ELECTRICITY COSTS AND AFFORDABILTY

KEY INFORMATION

- First Nation Leadership continues to identify high electricity costs as a significant policy issue to be addressed through the Grievance Table with the Ministry of Energy.
- Ontario has in place a number of programs and initiatives designed to help Ontarians, including First Nations, manage energy costs, including:
    - the Ontario Electricity Support Program (OESP), Low-Income Energy Assistance Program (LEAP), Rural or Remote Rate Protection (RRRP), and the removal of the Debt Retirement Charge from residential electricity bills.
- In June 2016, the Ministry of Energy asked the OEB to examine and provide advice on electricity rates for on-reserve First Nations electricity consumers. As part of the examination, the OEB is undertaking engagement with First Nation communities and organizations. The OEB will report back to the Ministry of Energy no later than January 1, 2017.
- On September 15, 2016, the government introduced the *Ontario Rebate for Electricity Consumers Act,* 2016 which would provide an 8% rebate on electricity bills for nearly 5 million residential consumers, small businesses and farms. The Bill passed third reading on October 19, 2016 and is waiting to receive Royal Assent. It is scheduled to come into force on the later of January 1, 2017 and the day it receives Royal Assent.

ONTARIO POSITION

- Ontario continues to make the investments necessary to ensure a clean, reliable, and affordable electricity system for all Ontarians, including Indigenous communities.
- At the same time, our government is working hard to minimize the impact of these investments and help Ontarians manage their electricity costs.

CHIEFS of ONTARIO / FIRST NATIONS' POSITION

- COO was supportive of the Ministry's June 27, 2016, direction to the Ontario Energy Board (OEB) to report back to the Ministry on options for an appropriate rate assistance program for on-reserve First Nations electricity consumers.
- The elimination of the delivery charge is one option that has received groundswell support amongst First Nations as a way to address electricity costs.
- COO also advocates for the systematic measurement of an indicator called "fuel poverty", or the amount of individual's income that is spent on energy.

SUGGESTED SPEAKING POINTS

- Our government continues to make the investments necessary to ensure a clean, reliable, and affordable electricity system for all Ontarians, including Indigenous communities.

- At the same time, our government is working hard to minimize the impact of these investments and help Ontarians manage their electricity costs.

BACKGROUND AND CURRENT STATUS

- On-reserve First Nations customers face unique challenges that impact electricity affordability, such as the poor quality of the housing stock on-reserve which results in significantly higher electricity consumption levels and costs.
- First Nations living on reserve are particularly vulnerable low-income consumers as the average income is significantly lower compared to First Nations living off reserve and compared to non-Indigenous populations.

i. Ontario Electricity Support Program (OESP) – Started January 1, 2016

- The Ministry of Energy asked the OEB to develop and implement the OESP. Application intake for the OESP opened on October 29, 2015. The OESP provides an ongoing rate reduction directly on the bills of qualifying low-income electricity consumers.
    - The OESP started on January 1, 2016, coinciding with the end of the Ontario Clean Energy Benefit (OCEB) on December 31, 2015, helping to mitigate rate increases for low-income electricity consumers who have applied and meet the eligibility requirements.
- The OESP provides a fixed monthly credit directly on qualified consumers' bills. The credit amount eligible consumers receive is based on household income and household size. This allows the program to provide a greater benefit to low-income consumers who are more in need of assistance.
- Monthly credits range from $30 to $50. Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nations or Métis customers, are eligible for a higher level of assistance of up to $75.
- The OEB has set the rate of the OESP charge that is applied to all customer electricity bills, effective January 1, 2016 at $0.0011/kWh. For a typical residential customer who consumes 750 kWh/ month, the OESP costs less than $1 per month.
- Applicants can visit OntarioElectricitySupport.ca to apply for the program, or call the contact centre at 1-855-831-8151 for questions or to receive a paper application.

ii. Removal of the Debt Retirement Charge (DRC) from residential bills – after December 31, 2015

- To help ease pressure on residential ratepayers, the government removed the cost of the Debt Retirement Charge from residential electricity bills after December 31, 2015. It is estimated that this saves a typical residential electricity ratepayer $5.25 per month, before tax, or about $65 per year.

iii. Low-Income Energy Assistance Program (LEAP)

- The LEAP strategy consists of three components:

1. Emergency financial assistance in the form of grants, applied directly to qualified consumers' electricity and/or natural gas bills since 2011.
2. Special, more flexible customer service rules implemented by electricity and gas utilities to help qualified low-income consumers through difficult situations.
3. Energy conservation programs to help qualified Ontario homeowners, tenants and social housing providers improve energy efficiency.

