, while the majority of generators are under 20-year contracts, the amounts paid by the IESO to the generators will be recovered from specified ratepayers over a longer period to reflect the expected period of benefits derived from these generating assets (as confirmed by analysis by external parties)
  - Electricity consumers will benefit from the ongoing useful life of these generating assets, and will be responsible for the costs of these assets over the same timeframe

- Refinancing the GA, which pays for the bulk of the recent investments in the electricity system, provides significant and immediate rate relief by matching the cost of electricity investments with the expected useful life of the generation that has been built.

- Rate increases are capped at inflation until 2021, after which rates will be recovered by including a component charge to cover the refinancing of the GA (principal and interest) over the following 25 years.

- The GA refinancing program ensures that costs are borne by the rate-base, as the beneficiaries of the electricity system, and not the tax-base.

Global Adjustment (GA) Refinancing



Applying the GAAP Hierarchy

- Public Sector Accounting Standards are silent on the use of rate-regulated accounting; it neither explicitly permits nor prohibits its recognition, measurement, presentation or disclosures

- PS1150.19 provides examples (not an exhaustive list) of other sources of GAAP, while PS1150.20 emphasizes that “it applies professional judgment and evaluates the source in the context of the relative manner in which the standard setter requires its pronouncements to be applied”.

- In applying professional judgment, a review of the PSAB concepts described in paragraph PS 1150.05(b) have been reviewed to ensure proper application of the GAAP hierarchy has been applied.

- In looking to other standards, the recognition of the economic effects of rate regulation are required under FASB, and permitted under IASB (through IFRS 14), ASPE and GASB when an entity meets defined criteria.
  - IASB’s project on rate-regulated activities is still in progress and it would be premature to assume any final conclusions by the IASB on regulatory deferral account balances

Rate-regulated Accounting

- Bringing the variance account into the Statement of Financial Position as an asset is appropriate if all of the following criteria are met:
  - the regulated operations of the IESO (or the relevant portion thereof) are within the scope of ASC 980 based on the criteria in ASC 980-10-15-2,
  - the variance account (under the Fair Hydro Plan) meets the criteria in ASC 980-340-25-1 for capitalization as a regulatory asset, and
  - ASC 980 is an appropriate source of GAAP under PSAS.

- The IESO's management conducted a thorough analysis of its operations and concluded that it engages in regulated operations, including those components relating to market settlement, meet the criteria.

- This determination of fact was supported by the IESO's independent auditor and they were provided with an unqualified opinion on their 2016 financial statements.

Scope of ASC 980

- ASC 980-10-15-2 states the following:

  The guidance in the Regulated Operations Topic applies to general-purpose external financial statements of an entity that has regulated operations that meet all of the following criteria:

  - The entity's **rates for regulated services or products provided to its customers are established by or are subject to approval by an independent, third-party regulator or by its own governing board empowered by statute** or contract to establish rates that bind customers.
  - The regulated rates are designed to **recover the specific entity's costs of providing the regulated services or products**. This criterion is intended to be applied to the substance of the regulation, rather than its form. If an entity's regulated rates are based on the costs of a group of entities and the entity is so large in relation to the group of entities that its costs are, in essence, the group's costs, the regulation would meet this criterion for that entity.
  - In view of the demand for the regulated services or products and the level of competition, direct and indirect, **it is reasonable to assume that rates set at levels that will recover the entity's costs** can be charged to and collected from customers.

- The IESO is 1) regulated by the OEB as a governing board which provides for it to 2) recover its costs based on 3) rates pursuant to the on-going demand for electricity in the marketplace

Criteria for Capitalization

- ASC 980-340-25-1 states the following:

  Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

  a) It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.

  b) Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

- The costs to refinanced under the OFHPA are related to past costs associated with the significant investments in the electricity sector, and the recovery is related to those costs

- Further evidence of future revenue is established through the expected participation of market investors to purchase debt issuances supported by charges to specified consumers linked to future demand sufficient to repay all debt issued.

