

Electricity Price Mitigation

Ministry of Energy

Presentation to United Way Bruce Grey

Recent Actions to Bend the Cost Curve

- **Since 2013**, a number of actions have been taken to reduce overall electricity system costs:
 - Renegotiating the Green Energy Investment Agreement, reducing contract costs by \$3.7 billion;
 - Deferring the construction of two new nuclear reactors at Ontario Power Generation's Darlington facility, avoiding an estimated \$15 billion in new construction costs;
 - Approving Ontario Power Generation's plans to enable the ongoing operation of Pickering up to 2024, which is expected to save ratepayers as much as \$600 million;
 - Reducing Feed-In-Tariff (FIT) prices through annual price reviews, saving ratepayers at least \$1.9 billion relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast; and
 - Removing an expected \$3.3 billion in Large Renewable Procurement (LRP) costs relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast, based on the results of the first phase of the LRP.
- Despite these actions to reduce system costs, electricity rates continue to increase for consumers.

Current Rate Mitigation Programs

- Ontario has implemented several programs to help residential electricity consumers:
 - The **Rural or Remote Rate Protection (RRRP)** program is provided to rural and remote residential and farm customers because the cost of distributing power to remote areas is much higher than for urban areas;
 - The **Ontario Electricity Support Program (OESP)** provides ongoing assistance directly on the bills of eligible low-income electricity consumers, ranging from \$30 to \$50 per month;
 - The **Ontario Energy Property Tax Credit** saves qualifying individuals up to \$1,008 per year, with a maximum of \$1,148 per year for qualifying seniors;
 - The **Low-Income Energy Assistance Program (LEAP)** provides emergency financial support of up to \$600 for families and individuals having trouble paying their bills;
 - The **saveONenergy Home Assistance Program** helps income-eligible consumers by providing home energy efficiency assessments and energy saving measures at no cost; and
 - The **Debt Retirement Charge (DRC)** was removed from residential bills as of January 1, 2016, saving the average residential consumer \$70 per year.
- Ontario has also implemented programs to help industrial electricity consumers, including the Industrial Conservation Initiative (ICI), which encourages Ontario's largest consumers to reduce consumption during peak periods while reducing system costs.

Rate Mitigation Proposal

- The Ministry of Energy is proposing to implement the following electricity price mitigation initiatives. The approach identified below would provide relief across all electricity consumer classes:
 - 1) **Provide an 8% rebate** equal to the provincial portion of HST to consumers eligible for the Regulated Price Plan* (i.e., residential, small business and farms) and **update the Rural or Remote Rate Protection (RRRP) program**, to provide relief to rural customers; and
 - 2) **Expand ICI eligibility** by lowering the threshold to 1 MW, to provide support to Class B electricity consumers (i.e., commercial, institutional and small industrial) and redirect cap and trade proceeds to commercial and industrial electricity consumers to provide a modest reduction in rates.
- The following slides provide additional information on the above initiatives.

***Note:** Eligibility for the 8% rebate would be similar to OCEB and include some customers not on the Regulated Price Plan (RPP), such as Independent Power Authority consumers and consumers that have opted-out of RPP.

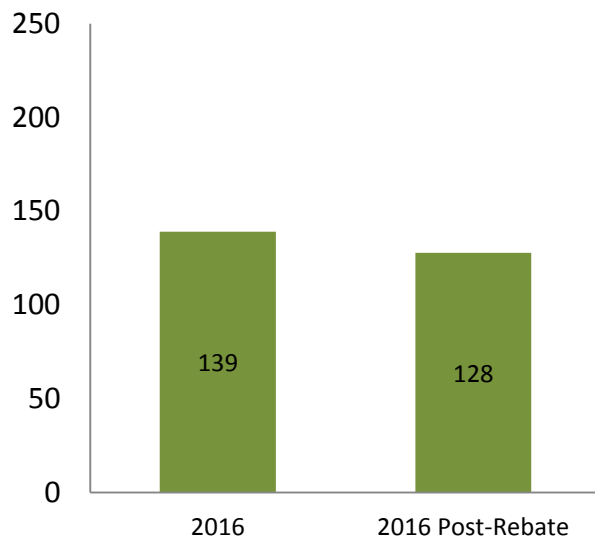
Rate Mitigation Proposal – Illustrative Benefits