- In order to access financial assistance, special rules and conservation programs offered through the Low-Income Energy Assistance Program (LEAP) strategy, consumers must go through a social service or government agency. The agency will determine whether or not applicants qualify as low-income.

- To determine eligibility for LEAP's emergency financial assistance and customer service components, the OEB takes the Statistics Canada determination of low-income levels, Low Income Cut-Offs (LICOs) and adds 15%. The additional 15% raises income threshold levels, allowing more Ontario electricity consumers to qualify for help.

- Emergency financial assistance is only available once annually to low-income consumers who are behind on their bills and/or in arrears and facing disconnection. This funding is for emergency situations only and is not meant to provide ongoing assistance to pay bills.

Iv. OEB First Nations Rate Options Development

- In June 2016, the Ministry of Energy directed the OEB to examine and report back with advice on options for an appropriate electricity rate (or rate assistance) for on-reserve First Nations electricity consumers ("First Nations Rate").

- The OEB will investigate and report back to the Ministry on the following:

    - Options for the design, development and implementation of a First Nations rate.

    - Options for consideration regarding the cost and funding mechanism for the First Nation rate including potential impacts on existing electricity consumers, and on Ontario's transmission and distribution utilities.

    - Implementation issues including the identification of, and delivery of intake options for eligible consumers, program costs, potential barriers to implementation and uptake, and process mechanisms for reviewing and monitoring outcomes and measuring success.

- As part of the examination it is anticipated that the OEB will undertake outreach and engagement with First Nation communities and organizations. The report will be submitted to the Ministry no later than January 1, 2017.

v. *Ontario Rebate for Electricity Consumers Act*

- On Sept 15, 2016, the government introduced legislation that would bring into force the *Ontario Rebate for Electricity Consumers Act,* 2016 which would provide an eight per cent (8%) rebate on monthly electricity bills for nearly 5 million residential consumers, small businesses and farms. The Bill passed third reading on October 19, 2016 and is waiting to receive Royal Assent. It is scheduled to come into force on the later of January 1, 2017 and the day it receives Royal Assent.

- New measures that would take effect January 1, 2017, include:
    - A rebate equivalent to the provincial portion of the HST to reduce eligible residential, small business and farm electricity bills by 8% ($130 annually for a typical customer consumer 750 kWh per month)
    - Remote communities that are serviced by Independent Power Authorities are also eligible to receive the 8% rebate
    - Providing eligible rural ratepayers with additional relief, which when combined with the 8% rebate, will reduce total electricity bills of an average rural customer by $540 a year or $45 each month
- Empowering additional large electricity consumers to reduce bills by up to one third through the Industrial Conservation Initiative. Taken together, it will provide needed assistance to consumers of all sizes, and it targets support to those that need it most.
- The proposed 8% rebate and RRRP increase would be in addition to the existing programs that provide support to Ontario families in paying their bills.

vi. Other Initiatives

- Ontario Energy and Property Tax Credit (OEPTC) – Helps low- to moderate-income individuals and families, including seniors, with the sales tax they pay on energy and with property taxes. Qualifying individuals and families could receive a maximum benefit of $1,008 per year, and qualifying seniors could receive a maximum benefit of up to $1,148.
- Northern Ontario Energy Credit (NOEC) – A refundable tax credit for low- to middle-income individuals and families living in northern Ontario. The maximum annual credit for an individual is $146, and for a family (including single parents) is $224.
- Rural or Remote Rate Protection (RRRP) – Rate subsidy provided to rural and remote customers because the cost of distributing power to rural and remote areas is much higher than for urban areas.
- Community Homelessness Prevention Initiative (CHPI) – This initiative is administered by the Ministry of Municipal Affairs and Housing. It aims to address local priorities related to housing needs, which can include assistance with paying energy bills. For 2016-17, Ontario has invested $294M in funding for the program.

