Rate Relief Plan – Draft Confidential Advice to Minister
Ministry of Energy – Questions and Answers
Date: February 21 – 22, 2017
Last reviewed: CRED, ESP, SNAP

Key Messages

- **We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we are moving forward with a plan that will ensure costs are shared more evenly.**

- **The new Rate Relief Plan will bring in more savings now through new initiatives that will cut costs directly on your energy bill.**

- **Ontario's Rate Relief Plan includes:**
  - **Refinancing the Global Adjustment (GA) over a longer term period for Regulated Price Plan (RPP) eligible consumers, including families, small businesses and farms.**
  - **Helping vulnerable electricity consumers by enhancing electricity support programs and shifting costs off the electricity bill. Eligible consumers will receive additional funding through assistance programs including:**
    - **Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and who have difficulty paying their electricity bills.**
    - **Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.**
    - **Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.**
    - **Establishing a new On-Reserve First Nations Delivery Rate.**
  - **Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).**

- **If passed, proposed legislation would mean that starting in [X], the average residential electricity bill would be [X]% lower.**

- **We'll do this by changing the way electricity costs are recovered and moving funding for assistance programs off of hydro bills.**

- **This plan is the biggest rate reduction in Ontario's history. It recognizes that the decision to invest in a clean, modern and reliable was the right one – but that the costs of this decision should not be put on today's electricity bills alone.**

Commented [EmmaSP1]: Is a Spring LTEP release decided? Policy understanding is that the working LTEP date is now "Spring/Summer 2017" – there are 4 instances of "Spring" throughout the document

Commented [BR(2]: Hyperlink to Ontario.ca/raterelief

Commented [LL(3]: Will link to backgrounder

Commented [LL(4]: Link to backgrounder

Commented [MB5]: Link to backgrounder

Questions and Answers

Top Line

Q. How much will all these initiatives cost Ontarians?

This spring, we will be releasing the 2017 Long Term Energy Plan (LTEP) which will include a projection of where we think we are headed.

This rate relief plan includes changing some funding sources and recovering other costs over a longer time period. Additionally, program expansions are forecasted to cost an additional $[X].

Q. Has the government already factored in the costs of these programs in its Budget planning process? How will this affect the province's bottom line?

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.

[MOF X]

Q. Will Local Distribution Companies (LDCs) be changing how they present their bills to customers to reflect these new measures? Will Local Distribution Companies be able to handle all the changes?

Most of the components of our rate relief plan do not require adjustments to the residential bill. We will work with the Ontario Energy Board and Local Distribution Companies (LDCs) to ensure those adjustments that are necessary 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).

Q. Why aren't you targeting relief to those who need it most instead of providing breaks to everyone?

We understand rising electricity costs are a concern for all Ontarians and appreciate that low-income Ontarians feel it even more. This will reduce bills for everyone, and ensure these programs continue to serve those in need.

For those most in need, low-income programs like the Home Assistance Program provide efficiency upgrades at no cost to help customers reduce future electricity bills and avoid future disconnections.

GLOBAL ADJUSTMENT (GA)

Q. What changes are you making to the GA? Why spread these costs over a longer period? How many years will ratepayers be paying back the GA debt that will be accumulated due to GA refinancing? Can you give any guarantees as to how long and how much ratepayers will be paying in the future?

Commented [TI6]: Detailed answer needed.

Our plan is putting a forward a plan that will ensure these costs are share more evenly through the years ahead.

If passed, proposed legislation would mean that starting in July, the average residential electricity bill would be [X]% lower. Cost impacts are based on a forecast for a household connected to Toronto Hydro that consumes 750 kWh per month. Actual ratepayer savings would vary due to differences in consumption patterns.

GA refinancing would spread these costs over a longer period and provide immediate ratepayer relief. By recognizing that generation assets are expected to continue to provide residual benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.

This spring, we'll release the 2017 LTEP which will include a projection of where we think we are headed.

Q. Will all ratepayers (residential, commercial, industrial) benefit from the changes to the GA? If so, what kind of savings will a typical ratepayer see on their monthly bill?

Electricity consumers that are eligible for the Regulated Price Plan will benefit from the changes we are making to the Global Adjustment charge.

If passed, the proposed legislation would mean a typical residential, small business or farm would see a bill reduction of $[X] over the next [X] years.

Medium-size and large businesses, who are too large to be eligible for the RPP and too small to qualify for the Industrial Conservation Initiative (ICI), will not benefit from the GA refinancing. [TBD language on Class B mitigation].

Q. How will the changes to the GA impact its relationship with the Hourly Ontario Electricity Price (HOEP)? Are there impacts that could affect pricing for certain customers?

The function of the wholesale electricity market will not change and the Hourly Ontario Electricity Price will continue to be set as normal.