	Regulated Price Plan (Residential) Benefit		Class B (Commercial) Benefit	Class A (Industrial) Benefit	
	<i>Average (750 kWh/ month)</i>	<i>Rural (1000 kWh/ month)</i>		<i>Existing</i>	<i>New</i>
• 8% rebate to Regulated Price Plan eligible consumers • ICI Expansion • RRRP Update • Proceeds Recycling	-\$11/ month (-8%)	-\$45/ month (-20%)	-\$3/MWh (-2%)	-\$3/ MWh (-3%)	Up to -\$52/MWh (-34%)

Note: The above benefits do not include the cost of ICI expansion and the RRRP update.

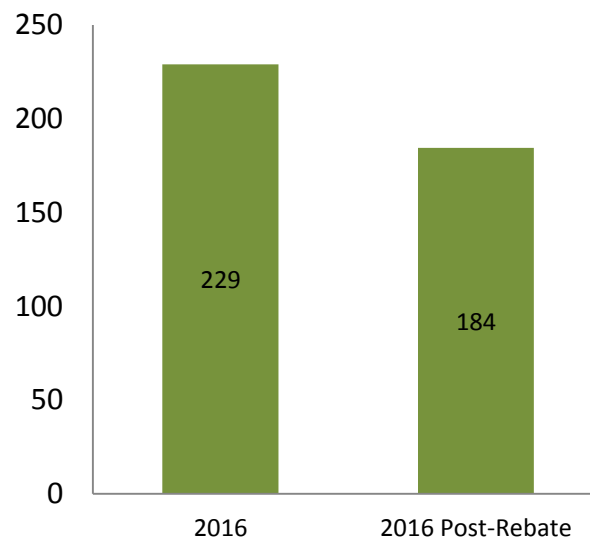
Rate Mitigation Proposal – Illustrative Bill Impacts by Electricity Consumer Class

Typical Residential Bill
750kWh per month, 8% only



The benefit is a 8% reduction.

Rural (R2) Residential Bill
1,000kWh per month, 8% and RRRP Update

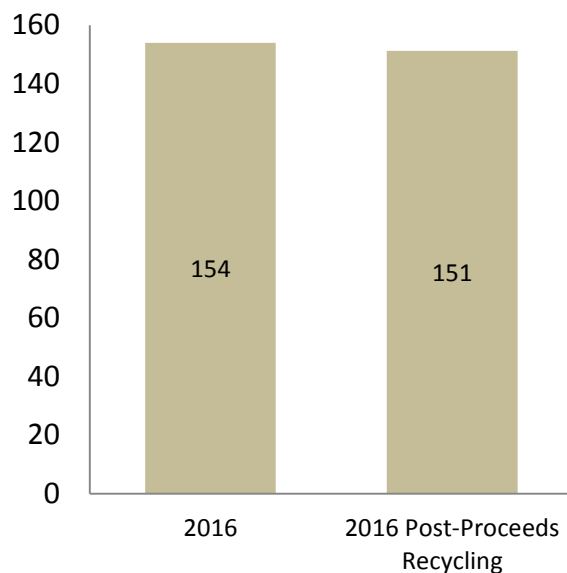


The benefit is a 20% reduction.

Note: The above benefits do not include the cost of ICI expansion and the RRRP update.