Appropriate GAAP under PSAS

- IFRS 14 is silent as to whether regulatory assets meet the definition of asset; however, IFRS has similar a definition of assets as both PSAS and US GAAP

- The application of ASC 980 under US GAAP was assessed to ensure it's consistency with the concept of assets as described in PS3210 and PS1000.36:

  (a) they embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows;

  (b) the public sector entity can control the economic resource and access to the future economic benefits; and

  (c) the transaction or event giving rise to the public sector entity's control has already occurred.

- By establishing that ASC 980 is consistent with the concepts under PSAS, it provides guidance as to how to apply the primary source of PSAS in the regulatory environment.

Future Recovery from Ratepayers

- The regulatory asset, by statute, has the capacity to provide future cash inflows.

  Sec 25 (1) Effective May 1, 2017, the IESO has the right, exercisable in accordance with this Act and the regulations, to recover the balance recorded in the variance account from specified consumers.

- Future cash flows are dependent upon consumption of electricity by rate-payers; evidence exists which indicates support that sufficient demand is expected to exist in the future to recover the regulatory asset.

- PS3050.17 supports the recognition of an asset where there is reasonable expectation of recovery.

  PS3050.17 When an amount is advanced with forgivable conditions, it should be accounted for as a grant unless it meets the definition of a loan receivable and there is sufficient evidence of a reasonable expectation of its recovery

- Ontario's Long-Term Energy Plan 2017 – Delivering Fairness and Choice (Figure 8) illustrates the demand outlook for electricity over the next two decades; this demand outlook will need to be continually evaluated throughout the recovery period.

Controlling the Resource

- As noted in Sec 25 of the OFHPA, the IESO holds the sole right to collect the variance account from ratepayers under statute

- As well, the OFHPA also provides for the IESO to realize it's collection through the transfer and sale of the variance account:

  26 (1) The IESO may from time to time, in accordance with this Act and the regulations, transfer a specified portion of the regulatory asset to a financing entity in accordance with this section.

  (2) An agreement between the IESO and a financing entity in relation to the transfer of a specified portion of the regulatory asset shall provide for consideration of a payment by the financing entity to the IESO in an amount equal to the amount of the specified portion.

- Any risk associated with the variance account is linked to future electricity demand, which would come through to the Province by way of the IESO consolidation.

- Access to future economic benefits is by way of collection from ratepayers or sale and transfer to a financing entity, and all associated risks are extinguished or transferred at that time.

Occurrence of a Past Event

- Upon the transfer of electricity into the grid by the generators, a recoverable amount is due from ratepayers related to their portion of consumption that must be settled by way of the IESO.

- PS3210 supports that the point of exchange at which risk transfers gives rise to an asset under PSAS:

  .26 The past transaction or event that gives rise to control of an economic resource resulting from exchange agreements or contracts usually occurs at the point of exchange. This arises when substantially all the benefits and risks of ownership have been transferred to the public sector entity and normally coincides with the disbursement of funds, exchange of other assets or assumption of liabilities.

- The incurrence of the cost that is to be settled with power generators is the event for which there is a right to recovery from ratepayers under statute, not the statute itself:

  .32 The past transaction or event giving rise to control of an economic resource must have occurred by the financial statement date. Legislation having retroactive application cannot create a past transaction or event. Any economic resources related to that legislation would be accounted for in the current and relevant future periods, not in the period of the effective date of the legislation.

Additional Evidence from GAAP

- Additional evidence supporting the classification of rate-regulated assets as assets in other frameworks is contained within the Basis for Conclusions for FAS 71:

> *58. The economic effect cited by most respondents is the ability of a regulatory action to create a future economic benefit—the essence of an asset. For example, consider a regulated enterprise that incurs costs to repair damage caused by a major storm. If the regulator approves recovery of the costs through rates over some future period or is expected to do so, the rate action of the regulator creates a new asset that offsets the reduction in the damaged asset. The enterprise has probable future economic benefits—the additional revenue that will result from including the cost in allowable costs for rate-making purposes. The future benefits are obtained or controlled by the enterprise as a result of a past event—incurring the cost that results in the rate order. Thus, the criteria of Concepts Statement 3 for an asset are met.*

Impact on Net Debt

- The GA refinancing is a transaction that will be recovered through a charge to ratepayers through their electricity bills over the service life of the power generating assets; it is not a transaction that has recourse to the tax-base.

