Price Mitigation Initiatives
September 2016
Key Messages/Questions and Answers
Last updated by: Comms, SNAP, ESP MO

KEY MESSAGES

- **Ontario is taking action to reduce electricity bills for families, farms, and businesses.**

- **We're doing this because we know that families need help with the cost of everyday living. Despite consistent economic growth since the global recession, many families aren't feeling the impact of the recovery in their everyday lives.**

- **We also recognize that rebuilding and cleaning up Ontario's electricity system has come at a cost. Over the last decade we've rebuilt our transmission and distribution grid, we've invested in clean generation, and we've closed the last dirty coal-fired power plant. But we need to take the next step in ensuring that clean, reliable system is affordable.**

- **Recognizing this, we are introducing new measures that would take effect January 1, 2017, including:**

    - **Rebating provincial portion of the HST to reduce bills by 8% ($11)**

    - **Cutting delivery charges for the most rural customers by 20% ($45)**

    - **Empowering industrial businesses to reduce bills by one third through the Industrial Conservation Initiative**

- **Taken together, this plan represents the single largest action to reduce costs for electricity consumers in the province's history. It will provide needed assistance to consumers of all sizes, and it targets support to those that need it most.**

- **These actions build on our government's commitment to provide affordable access to energy, including providing support for low-income families, expanding natural gas to more communities, and grid-connecting remote First Nations communities.**

QUESTIONS AND ANSWERS

General

Q. Why is the government introducing these price mitigation measures? Is the government finally acknowledging that electricity prices are too high?

We're taking steps to ensure a clean, reliable and affordable energy system for all Ontarians.

We know that these changes have come at a cost to Ontario's residential and business consumers.

Ontario already has several programs in place to help all consumers manage their electricity costs, but we understand that some consumers continue to face challenges.

Recognizing this, we are proposing new measures, some of which would take effect January 1, 2017.

These measures will give Ontario's residential and business consumers more ways to manage their electricity costs while we continue to make the critical investments needed to maintain our energy system.

Q. Even with these price mitigation efforts, Ontarians will still likely struggle to pay their electricity costs. What are you going to do to stop further increases in the future?

We're taking steps to ensure a clean, reliable and affordable energy system for all Ontarians.

The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

Ontario's 2013 Long-Term Energy Plan (LTEP) forecasted a typical monthly residential bill of $167 in 2016. On a 750 kWh per month basis, actual and forecast monthly bills are $157 and $159 respectively.

Over the forecast period, the average annual increase in consumers' costs is generally in-line with expected inflation, which averaged about 1.7% over the last ten years (2006-2015).

Q. If the government is looking to reduce electricity system costs, why not simply cancel expensive renewable energy projects?

Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas (GHG) emissions and provides cleaner air for this and future generations of Ontarians.

Ontario's 2013 LTEP includes targets for renewable energy:

- 10,700 megawatts (MW) for wind, solar, and bioenergy to be online by 2021; and
- 9,300 MW for hydroelectricity to be online by 2025.

We set those targets to fulfill our commitment to replace coal-fired generation with cleaner sources of energy, which not only benefits our environment but also the health of Ontarians.

The diversity of the current supply mix also insulates Ontario against sudden changes in cost or availability of any one source, and is one of the greatest strengths of Ontario's electricity system.

Each of the supply mix elements, including hydroelectric, nuclear, natural gas, non-hydro renewables, conservation and clean imports, plays a unique role in delivering a reliable and cost-effective source of energy to Ontarians.

Q. Was there any consultation with the public or businesses when developing these price mitigation measures?

We know Ontario homeowners and businesses have expressed concern about the cost of electricity and the impact these costs can have on their budgets.

We understand it can be challenging and we want Ontarians to know that we have been listening and are taking action.

This year, the Ministry of Energy is also beginning to develop its next Long-Term Energy Plan (LTEP).

Developing the LTEP is a highly collaborative process. The Ministry works closely with its agencies and stakeholders during LTEP consultations and development.

LTEP consultations are expected to take place in fall 2016 and we encourage all Ontarians to take part.

Q. When will these mitigation measures take effect?

We are introducing legislation to support the proposed 8% rebate on September 15, 2016 (TBC). If passed, residential consumers, small businesses and farms, will start receiving the rebate on January 1, 2017.

We will be moving as quickly and responsibly as we can to implement the rest of the measures.

Under the Industrial Conservation Initiative, Class A consumers pay Global Adjustment (GA) based on a percentage of their contribution to the top five Ontario peaks over a 12-month base period. New participants who opt-into Industrial Conservation Initiative (ICI) would see the change on their bills in 2018.