[TBD language on total rate increase].

Q. How will the debt from GA financing be paid back? What accountability will be in place to ensure it is managed with the proper accountability and transparency?

Leveraging the expertise of both companies, the government intends to introduce legislation that enable the IESO and Ontario Power Generation (OPG) to work together to finance the global adjustment over a longer period of time.

If asked for more detail on technical aspects of how GA will be paid back:

[X]

Q. Why was OPG chosen as the entity responsible for the GA financing?

OPG has the necessary expertise to assist with the refinancing of the GA.

OPG currently manages an $18 billion nuclear fund and can use its infrastructure and expertise in this field to help administer the GA financing.

As an entity regulated by the OEB, OPG also has extensive experience with regulatory deferral and variance accounts.

Q. Who will be responsible for the accumulated debt of GA financing? The ratepayers or the taxpayers? Will it contribute to the province's debt?

[MOF X]

Q. How are you making these changes to the GA? Are they a result of legislative changes? Regulatory changes?

To assist in the implementation of the GA smoothing initiatives, amendments will need to be made to the *Electricity Act, 1998* (EA) and the *Ontario Energy Board Act, 1998* (OEBA).

Any changes would be made following the appropriate legislative and regulatory procedures and approvals.

ELECTRICITY SUPPORT PROGRAMS: OESP, RRRP, LDC Affordability Fund, On-Reserve First Nations Rate

Q. The new Rate Relief Plan will also bring savings to Ontario consumers through electricity support programs. What are these programs and who will benefit?

- [See Key Messages on Page 1]

Q. What is the Ontario Electricity Support Program (OESP)? Who is currently eligible to receive the OESP and how much does the average household receive?

OESP monthly credits range from $30 to $50. A household receiving the lowest OESP credit would receive $360 per year off their bills, or $425 per year when combined with the removal of the Debt Retirement Charge (DRC).

Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nation, Inuit, and Métis customers are eligible for an enhanced amount, which ranges from $45 to $75 per monthly bill.

Q. How is the Ontario Electricity Support Program (OESP) currently funded? How will that change? And why are you now shifting the cost to government funding?

Programs designed to support customers that are most vulnerable to increasing electricity costs will shift from the hydro bill to government funding, recognizing they are for the common good. This includes the Ontario Electricity Support Program (OESP) and Rural and Remote Rate Protection (RRRP).

The new LDC Affordability Fund and the On-Reserve First Nation Delivery Rate will also be delivered using government funding. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q. How much more will the monthly on-bill credit be as a result of today's announcement?

OESP program benefits will increase across the board by 50%.

If passed, the proposed legislation would mean that single low income consumers eligible for the lowest credit amount will receive $45 per month, an increase from the current $30, or an increase of $180 per year. For the enhanced credit, the lowest credit amount would increase from $45 to $68, or an annual increase of $276.

Q. Where will this money come from? How is this different from the current OESP funding model?
Today's announcement means that greater focus and support can be placed on lower income Ontarians by enhancing the OESP through government funding, including a 50% increase in OESP credit amounts across the board.

This change will reduce costs for all consumers as a result of eliminating the OESP charge:

- Average residential customer savings: $0.83/month; and
- Average industrial customer savings: $1.10/MWh.

Q. When will I see the additional credit on my electricity bill?

[X]

Q. Will the additional credit be applied retroactively, i.e., to the date I received my first OESP credit?

The OESP started January 1, 2016, when the Ontario Clean Energy Benefit (OCEB) ended.

The program enhancements will not be retroactive for existing OESP recipients. However once in effect, those customers will begin receiving the enhanced credit.

Q. Can consumers who did not sign up for the program when it was launched in November 2015 sign up now? What is the deadline?

Customers can apply for the OESP any time.

Q. How are you making these changes to the OESP? Are they a result of legislative changes? Regulation changes?

Changes to the OESP will be made through amendments to the *Ontario Energy Board Act, 1998* (OEBA). Regulatory amendments will be required to address program details.

Commented [SB(7]: TBC with LSB.

Q. What further changes are you now making to the RRRP as a result of today's announcement?

Delivery Charge Relief will be provided for the customers of the local distribution companies (LDCs) with the highest delivery charges.

Delivery Charge Relief will be broadened to harmonize distribution costs at the lowest rate amongst the eligible LDCs – eliminating some of the inequities caused by variation in distribution rates across the Province. This is projected to limit distribution charges to roughly $38/month – providing Delivery line relief for over 700,000 residential customers.

Customers eligible to receive support are customers of …

Commented [MS8]: LDCs TBD

Q. Where will this money come from? How is this different from the current RRRP funding model?

RRRP funding is currently collected from all Ontario electricity customers through a regulated charge. To help reduce costs for all customers, RRRP and the broadened Delivery charge relief will be funded through the tax base instead of on electricity bills.