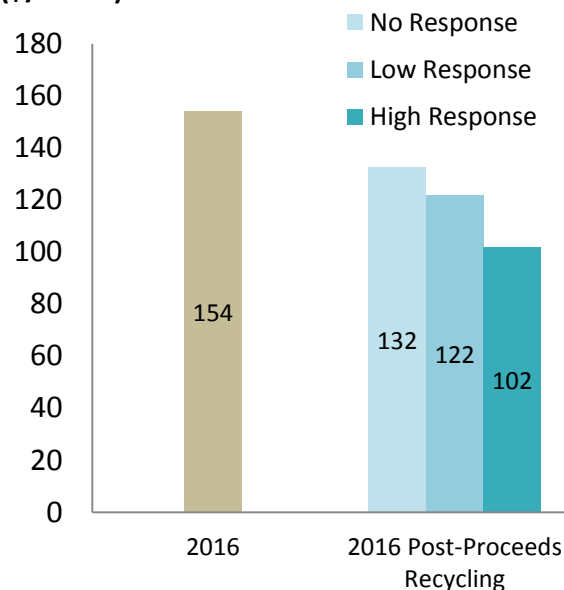
Rate Mitigation Proposal – Illustrative Bill Impacts by Electricity Consumer Class (cont'd)

Typical Class B (Commercial) Price (\$/MWh)



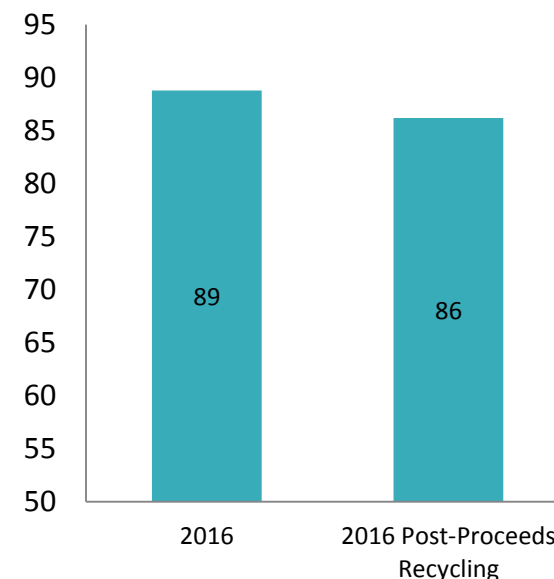
Class B: The benefit is a 2% reduction.

Typical New Class A Price (\$/MWh)



New Class A: The benefit is a reduction of 14% to 34%.

Typical Class A (Industrial) Price (\$/MWh)



Existing Class A: The benefit is a 3% reduction.

Note: The above benefits do not include the cost of ICI expansion and the RRRP update.

8% Rebate to Regulated Price Plan Eligible Consumers

- Legislation/regulation will be introduced to provide a rebate of 8% to consumers eligible for the Regulated Price Plan. The below table indicates which consumers would or would not receive the benefit.
 - This would be equivalent to the provincial portion of the HST*.

Eligible for the 8% rebate (< 50 kW or $< 250,000$ kWh/year)	Not eligible for the 8% rebate (> 50 kW or $> 250,000$ kWh/year)
- Residential Regulated Price Plan consumers - Residential retail consumers - Multi-unit residential buildings and other facilities used as residential rental units - Long-term care homes and school residences - Regulated Price Plan eligible farms - Small businesses - Coffee / snack retailer - Convenience store - Apparel store - Hair salon - Small insurance office	- Class A consumers - Manufacturer - Large grocery store - Mines - Auto assembly plants - Class B consumers (except farms that have opted out of the Regulated Price Plan) - Commercial offices (low rise) - Hotel - General warehousing

- Those ineligible to receive the 8% rebate will benefit from one or more of the other initiatives under this proposal (e.g., ICI expansion, proceeds recycling, etc).

***Note:** An HST exemption would require federal approval. Engaging in discussions with the federal government would take time and would likely result in not meeting the targeted implementation date.