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Qs and As

Issue: **ELECTRICITY COSTS AND AFFORDABILTY**

Q. For over 100 years Ontario's reliable and affordable power helped build up this province. Now, Ontario residents are paying way more than our neighbours for electricity – and Ontario's manufacturing sector has been destroyed. Why do you continue to implement your expensive energy policies?

Our government continues to make the investments necessary to ensure a clean, reliable, and affordable electricity system for all Ontarians.

At the same time, our government is working hard to minimize the impact of these investments and help Ontarians manage their electricity costs. We've introduced a number of programs and have taken a number of steps to reduce ratepayer costs:

- Introducing the concept of planned flexibility, or planning the electricity system for a wide range of possibilities, but only committing resources as needs become clearer.
- Introducing wind dispatch to save ratepayers money through more efficient operation of the electricity system and changes to related IESO wind contracts.
- Renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by $3.7 billion
- Deferring the construction of two new nuclear reactors at Darlington Nuclear Generating Station, avoiding an estimated $15 billion in new construction costs.
- The updated Bruce refurbishment agreement has achieved $1.7 billion in savings for electricity customers when compared to the forecast in the 2013 LTEP, including deferring the first Bruce nuclear unit refurbishment outage to 2020 (instead of commencing in 2016, as envisaged in 2013 LTEP), to maximize value of the Bruce units. This means a reduction in forecast household electricity bills by about $66 each year over the next decade.
- Potential ongoing operation of the Pickering Generating Station up to 2024 would save ratepayers as much as $600 million.

The proposed *Ontario Rebate for Electricity Consumers Act*, 2016 would provide an eight per cent (8%) rebate for consumers eligible for the Regulated Price Plan. It would benefit an estimated 5 million families, farms and small businesses, with an average savings of about $130 annually or $11 each month.

The Bill passed third reading on October 19, 2016 and is waiting to receive Royal Assent. It is scheduled to come into force on the later of January 1, 2017 and the day it receives Royal Assent. That's less than two months from now.

The proposed legislation is one part of a comprehensive package of reforms that would provide benefits to all Ontario electricity consumers.

The second part of this package is for eligible rural customers, who face higher delivery costs than other electricity consumers. We are updating Rural or Remote Rate Protection to provide additional support.

This represents significant rate relief for approximately 330,000 eligible rural electricity consumers, and combined with the 8% rebate, will decrease total electricity bills for an average customer consumer 1,000 kWh per month by $540 a year or $45 each month.

As part of our comprehensive package, Ontario is proposing to expand the Industrial Conservation Initiative (ICI) program, opening it up to more than one thousand newly eligible customers with monthly peak demand greater than one megawatt, down from the 3 MW threshold. In addition, sector restrictions would be removed and smaller institutional and commercial businesses would be eligible to participate.

Expanding participation in the ICI program would reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods.

The Ministry of Energy is proposing to recycle proceeds from Ontario's cap and trade program to offset the impact of the program on industrial and commercial electricity consumers to keep rates affordable.

Under the proposed electricity price mitigation strategy, proceeds would be recycled to commercial and industrial consumers to ensure that cap and trade would result in a benefit to the average industrial and commercial customers.

Based on the projections in the recent IESO's Ontario Provincial Outlook (OPO), the cost of electricity services is expected to increase roughly in line with inflation.

On August 25, 2016, the Financial Accountability Officer (FAO) released a report indicating that home energy costs in Ontario are lower than many other Canadian provinces, including Atlantic Canada and Alberta. The report also concluded that from 2010 to 2014, Ontario experienced average increases in home energy costs relative to residents of other provinces.

Some provinces, notably Manitoba and Quebec, have much greater supply of water resources which support hydro- electric generation compared to Ontario, and this has a significant impact on electricity prices. Generating stations in hydro-rich provinces continue to operate long after their capital costs have been paid off, keeping prices down.

Q. Will First Nations receive the 8% rebate?

Like other low-volume consumers, Indigenous consumers are eligible for the 8% rebate. The proposed rebate will be available to all consumers eligible for the Regulated Price Plan (RPP) – this includes about five million residential consumers, including Indigenous consumers, small businesses, and farms.

The proposed rebate will provide 8% off total electricity costs before taxes.

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.

Those Indigenous consumers in the Hydro One R2 (low density) rate class will also be eligible for the expanded Rural or Remote Rate Protection program.