Q. How will enhancing the RRRP through government funding reduce costs?

Commented [TI9]: No good answer.

Q. When will I see the additional savings on my electricity bill? Will the additional savings be applied retroactively, i.e., to the date I received my initial RRRP rebate?

Legislation is required to implement this program. If passed, the Ministry will work with the Ontario Energy Board (OEB) and affected LDCs to work through implementation details.

Q. How are you making these changes to the RRRP? Are they a result of legislative changes? Regulation changes?

Changes to the RRRP will be made through amendments to the *Ontario Energy Board Act, 1998* (OEBA). Regulatory amendments will be required to address program details.

Q. How will industrial customer be affected by this RRRP enhancement?

Industrial customers will not be affected by this RRRP enhancement, though they will experience cost decreases as a result of a reduction in the RRRP regulated charge that all customers currently pay.

Q. Can you provide more details about the LDC Affordability Fund? Who will be eligible to receive funding and how much will the average household receive?

Commented [TI10]: How much the average household will receive is not answered.

We recognize that there are other electricity customers who are in need but do not qualify as low-income under the Home Assistance Program. These electricity customers will be eligible for additional support for energy efficiency measures through the LDC Affordability Fund.

The LDC Affordability Fund would provide LDCs with an additional tool to help customers who are not eligible for the existing low-income conservation program

Q. How are you establishing the LDC Affordability Fund? Is it a result of legislative changes? Regulation changes?

Legislative or regulatory changes are not required to establish the LDC Affordability Fund.

The province would enter into an agreement for the program to be delivered through LDCs. LDCs are best positioned to identify and target their customers who would benefit from this program.

Q. Can you provide more details about the On-Reserve First Nations Rate? Who will be eligible to receive funding and how much will the average household receive?

This program would help mitigate electricity costs for low-income consumers and support the redress of historical grievances.

The government intends to introduce legislation to implement this program. If passed, this would result in an average monthly benefit of $85/month for the roughly 21,000 eligible customers, to be funded through government funding.

Q. How will the On-Reserve First Nation Rate be funded? Where will the money come from?

We will be helping the most vulnerable consumers by enhancing electricity support programs and shifting cost to government funding.

Q. How are you establishing On-Reserve First Nation Rate? Is it a result of legislative changes? Regulation changes?

Changes to the OESP will be made through amendments to the *Ontario Energy Board Act,* Legislation and Regulations will be required to implement this program. If passed, the government will work with the Ontario Energy Board and affected LDCs on implementation details.

Q. Can the new On-Reserve First Nations Rate be combined with the OESP?

These programs will be treated as distinct, as they are designed to address different energy cost issues. Thus, customers eligible for both programs will receive credits under both programs.

<u>MARKET RENEWAL</u>

Q. Can you provide details on what the OEB will be doing to help lower future costs?

The Ministry of Energy has asked the OEB to look at opportunities to further drive LDC efficiencies and productivity. In parallel, the OEB has been instructed to review business cases behind its own regulatory requirements to reduce “red tape” and eliminate costs that LDCs indicate are creating pressures on operating expenses.

Q. We have already heard the Minister speak about the need for market renewal. What has been done to move forward these initiatives?

Through the work of the Electricity Market Forum, the Market Surveillance Panel, IESO studies, and stakeholder input, we have been able to identify areas of our electricity system that could improve their efficiency.

Cost savings are expected to be achieved through the better utilization of existing assets, greater competition among resources, a reduced need to build new resources, and a more flexible and cost-effective procurement process that will better reflect system needs.

ADVERTISING

Q. How much is the government spending on advertising for this latest round of price mitigation initiatives?

The cost of advertising for these new initiatives is $[X].

For the LDC Affordability Fund, targeted outreach is planned, as opposed to broad marketing, to ensure that support is delivered to customers who need it most.

ELECTRICITY TRADING

Commented [TI11]: Consider removing

Q. What kind of impact will importing Québec electricity have on our electricity system?

The imported electricity from Québec is clean hydro power, and its use will be targeted to specific hours in which natural gas would otherwise have been used in Ontario.
By using clean hydro power from Québec, electricity sector greenhouse gas (GHG) emissions in Ontario are expected to be reduced by approximately 1 megatonne per year from 2017-2023.

ELECTRICITY PRICING IN OTHER JURISDICTIONS

Commented [TI12]: Consider removing

Q. What is the current status of industrial electricity prices in Ontario? How do prices compare to other North American jurisdictions?

Over the forecast period, the average annual increase in consumers' costs are generally in-line with expected inflation, which averaged about 1.8% over the last ten years (2007-2016).

The National Energy Board's *Energy Futures* 2016 report projects that industrial electricity prices are expected to increase in most provinces through 2032.