Illustrative Electricity Bill Mock-Up

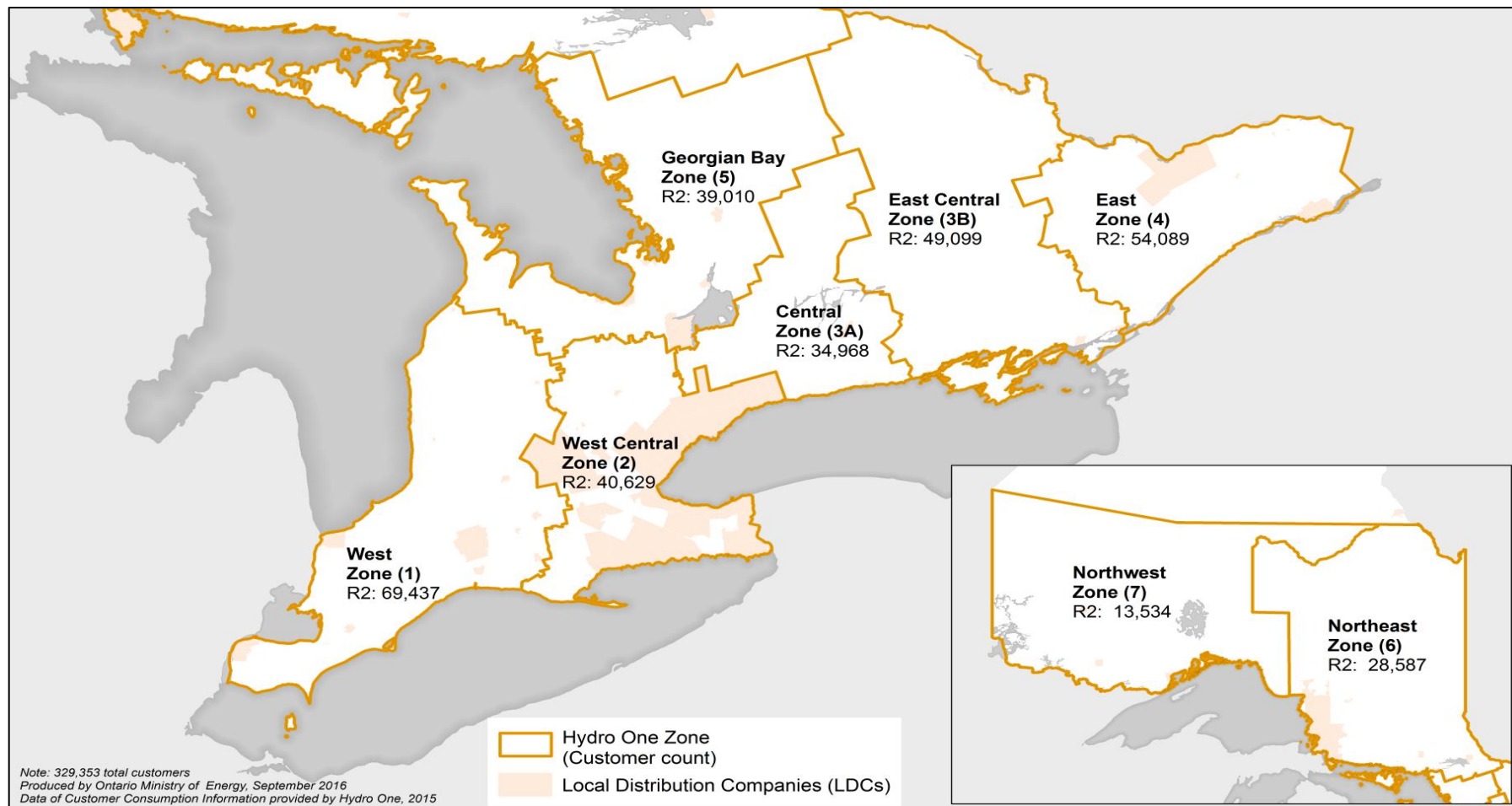
SAMPLE MONTHLY BILL STATEMENT Toronto Hydro-Electric System Limited - Main	
Account Number: 000 000 000 000 0000	
Meter Number: 00000000	
Your Electricity Charges	
Electricity	
Off-Peak @ 8.700 ¢/kWh	41.20
Mid-Peak @ 13.200 ¢/kWh	16.35
On-Peak @ 18.00 ¢/kWh	23.60
Delivery	53.07
Regulatory Charges	4.79
Debt Retirement Charge	0.00
Total Electricity Charges	\$139.00
Rebate of Ontario portion of HST(8%)	(11.12)
HST	18.07
Total Amount	\$145.95