The Ministry has also requested that the Ontario Energy Board provide recommendations on developing a First Nations-specific rate assistance program. The Board's report is due to the Ministry by January 1, 2017.

Consumers in remote communities that are serviced by Independent Power Authorities are also eligible to receive the proposed 8% rebate.

Independent Power Authorities must enter into an agreement with the Ministry of Energy to administer the rebate.

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. Ontario residents, especially in rural areas, are finding their electricity bills are higher than ever. What is the government doing about this?

The government understands the financial pressures that rising hydro costs are putting on some Ontarians.

Our government continues to ensure a clean, reliable and affordable electricity system for all Ontarians.

The delivery charge on consumer bills includes the cost of delivering electricity from generating stations across the Province to homes and businesses via the high voltage (transmission) and low voltage (distribution) electricity systems and also includes the cost of distribution system losses.

The cost of distributing power to lower-density rural and remote areas is much higher than for urban and higher density areas.

To help offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations, eligible customers receive a credit on their bills under the Rural or Remote Rate Protection (RRRP) framework.

Electricity rates are set by the Ontario Energy Board (OEB).

The OEB is an independent regulator with a mandate to protect the interests of Ontario's electricity consumers.

The government has passed legislation that enhances the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection and reliability. The government recognizes that for low-income Ontarians, paying their electricity bill can be a challenge.

To ease this, the Ontario Energy Board (OEB) has developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

OESP credit amount qualified customers receive is based on household income and household size.

Monthly credits range from $30 to $50. Customers with unique electricity needs could be eligible for a higher level of assistance.

The government also removed the Debt Retirement Charge from residential electricity bills after December 31, 2015. This will save a typical residential electricity ratepayer who consumes 750 kilowatt hours per month about $65 per year.

Other assistance for low-income energy consumers is provided through the Ontario Energy and Property Tax Credit (OEPTC) and Northern Ontario Energy Credit (NOEC).

Q. I haven't heard about the OESP. Why isn't the government doing more to make people aware of it?

The Ontario Energy Board worked with Indigenous groups such as the Chiefs of Ontario and the Ontario Association of Native Welfare Administrators to identify an appropriate communications plan.

The OEB emailed a digital toolkit on OESP to all communities on Nov. 6, 2015. The suite of Indigenous communications products created included a program brochure and poster which was translated into Ojibway, Cree (Plains), Cree (Mushkegowuk), and Oji-Cree. Kits of 120-160 brochures and 6-9 posters were sent to all First Nation band offices, Friendship Centres and ONWAA on November 30, 2015. Two advertisement insertions were purchased in Turtle Island News, Manitoulin Expositor, Wawatay News and Mid-North Monitor in November, 2015. Radio adds about the program were run for four weeks in November and December 2015 and for three weeks in January 2016.

Q. Why are rural Ontarians paying such high delivery charges?

The delivery charge on consumer bills includes the cost of delivering electricity from generating stations across the Province to homes and businesses via the high voltage (transmission) and low voltage (distribution) electricity systems and also includes the cost of distribution system losses.

The cost of distributing power to lower-density rural and remote areas is much higher than for urban and higher density areas.

To help offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations, eligible customers receive a credit on their bills under the Rural or Remote Rate Protection (RRRP) framework.

RRRP provides rate protection for customers living in low-density areas– including Hydro One's R2 customers, customers of Algoma Power and customers of Hydro One Remote Communities and James Bay First Nation LDCs.

Q. How are electricity prices set? Is there a formal process?

The Ontario Energy Board is the independent electricity regulator for Ontario and is responsible for setting Regulated Price Plan (RPP) rates twice a year so Ontarians know what to expect.

RPP prices are based on a projection of the cost to supply electricity over the upcoming 12-month period and a forecast of electricity consumption.

Q. People are losing their access to electricity completely because of your ruinous energy policies. What do you have to say about the increasing number of disconnections?

The government understands the financial pressures that rising hydro costs are putting on some Ontarians.

The Ontario Energy Board (OEB), as the independent regulator of Ontario's energy sector, is responsible for regulating the disconnections process.

Electricity consumers enter into a contractual relationship with a utility for their supply of electricity and consumers are responsible for paying for the energy they consume.