Q. Will Local Distribution Companies (LDCs) be ready to implement the bill changes? What happens if they are delayed? Will consumers be compensated retroactively?

We will work with the Ontario Energy Board and Local Distribution Companies (LDCs) to ensure the necessary adjustments are made to LDC billing systems.

LDCs already have experience with the implementation of billing changes like those associated with the OCEB and the Ontario Electricity Support Program (OESP).

If LDCs cannot implement the necessary changes to their billing systems by January 1, 2017, it is expected that consumers would receive their rebates through catch-up payments.

8% rebate for residential consumers, small businesses and farms:

Q. How will customers receive this rebate? Is it permanent? Are there any requirements to be eligible? Who will be receiving this rebate?

The proposed rebate will be available to all consumers eligible for the Regulated Price Plan (RPP) – this includes aboutfive million residential consumers, small businesses and farms.

The proposed rebate will provide 8% off total electricity costs before taxes, effectively offsetting the provincial portion of the HST.

Consumers won't have to do anything to receive the rebate.

The rebate will automatically be added to every eligible consumer's bill as of January 1, 2017.

Q. How much can an average customer expect to save off their electricity bill?

The proposed rebate will provide 8% off total electricity costs before taxes – effectively offsetting the provincial portion of the HST.

A typical urban residential customer that consumes 750 kWh per month will see an annual benefit of approximately $132 or a monthly benefit of approximately $11, before tax.

A typical rural customer, eligible for the increased RRRP support, that consumes 1000 kWh per month will see an annual benefit of approximately $540 or a monthly benefit of approximately $45, before tax.

A small farm or small business will see an annual benefit of 8% before tax.

If pressed:

Taking into account all of the new measures we are introducing, we expect eligible consumers to see a 6% net reduction in their monthly bills after the impact of tax and the costs of the new programs.

Q. Will any other programs be affected by this rebate? For example, will recipients of the Ontario Electricity Support Program also receive the rebate?

The proposed rebate would apply to all RPP-eligible consumers regardless of income, status or location.

The rebate will work with other existing programs, such as the Ontario Electricity Support Program (OESP).

Q. Are consumers really receiving an 8% rebate when taking into account the costs associated with the other price mitigation measures you're announcing today (i.e. RRRP and ICI)?

The proposed rebate would provide 8% off total electricity costs before taxes, effectively offsetting the provincial portion of the HST.

If pressed:

Taking into account all of the new measures we are introducing, we expect eligible consumers to see a 6% net reduction in their monthly bills after the impact of tax and the costs of the new programs.

Q. Doesn't the rebate reward those who use more electricity – how does this encourage conservation?

We’re taking steps to ensure a clean, reliable and affordable energy system for all Ontarians.

We know that these changes have come at a cost to Ontario’s residential and business consumers.

Recognizing this, we are proposing new measures that would take effect January 1, 2017.

As we plan for Ontario’s energy needs for the next 20 years, conservation will be the first resource considered, wherever cost-effective.

It is the cleanest and most cost-effective energy resource, offers consumers a way to reduce their energy bills and reduces the need to build new generation, transmission and distribution infrastructure.

We encourage all Ontarians to participate in conservation programs offered through their Local Distribution Company (LDC) and the Independent Electricity System Operator (IESO).

Isn’t this just another version of the Ontario Clean Energy Benefit (OCEB) – except it’s 8% instead of 10%? Why didn’t you just keep the OCEB?

The Ontario Clean Energy Benefit (OCEB) was a five year temporary program that ended, as planned, on December 31, 2015.

The OCEB was introduced to help families, farms and small businesses, manage their costs during our transition from coal-fired electricity generation towards a clean, modern and more reliable electricity system.

The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren’t forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

We understand the price of electricity can still be a particular challenge for those that pay a higher share of their income towards their bill – such as low-income families, seniors on a fixed income, and homeowners that heat with electricity.

Recognizing this, we are introducing news measures that would take effect January 1, 2017.

These initiatives will give Ontario’s residential consumers, small businesses and farms, more ways to manage their electricity costs while we continue to make the critical investments needed to maintain our energy system.

Expansion of the Industrial Conservation Initiative (ICI):

Q. Why are you expanding the Industrial Conservation Initiative? How will the expansion of ICI help businesses with their electricity costs?