- Under the PSAB Handbook, net debt is a measure of “the government's future revenue requirements and on its ability to finance its activities and meet its liabilities and contractual obligations”.

- Absence the recognition of the variance account under the OFHPA as an asset, the Province’s net debt would increase significantly, suggesting that the Province has a much higher future revenue requirement.

- Since the OFHPA regulatory asset is going to be recovered under statute from electricity consumers, not taxpayers, such an increase in net debt would be misleading and inaccurate to financial statement users based on the substance of the transaction.

Addressing Transparency

- The GA refinancing will be addressed through Ontario Power Generation (OPG) which will issue debt on the open market for approximately ½ of the projected variance to capitalize the IESO, and in exchange will receive the right to future revenues from consumers due to IESO under the OFHPA

- As a government business enterprise, OPG is reflected in the Province’s consolidated financial statements on a modified-equity basis, such that it’s assets and liabilities are not comingled with those of the Province

- The financial statements of OPG are publicly available and will contain all required presentation and disclosure of all material transactions undertaken during the fiscal year

- The IESO financial statements are also available publicly, as well as disclosed in Volume 2 of the Public Accounts of Ontario with proper disclosures

- Given the materiality, additional voluntary disclosures are also under consideration in the Province’s consolidated financial statements.

Conclusion

- IESO's management, their Audit Committee, their Board of Directors, their external auditor and the Office of the Provincial Controller support the change in accounting policy adopted by the IESO in 2016 as a more transparent reflection of their operation.

- The Province believes and supports that this change in accounting policy to recognize regulatory assets and liabilities was appropriate as it better reflects the economic substance of the electricity market and enhances the relevance, transparency and accountability in its financial reporting

- The OFHPA is a legislative vehicle to invoke the mechanics of a policy decision to provide electricity consumers with a rate reduction by extending the period of recovery of clean energy investments to align with the productive life of those assets, as opposed to the contract duration, and does not provide any guidance on the accounting for the variance account

- In evaluating the proper accounting for balances under the OFHPA, in the absence of guidance under PSAS, the application of US GAAP for rate-regulated activities is the most appropriate guidance, and is consistent with the primary sources of GAAP.

- The financial statement presentation of the Province best reflects the economic substance of the financial components of this government policy by reflecting assets,

Helping Vulnerable Electricity Consumers

- Fair Hydro Plan initiatives to help vulnerable consumers include:
  - Broadening Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief for the customers of the costliest local distribution companies (LDCs).
  - Enhancing the Ontario Electricity Support Program (OESP) and working to ensure the program uptake is as close as possible to 100%.
  - Establishing a new First Nations On-Reserve Delivery Credit.
  - Establishing a new Affordability Fund which would support Ontarians who have difficulty paying their electricity bills to be able to access energy efficiency improvements.

- All of these initiatives would provide benefits to eligible consumers on top of the benefits they would receive from Global Adjustment (GA) refinancing.

- As part of the Fair Hydro Plan, these programs would be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.
  - These programs would be funded by provincial revenues because they all provide targeted benefits to vulnerable consumers.

Appendix

Enhancing the Ontario Electricity Support Program (OESP)

- The OESP would be enhanced by increasing its monthly credits by 50%, expanded to cover more low-income Ontarians, and increasing uptake to as close to 100% as possible.
  - Sliding Scale #1 outlines basic program benefits, and Sliding Scale #2 outlines enhanced benefits for Indigenous households, electrically heated households, and households with certain medically intensive medical equipment.
- The government intends to introduce legislation to enhance the OESP and to move forward in having OESP costs be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.