Without this ability to disconnect non-paying customers, utilities could be faced with higher levels of delinquent payments, increasing the costs to all energy consumers.

The OEB has strengthened the customer service codes which govern utility actions regarding customers in default of payment.

Q. What are the rules for disconnection?

Disconnections are used as a last resort, since utilities are interested in maintaining all of their paying customers.

The OEB has strengthened the customer service codes which govern utility actions regarding customers in default of payment.

Utilities are responsible for providing at least ten days' notice prior to a disconnection, to allow the customer time to pay their outstanding balance. In instances where the customer is unable to pay the amount owed, they have the option to enter into a payment plan with the distributor.

Utilities are also required to make a reasonable effort to contact a customer a final time at least 48 hours before disconnection.

Q. Is disconnection allowed in the winter months?

Disconnection for non-payment of electricity bills is authorized under section 31 of the *Electricity Act, 1998*, and may include a disconnection during the winter months.

Similarly, the natural gas utilities may disconnect customers during the winter for non-payment of their bill.

In practice, utilities have always been very reluctant to disconnect residential customers during the winter, and try to work out compromises such as the installation of a load limiter or timed service interrupter. These devices limit the power available to the customer, and hence the utility's liability, but allow the customer to use a small amount of power.

The government has recently introduced measures that would, if passed, provide the OEB with the power to make rules or licence conditions respecting the periods of time during which gas or electricity utilities could not disconnect electricity or gas service to low-volume consumers.

Q. How many customers have been disconnected in the province this year?

The government understands the financial pressures that rising electricity costs are putting on some Ontarians and continues to work hard to help Ontarians manage their electricity costs.

Utilities began reporting in 2014 showing their 2013 data. This information is available to the public on request.

These figures show that on average a little over 1 per cent of residential customers (or about 54,000 customers) have been disconnected in each of the last three years.

As part of the OEB's commitment to consumer protection, we put into place robust rules that electricity utilities must follow if they disconnect a residential consumer.

Q. What are you doing to help families with electricity costs?

The government understands the financial pressures that rising hydro costs are putting on some Ontarians.

The government recognizes that for low-income Ontarians, paying their electricity bill can be a challenge. To ease this, the Ontario Energy Board (OEB) has developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

The OESP credit amount qualified customers receive is based on household income and household size.

Monthly credits range from $30 to $50. Customers with unique electricity needs could be eligible for a higher level of assistance.

The government also removed the Debt Retirement Charge from residential electricity bills after December 31, 2015. This will save a typical residential electricity ratepayer who consumes 750 kilowatt hours per month about $65 per year.

Other assistance for low-income energy consumers is provided through the Ontario Energy and Property Tax Credit (OEPTC) and Northern Ontario Energy Credit (NOEC).

Q. Many of our members weren't aware that they shouldn't be paying the Debt Retirement Charge. Now that it's no longer on bills, can they still get reimbursed for this?

Yes, First Nations on reserve can have up to 5 years of the debt retirement charge reimbursed.

Q. What is the Global Adjustment?

The cost of electricity is a blend of the wholesale market price known as the Hourly Ontario Energy Price (HOEP) and Global Adjustment (GA).

The vast majority of electricity generators in Ontario are contracted by the Independent Electricity System Operator (IESO) or regulated by the Ontario Energy Board (OEB). These generators are generally paid fixed prices for their output or have contractual minimum revenue requirements to cover their fixed costs.

Wholesale market prices are frequently insufficient to pay for these fixed prices and costs so the excess is collected through the GA. The cost of Ontario's conservation programs are also recovered via the GA. GA does fluctuate from month to month; however, the all-in commodity price is reasonably stable over time.

GA is calculated based on the difference between total costs related to generating electricity and market revenues from HOEP. These costs must be recovered and GA is the mechanism that does so.

GA reflects costs associated with contracted and regulated generation such as nuclear, natural gas and renewables, as well as the cost of conservation programs.

GA is a cost recovery mechanism as well as a charge paid by all electricity consumers in Ontario (i.e., it is included in the "Electricity" line on bills for consumers that participate in the OEB's Regulated Price Plan).

Q. Can you outline what ratepayers have been paying for global adjustment over the last year?

Historical data on the Global Adjustment (GA) is available on the Independent Electricity System Operator (IESO) website.