The Industrial Conservation Initiative (ICI) allows large electricity consumers to reduce their electricity costs by reducing their demand during peak hours. Reducing consumption during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.
ICI is currently available to electricity consumers over 5 MW and consumers from 3-5 MW in certain energy intensive sectors.

To give more businesses the incentive to participate in the ICI, we will be taking measures to lower the threshold to 1 MW and will be removing sector restrictions so that more consumers can benefit.

Newly eligible consumers will be able to opt-in to the ICI program at their discretion.

Q. How much can ICI participants expect to save in terms of electricity costs? When will they start to see the benefit financially?

Commented [KG1]: If bill impacts won't occur until 2018 – will there be retroactive payments? If so, can ESP please add relevant message for this?

ICI participants save approximately one-third on their electricity bills.

Companies that opt-in to ICI would see the impact in 2018 due to the time required to implement the expansion and the need to set a one-year baseline.

Q. How many companies will be eligible for the ICI once the expansion happens?

Currently there are about 300 consumers in the ICI program.

Newly eligible consumers would have to decide whether they wish to opt-in to ICI program.

We wouldn't want to speculate on the number of companies that will choose to participate in the program.

Q. What about companies that can't shift their operations to off-peak hours? Will they be penalized financially by having to pay higher rates?

We recognize that electricity costs are a major factor for businesses participating in Ontario's economy. That's why Ontario has programs in place to help industrial consumers address the cost of their electricity.

Ontario's hybrid electricity market, combining regulated, contract and competitive market pricing, provides long-term price stability for industrial and smaller customers.

In addition to the ICI, there are many existing programs and incentives available to support industrial consumers.

For example:

- Participants in the Northern Industrial Electricity Rate Program (NIERP) receive a rebate of two cents per kilowatt hour. On average, industrial electricity prices can be reduced by up to 25% through the program. In 2015, the Ontario government announced the commitment to an ongoing NIERP beyond March 2016.

- The Industrial Electricity Incentive (IEI) offers reduced electricity rates for companies starting or expanding operations in Ontario. To date, IESO has awarded 22 contracts to electricity-intensive companies across the province through the program.

- The Industrial Accelerator Program (IAP) provides financial incentives to eligible transmission-connected companies to fast track capital investment in major energy conservation projects.

- The IESO holds annual demand response auctions, which provide availability and utilization payments to successful participants that commit to reducing their electricity consumption when called upon to do so.

- The IESO's saveONenergy for Business conservation programs for commercial and industrial consumers offers financial incentives to distribution-connected small businesses, commercial, institutional and industrial consumers, to install energy-efficient equipment and improve the energy efficiency of their buildings.

As we move forward we will continue to look at all options to strike the balance between reliability and affordability, while continuing our work on modernizing our electricity system.

Q. If new ICI participants will be getting a break on their bills, where will the money come from? How will costs get shifted?

An ICI participant's share of peak demand is used to calculate some electricity charges. The remainder of these charges not allocated to ICI participants would be shared across remaining consumers.

Over the long-term, system benefits from ICI include reducing electricity use during peak periods and reducing the need for new peaking generation.

Impacts will depend on a number of factors, including how many eligible companies decide to opt-in and their ability to reduce their electricity demand during peak hours.

Greenhouse Gas Recycling Account proceeds for Commercial and Industrial Ratepayers

Q. How will GGRA recycling work to help reduce costs for commercial and industrial customers?

As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

Q. Why is the government using GGRA funds to help reduce the electricity costs of commercial and industrial companies? Aren't GGRA funds supposed to go to programs/initiatives that reduce greenhouse gas emissions?

As outlined in the 2016 Budget and the Climate Change Action Plan (CCAP), the government intends to recycle a portion of the cap and trade auction proceeds to offset the impact of cap and trade on industrial and commercial electricity consumers to keep rates affordable.

Using cap and trade auction proceeds to lower the cost of electricity would make it more competitive with traditionally cheaper fossil fuels.

By using the proceeds to lower the cost of electricity, there is potential to incent fuel-switching away from fossil fuels toward much cleaner grid-connected electricity and support the CCAP's goals of electrification.

Rural or Remote Rate Protection (RRRP) Update:

Q. What is Rural or Remote Rate Protection (RRRP)? How is RPPP being updated? What kind of relief will it provide to ratepayers that currently receive it?

The Rural or Remote Rate Protection (RRRP) is a program that provides a rate subsidy to rural and remote residential customers who are faced with higher distribution costs relative to urban areas.

Funding to support these rural customers has not been changed since 2003, which has resulted in diminishing relief for customers over the years.