Indicative industrial electricity prices in Ontario are currently within five per cent of the United States average as reported by the U.S. Energy Information Administration.

According to 2013 Long-Term Energy Plan (2013 LTEP), the typical industrial electricity price is projected to increase on average by 2.7% per year in the five-year period from 2017 to 2021 inclusive, and by 1.4% per year from 2017 to the end of 2032.

PUBLIC SECTOR SALARY DISCLOSURE – ENERGY AGENCIES

Commented [TI13]: No mention of Brown's recent comparison of Quebec executives making $400,000 compared to 4Mil here.

Q. Electricity bills are rising for Ontario families. How does the Province justify the high salaries of executives at Ontario Power Generation (OPG), the Independent Electricity System Operation (IESO) and the Ontario Energy Board (OEB)?

Ontario's electricity sector requires committed, highly skilled professionals and trained workers. The salary levels reported reflect this.

The Provincial legislative compensation restraints to manage compensation are working. Total salary expenses paid to the top 10 earners in the electricity sector have declined by 21% in 2015 from 2009.

Q. How much do the executives at Hydro One make? Why are Hydro One executive salaries not captured under the *Public Sector Salary Disclosure Act*?

As a publicly traded company, Hydro One is no longer required to report salaries of employees earned after December 31, 2014 under the *Public Sector Salary Disclosure Act*.

POLITICAL QUESTIONS

Q. Aren't you just artificially lowering rates, precisely what you have accused the former government of doing?

Commented [TI14]: Unlike initiatives by previous governments, this is a long-term plan.

Our plan is putting a forward a plan that will ensure these costs are share more evenly through the years ahead.

Commented [TI15]: No good answer.

Q. So this doesn't actually lower the total costs it just pushing the costs on Ontarians in the future? Is that fair?

The costs of this decision should not be put on today's electricity bills alone. If passed, the proposed legislation would mean GA refinancing would spread costs over a longer period while providing immediate ratepayer relief.

Q. Aren't you just hiding the debt financing from the governments books to make yourselves look good about balancing the budget?

Ontario Power Generation (OPG) was chosen as the entity responsible for GA financing because they have the necessary expertise to do so. OPG currently manages an $18 billion nuclear fund and can use its infrastructure and expertise in this field to help administer the GA financing.

Q. Will people actually see a X% discount on their bills?

If passed, proposed legislation would mean that starting in July, the average residential electricity bill would be [X]% lower. Cost impacts are based on a forecast for a household connected to Toronto Hydro that consumes 750 kWh per month. Actual ratepayer savings would vary due to differences in consumption patterns.

Q. This doesn't actually structurally change any of the things that have led to the runaway cost increases in the electricity system…

Commented [TI16]: Market renewal will be one of the biggest structural changes to this system.

The objective of IESO's Market Renewal Project is to implement changes to achieve material efficiencies in the near and longer term with minimal disruption to market participants. The initial findings from the Market Renewal benefits case show potential for cost savings that will be realized by both consumers and market participants.

Better utilization of existing assets, greater competition among resources, a reduced need to build new resources, and a more flexible and cost-effective procurement process that will better reflect system needs.

Q. Aren't you just undoing a problem of your own creation, your government created the Green Energy Act, your government approved refurbishment of nuclear plants.

While political decisions, by parties of all colour and stripe, gave rise to these challenges, it is our Government's intention to reshape the foundation of the electricity sector to ensure that hydro costs are reduced for ratepayers going forward. Our government understands that at it's core, Ontario's renewable procurements were absolutely the right policy. In this case, however, how we implemented those policies led to a number of sub-optimal outcomes.

Q. Why don't you just cancel the expensive and unneeded nuclear refurbishment?

Nuclear power forms the backbone of the safe, clean, reliable and affordable electricity system we've built here in Ontario. The upgrade of Ontario's nuclear fleet will ensure we have safe, reliable, emissions-free energy where and when we need it. Refurbishing Ontario's nuclear capacity will create almost 25,000 jobs and generate annual economic activity of $5 billion.

Q. Why don't we just buy all our power from Quebec?

While we import some power from Quebec, Quebec does not have enough capacity to export to Ontario year-round; according to Hydro Quebec themselves, during winter electricity demand peaks, they already use their full capacity.

Q. You talk about helping those who need it most but the major changes here will disproportionately benefit wealthier people who use more electricity, how do you reconcile this?

We understand rising electricity costs are a concern for all Ontarians and appreciate that low-income Ontarians feel it even more.
These programs have social value and benefit vulnerable people across Ontario.
This will reduce bills for everyone, and ensure these programs continue to serve those in need. We recognize that there are other electricity customers who are in need, but who do not qualify as low-income, and are addressing this through the Rate Relief Plan.