Existing OESP Credit Scales

Sliding Scale #1		Household Size						
		1	2	3	4	5	6	7 +
Income Bracket	< $28,000	$30	$30	$34	$38	$42	$50	$50
	$28,001 - $39,000			$30	$34	$38	$42	$50
	$39,001 - $48,000					$30	$34	$38
	$48,001 - $52,000							$30

Sliding Scale #2		Household Size						
		1	2	3	4	5	6	7 +
Income Bracket	< $28,000	$45	$45	$50	$55	$60	$75	$75
	$28,001 - $39,000			$45	$50	$55	$60	$75
	$39,001 - $48,000					$45	$50	$55
	$48,001 - $52,000							$45

Proposed +50% OESP Credit Increase*

Sliding Scale #1		Household Size						
		1	2	3	4	5	6	7 +
Income Bracket	< $28,000	$45	$45	$51	$57	$63	$75	$75
	$28,001 - $39,000		$40	$45	$51	$57	$63	$75
	$39,001 - $48,000			$35	$40	$45	$51	$57
	$48,001 - $52,000					$35	$40	$45

Sliding Scale #2		Household Size						
		1	2	3	4	5	6	7 +
Income Bracket	< $28,000	$68	$68	$75	$83	$90	$113	$113
	$28,001 - $39,000		$60	$68	$75	$83	$90	$113
	$39,001 - $48,000			$52	$60	$68	$75	$83
	$48,001 - $52,000					$52	$60	$68

***Note:** The proposed higher scale, including the amounts in circles are proposed and will be refined in consultation with the OEB.

Broadening Rural or Remote Electricity Rate Protection (RRRP)

- Rural or Remote Rate Protection (RRRP) provides a rate subsidy to rural or remote residential customers who are faced with higher distribution costs compared to urban areas.
  - The RRRP is currently provided to approximately 350,000 Hydro One R2 residential customers in Ontario.

- The Province would expand the RRRP to provide distribution charge relief to additional hydro customers served by local distribution companies (LDCs) with the highest distribution rates, including: Hydro One R1, Northern Ontario Wires Inc., Lakeland Parry Sound, Chapleau PUC, Sioux Lookout Hydro, InnPower, Atikokan Hydro and Algoma Power. This would extend RRRP availability to about 800,000 customers.

- The new benefits would vary from LDC to LDC. For example:
  - A Hydro One R2 customer consuming 2,500kWh a month would see distribution cost reductions of around $75 a month.
  - A Hydro One R1 customer consuming 1,000kWh a month would see distribution cost reductions of around $18 a month.
  - An InnPower customer consuming 1,000kWh a month would see distribution cost reductions of around $12 a month.

- The government intends to introduce legislation to broaden the RRRP and to move forward in having RRRP costs be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.

First Nations On-Reserve Delivery Credit

- In 2016, the Minister of Energy asked the Ontario Energy Board (OEB) to develop options for a First Nation delivery credit for households.

- The OEB, engaging with First Nations, including remote communities, the distributors serving them, and consumer groups, developed the following recommendations:
  - Eliminating the delivery charge for all on-reserve First Nations households and removing the monthly service charge for customers of licensed distributors which charge a bundled rate. The OEB estimates this would provide residential customers an average monthly benefit of $85.
  - Automatically qualify on-reserve First Nations households (~21,500 customers).

- The government intends to introduce legislation to create the First Nations On -Reserve Delivery Credit and to move forward in having its costs be funded by provincial revenues, reducing regulatory charges for all Ontario ratepayers.

Establishing a New Affordability Fund

- The Affordability Fund would assist electricity customers who cannot qualify for low-income conservation programs and need financial assistance to undertake energy efficiency improvements.

- The Affordability Fund would provide LDCs with an additional tool to help customers in need. LDCs would use the Fund to provide support to customers for energy efficiency improvements to help reduce their future electricity bills.

- Measures supported by the Fund are expected to be similar to those available under the existing low-income conservation program, such as energy efficient lighting and appliances and, for electrically heated homes, insulation and weather stripping. Cold climate air source heat pumps would also be an eligible measure.

- The Province intends to work with Hydro One, in consultation with all other LDCs, to establish an independent Trust to serve as the administrator of the Affordability Fund.

- The Province would pay for the Fund through provincial revenues.