That's why are going to increase the RRRP subsidy for eligible consumers by updating the RRRP

This update would result in additional support for eligible customers.

The typical eligible consumer (1000 kWh/month) will see their RRRP subsidy increase from $[31.50] per month to $[60.50] per month.

Q. If the government is putting more money towards RRRP, where are those extra funds coming from? Ratepayers in the rest of the province?

The RRRP is funded by Ontario ratepayers.

As a result of this update, residential consumers will see an average cost increase of approximately $0.60 per month.

This cost increase is more than offset thanks to the 8% rebate they will be receiving starting in January 1, 2017.

Q. The Minister of Energy recently requested asked the Ontario Energy Board to look into rate relief for First Nations. Will the OEB's report take the RRRP update into account?

Our government recognizes that the price of electricity can be a particular challenge for those that pay a higher share of their income towards the bill - particularly residents in rural and remote communities and on-reserve First Nation customers.

We have heard concerns about high electricity costs from First Nation leaders across Ontario and understand on-reserve First Nation customers often face unique challenges that lead to higher electricity consumption and higher costs that impact electricity affordability.

Given these unique challenges, the Minister of Energy committed to look at options for addressing First Nation electricity cost. That's why under s.35 of the Ontario Energy Board Act, 1998 the Minister of Energy requested that the Ontario Energy Board (OEB) investigate appropriate rate assistance options for on-reserve First Nation electricity consumers.

The OEB is an independent regulator with a mandate to protect Ontario consumers with respect to electricity prices and ensure the financial viability of electricity distributors.

We wouldn't want to speculate on what the OEB will be recommending in its report.

The OEB has been asked to report back to the Minister on rate options, cost and funding mechanisms and program development issues by January 1, 2017.

Q. Why are urban customers subsidizing rural consumers? Isn't this just a tax on some to provide relief for others? How does this rate relief benefit the electricity system?

The RRRP has been in place since 2001 and replaces a similar program that was in place prior to 1998.

Our energy system is being transformed and we are making needed investments to modernize the system. We chose to replace coal-fired generation with cleaner sources of energy, which will not only benefit our environment but also the health of Ontarians.

We're taking steps to ensure a clean, reliable and affordable energy system for all Ontarians.

We know that these changes have come at a cost to Ontario's residential and business consumers. Recognizing this, we are proposing news measures that would take effect January 1, 2017.

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<u>Additional QAs provided by the Ministry of Finance</u>

Q. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget?

The Ontario Rebate for Electricity Consumers would help make everyday life easier for Ontario families, small businesses and farms with electricity costs by providing a rebate that is equal to the eight per cent provincial portion of HST. This eight per cent rebate would appear directly on the consumer's electricity bill.

The government remains committed to balancing the budget by 2017-18 while continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Q. Do other provinces provide harmonized sales tax (HST) rebates related to energy?

Currently, there are no federally-administered point-of-sale rebates for electricity in any of the other provinces participating in the HST.

Nova Scotia is the only province with a provincially administered home energy rebate program that is equal to the provincial portion of the HST, and applies to all sources of residential use energy, including electricity.

Newfoundland and Labrador had a “Residential Energy Rebate” that was eliminated, effective July 1, 2015. The rebate, which came into effect October 11, 2011, was a provincially administered energy rebate equal to the provincial portion of the HST on energy used for residential purposes, including electricity.

Q. Would the rebate affect HST paid by consumers?

No. The HST on electricity costs remains at 13 per cent.

Q. What happens to input tax credits claimed by businesses?

Most businesses engaged in commercial activities can claim input tax credits to recover the HST they pay to operate their business.

Following the introduction of the eight per cent rebate, businesses would continue to be able to claim the credits as usual.

With this rebate, businesses across Ontario would have even more opportunity to be competitive and manage their energy costs.

Q. How is Ontario helping to lower electricity costs for residential consumers?

Ontario has a number of programs in place to help low-to-moderate income individuals and families with energy costs, including the Ontario Energy and Property Tax Credit, the Ontario Electricity Support Program, the Ontario Sale Tax Credit.

The Ontario Rebate for Electricity Consumers would be another program that would help Ontario families, small businesses and farms with electricity costs in addition to the above mentioned programs, if consumers were eligible.

Q. Will the federal government be rebating its portion of the HST?

The federal government has not shared any plans to mitigate electricity costs for Canadians.

The Province continues to work with the federal government when there is an opportunity to partner or consult as it relates to regulatory and emerging issues.

Ontario remains committed to making everyday life easier for people across the province by lowering costs and enhancing convenience and choice.