Note: Final bill presentment pending submission to LRC.

Rural or Remote Rate Protection (RRRP) Update

- ENERGY is proposing to amend O.Reg 442/01 to provide an additional \$110 million in rate protection to eligible rural or remote electricity consumers, and consider options to periodically adjust the amount of rate protection available to these consumers going forward.
- RRRP is a rate-based funded program that helps offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations all across the Province.
 - Today, RRRP is a \$175-million program. For an average residential customer, the cost of supporting RRRP is roughly \$1 per month.
 - The majority of the program funding (\$125.5 million) is provided to Hydro One's lowest-density customers – classified as R2 customers. There are approximately 329,000 R2 customers. The current program provides a rebate of \$31.50. The proposed update to the program would increase the benefit to \$60/month.
 - RRRP funding supporting R2 customers has been capped at the current level since 2004. As a result, the impact of its assistance has diluted over time as electricity costs have risen.
- An additional \$110 million in program funding would see an increased benefit for eligible rural customers, including the 8% rebate, of \$45/month. This would help bring R2 bills in line with Hydro One R1 (medium density) bills at 1000kWh.
 - This would increase the R2 portion of the RRRP to \$235 million with a monthly impact on an average residential consumer of ~\$0.60.
 - The RRRP could be indexed at inflation or “trued up” on a regular basis to ensure the benefit remains constant.

Rural or Remote Rate Protection (RRRP) Update – R2 Customers by Region



Illustrative Benefits

	Current Bill (before tax)	Current Rate mitigation initiatives*	New Rate Mitigation initiatives	New Bill (before tax)
Average Residential (Urban– 750 kWh/month)	\$139 /month	N/A	8% pre-tax rebate: - \$11	\$128 /month
Rural Residential (R2 – 1000 kWh/month)	\$229 /month	RRRP: –\$32	8% pre-tax rebate + Updated RRRP: - \$45	\$184 /month
Low-income Residential ** (Urban– 750 kWh/month)	\$101 /month	OESP: -\$38	8% pre-tax rebate: - \$8	\$93 /month
Small Business (Urban– 403,200 kWh/month)	\$149 /MWh	N/A	8% pre-tax rebate: - \$12/MWh	\$137 /MWh
Small Farm (R1 – 4,000 kWh/month)	\$203 /MWh	N/A	8% pre-tax rebate: - \$16/MWh	\$187 /MWh

Notes:

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

** income of less than \$28,000, family of 4.

The above benefits do not include the cost of ICI expansion and the RRRP update. Totals may not add due to rounding.

CONFIDENTIAL CABINET DOCUMENT

Summary

- Residential ratepayers and other RPP eligible ratepayers will receive an eight per cent rebate on their electricity bill, equivalent to the provincial portion of the HST.
- Modernizing the RRRP will benefit 330,000 families in rural Ontario with significant reductions to their electricity bills (\$45 a month).
- Over a thousand more Ontario businesses will be eligible to benefit from the ICI program, helping them stay competitive and grow.
- These actions will assist over five million families, farms and small businesses across Ontario.
- These actions today join our many existing initiatives to help keep electricity in Ontario clean, reliable and affordable.